ProCredit HOLDING

ANNUAL REPORT AS OF 31 DECEMBER

2023





OUR MISSION

We strive to be the leading SME bank in our markets following sustainable and impact-oriented banking practices. In doing so, we want to generate long-term sustainable returns and create positive impact in the economies and societies we work in.



Financial year in brief

IMPROVED MARKET POSITION



- Loan portfolio growth at 3.7% (excluding PCB Ukraine) and 1.9% at group level
- Strong positioning of ProCredit banks reflected in deposit growth of 15.3%
- Growth in retail deposits by around EUR 500 million or 18% underlines success of our Direct Banking strategy
- CET 1 capital ratio improved by 0.8 percentage points over previous year to 14.3%; leverage ratio at 8.8%

FINANCIAL PERFORMANCE AT HISTORICALLY STRONG LEVEL



- Best financial result in group's history: return on equity at 12.2%
- Almost all ProCredit banks with improved financial figures and RoE above 10%
- Profit before tax and loss allowances up 35% from previous year, particularly due to stronger net interest margin (3.6%)
- Cost efficiency further improved: cost-income ratio improved by 4.1 percentage points over previous year to 59.9%

STRONG FOCUS ON SUSTAINABILITY



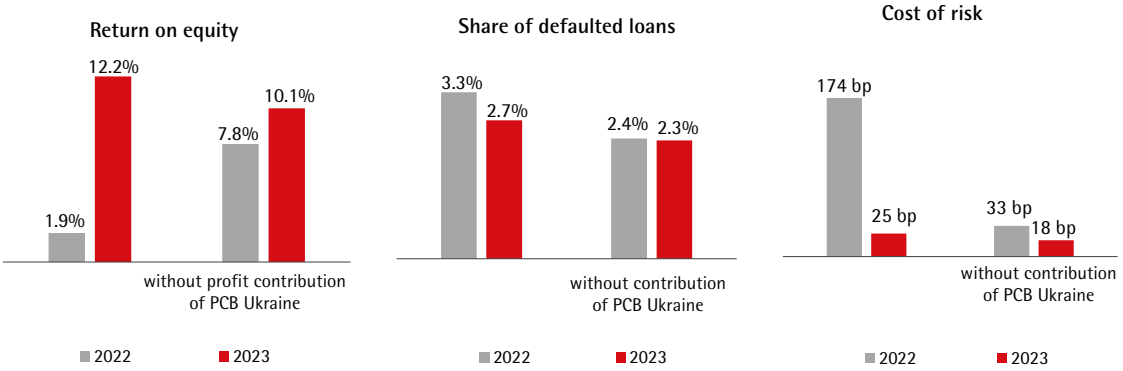
- Green loans reached EUR 1,268 million, representing 20.4% of total loan portfolio
- 36% of green portfolio for renewable energy
- Our own solar park, ProEnergy, with peak capacity up to 3MW
- Six head offices of our institutions already awarded EDGE certification for green buildings
- Strategy defined for reaching net zero; reduction target set using Science Based Targets Initiative (SBTi); new targets set for client engagement to achieve net zero

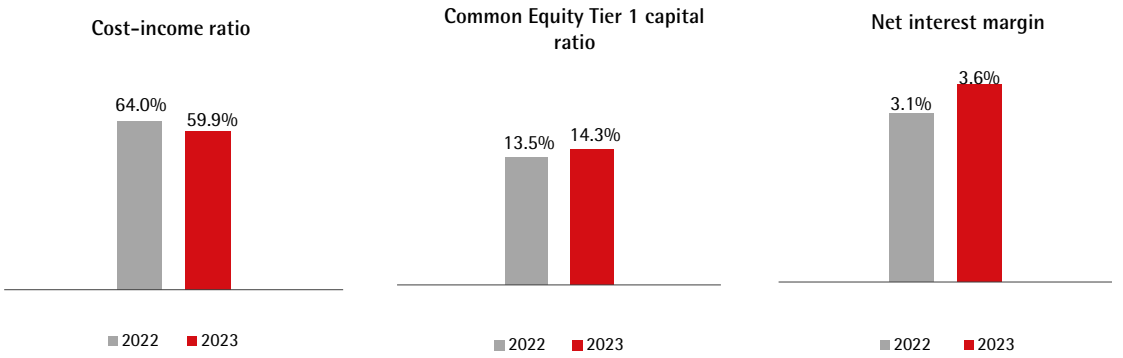
GUIDANCE FOR 2024 AND MEDIUM-TERM OUTLOOK

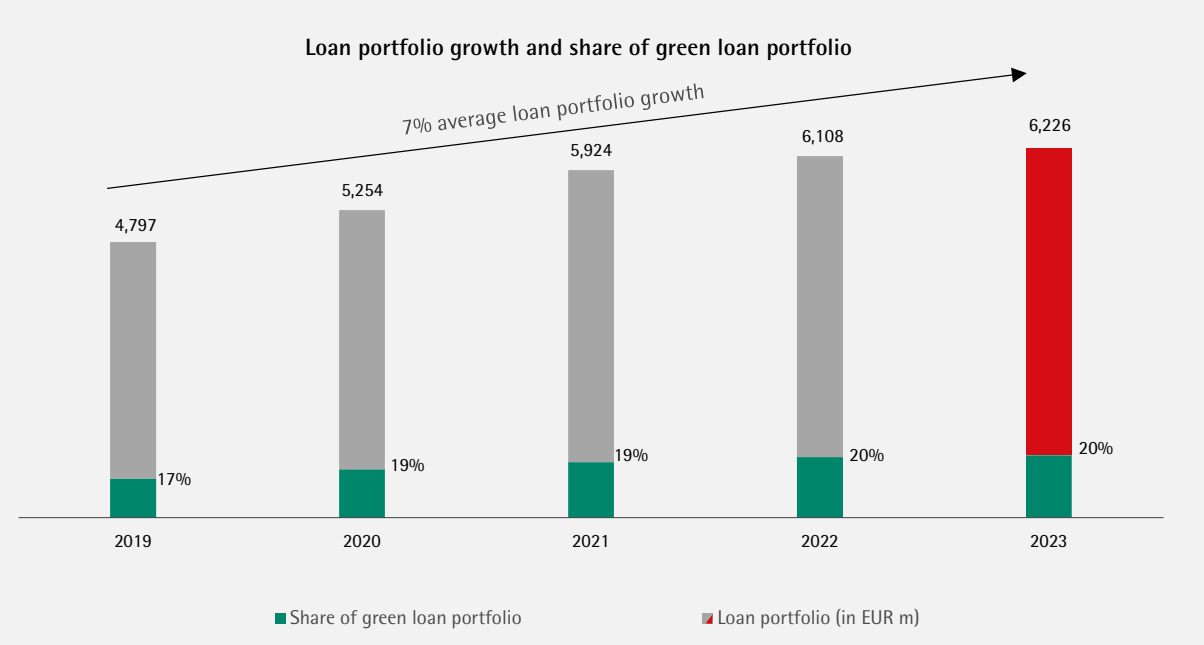


- Return on equity for 2024 in the range of 10-12%, with a cautious cost-of-risk assumption of up to 40 basis points
- Substantial expansion of market position planned in the coming years: loan portfolio to exceed EUR 10 billion in the medium term
- Medium-term guidance for return on equity: 13-14% with a cost-income ratio around 57%; Ukraine business with additional upside potential

Key financial figures



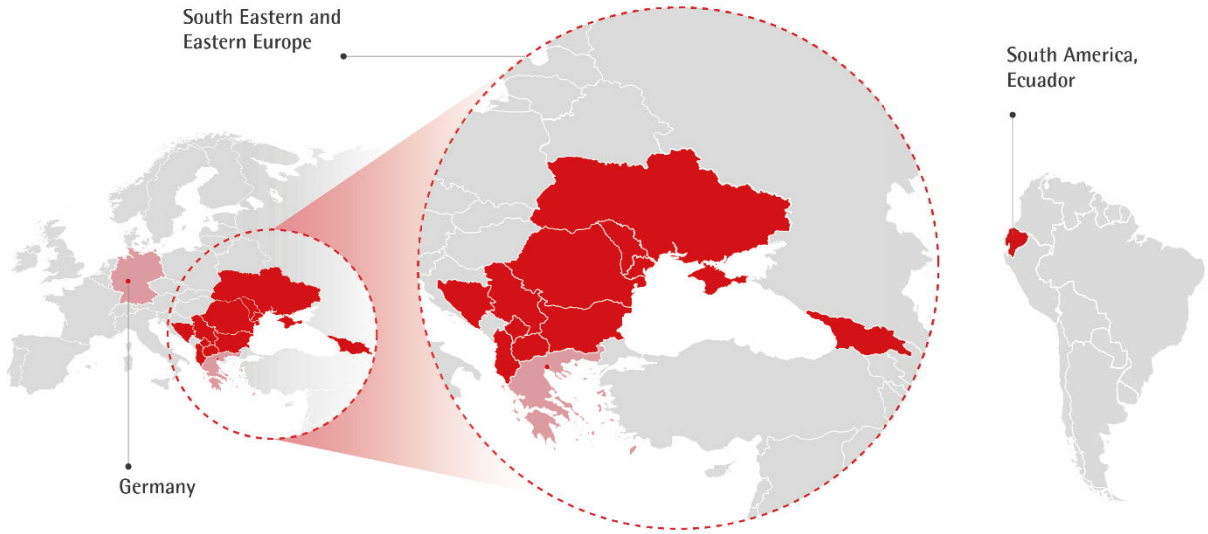




Fitch: **BBB** (stable)	MSCI ESG: **A**	ISS ESG: **Prime B-**

Key financial figures

	Loan portfolio (EUR m)	Change in loan portfolio	Share of defaulted loans	Number of staff
Albania	265	5.3%	2.2%	170
Bosnia and Herzegovina	298	4.5%	1.8%	203
Bulgaria	1,517	6.0%	0.8%	507
Germany	43	-19.7%	0.0%	75
Ecuador	482	-3.3%	6.9%	334
Georgia	402	0.2%	3.1%	281
Kosovo	748	10.9%	1.3%	342
Moldova	175	-0.3%	3.2%	150
North Macedonia	508	7.1%	2.0%	221
Romania	383	9.1%	1.4%	172
Serbia	908	-2.2%	3.6%	418
Ukraine	497	-14.6%	7.3%	334



Sustainability targets and achievements as of end-2023

ALREADY OVER 20% GREEN LOAN PORTFOLIO, AIMING AT 25% IN THE MEDIUM TERM



- Share of green loan portfolio to reach 25% in the medium term
- More than EUR 2 billion in green loans disbursed over the past ten years
- Total installed capacity for photovoltaic projects reached 162MW, supporting the transition to sustainable energy
- Renewable energy portfolio grew in 2023 by 12%

NET ZERO BY 2050



- Following the best current practices and SBTi advice, we upgraded our carbon neutrality objectives and defined a fully fledged strategy to reach net zero by 2050
- As the first step in this strategy, we defined our near-term targets using SBTi methodology:
    - 42% reduction of our Scope 1 and 2 emissions by 2030 (compared to 2022), by investing in clean energy and electric vehicles
    - Through our engagement approach for Scope 3 targets, we support the clients responsible for 28% of the emissions in our portfolio in setting their net-zero goals by 2027
- Nine ProCredit institutions have rooftop photovoltaic systems (installed peak capacity around 449 kWp)
- 45% of our vehicle fleet is electric, 16% is (plugin) hybrid and 20% is hybrid
- Our own solar park, ProEnergy, began operations with a capacity up to 3MW

OUR APPROACH TO ESG REPORTING

ProCredit discloses ESG-related information in the Annual Report for the ProCredit group and in the ProCredit Impact Report Package. The ProCredit Impact Report complies with Global Reporting Initiative (GRI) requirements, and the ESG section in the Annual Report follows the approach set in the European Sustainability Reporting Standards (ESRS). A double materiality assessment in accordance with the Corporate Sustainability Reporting Directive will be conducted in 2024. The materiality assessment performed in accordance with GRI serves as a basis for the 2023 publication (see ProCredit Impact Report Package 2023). As a first step, the E1 "Climate change" and S1 "Own workforce" standards were identified as relevant with the help of this analysis, and these are published in the Annual Report. Reporting on further ESRS standards is to follow in the publication for 2024.





Above: Head office of ProCredit Bank Serbia in Belgrade
Below: ProEnergy solar park in Kosovo

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LETTER OF THE MANAGEMENT BOARD

Throughout our twenty-five-year history, we in the ProCredit group have always shown a great ability to adapt to ever-changing and often volatile environments. ProCredit's key strength is our people: Our carefully selected, well-trained staff and managers feel a strong commitment to the distinctive impact orientation of the group that is palpable at every level. This dedication is manifest in our shared efforts to help SMEs navigate the new challenges they are facing, such as maintaining access to EU markets, coping with regulatory requirements and strengthened financial market formalisation, and adapting to climate and social risks. As we pursue this mission, we wish to play a key role in the transformation of an entire region at a time when the need for European unity to achieve sustained peace and prosperity – and defend human rights – could hardly be more urgent.

The year 2023 was historic for the ProCredit group in many ways. We dealt successfully with the challenges of 2022, where we witnessed profound human tragedy and financial turmoil arising from the war against Ukraine. Today, the financial, capital and liquidity position of the ProCredit group is stronger than ever. We see notable improvements in profitability and cost efficiency at nearly all of our banks, which validates our approach to sustainable profitability and positive impact orientation. The group's RoE stands at 12.2%, which means we were able to immediately deliver on our new medium-term target set in March 2023. Business has developed positively, especially with respect to deposits, which grew by a record EUR 965 million or 15.3% since the beginning of the year, with a substantial contribution from the strategically important retail segment. Admittedly, credit growth was comparatively moderate at 1.9%. In the context of our new business strategy, we see business development in 2023 as an interim step to prepare for more ambitious growth targets.

Good financial and business results were not the only successes in 2023. In September we finalised the change in ProCredit Holding's legal form to a joint stock corporation. The new structure makes us more agile, leaner and more attractive in the capital market. At the same time, we view this new configuration as the next logical step in our capital market trajectory. We are also pleased about the expansion of our Supervisory Board: besides Rainer Ottenstein, Dr H.P.M. (Ben) Knapen, Helen Alexander and Jovanka Joleska Popovska, who are all deeply familiar with the group, the board is now complemented by Berna Ülman, Karin Katerbau, Dr Jan Schroeder-Hohenwarth and Nicholas Tesseyman. Their expertise will be invaluable in supporting and monitoring the progress of the group in light of our new strategic priorities. Not least, we remain grateful to our main shareholders for their long-standing role in building this banking group, which has a unique impact on so many levels and positively affects the lives of so many people.

As a further mark of success for 2023, the bank in Ukraine achieved, despite all odds, remarkable deposit growth of EUR 98 million or 15.9%, underlining the confidence in our institution and our strong positioning in that market. The bank's solid result for the year, with an RoE of 28%, indicates that a portion of the allowances established in 2022 were set at a cautious level and also that the portfolio continues to be managed very professionally. In addition, we would like to congratulate our Ukrainian colleagues for attaining EDGE Green Building certification for their head office, the first building in the entire country to receive this distinction.

In Kosovo, we inaugurated our solar park, ProEnergy, which will generate clean energy for close to 500 households and thereby contribute to the clean development of the region. ProCredit Bank Ecuador became the first bank in the group to publish its very own Impact Report, with a particular focus on gender diversity. In another first, in 2023 we quantified the positive impact of our banking activities in terms of both the

number of women-led SMEs supported and the general employment of women through our SME clients. On this basis, we defined our first Gender Action Plan to strengthen and structure our support for women empowerment. In addition, ProCredit was asked to represent the Finance Leadership Group on Plastic in the third Intergovernmental Negotiating Committee, at which the UN member states worked to develop an internationally binding instrument to end plastic pollution. These are just some of the many success stories illustrating that 2023 was also a successful year for our group from the perspective of impact orientation.

The good results achieved in 2023 provide a strong tailwind for the future. We will continue to bolster our business development and maintain sustainable profitability levels through our updated business strategy, which aims to significantly grow our business in the SME and retail segments, to increase our banks' presence in the market, and to enhance our positive impact through scale and innovation. To achieve this, we will further streamline lending processes by vesting our banks with more decision-making power, which will make us more agile and better able to serve a wider range of SME clients. We also want to expand our positioning for private customers by offering services to the broader population in our markets and providing them with our full range of banking services. At the same time, we want to set an example in our markets as a responsible lender, one that bases lending decisions on the repayment capacity of borrowers and charges prudent, transparent interest rates while promoting a culture of saving and financial responsibility. In order to drive these initiatives forward, we will invest heavily in our people, IT and marketing. With expanded presence, our goals in the medium term are to broaden our impact, improve cost efficiency and provide a sustainable return on equity of around 13 – 14% for our investors.

We strongly believe that what makes ProCredit unique and what justifies our existence in a world of thousands of banks and financial institutions is our never-ending reflection on the impact of our actions and operations on the environment. Furthermore, we are convinced that our impact orientation seamlessly complements our business approach, which is why we will continue to set standards for ESG topics in the future as well. Here, we have ambitious targets for the future, such as achieving net zero emissions for our loan portfolio overall. In our countries of operation, we will continue to drive the ESG transition – not just on paper, but through real action and engagement with our clients. To achieve our net zero commitment, we have already identified the clients in our portfolio who contribute most to our Scope 3 emissions. Going forward, we will support them in their efforts to accurately measure their CO_2 emissions, set specific emissions-reduction targets in accordance with SBTi standards, and navigate the green transition with our tailored banking services and expertise in green investments. Additionally, we will continue to work on reducing our Scope 1 and 2 emissions, increase the share of green loans in our portfolio, and invest in comprehensive ESG training for all our staff.

2024 will inevitably be influenced by the precarious security situation in Europe and the Middle East. We remain hopeful, however, that the European continent will continue to converge on a political level in light of these crises and are encouraged by the fact that almost all our countries of operation have EU candidacy status. Until then, we see ourselves as an effective ambassador of the "European Idea" and as an important link between European institutions and the SME sectors in our markets.

Once again, we would like to express our sincere thanks to our employees, whose dedication and motivation were crucial to the very good results achieved this year. Their unwavering commitment to doing the right thing characterises how we work together for the common good of the banks and our clients alike in the spirit of our impact orientation.

Lastly, we would like to thank Sandrine Massiani for her passionate work as a member of the Management Board of ProCredit Holding. Her selfless dedication to the group leaves behind an important legacy that will continue to shape our approach to staff and our impact orientation for many years to come.

Frankfurt am Main, March 2024



Hubert Spechtenhauser
on behalf of the Management Board of ProCredit Holding





Above: 24/7 Zone in Batumi. ProCredit Bank Georgia
Below: Rroni Fer, production of wire meshes, cutting and bending of steel reinforcements, and processing of high carbon steel. Client of ProCredit Bank Kosovo

PROCREDIT HOLDING SUPERVISORY BOARD REPORT

Dear Shareholders,

In the following, I would like to inform you about the work undertaken by the Supervisory Board ("**Supervisory Board**") of ProCredit Holding AG & Co. KGaA / ProCredit Holding AG ("**ProCredit Holding**" or "**Company**") in the 2023 financial year.

With the Company's conversion of its legal form (*Rechtsformwechsel*) from a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) to a stock corporation (*Aktiengesellschaft*) having become effective on 27 September 2023 ("**Conversion**") the legal and statutory basis for the Supervisory Board's composition, its members and its areas of responsibility partially changed.

The Supervisory Board before the Conversion

In the 2023 financial year, before the Conversion, the Supervisory Board consisted of six members; its work was supported by its Risk- and Audit Committee and its Nomination Committee.

The Supervisory Board and its committees ("**Committees**", each a "**Committee**") performed their respective tasks as defined by the law, the Company's Articles of Association and the Supervisory Board's and the Committees' respective Internal Rules of Procedure, in particular:

- they continually advised and supervised the activities of ProCredit General Partner AG (*Komplementär*) ("**General Partner**") and its management board ("**Management Board**" or "**Management**");
- they examined whether the annual financial statements of ProCredit Holding and the ProCredit group, the other financial reports as well as the non-financial reporting were in compliance with the applicable requirements;
- the Supervisory Board approved decisions for which its consent was required following careful review and consultation.

Composition of the Supervisory Board and working relationship between the Supervisory Board, the Committees and the General Partner

The composition of the Supervisory Board and its Committees complied with all statutory requirements, specifically with those of the German Stock Corporation Act (*Aktiengesetz*), the German Banking Act (*Kreditwesengesetz*) and the standards of good corporate governance. The suitability of each member has been examined by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - **BaFin**), and was monitored by the Supervisory Board with the support of the Nomination Committee. The suitability assessment comprises the necessary expertise, reliability, and time availability of each individual member. In addition, the necessary knowledge, skills, and experience of the Supervisory Board as a whole have been assessed.

The chairperson of the Supervisory Board and the chairperson of the Risk and Audit Committee were independent in accordance with the relevant Internal Rules of Procedure and the German Corporate Governance Code.

In the 2023 financial year, before the Conversion, the Supervisory Board and the Committees regularly advised the General Partner on the management of ProCredit Holding and continuously supervised its conduct of business. The Supervisory Board concluded that the management of the Company was lawful, proper and appropriate.

The meetings of the Supervisory Board and its Committees featured open and intensive exchanges of information and opinions. The General Partner fulfilled its duty to inform the Supervisory Board and the Committees and provided regular written and oral reports with prompt and comprehensive information on all issues of relevance to ProCredit Holding and the whole ProCredit group.

The Supervisory Board and the Committees were also kept fully informed about specific topics between its regular meetings. In addition, as the chairperson of the Supervisory Board, I was kept regularly informed by the General Partner as and when needed about important developments and discussions that have taken place. At the following Supervisory Board meeting, I then reported on important findings to the other Supervisory Board members.

The Committees' chairpersons and myself maintained regular contact with each other and with the members of the Management Board of the General Partner. We also coordinated with each other regarding our respective activities and the agendas of the various meetings of the Supervisory Board and the Committees. Upcoming decisions were also discussed in regular meetings both with the Management Board and between the chairpersons of the Committees. The cooperation was characterised by an open and trusting atmosphere.

Where required by the law or the Company's Articles of Association, the Supervisory Board provided its approval for individual decisions, based on prior critical assessment.

The Supervisory Board after the Conversion

In the 2023 financial year, after the Conversion, the Supervisory Board consisted of eight members, whereas two members were appointed by the local court (*Amtsgericht*) of Frankfurt/Main as from 9 November 2023. The Supervisory Board's work after the Conversion was supported by its Risk Committee, its Audit Committee, its Remuneration Control Committee and its Nomination Committee.

The Supervisory Board continually advised and supervised the activities of the Company's management board (also "**Management Board**" or "**Management**") directly, which was composed of the same persons as the Management Board of the General Partner.

The Supervisory Board and its respective committees (also "**Committees**", each a "**Committee**") performed their respective tasks as defined by the law, the Company's Articles of Association and the Supervisory Board's and the Committees' respective Internal Rules of Procedure, in particular:

- they examined whether the annual financial statements of ProCredit Holding and the ProCredit group, the other financial reports as well as the non-financial reporting were in compliance with the applicable requirements;
- the Supervisory Board approved decisions for which its consent was required following careful review and consultation.

Composition of the Supervisory Board and working relationship between the Supervisory Board, the Committees and the Management Board

The composition of the Supervisory Board and its Committees complies with all statutory requirements, specifically with those of the German Stock Corporation Act (*Aktiengesetz*), the German Banking Act (*Kreditwesengesetz*) and the standards of good corporate governance. The suitability of each member has been examined by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - **BaFin**), and is monitored on a regular basis by the Supervisory Board with the support of the Nomination Committee. The suitability assessment comprises the necessary expertise,

reliability, and time availability of each individual member. In addition, the necessary knowledge, skills, and experience of the Supervisory Board as a whole have been assessed.

The chairperson of the Supervisory Board and the respective chairpersons of the Audit Committee and the Remuneration Control Committee are independent in accordance with the relevant Internal Rules of Procedure and the German Corporate Governance Code.

In the 2023 financial year, after the Conversion, the Supervisory Board and the Committees regularly advised the Management Board directly and continuously supervised its conduct of business. The Supervisory Board concluded that the management of the Company was lawful, proper and appropriate.

The meetings of the Supervisory Board and its Committees featured open and intensive exchanges of information and opinions. The Management Board fulfilled its duty to inform the Supervisory Board and the Committees and provided regular written and oral reports with prompt and comprehensive information on all issues of relevance to ProCredit Holding and the whole ProCredit group.

The Supervisory Board and the Committees were also kept fully informed about specific topics between its regular meetings. In addition, as the chairperson of the Supervisory Board, I was kept regularly informed by the Management Board as and when needed about important developments and discussions that have taken place. At the following Supervisory Board meeting, I then reported on important findings to the other Supervisory Board members.

The Committees' chairpersons and myself maintained regular contact with each other and with the members of the Management Board. We also coordinated with each other regarding our respective activities and the agendas of the various meetings of the Supervisory Board and the Committees. Upcoming decisions were also discussed in regular meetings both with the Management Board and between the chairpersons of the Committees. The cooperation was characterised by an open and trusting atmosphere.

Where required by the law or the Company's Articles of Association, the Supervisory Board provided its approval for individual decisions, based on prior critical assessment.

Supervisory Board meetings during 2023

Based on the quarterly Management Board reports, group-wide risk reports and the reports of the Group Internal Audit Department, the Supervisory Board received timely and detailed reports from the General Partner and the Management Board, respectively, on the current business and financial performance of the ProCredit group, including analysis in relation to planning, as well as analysis of the group risk position and risk management, internal audit findings and significant personnel and organisational issues. In the context of the war in Ukraine, particular attention was given to the situation of ProCredit Bank Ukraine and to the effect of the war on the financial and the overall situation of the Company and the ProCredit group. The Supervisory Board members were updated in regular and irregular meetings by the General Partner and, after the Conversion, by Management directly, on this particular topic. In 2023, the Supervisory Board also consented to the conversion of the Company's legal form to a stock corporation (*Aktiengesellschaft*). The Supervisory Board advocated the rationale behind the Conversion being the higher investor acceptance for a stock corporation and simplification of the structure of the Company, while the business focus of the Company, and in particular its impact orientation, will remain unchanged. As in previous years, the Supervisory Board has always given due consideration to the environmental, impact and ethical aspects of the Company's operations, and not just the financial results.

Before the Conversion, as a rule, the Supervisory Board met subsequent to the meetings of the supervisory board of the General Partner. As the members of both supervisory boards were identical, the members of the Supervisory Board were informed of the discussions and resolutions of the supervisory board of the General Partner. Therefore, if separate decisions by the Supervisory Board were not required, its members acknowledged the discussions and decisions of the agenda of the foregoing supervisory board meeting of the General Partner. Since the Conversion, the Supervisory Board is the only supervisory body.

The members of the Supervisory Board essentially take care self-responsibly of their training and further education measures required for their work. In the financial year 2023, the members of the Supervisory Board engaged a consulting firm for the provision of workshops and coaching services. This said, the Company has offered to support the Supervisory Board members upon their appointment with training and professional development measures as needed. The newly elected Chairpersons of the Committees spent several days at the premises of the Company to participate in meetings and discussions with managers and team leaders within their respective areas of responsibility. Moreover, the Supervisory Board members organised several workshops in the course of the year 2023 to align on priorities.

Attendance of the Supervisory Board members at the meetings in 2023

Before the conversion

In the financial year 2023, before the Conversion, the Supervisory Board of the Company held seven meetings that were all conducted as hybrid meetings – four meetings taking place via video, with the possibility of physical participation, and three meetings taking place in presence, with the possibility to participate via video. There were no written votes in the financial year 2023.

The attendance was as follows:

	Plenary Assembly		Risk & Audit Committee		Nomination Committee		Total	
Number of meetings/ Participation in %	Quantity	in %	Quantity	in %	Quantity	in %	Quantity	in %
Rainer Ottenstein, *Chairperson*	7/7	100			5/5	100	12/12	100
Dr H.P.M. (Ben) Knapen, *Deputy Chairperson*	7/7	100	6/6	100			13/13	100
Helen Alexander	7/7	100	6/6	100			13/13	100
Marianne Loner *(until 5 June 2023)*	4/4	100	4/4	100			8/8	100
Jovanka Joleska Popovska	7/7	100			5/5	100	12/12	100
Dr Jan Marcus Schroeder-Hohenwarth *(since 5 June 2023)*	3/3	100	2/2	100			5/5	100
Nicholas Tesseyman *(since 5 June 2023)*	3/3	100			1/1	100	4/4	100
Dr Jan Martin Witte *(until 5 June 2023)*	4/4	100			2/4	50	6/8	75

The composition of the Supervisory Board and its Committees was as follows:

Supervisory Board (before conversion)		
Member of the Supervisory Board	**Place of residence**	**Changes**
Rainer Ottenstein, *Chairperson*	Frankfurt/Main, Germany	
Dr H.P.M. (Ben) Knapen, *Deputy Chairperson*	Amsterdam, the Netherlands	
Helen Alexander	Potsdam, Germany	
Marianne Loner	Zurich, Switzerland	until 5 June 2023
Jovanka Joleska Popovska	Skopje, Republic of North Macedonia	
Dr Jan Marcus Schroeder-Hohenwarth	Cologne, Germany	since 5 June 2023
Nicholas Tesseyman	Thaxted, United Kingdom	since 5 June 2023
Dr Jan Martin Witte	Kronberg, Germany	until 5 June 2023

Risk & Audit Committee (before conversion)		
Member of the Risk & Audit Committee	**Place of residence**	**Changes**
Dr H.P.M. (Ben) Knapen, *Chairperson*	Amsterdam, the Netherlands	
Helen Alexander	Potsdam, Germany	
Marianne Loner	Zurich, Switzerland	until 5 June 2023
Dr Jan Marcus Schroeder-Hohenwarth	Cologne, Germany	since 7 June 2023

Nomination Committee (before conversion)		
Member of the Nomination Committee	**Place of residence**	**Changes**
Rainer Ottenstein, *Chairperson*	Frankfurt/Main, Germany	
Jovanka Joleska Popovska	Skopje, Republic of North Macedonia	
Nicholas Tesseyman	Thaxted, United Kingdom	since 7 June 2023
Dr Jan Martin Witte	Kronberg, Germany	until 5 June 2023

After the conversion

In the financial year 2023, after the Conversion, the Supervisory Board of the Company held four meetings that were all conducted as hybrid meetings – two meetings taking place in presence, with the option to participate via video, and two meetings taking place via video, with the possibility of physical participation. There were four written votes in the financial year 2023 after the Conversion.

The attendance was as follows:

	Plenary Assembly		**Risk Committee**		**Audit Committee**		**Nomination Committee**		**Remuneration Control Committee**		**Total**	
Number of meetings/ Participation in %	Quantity	in %	Quantity	in %	Quantity	in %	Quantity	in %	Quantity	in %	Quantity	in %
Rainer Ottenstein, *Chairperson*	4/4	100					1/1	100	1/1	100	6/6	100
Dr H.P.M. (Ben) Knapen, *Deputy Chairperson*	4/4	100			2/2	100	1/1	100			7/7	100
Helen Alexander	4/4	100	1/1	100	2/2	100					7/7	100
Karin Katerbau *(since 9 November 2023)*	1/1	100			1/1	100					2/2	100
Jovanka Joleska Popovska	4/4	100			2/2	100	1/1	100	1/1	100	8/8	100
Dr Jan Marcus Schroeder-Hohenwarth	4/4	100	1/1	100					1/1	100	6/6	100
Nicholas Tesseyman	4/4	100	1/1	100	1/2	50	1/1	100			7/8	88
Berna Ülman *(since 9 November 2023)*	1/1	100							1/1	100	2/2	100

The composition of the Supervisory Board and its Committees was as follows:

Supervisory Board (after conversion)		
Member of the Supervisory Board	**Place of residence**	**Changes**
Rainer Ottenstein, *Chairperson*	Frankfurt/Main, Germany	
Dr H.P.M. (Ben) Knapen, *Deputy Chairperson*	Amsterdam, the Netherlands	
Helen Alexander	Potsdam, Germany	
Karin Katerbau	Oldenburg, Germany	since 9 November 2023
Jovanka Joleska Popovska	Skopje, Republic of North Macedonia	
Dr Jan Marcus Schroeder-Hohenwarth	Cologne, Germany	
Nicholas Tesseyman	Thaxted, United Kingdom	
Berna Ülman	Istanbul, Türkiye	since 9 November 2023

Risk Committee (after conversion)		
Member of the Risk Committee	**Place of residence**	**Changes**
Dr Jan Marcus Schroeder-Hohenwarth, *Chairperson*	Cologne, Germany	
Helen Alexander	Potsdam, Germany	
Karin Katerbau	Oldenburg, Germany	since 9 November 2023
Nicholas Tesseyman	Thaxted, United Kingdom	
Berna Ülman	Istanbul, Türkiye	since 9 November 2023

Audit Committee (after conversion)		
Member of the Audit Committee	**Place of residence**	**Changes**
Karin Katerbau, *Chairperson since 15 November 2023*	Oldenburg, Germany	since 9 November 2023
Dr H.P.M. (Ben) Knapen, *Chairperson from 9 November 2023 until 15 November 2023*	Amsterdam, the Netherlands	
Helen Alexander	Potsdam, Germany	
Jovanka Joleska Popovska	Skopje, Republic of North Macedonia	
Nicholas Tesseyman	Thaxted, United Kingdom	

Nomination Committee (after conversion)		
Member of the Nomination Committee	**Place of residence**	**Changes**
Rainer Ottenstein, *Chairperson*	Frankfurt/Main, Germany	
Dr H.P.M. (Ben) Knapen	Amsterdam, the Netherlands	
Jovanka Joleska Popovska	Skopje, Republic of North Macedonia	
Nicholas Tesseyman	Thaxted, United Kingdom	

Remuneration Control Committee (after conversion)		
Member of the Remuneration Control Committee	**Place of residence**	**Changes**
Rainer Ottenstein, *Chairperson*	Frankfurt/Main, Germany	
Jovanka Joleska Popovska	Skopje, Republic of North Macedonia	
Dr Jan Marcus Schroeder-Hohenwarth	Cologne, Germany	
Berna Ülman	Istanbul, Türkiye	since 9 November 2023

In its **meeting on 17 February 2023**, the Supervisory Board referred to the discussions of the Risk and Audit Committee of 15 February 2023, in which the Risk and Audit Committee's members had been informed by the Management on the Group Business Strategy, the Group Risk Strategy and the Group IT Strategy, each for the financial year 2023. The Supervisory Board further referred to the reports of the Management, and

the discussions related thereto, in the Risk and Audit Committee of 15 February 2023, namely in connection with (1) the Management Report on business development, (2) the Group Risk Report, (3) the Group and PCH Audit Report, all for the fourth quarter 2022, and regarding the Group and PCH Audit Report also for the financial year 2022, (4) non-audit services obtained by the Company in the financial year 2022, as well as (5) the obtaining of the declaration of independence from the external auditor. The Supervisory Board further referred to the approval of non-audit related services to be obtained in the financial year 2023 in connection with the envisaged Conversion, as it had been requested by the Management Board.

Further, the Supervisory Board reviewed the discussions and decisions from the supervisory board of the General Partner of the same day and agreed with their content. In addition to the routine and organisational agenda points, the supervisory board of the General Partner had been presented an overview by the management board of ProCredit Bank Ukraine on the bank's operating environment, the bank's branch network, deposit development and loan portfolio development, its client development in the financial year 2022. Furthermore, the bank's risk profile was lined out and the key objectives going forward were summarized, followed by a discussion between the members of the General Partner's supervisory board and the bank's management. The General Partner's supervisory board had further been presented by the Management with the Management Report for 2022 (focusing on business development, the developments in the area of human resources, the financial results of the last quarter 2022, including the preliminary financial results from the financial year 2022, and investor relations activities) as well as an overview of the key initiatives pursued by the Management Board to strengthen and develop the ProCredit group, including the status of the envisaged conversion of the Company from a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) to a stock corporation (*Aktiengesellschaft*). The General Partner's supervisory board had finally referred to the Management Board's presentations in, and the related discussions of, the Risk and Audit Committee and the Remuneration Control Committee, both dated 15 February 2023.

In its meeting on **22 March 2023**, the Supervisory Board referred to the report of the Management Board and the presentations of the external auditors on the scope, approach and results of the statutory audit of the annual financial statements of the Company, the consolidated financial statements for the ProCredit group, and the Combined Management Report, each for the year 2022 (collectively "**Financials 2022**") in the Risk and Audit Committees dated 17 and 22 March 2023. It further referred to the Management Board's explanations in the Risk and Audit Committee of the same day regarding the General Partner's proposal concerning the appropriation of profits of the Company from the financial year 2022.

The Supervisory Board also referred to the review and the discussions by the Risk and Audit Committee dated 17 March 2023 of the draft report which is to be submitted in accordance with Article 171 German Stock Corporation Act (*Aktiengesetz*), which the Risk and Audit Committee had recommended the Supervisory Board to adopt.

After the Management Board and the external auditors had referenced to their presentations in the above-mentioned Risk and Audit Committees, and in line with the recommendations of the Risk and Audit Committee, the Supervisory Board then resolved (1) to approve (*billigen*) the Financials 2022, (2) to approve the proposal of the General Partner concerning the appropriation of profits from the financial year 2022 (carry forward the entire profits (*Bilanzgewinn*) to new account), and (3) to approve the report of the Supervisory Board to be submitted in accordance with Article 171 German Stock Corporation Act (*Aktiengesetz*).

Making reference to the review, discussions and recommendations of the Risk and Audit Committee dated 17 March 2023 the Supervisory Board concurred with the Risk and Audit Committee's advice for a prolongation of the mandate of the external auditor, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Frankfurt office, Germany, and approved certain non-audit services to be performed by the statutory auditor.

Further, following the Risk and Audit Committee's recommendations, the Supervisory Board resolved to propose to the Shareholders' Meeting (1) to adopt (*feststellen*) the Financials 2022, (2) to resolve on the appropriation of the Company's profits of the financial year 2022 as proposed by the General Partner (carry forward the entire profits (*Bilanzgewinn*) to new account), and (3) to appoint BDO AG WPG as the statutory auditor for the financial year 2023.

The Supervisory Board further referred to the explanations and discussions in the Risk and Audit Committee of the same day regarding (1) the Annual Report, (2) the Group Impact Report, (3) the Group Compliance Report, and (4) the Group Anti Money Laundering Report, each for the financial year 2022.

Making reference to the discussions in the Remuneration Control Committee of the General Partner's supervisory board of the same day, the Supervisory Board approved the remuneration report (*Vergütungsbericht*) which is to be submitted in accordance with Article 120a paragraph 4 German Stock Corporation Act (*Aktiengesetz*).

Thereinafter, after discussion of the matters, the members of the Supervisory Board resolved to propose to the Company's Shareholders' Meeting (1) to formally ratify the acts of the General Partner for the financial year 2022, (2) to formally ratify the acts of the members of the Supervisory Board for the financial year 2022, (3) to approve (*billigen*) the remuneration system of the Management Board members, (4) to approve the remuneration report (*Vergütungsbericht*) which is to be submitted in accordance with Article 120a paragraph 4 German Stock Corporation Act (*Aktiengesetz*), (5) to create authorised capital of up to EUR 29,449,245.00 and to amend the Company's articles of association accordingly, and (6) to allow for the Company's Shareholders' Meetings to be held as virtual meetings and to amend the Company's articles of association accordingly.

Further, the Supervisory Board resolved (1) to approve the Compliance Statement (*Entsprechenserklärung*) regarding the German Corporate Governance Code, and (2) to appoint Mr Florian Stahl as the chairperson (*Versammlungsleiter*) of the Company's Shareholders' Meeting 2023.

Finally, the Supervisory Board reviewed the discussions and decisions of the General Partner's supervisory board of the same day and agreed with their content. In addition to the routine and organisational agenda points, the presentations of the Management and of the statutory auditor in, as well as the discussions and recommendations of, the Risk and Audit Committees dated 17/22 March 2023 regarding the approval (*Billigung*) of the Financials 2022 had also been referred to and discussed by the General Partner's supervisory board of the same day, as were the Management's explanations regarding the Annual Report, Impact Report, Group Compliance Report and the Group Compliance Report, each for the financial year 2022. The General Partner's supervisory board had further acknowledged and approved the resolution proposals for the Company's Shareholders' Meeting regarding the Conversion and the intended declaration of consent by the General Partner to such resolutions. Finally, the General Partner's supervisory board had been updated by the Management on the financial developments of the Company and the ProCredit group during the first two months of the year 2023 as well as on the status of the envisaged Conversion.

In its meeting on **20 April 2023**, the Supervisory Board referred to the meetings and telephone calls of the Company's Nomination Committee dated 22 March and dated 1, 4 and 6 April 2023 in which candidates for

proposal to the Company's ordinary Shareholders' Meeting, and possible extra candidates for the Supervisory Board after the Conversion had been discussed and proposed. Based on the discussions and recommendations of the above-mentioned Nomination Committees the Supervisory Board decided to propose to the Company's Shareholders' Meeting to re-elect (1) Mr Rainer Ottenstein, (2) Dr H.P.M. (Ben) Knapen, (3) Ms Helen Alexander and (4) Ms Jovanka Popovska, and to elect for the first time (5) Dr Jan Schroeder-Hohenwarth and (6) Mr Nick Tesseyman as members of the Supervisory Board. Further, based on the discussions and proposals of the above-mentioned Nomination Committees, the Supervisory Board agreed to propose to the court to appoint Ms Karin Katerbau and/or Ms Berna Ülman as member of the Supervisory Board after the Conversion, depending on whether the Company's new articles of association would foresee seven or eight Supervisory Board members.

The Supervisory Board further referred to the meeting of the General Partner's supervisory board meeting of the same day with regard to the proposed new members' onboarding process.

Finally, the Supervisory Board approved the proposal to the Company's Shareholders' Meeting to resolve on the Conversion.

In its meeting on **12 May 2023**, the Supervisory Board, after discussion, approved a counterproposal to correct an editorial error in the resolution proposal on agenda item 11 of the convocation to the ordinary Shareholders' Meeting of the Company dated 5 June 2023 and resolved to publish a statement on the Company's website.

Further, following the presentation by the Company's statutory auditors of a summary on the results of the audit on the prevention on money laundering and terrorist financing and the Management's comments on that audit, the Supervisory Board referred to the summary of the Company's Anti-Money-Laundering officer of the Group Anti-Money-Laundering report for the financial year 2022 in the General Partner's supervisory board of the same day; such summary had also been presented to the Company's Risk and Audit Committee of 10 May 2023.

The Supervisory Board further referred to the Management's presentations, and the following discussions, in the Risk and Audit Committee of 10 May 2023 inter alia regarding (1) the Risk Report for Q1 2023, (2) the Internal Audit Reports of the Company and the group for Q1 2023, and (3) the review of the audit plan for the financial year 2023. Moreover, the Supervisory Board approved the country limits for the financial year 2023, as recommended by the Company's Risk and Audit Committee of 10 May 2023, following a presentation by the Management. Those country limits had also been approved previously by the General Partner's supervisory board of the same day.

The Supervisory Board then reviewed the discussions and decisions from the General Partner's supervisory board of the same day and agreed with their content. The General Partner's supervisory board had inter alia received the Management Report for the first quarter 2023, comprising the business and business model developments, the developments in the area of human resources, the group financial results and an update on the investor relations activities. The General Partner's supervisory board had also been informed by Management on the progress of the Conversion project, and the review of the audit plan for the Company for the financial year 2023; it had further been presented with the Group Risk Report, and the Internal Audit Reports of the Company and the group, each for the first quarter 2023, including a detailed status update of the situation of ProCredit Bank Ukraine.

In its meeting on **7 June 2023**, the Supervisory Board elected Mr Ottenstein as Chairperson and Dr Knapen as Deputy Chairperson of the newly formed Supervisory Board. After satisfying itself that all requirements of

the German Banking Act (*Kreditwesengesetz*), the Supervisory Board's Internal Rules of Procedure, and the German Corporate Governance Code were met, it further agreed on the respective composition of the Supervisory Board's Risk and Audit Committee and its Nomination Committee.

In its meeting on **7 June 2023** the Supervisory Board convened in its capacity as the first Supervisory Board of the Company *after the Conversion*. It elected Mr Ottenstein as Chairperson and Dr Knapen as Deputy Chairperson of the Supervisory Board *after the Conversion* and appointed Mr Hubert Spechtenhauser, Ms Sandrine Massiani, Dr Gian Marco Felice, Mr Christian Dagrosa, and Ms Eriola Bibolli as members of the Management Board of the Company *after the Conversion*. Mr Spechtenhauser was further appointed as Chairperson of the Management Board. The Supervisory Board further approved the signing of management agreements with Mr Hubert Spechtenhauser, Ms Sandrine Massiani, Dr Gian Marco Felice, Mr Christian Dagrosa, and Ms Eriola Bibolli as members of the Management Board of the Company to become effective on the date of the Conversion.

By means of a written vote dated **26 June 2023** the Supervisory Board in its capacity as the Supervisory Board of the Company *after the Conversion* approved the minutes of the meeting of the Supervisory Board in its capacity as the first Supervisory Board of the Company after the Conversion dated 7 June 2023.

In its meeting on **12 July 2023** the Supervisory Board reviewed the discussions and decisions from the General Partner's supervisory board meeting of the same day and agreed with their content. The General Partner's supervisory board had been informed by the Management on the business development in the 2023 financial year to that date. Besides a presentation of the group's financial performance as of May 2023, Management had provided an update on its key initiatives pursued to strengthen and develop the ProCredit group. The General Partner's supervisory board had further been informed in depth on the group's retail strategy, and further on key initiatives regarding risk management. The Management's presentation further focused on a detailed update on the status quo of the Conversion project. The General Partner's supervisory board had finally discussed thoughts on the group's business strategy.

On **12 July 2023** the Supervisory Board in its capacity as the Supervisory Board of the Company *after the Conversion* resolved to form committees as required pursuant to section 25d of the German Banking Act (*Kreditwesengesetz*), i.e. a Risk Committee, an Audit Committee, a Nomination Committee and a Remuneration Control Committee. Further, after satisfying itself that all requirements of the German Banking Act (*Kreditwesengesetz*), the Supervisory Board's Internal Rules of Procedure, and the German Corporate Governance Code were met, the Supervisory Board resolved on the individual Committees' composition. It was also agreed that notwithstanding the particular composition of a committee, every member of the Supervisory Board should be free to attend any Committee meeting.

In its meeting on **11 August 2023** the Supervisory Board referred to the reports of the Management Board to the Risk and Audit Committee dated 9 August 2023 and the related discussions on the final group financial results and the Interim Report (*Zwischenbericht*) of the ProCredit group as of June 2023 (including a summary by the statutory auditor regarding their review conducted on that Interim Report), as well as the Group Risk Report (focusing on credit risk, liquidity risk and operational risk as well as on regulatory topics) and the Internal Audit Report for the Company and the group, each for the second quarter of 2023. The Interim Report (*Zwischenbericht*) had further been brought to the attention of the Supervisory Board directly. Further, an update on internal, external, and regulatory audits and the rectification on findings identified by external auditors during the audit of the 2022 financials had been presented.

The Supervisory Board further reviewed the discussions and decisions of the General Partner's supervisory board of the same day. The General Partner's supervisory board had received a summary on the financial results and the Interim Report (*Zwischenbericht*) of the ProCredit group as of June 2023 (including a summary by the statutory auditor regarding their review conducted on that Interim Report). The General Partner's supervisory board further received the Management Report for the second quarter of the 2023 financial year with particular updates on developments of the group's business, in the area of human resources, Group Communications and Investor Relations as well as a summary on the Group Risk Report and the Internal Audit Report for the Company and the group, each for the second quarter half 2023. The supervisory board of the General Partner had finally been updated on the status of the Conversion project.

In its meeting on **11 August 2023** the Supervisory Board convened in its capacity as the Supervisory Board of the Company *after the Conversion*. In addition to organisational agenda items, the Supervisory Board discussed the drafts of the Internal Rules of Procedure for (1) the Supervisory Board, (2) the Management Board, as well as for the Supervisory Board's (3) Risk Committee, (4) Audit Committee, (5) Nomination Committee and (6) Remuneration Control Committee and made recommendations for revisions.

By means of a written vote dated **29 August 2023** the Supervisory Board in its capacity as the Supervisory Board of the Company *after the Conversion* approved the acquisition of the shares in the General Partner and the merger of the General Partner for absorption by the Company following the Conversion.

By means of a written vote dated **7 September 2023** the Supervisory Board in its capacity as the Supervisory Board of the Company *after the Conversion* approved the revised drafts of the Internal Rules of Procedure for (1) the Supervisory Board, (2) the Management Board, as well as for the Supervisory Board's (3) Risk Committee, (4) Audit Committee, (5) Nomination Committee, and (6) Remuneration Control Committee.

By means of a written vote dated **12 October 2023** the Supervisory Board approved the Compliance Statement (*Entsprechenserklärung*) regarding the Corporate Governance Code which had been updated following the Conversion.

In its meeting on **13 November 2023** the Supervisory Board was updated with the Management Report for the third quarter 2023, including an update on key initiatives and key issues comprising, among others, the group's strategy development, the situation of ProCredit Bank Ukraine and the liquidity situation. The Management Report further focused on the topics of business development, sustainability and impact, human resources developments, group communications and investor relations. Further, the Management Board presented a preliminary business plan for the year 2024. The Supervisory Board also referred to the presentations and discussions in the Audit Committee dated 9 November 2023, in which (1) the annual external audit and the definition of focus areas for that audit for the financial year 2023 had been discussed with the external auditor, (2) the interim financial statements of the ProCredit Group as of September 2023 had been presented by the Management Board along with a presentation of the external auditor on the review of those financials, (3) the Internal Audit Reports of the Company and the group had been presented, (4) an update on internal, external, and regulatory audits and the rectification on findings identified by external auditors during the audit of the 2022 financials had been presented; and (5) the quarterly reports on anti-money laundering and compliance matters had been presented.

The Supervisory Board then referred to the presentations and discussions of the Risk Committee dated 9 November 2023, where (1) the Group Risk Report for the third quarter 2023 had been presented, and (2) an assessment of the remuneration systems of the Management Board and the employees had been conducted taking into account the risk, capital and liquidity structure as well as the impact orientation of the Company

as well as the likelihood and due dates of revenues. Additionally, an updated business distribution plan for the Management Board taking into consideration the change of the Company's legal form on 27 September 2023 and Ms Massiani's exit from the Management Board after 31 December 2023 was discussed and approved.

The Supervisory Board further referred to the discussions and conclusions of the Nomination Committee of the same day, in which assessments of the Management Board as well as the Supervisory Board had been conducted. Regarding the Management the procedure included the formal efficiency assessment of the Management Board as a whole and the individual members of the Management Board. In the context of the efficiency assessment of the Management Board, the Supervisory Board determined that the Management Board during 2023 had acted in the best interest of the Company and that an effective and prudent management was in place. The members of the Supervisory Board emphasised their satisfaction with the Management Board's performance in steering the group in the face of the ongoing war in Ukraine, the achievements made to strengthen the group's capital and liquidity ratios, the successful implementation of the change of legal form of the Company into a stock corporation as well as the achievement of the good financial results to date.

Regarding the efficiency of its own activities and of its Committees, the Supervisory Board members reported being well-informed overall and able to fulfil their supervisory functions in the Supervisory Board and its Committees, based on the reports provided by the Management, the reports and discussions in the Supervisory Board meetings and other exchange with the members of the Management Board of ProCredit Holding and other managers and staff in the group. Finally, the Supervisory Board referring to the presentations and discussions of the Remuneration Control Committee of the same day confirmed the remuneration systems of the Management Board and the employees both to be appropriate. In particular, the Remuneration Control Committee had assessed the impact of the Management Board and staff remuneration systems on the risk, capital and liquidity situation and the impact orientation of ProCredit Holding to be low; further the remuneration systems and the ProCredit group approach, as set out in the Group HR Policy, had been identified by the Committee to be in line with the business and risk strategy of ProCredit Holding and in conformance with Section 27 of the German Remuneration Regulation for Institutions (*Institutsvergütungsverordnung- InstitutsVergV*).

Committee Work

Before the Conversion

Before the Conversion the Supervisory Board's work was supported by two committees, the Risk and Audit Committee and the Nomination Committee.

In the financial year 2023 the **Risk and Audit Committee** dealt in six hybrid meetings (four meetings taking place via video, with the possibility of physical participation, and two meetings taking place in presence with the option to participate via video) with the monitoring of financial accounting, including the accounting process.

It conducted the preliminary examination of the documents relating to the Company's annual and consolidated financial statements as well as the Company's separate non-financial group report for the financial year 2022. It prepared the Supervisory Board's decisions on the approval (*Billigung*) of the annual and consolidated financial statements for the financial year 2022, the General Partner's proposed resolution on the appropriation of profits from the financial year 2022 and the Supervisory Board's report to be submitted pursuant to sections 278 (3) and 171 of the German Stock Corporation Act (AktG) and submitted

appropriate recommendations to the Supervisory Board. It further supported the Supervisory Board in monitoring the accounting process and examined the yearly and interim financial statements, both on the Company's and on a consolidated level. With a view to its work regarding the yearly and half-year financial statements, the Risk and Audit Committee received detailed reports from the Company's statutory auditor on scope and results of the audit/review in each case and discussed the financial statements with the General Partner and the external auditor. It submitted a recommendation to the Supervisory Board to propose to the Company's Shareholders' Meeting, that the annual financial statements of the Company for the financial year 2022 be adopted (*feststellen*), that the General Partner's proposal for the appropriation of profits from the financial year 2022 be approved and that BDO AG WPG be re-appointed as the Company's and the group's statutory auditor for the financial year 2023. In this context, the Risk and Audit Committee took into account the applicable independence requirements for the statutory auditor and did not identify any indications of bias or threats to his independence; it obtained the Declaration of Independence from the statutory auditor. The Risk and Audit Committee also approved non-audit related services by the statutory auditor in connection with the Conversion.

The Risk and Audit Committee further discussed and advised the Supervisory Board on the Company's current and future overall risk appetite and risk strategy and supported the Supervisory Board in monitoring the implementation of the risk strategy as well as the appropriateness and efficiency of the internal control systems and the internal auditing of the group. It discussed the General Partner's annual Group Business, Group Risk, and Group IT Strategy for the financial year 2023, the annual report prepared by the external auditor on the risk management of the group, as well as the Management Board's evaluation of this report, and the General Partner's quarterly risk reports. The impact of the economic effects triggered by the Ukraine war on the group's risk areas as well as the measures to control and reduce them were regularly discussed by the Risk and Audit Committee.

The Risk and Audit Committee further dealt with compliance and anti-money laundering issues, and with the functionality of the compliance and anti-money laundering system. It reviewed the Group Impact, the Group Compliance, and the Group Anit-Money Laundering Reports for the financial year 2022.

The Risk and Audit Committee was kept informed by Management comprehensively of all risk- and audit-relevant developments within the Company and the group, in particular of the work of the Internal Audit Department and the Company's compliance and anti-money laundering activities. It gave due consideration of the status of all audits conducted by the statutory auditors, the Internal Audit Department, and the supervisory authorities, and was regularly informed by Management of the status and progress of the resolution of identified deficiencies in such contexts.

The Company's **Nomination Committee** convened five times in 2023, two times in hybrid meetings (one meeting taking place in presence, with the option to participate via video, and one meeting taking place via video, with the possibility of physical participation) as well as three times via telephone conference. It recommended to the Supervisory Board to propose to the Company's Shareholders' Meeting to re-elect (1) Mr Rainer Ottenstein, (2) Dr H.P.M. (Ben) Knapen, (3) Ms Helen Alexander and (4) Ms Jovanka Popovska, and to elect for the first time (5) Dr Jan Schroeder-Hohenwarth and (6) Mr. Nick Tesseyman as members of the Supervisory Board. It further recommended to the Supervisory Board to propose to the court to appoint Ms Karin Katerbau and/or Ms Berna Ülman as member of the Supervisory Board after the Conversion, depending on whether the Company's new articles of association would foresee seven or eight Supervisory Board members.

In doing so, the Nomination Committee was guided by the statutory and regulatory requirements, the objectives set by the Supervisory Board, the competence profile established for the body as a whole, potential conflicts of interest and the diversity of the members of the Supervisory Board. It also considered the balance and diversity of knowledge, skills and experience of all members of the Supervisory Board and discussed the independence of each proposed Supervisory Board member.

After the Conversion

After the Conversion the Supervisory Board's work was supported by four committees, the Risk Committee, the Audit Committee, the Nomination Committee and the Remuneration Control Committee.

The Company's **Risk Committee** convened once in 2023 via video, with the possibility of physical participation. It was presented by Management the Group Risk Report for the third quarter of the financial year 2023, with special focus on the group ICAAP, liquidity, credit and operational risk and regulatory topics. It further assessed the Management Board and staff remuneration systems with regard to the risk, capital and liquidity structure of the Company as well as with regard to its impact orientation.

The Company's **Audit Committee** convened twice in 2023 in the form of a hybrid meeting - one meeting taking place in presence, with the option to participate via video, and one meeting taking place via video, with the possibility of physical participation. In those meetings it dealt with the group financial results and the interim report for the third quarter 2023 and the results of the review conducted thereon by the external auditor. It further discussed the statutory annual audit and definition of focus areas for the annual statutory audit of the Company for the financial year 2023. The Audit Committee also attended to the Internal Audit Reports on a Company and group level for the third quarter 2023 as well as the quarterly reports on anti-money laundering and compliance for the same time. It further gave due consideration of the status of all audits conducted by the statutory auditors and the supervisory authorities and was regularly informed by Management on the status and progress of the resolution of identified deficiencies in such contexts.

The Company's **Nomination Committee** convened once in 2023 via hybrid meeting, taking place in presence, with the possibility to participate via video. It assessed the collective suitability of the Supervisory Board concluding that the Supervisory Board had, as a whole, the knowledge, skills and experience necessary to effectively supervise the Company and to assess and to monitor the Management. Regarding the Supervisory Board's members' individual suitability, the Committee noted that following their respective acceptance by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – **BaFin**) there had not been any new facts which would have had a significant impact on the Supervisory Board members' original suitability, as there had not been any developments, such as changes in the business model, business strategies or organisation of ProCredit Holding, which would have required additional knowledge, skills and experience. As far as reliability was concerned, the Committee members noted that there had neither been any reports to the Company on any conflict of interest nor any indications of a lack of impartiality. With respect to time availability, the attendance rate was satisfactory, and the Supervisory Board members were well prepared for the meetings. The Committee members were satisfied that the mandate limits set out in the German Banking Act (*Kreditwesengesetz*) had been complied with, that the Supervisory Board members devoted sufficient time to their tasks as Supervisory Board members and that the current composition of the Supervisory Board met the governance and diversity requirements established by the Company.

After conducting the formal efficiency assessment of the Management Board, the Committee concluded that the Management Board had, based on such information, as a whole the knowledge, skills and experience necessary to fulfil at all times its overall responsibility for the proper organisation of ProCredit Holding and

the requirements associated with this task, and that the collective suitability of the Management Board was therefore ensured. As far as the assessment of the suitability of the individual Management Board members was concerned, the Committee members confirmed that concerning all five Management Board members after their respective acceptance by the Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* - **BaFin**) there had been no developments up until that day, such as changes in the business model, business strategies or organisation of ProCredit Holding or changes in the composition of the Management Board, which would require additional knowledge, skills and experience. There were also no indications of unreliability, such as conflicts of interest or any partiality. The Committee members were thus satisfied that the mandate limits set out in the German Banking Act (*Kreditwesengesetz*) had been complied with, that the Management Board members had sufficient time to fulfil their tasks as Management Board members, and that the current composition of the Management Board met the diversity requirements established by the Company. Further, the Committee discussed the size and composition of the Management Board. It was concluded that a broadening of the Management Board should be pursued.

The Company's **Remuneration Control Committee** convened once in 2023 in the form of a hybrid meeting, taking place in presence, with the option to participate via video. It assessed the remuneration systems of the Management Board and the employees both to be appropriately structured, their respective impact on the risk, capital and liquidity situation and the impact orientation of ProCredit Holding to be low, as well as the ProCredit group approach, as set out in the Group HR Policy, to be in line with the business and risk strategy of ProCredit Holding as well as in conformance with Section 27 of the German Remuneration Regulation for Institutions (*Institutsvergütungsverordnung*).

Audit of ProCredit Holding AG

The annual financial statements for ProCredit Holding, the consolidated annual financial statements and the Combined Management Report for ProCredit Holding and the ProCredit group for financial year 2023 were audited by the statutory auditor BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany. The external auditor granted an unqualified audit opinion in each case.

The Audit Committee also carefully examined the annual financial statements of ProCredit Holding and the consolidated annual financial statements of the ProCredit group as well as the Combined Management Report and the Non-financial Report for the group for the financial year 2023. The external auditors participated in person in the respective meetings of the Audit Committee and the Supervisory Board at which the annual financial statements for ProCredit Holding and the consolidated annual financial statements of the ProCredit group as well as the Combined Management Report and the Non-financial Report for financial year 2023 were discussed. In accordance with applicable law, the Non-financial Report was not subject to the statutory audit.

The Audit Committee discussed the financial statement documents and the reports of BDO in detail with the auditor and subjected them to its own careful review. The Committee came to the conclusion that the reports meet, in particular, the legal requirements set out in Sections 317 and 321 HGB (German Commercial Code). The Committee reported to the Supervisory Board on its review and recommended that the annual financial statements and the consolidated financial statements be approved.

After conducting its own review and discussion of the annual financial statements, the consolidated annual financial statements, the Combined Management Report and the Non-financial Report for the group, the Supervisory Board acknowledged the findings of the auditor's report and stated that no objections would be submitted. In accordance with the recommendation of the Audit Committee, the Supervisory Board approved

the annual financial statements for ProCredit Holding and the consolidated annual financial statements of the ProCredit group for financial year 2023.

The Supervisory Board also examined the proposal of the Management Board concerning the appropriation of profits from the financial year 2023. It assented to the proposal of the Management Board and recommends the proposal to distribute a dividend of EUR 0.64 per share to shareholders out of the profits (Bilanzgewinn) for the financial year 2023 of EUR 116,703,110.56. This corresponds to total dividend payments of EUR 37,695,034.88 on the subscribed capital of EUR 294,492,460 entitled to receive dividends (58,898,492 shares) and to carry the remaining profit (Bilanzgewinn) of EUR 79,008,075.68 from the financial year 2023 forward to new account in accordance with 58 (3) German Stock Corporation Act (AktG).

Changes to the members of the Supervisory Board, its Committees and the Management Board

Supervisory Board

In the forefield of the Conversion, for reasons of legal prudence, all members of the Supervisory Board, in agreement with the Company, resigned from office with effect as of the end of the Company's Shareholders' Meeting held on 5 June 2023. By that same Shareholders' Meeting, with effect from its end, Mr Rainer Peter Ottenstein, Dr H.P.M. (Ben) Knapen, Ms Helen Alexander, and Ms Jovanka Joleska Popovska were re-elected, and Dr Jan M. Schroeder-Hohenwarth as well as Mr Nick Tesseyman were elected for the first time, as members of the Supervisory Board, as it had been proposed by the Supervisory Board based on the recommendations of its Nomination Committee. Mr Ottenstein and Dr Knapen were re-elected until the Company's ordinary Shareholders' Meeting 2026, Dr Schroeder-Hohenwarth and Mr Tesseyman were elected until the Company's ordinary Shareholders' Meeting 2027. Ms Alexander and Ms Popovska were elected until the Conversion took effect by being entered into the Commercial Register on 27 September 2023. Ms Alexander and Ms Popovska were then appointed (*entsendet*) as members of the Supervisory Board with effect from 27 September 2023 by the Company's shareholders Zeitinger Invest GmbH and ProCredit Staff Invest GmbH & Co. KG, respectively, based on the Company's new Articles of Association having come into effect following the Conversion. Further based on the Company's new Articles of Association, that provided that the Supervisory Board in the future be composed of eight members, and at the joint request of the Management Board and the Supervisory Board, Ms Karin Katerbau and Ms Berna Ülman were appointed as members of the Supervisory Board by the local court (*Amtsgericht*) of Frankfurt/Main as from 9 November 2023 pursuant to Section 104 Stock Corporation Act (AktG) until the Company's ordinary Shareholders' Meeting 2024.

Mr Ottenstein was elected as chairperson, and Dr Knapen was elected as deputy chairperson, of the Supervisory Board before and after the Conversion.

Committees of the Supervisory Board

Following the ordinary Shareholders' Meeting, the newly elected Supervisory Board appointed Dr Knapen, Ms Alexander and Dr Schoeder-Hohenwarth as members of the Risk and Audit Committee; further the Supervisory Board appointed Mr Ottenstein, Ms Popovska and Mr Tesseyman as members of the Nomination Committee. Dr Knapen was elected as Chairperson of the Risk and Audit Committee. Mr Ottenstein was elected as Chairperson of the Nomination Committee.

On 12 July 2023 the Supervisory Board appointed with effect from the date of the Conversion (unless indicated otherwise hereinafter) Dr Jan Marcus Schroeder-Hohenwarth, Ms Helen Alexander, Mr Nicholas

Tesseyman, Ms Karin Katerbau[1] and Ms Berna Ülman[2] as members of the Risk Committee, Dr H.P.M. (Ben) Knapen, Ms Helen Alexander, Ms Jovanka Joleska Popovska, Mr Nicholas Tesseyman and Ms Karin Katerbau as members of the Audit Committee, Mr Rainer Peter Ottenstein, Dr H.P.M. (Ben) Knapen, Ms Jovanka Joleska Popovska and Mr Nicholas Tesseyman as members of the Nomination Committee, and Mr Rainer Peter Ottenstein, Ms Jovanka Joleska Popovska, Dr Jan Marcus Schroeder-Hohenwarth and Ms Berna Ülman as members of the Remuneration Control Committee.

Dr Schroeder-Hohenwarth was elected as Chairperson of the Risk Committee. Dr Knapen was elected as interim Chairperson[3], and Ms Katerbau as Chairperson, of the Audit Committee. Mr Ottenstein was elected as Chairperson of the Nomination Committee and the Remuneration Control Committee, respectively.

Management Board

The Supervisory Board acknowledged the General Partner's supervisory board's decisions to appoint Mr Christian Dagrosa (from 1 January 2023) and Ms Eriola Bibolli (from 1 June 2023) to members of the Management Board, each for a term of three years.

On 7 June 2023 the Supervisory Board in its capacity as the first Supervisory Board of the Company after the Conversion appointed Mr Hubert Spechtenhauser with a term of office until the end of 28 February 2025, Ms Sandrine Massiani with a term of office until the end of 31 December 2023, Dr Gian Marco Felice with a term of office until the end of 31 May 2024, Mr Christian Dagrosa with a term of office until the end of 31 December 2025, and Ms Eriola Bibolli with a term of office until the end of 31 May 2026, as members of the Management Board of the Company after the Conversion. Mr Spechtenhauser was further appointed as Chairperson of the Management Board until the end of his term.

All appointments were based on recommendations of the Nominating Committee of the General Partner's supervisory board.

Conflicts of Interests

In the financial year 2023 there were no conflicts of interest of individual members of the Supervisory Board.

Frankfurt am Main, 20 March 2024

Rainer Peter Ottenstein

Chairperson of the Supervisory Board of

ProCredit Holding AG

[1] Subject to the condition precedent (*aufschiebende Bedingung*) of her appointment to the Supervisory Board of ProCredit Holding AG by the local court (*Amtsgericht*) of Frankfurt am Main, which became effective on 9 November 2023.

[2] Subject to the condition precedent (*aufschiebende Bedingung*) of her appointment to the Supervisory Board of ProCredit Holding AG by the local court (*Amtsgericht*) of Frankfurt am Main, which became effective on 9 November 2023.

[3] Until Ms Katerbau's appointment to the Supervisory Board of ProCredit Holding AG by the local court (*Amtsgericht*) of Frankfurt am Main, which became effective on 9 November 2023.





Above: Hrynchutske, grower of cereals, legumes, oilseeds, apples and plums. Client of ProCredit Bank Ukraine
Below: Rogo - Center Of Innovative Dentistry And Medicine. Client of ProCredit Bank Georgia

PROCREDIT ON THE CAPITAL MARKET

The shares of ProCredit Holding AG have been listed on the Prime Standard segment of the Frankfurt Stock Exchange since 22 December 2016.

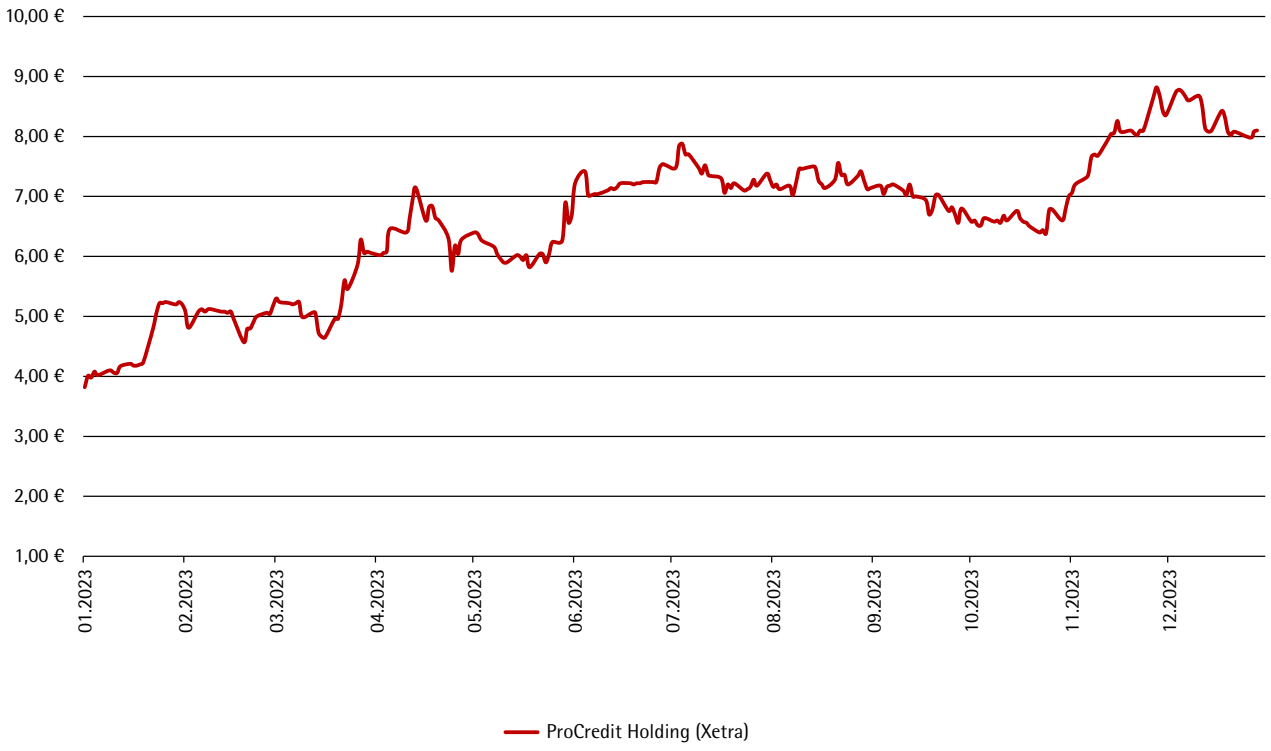
Key share data

ISIN	DE0006223407
Security ID no. (WKN)	622340
Stock exchange code	PCZ
Trading segment	Regulated Market (Prime Standard)
Stock exchange	Frankfurt Stock Exchange
Xetra closing price on 29 December 2023	EUR 8.10
No. of shares	58.898.492 registered ordinary shares with no par value (Namensaktien)

On 29 December 2023, the shares were being traded on Xetra at a year-end closing price of EUR 8.10. Based on the 58,898,492 shares outstanding as of year-end, the market capitalisation of ProCredit Holding at that time was approximately EUR 477 million (2022: around EUR 220 million).

Over the last calendar year, an average of around 20,000 ProCredit Holding shares were traded through the Xetra system per day (2022: around 23,150 shares per day).

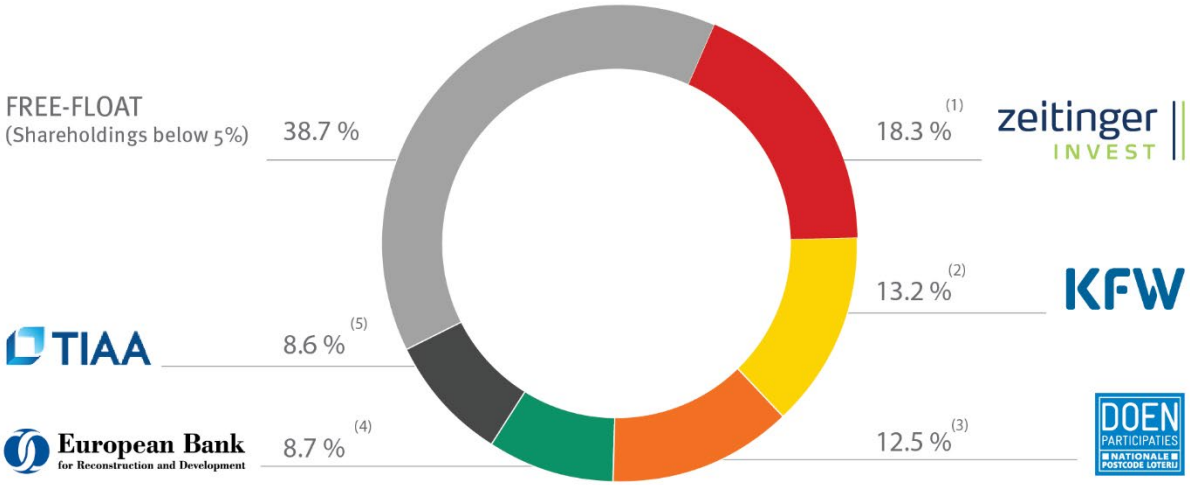
Price trend, calendar year 2023 (closing price, Xetra trading system)



Shareholder structure

According to available voting rights notifications or voluntary disclosures, as of year-end approximately 53% of the shares in ProCredit Holding were held by the largest shareholders: Zeitinger Invest GmbH, Kreditanstalt für Wiederaufbau (KfW), DOEN Participaties BV, and the European Bank for Reconstruction and Development. In addition, ProCredit Staff Invest GmbH & Co. KG holds a stake of around 2.5%.

The Teachers Insurance and Annuity Association of America holds between 5% and 10% of the shares. The free float, defined by the German Stock Exchange as holdings below the threshold of 5% of voting rights, was around 39% on 31 December 2023 according to voting rights notifications or voluntary disclosures. This includes investments of more than 3% in ProCredit Holding AG by FMO (Netherlands Development Finance Company), BIO (Belgian Investment Company for Developing Countries) and MainFirst.



(1) According to voluntary disclosures by Zeitinger Invest on 13 April 2023 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (2) According to voluntary disclosures by KfW on 17 April 2023 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (3) According to voluntary disclosures by DOEN Participaties on 14 April 2023 (see "Other information" in the Investor Relations section of the ProCredit Holding website); (4) According to the voting rights notifications as of 23 May 2023; (5) According to the voting rights notifications as of 29 December 2016

The shareholder structure presented above is based on public voting rights notifications by EBRD and TIAA and, in the case of Zeitinger Invest GmbH, KfW and DOEN Participaties B.V., on the voluntary disclosure of voting rights (see "Voting rights notifications" and "Other information" in the Investor Relations section of the ProCredit Holding website). This breakdown was calculated by comparing the number of voting rights reported by the shareholders on the above-mentioned dates against the total number of voting rights (currently 58,898,492). ProCredit Holding AG has made reasonable efforts to provide a realistic overview of the shareholder structure. However, due to limitations on the availability and verifiability of the underlying data, ProCredit Holding AG does not assume any responsibility that the information presented here is accurate, complete and up to date.

Analysts

In 2023, three analysts reported regularly on ProCredit Holding. As of the end of the financial year, there were two buy recommendations. The share price targets were between EUR 13.00 and EUR 16.00. Current information on the analyst recommendations can be found on the ProCredit Holding website under Investor Relations.

Current Fitch Ratings of ProCredit Holding AG

In 2023, the BBB rating of ProCredit Holding was confirmed.

Current ESG ratings of ProCredit Holding AG

The company's MSCI ESG Research rating was set to "A" in March 2023. The "Prime" status of ProCredit Holding was confirmed by ISS ESG in August 2023.

Our business strategy has always been based on sustainability and long-term thinking. The ProCredit group has thus been able to generate profits for its shareholders every year since its foundation, even during the last financial crisis and the war in Ukraine. We believe that this stability is reflected in our business approach and that maintaining solid financial results over time can go hand in hand with equally good results in the area of sustainability. We are now publishing a comprehensive Impact Report for the seventh consecutive year, outlining our contributions and impact in environmental, social and corporate governance (ESG) in the context of the UN Sustainable Development Goals.

Investor Relations

The Management Board of ProCredit Holding aims to maintain an intensive dialogue with the capital market, and strongly believes that regular, transparent communication with our share- and stakeholders is crucial in order to keep them continually informed about the development of the ProCredit group. In this respect, it is especially important for us to ensure the regular publication of company news and to provide detailed financial reports, as well as to cultivate ongoing, personal contacts with investors, analysts and the interested public.

In 2023, the Management Board of ProCredit Holding made several presentations on the ProCredit group at roadshows and conferences with investors.

In 2024, ProCredit Holding will again strive to maintain and further expand our contact with investors. An overview of upcoming events is regularly updated in the financial calendar on our website.

Up-to-date information about the company is available to investors, analysts and the interested public in the Investor Relations section our website, www.procredit-holding.com. As well as the usual financial reports, mandatory notices and corporate news, visitors to the website also have access to information on results and company presentations. A recording of the conference calls held to coincide with the quarterly results is also available there.

Shareholders' meetings

The 2023 Annual General Meeting of ProCredit Holding was held on 5 June 2023. After holding purely virtual general meetings in the previous three years, this was the first time that the event was held again with physical attendance in Frankfurt am Main. At the meeting, 76.5% of the voting capital was represented. The Annual General Meeting approved by a large majority all of the proposals that were put to the vote.

Specifically, the Annual General Meeting of ProCredit Holding resolved with a very large majority to change the legal form of the company to that of a stock corporation (AG). The rationale behind the change of form is the higher investor acceptance for a stock corporation and to simplify the structure of the company. The business focus of ProCredit Holding, and in particular its impact orientation, remains unchanged even after finalising the conversion into a stock corporation.

Furthermore, it was resolved to not distribute a dividend for the 2022 financial year and to carry forward the unappropriated earnings for the year in full. As in the previous year, this decision was taken on the basis of the continued political and economic uncertainty in connection with the ongoing war in Ukraine.

The shareholders also approved the establishment of the new Authorised Capital 2023. This anticipatory resolution replaces the previously established authorisation and newly allows the Management Board for the next five years to increase the company's share capital, at once or in several instances, by a total amount of up to 10% by issuing up to 5,889,849 new registered non-par value shares against contributions in cash and/or in kind.

Due to the proposed change in the legal form of the company, all members of the Supervisory Board resigned as members of the Supervisory Board of the company with effect from the end of this General Meeting, thereby necessitating a new election. In the course of the Supervisory Board elections, all four existing members of the Supervisory Board proposed for the vote, comprising Mr Rainer Ottenstein, Dr H.P.M. (Ben) Knapen, Ms Helen Alexander and Ms Jovanka Joleska Popovska, were re-elected. Dr Jan Marcus Schroeder-Hohenwarth and Mr Nicholas Tesseyman were newly elected to the Supervisory Board of ProCredit Holding by the Annual General Meeting.

Detailed information on the 2023 Annual General Meeting can be found on the ProCredit Holding website under Investor Relations.



ProCredit Holding, Annual General Meeting 2023

Financial calendar 2024

21 March 2024	Capital Markets Day 2024
13 May 2024	Quarterly Financial Report as of 31 March 2024
04 June 2024	Annual General Meeting
14 August 2024	Interim Report as of 30 June 2024
14 November 2024	Quarterly Financial Report as of 30 September 2024

IR Contact
Investor Relations Team
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E-mail: PCH.ir@procredit-group.com
Web: https://procredit-holding.com/investor-relations/





Above: Staff member of the ProCredit Bank branch in Thessaloniki, Greece
Below: 24/7 Zone in Sofia. ProCredit Bank Bulgaria

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%[4] 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.

[4] 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).

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[5] is a key indicator of the success of new business and also provides reference points for our future earning capacity.
- The cost-income ratio[6] is a relative indicator that provides insight into our efficient use of resources.
- Return on equity (RoE)[7] 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)[8] 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:

- The ratio of deposits to loan portfolio[9] 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[10] 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.[11]
- The share of defaulted loans[12] is the key indicator for us to assess portfolio quality.
- The ratio of allowances to defaulted loans in Stage 3[13] provides information on loss allowances for defaulted loans.

[5] 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.
[6] Personnel and administrative expenses relative to operating income.
[7] Profit attributable to ProCredit shareholders, divided by the average equity held by the ProCredit shareholders.
[8] Ratio of our CET1 capital to risk-weighted assets.
[9] Our loan portfolio relative to deposits as of the balance sheet date.
[10] Our net interest income relative to the average total assets in the reporting period.
[11] Loss allowance expenditures for a period relative to the average loan portfolio.
[12] Defaulted loans relative to the loan portfolio at the respective balance sheet date.
[13] Loss allowances for defaulted loans relative to defaulted loans as of the balance sheet date.

- 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[14].

[14] 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.

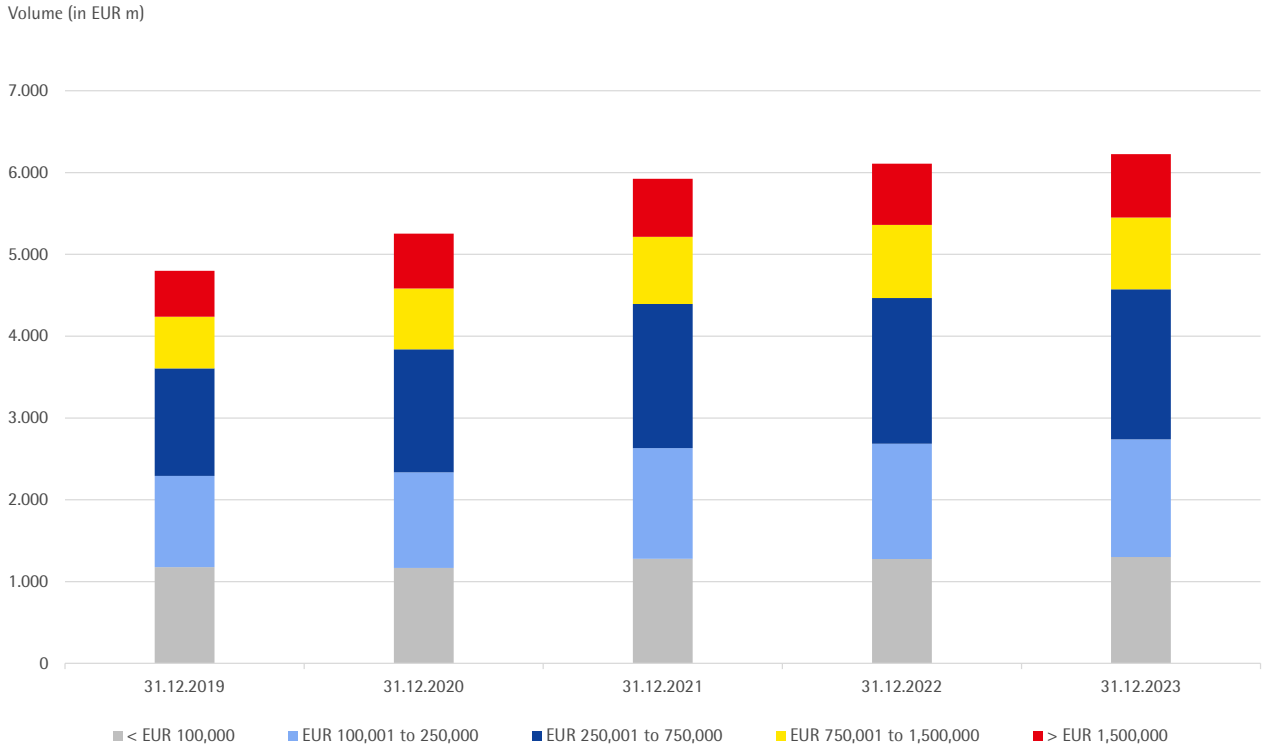
The share of defaulted loans decreased by 0.6 percentage points to 2.7% at group level; for our banks outside Ukraine, it stood at 2.3%. The Stage 3 loans coverage ratio decreased by 4.2 percentage points to 57.6%. Personnel and administrative expenses grew by EUR 29.6 million or 13.6%, in particular 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.

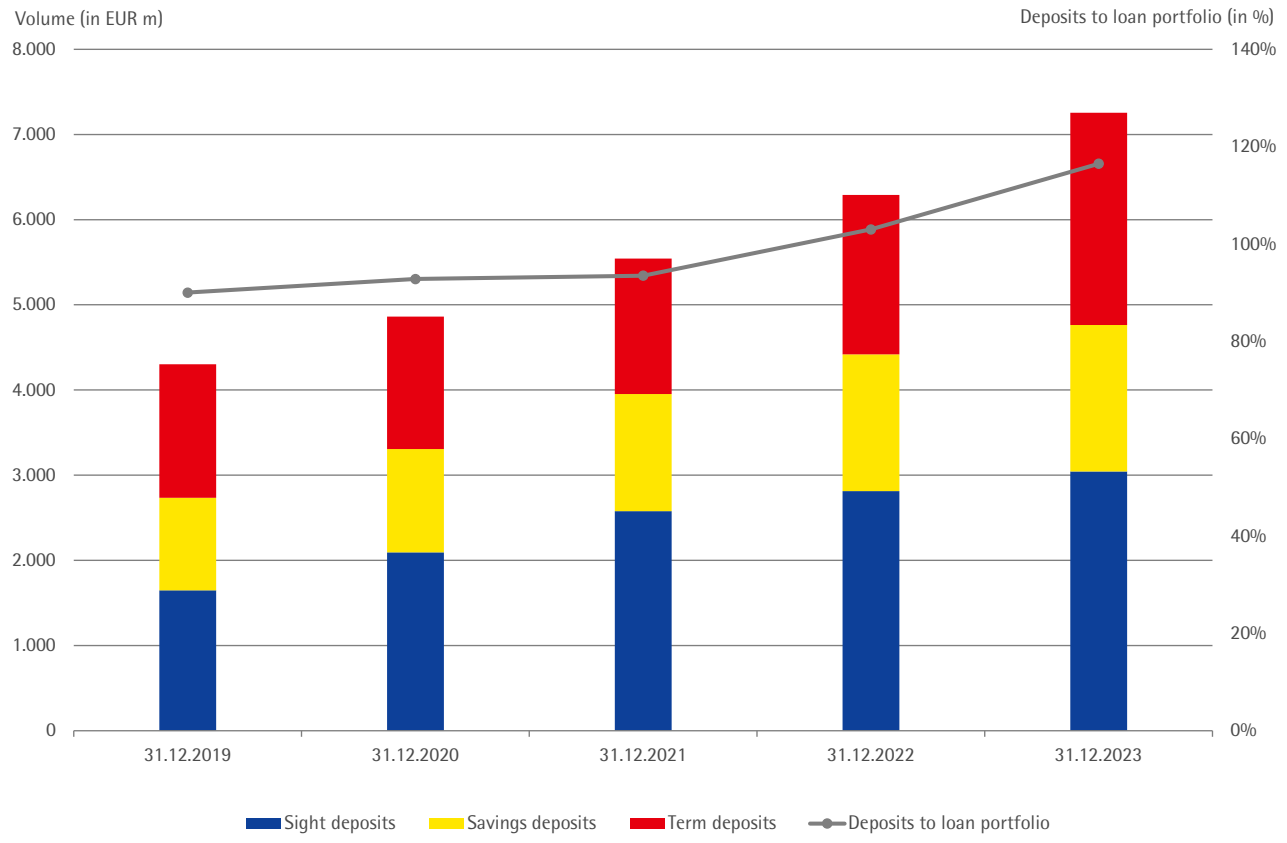
The loan portfolio of the ProCredit group continues to be highly diversified. The largest ten exposures represented not more than 2.0% of the group's total portfolio volume at the end of 2023.

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[15]. 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

[15] 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.





Above: Biochimpharm, producer of pharmaceutical products. Client of ProCredit Bank Georgia
Below: E-laborator, manufacturer of furniture for medical laboratories. Client of ProCredit Bank Romania

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[16], 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

[16] 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.





Above: Katsaounis Bros, production and printing of packaging materials made of cardboard and paper for food and clothing items. Client of the ProCredit Bank branch in Thessaloniki, Greece
Below: Shizik na Rizik, producer and trader of fashion accessories in shops and online. Client of ProCredit Bank North Macedonia

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.





Above: Contact Centre staff member at ProCredit Bank Bulgaria
Below: 24/7 Zone in Pristina. ProCredit Bank Kosovo

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**

	31.12.2022				
in '000 EUR	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	Agriculture, forestry and fishing	Production	Transportation and storage	Electricity, gas, steam and air conditioning supply	Construction and real estate	Hotel, restaurant and catering	Other economic activities	Housing	Investment loans	Consumer 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	Agriculture, forestry and fishing	Production	Transportation and storage	Electricity, gas, steam and air conditioning supply	Construction and real estate	Hotel, restaurant and catering	Other economic activities	Housing	Investment loans	Consumer 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.

	31.12.2023					
in '000 EUR	< 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**

	31.12.2022					
in '000 EUR	< 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.

	31.12.2023							
in '000 EUR	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**

	31.12.2022							
in '000 EUR	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.

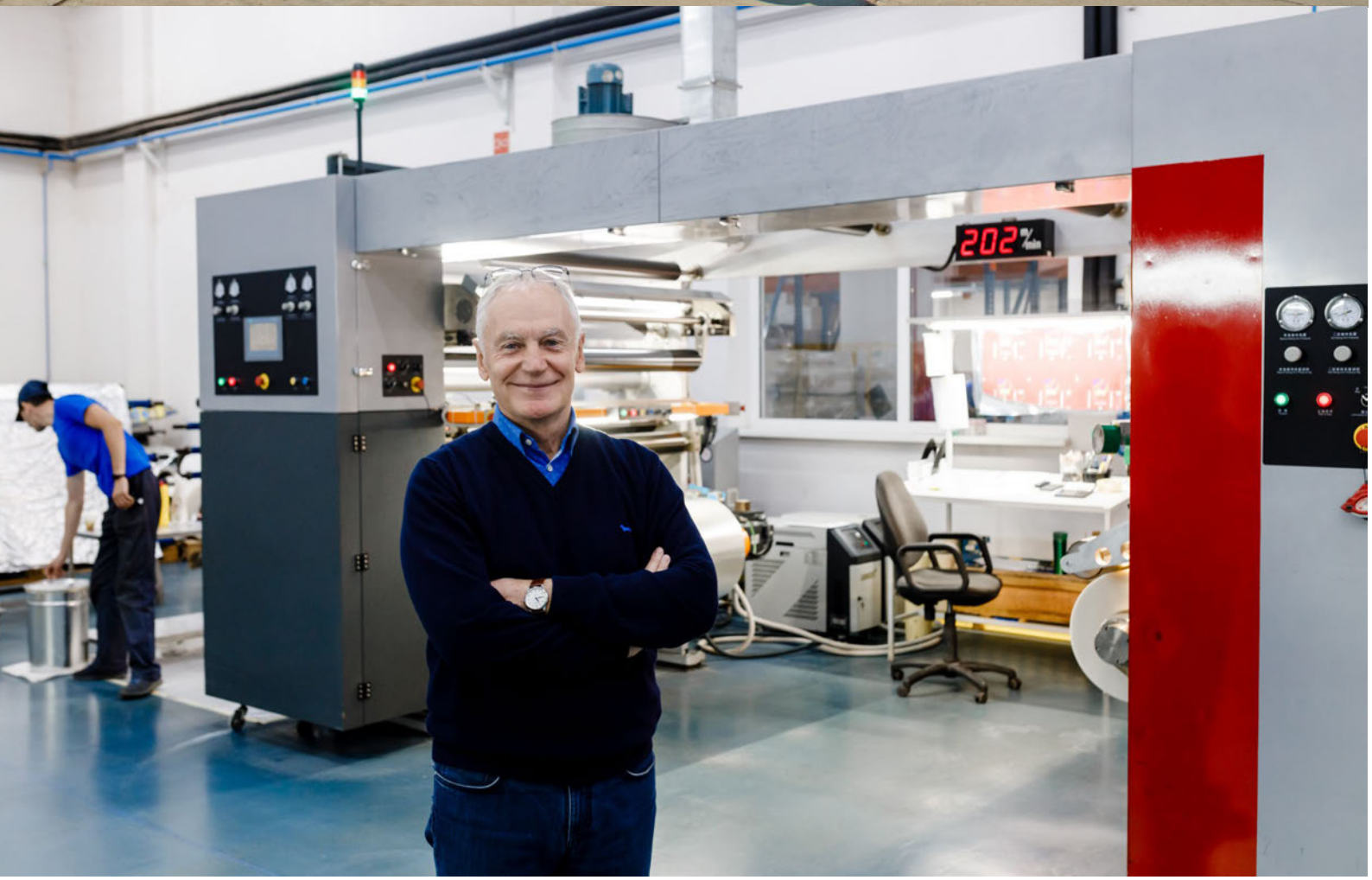
Primary responsibility for the internal control system and risk management system in the financial reporting process, and thus for its effectiveness and monitoring, lies with the Management Board. The Management Board establishes the general principles and defines areas of responsibility. The finance 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.





Above: Tudin & Dinstile Craiova, agricultural production. Client of ProCredit Bank Romania
Below: Aris, producer of packaging materials. Client of ProCredit Bank Ukraine

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[17]

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/).

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





Above: Banker Academy course at the ProCredit Academy in Fürth, Germany
Below: Meeting at the headquarters of ProCredit Bank Albania in Tirana

Sustainability reporting[18]

Due to the voluntary nature of such disclosures, we would like to present the two topic-specific standards ESRS E1 Climate Change and ESRS S1 Own Workforce already in the 2023 Annual Report. Further information on our sustainability approach, our impact and contribution to the Sustainable Development Goals can be found in the ProCredit Group Impact Report.

[18]Sustainability reporting is not part of the audit of the financial statement

CLIMATE CHANGE

Introduction

Climate change presents society with major challenges and risks, as the effects of global warming are intensifying. We want to do justice to our role in climate protection and climate change adaptation, since, as a financial services provider, we can influence capital allocation and the orientation of business activities through our lending. At the same time, we will have to address the new risks arising from climate change. In addition to the physical risks resulting from more frequent extreme and chronic weather conditions, transition risks are also of great importance; these become apparent in legislative shifts, technological innovations or changes in consumer behaviour. These are not new topics for us in the ProCredit group. However, we are now seeing both elevated regulatory and political focus as well as growing impact of physical risks. We have many years of experience in developing services that help our customers transition to a more efficient way of doing business that is less harmful to the environment. In our lending activities, we are actively committed to climate protection by financing energy efficiency measures and renewable energies, and such green loans already account for over 20% of our overall portfolio. Our criteria for green loans follow our internal standards, which are based on international best practices and are currently being coordinated with the European Bank for Reconstruction and Development. All green loans and their impact are assessed by our internal technical experts.

Our Code of Conduct and our company purpose emphasise the promotion of sustainability. As a general rule, our group-wide remuneration structure features fixed remuneration without variable components, which we believe is in line with our sustainable approach to business.

Strategy and plans

The ProCredit group has developed a climate action strategy and is also a member of the Net-Zero Banking Alliance. Accordingly, our long-term emissions reduction target for 2050 follows the NZBA's guidelines for reaching net zero. The goals of the initiative are in line with the 1.5°C scenario of the Paris Agreement. As most sectors contribute to greenhouse gas emissions, we have committed to reducing at least 90% of our emissions in Scopes 1, 2 and 3 by 2050. The climate action strategy includes the performance of an impact analysis on our operations and financing activities (but not a transition plan). We have set ourselves near- and medium-term targets using the SBTi methodology[19], which is likewise aligned with the 1.5°C scenario of the Paris Agreement. Our aim is to go one step further by not only accompanying our customers on their way to net zero, but also actively promoting mitigation and adaptation processes.

We use our internal guidelines to analyse and manage the interaction between our loan portfolio and the environment from a risk, impact and opportunity perspective. We have also developed a product category for green loans (including for investments in renewable energy) and a rigorous screening process for environmental, social and governance risks and opportunities, both of which help to improve the environmental footprint of our customers. The strategies we have developed for climate change mitigation are also designed to improve our internal performance and promote the efficient use of resources. In summary, the main purpose of the strategies is to reduce the impact we and our customers have on the environment.

[19] Science Based Targets initiative (Ambitious corporate climate action - Science Based Targets)

Measures and methodology

In line with our climate action strategy, we have set ourselves the target of cutting at least 42% of our own emissions by 2030 (compared to 2022 baseline). In addition, by 2027 we want to work more closely with the clients of ours who are responsible for 28% of our Scope 3 emissions, helping them to define their own emissions reduction targets. Instead of introducing an internal carbon pricing system, our climate action strategy sets clear targets to further reduce our own footprint and that of our customers. In this context, the following measures are planned:

- Increasing the proportion of electric vehicles in our fleet as part of the electrification process in the transportation sector.
- Raising the proportion of renewable energies in our own energy mix and obtaining guarantees of origin from electricity suppliers.
- Promoting green electricity through the financing of renewable energy sources.
- Intensifying promotion of climate-friendly investments.
- Potentially extending the exclusion list to include environmentally harmful activities connected with industries already excluded from funding.
- Supporting our customers in the transition to more sustainable, climate-neutral operations. Specifically, we will help our customers measure their CO_2 emissions, set their own targets and invest in emissions-reducing technologies.

Our near-term emissions reduction targets have been set and validated on the basis of the SBTi methodology. The measures described are essential in achieving our net-zero targets. The focus here is on supporting our clients in transforming their operations through greenhouse gas emissions accounting, emissions reduction targets and decarbonisation investments. As soon as SBTi's guidelines for setting long-term net-zero targets are available, we will have our targets validated by SBTi.

Long before we formulated our goals in the context of net zero, we introduced an internal environmental management system in our subsidiaries. This allows us to calculate our emissions and define measures to further reduce our consumption of resources. We have also developed an exclusion list that includes energy-intensive activities such as energy generation from, or extraction of, fossil fuels. We screen all our suppliers and customers using this list. As a result, although our general transition risk is present, as for all financial institutions, it is comparatively low.

In addition to the challenges and goals, we also consider the risks of our operations and our institution as such in the context of efforts to address climate change. See below for further details.

Physical risks and transition risks in our own operations

The risk inventory is the basis for identifying significant physical risks and transition risks, including with regard to climate change. This process is initiated annually or on an ad hoc basis by the risk control function at group level. The following risk categories have been defined: Credit risk, market risks, operational risk, liquidity risk and other risks. ESG risks are environmental, social or governance-related events or circumstances that, if they materialise, could have a potentially high negative impact on the assets, reputation, operations and business situation. In accordance with BaFin's January 2020 Guidance Notice on Dealing with Sustainability Risks, we do not establish a separate risk category for climate change-related physical risks and transition risks, nor for any other ESG risk. These are taken into account in our materiality assessment, as they have a significant impact on the individual risk categories and can contribute to their materiality.

In order to identify the potential impact of climate events on our operations and be able to respond to them in a timely manner, we determine the severity of various weather phenomena and other natural disasters in our threat analysis. We use the results of this analysis for our business continuity planning. In addition, we consider various scenarios each year to determine the impact of potential business disruptions or damage to our assets in the event of a natural disaster. Climate risks are among the risk drivers that can significantly influence the impact analysis.

Physical risks and transition risks upstream and downstream in the value chain

In 2023, we continued to integrate ESG and climate-risk aspects into our risk management and processes. Because we exclude many environmentally harmful business activities from our lending activities and have established processes for assessing environmental and social risks, we consider our exposure to climate risks to be limited. An initial climate risk screening of the group's loan portfolio was carried out on the basis of IPCC RCP 8.5 (Representative Concentration Pathway) with a focus on physical climate risks. This served to identify potential risk concentrations and further analyse the most affected portfolio segments. Furthermore, a portfolio analysis on transition risks was carried out using macroeconomic data from the European Central Bank's (ECB) 2022 climate risk stress test. The shocks resulting from a transition to a more climate-friendly economy are derived from NGFS (Network for Greening the Financial System) scenarios. Future analyses will further evaluate the potential impact of such an economic transition on the loan portfolio, in order to derive implications for risk materiality.

Exposures in the ProCredit group's business loan portfolio are subject to an environmental and social risk assessment, which also includes climate risks. Customers whose business activities entail medium or high environmental risks and whose credit volume exceeds a certain threshold are subject to a more detailed review.

With regard to our lending activities, we strive to incorporate climate risks (physical and transition risks) into all our risk assessments and we support our business clients in strengthening the resilience of their companies in relation to climate-related risks. Building a climate-resilient portfolio requires, among other things:

- Defining key indicators for the integration of climate-related risks and stress test scenarios into our risk management system
- Carrying out regular climate risk analyses to identify portfolio segments with elevated exposure to climate risks
- Collecting climate-related data for a meaningful assessment of climate risks at customer level

Policy documents

We have developed various policy documents where we formulate strategies to achieve our climate-protection targets. These provide an overview of the steps, measures and methodology we are taking to promote sustainability. They are applied throughout the group and, depending on the topic, are intended to use opportunities, reduce impact or address risks:

- Environmental Management Policy
- Standards for the management of environmental and social risks and impact in lending
- Code of Conduct
- Standards for project financing in the renewable energy sector
- Guidelines on sustainable suppliers
- Guidelines for green finance - definitions, processes, reporting
- Plastic Strategy

- Guidelines for financing clients engaged in plastic-related activities

The aforementioned climate action strategy is also included in this collection of documents. Below we present some of the results of the strategies described.

Results

We determine our impact on climate change by identifying group-wide greenhouse gas emissions (GHG emissions) in Scopes 1, 2 and 3[20] every year. The information on emissions in Scope 1 and 2 is determined using an internal measurement system. Emissions generated through the loan portfolio (Scope 3) are calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology.

Cross-sector reductions pathway based on the year 2022 as the reference year	2030	2050
Scope 1 & 2	-42.0%	-90.0%
Scope 3 (financed activities)	-11.8%	-90.0%

With regard to the strategies outlined, it has only been possible to set the near-term targets for Scope 1 and 2 according to the SBTi guidelines for financial institutions. As noted in the "Measures and methodology" section, we have set ourselves the target of cutting our emissions by 42.0% by 2030 (compared to 2022 baseline) with the help of the planned measures. This percentage was calculated using the target setting tools provided by SBTi. The defined targets follow the SBTi methodology according to a science-based approach that is aligned with the 1.5°C scenario set out in the Paris Climate Agreement. In addition, these near-term[21] targets were reviewed by the SBTi.

We have decided not to provide any information on the (active) capture and storage of greenhouse gases, as there is great uncertainty with regard to measuring the impact of our implemented projects. Even if reporting on such carbon capture projects were compulsory, the impact would not be significant compared to our total greenhouse gas emissions, which is why we focus primarily on reducing the latter. We summarise our results and targets for Scope 1, 2 and 3 below.

Scope 1 and 2 (GHG) emissions

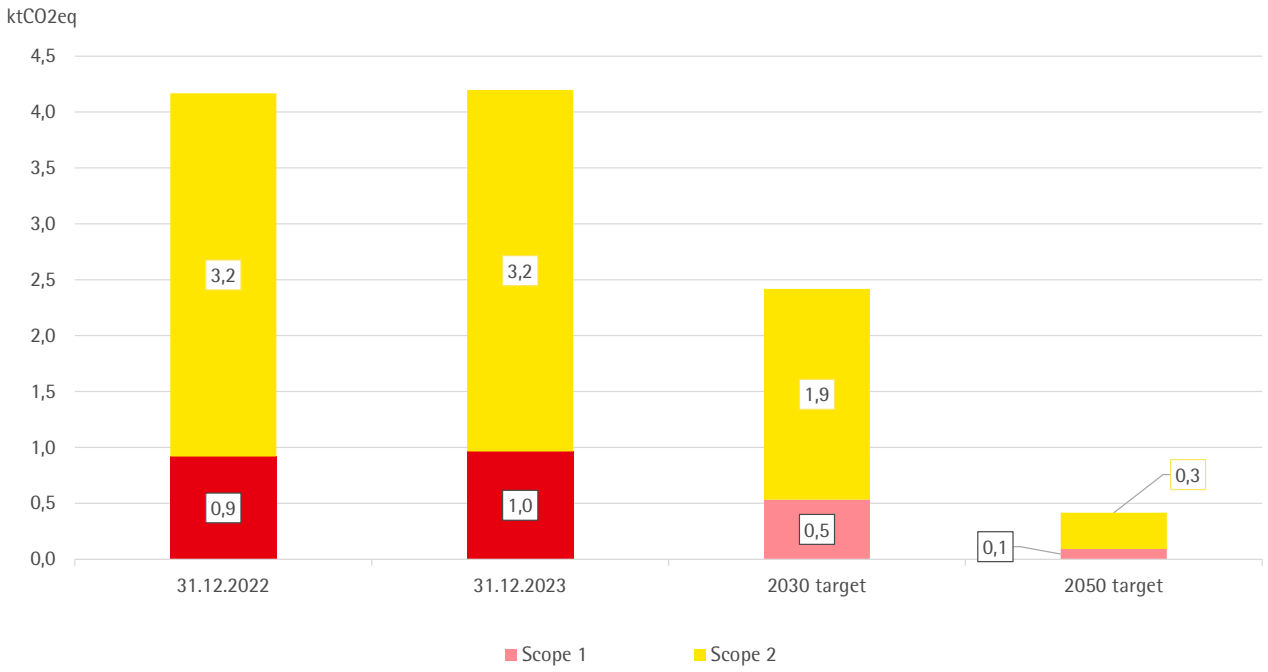
The number of employees increased by 11.5% in 2023, resulting in a slight increase in total emissions.

Our direct Scope 1 emissions increased by 5.0% compared to the previous year and account for 0.1% of our total emissions. As a financial institution, we do not participate in the regulated emissions trading system.

The Scope 2 emissions shown in the following chart are based on the market-based approach, as we believe that this provides a realistic picture for our group. Our market-based emissions in 2023 amounted to 3,233 tCO_2eq; by comparison, our location-based emissions amounted to 5,852 tCO_2eq. Through our efforts to reduce consumption and promote renewable energy generation, we were able to cut our market-based Scope 2 emissions by 0.5%. However, our location-based emissions increased by 4.5% due to the energy mix in the respective countries.

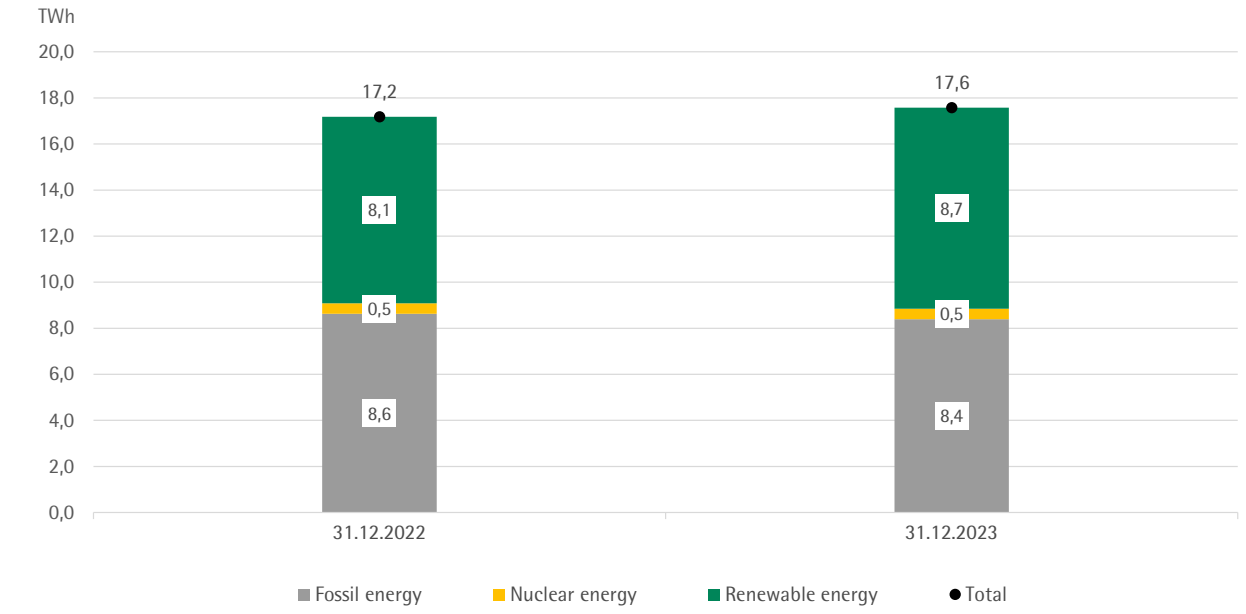
20 Scope 1 represents the direct emissions from sources that the company owns or controls (e.g. company vehicles, on-site fuel combustion); Scope 2 represents the indirect emissions from purchased energy generation (e.g. electricity, heat) that the company uses; and Scope 3 includes all other indirect emissions along the company's value chain, including emissions from suppliers, customers and transportation.

21 Near-term targets, according to SBTi, refer to a period within 5-10 years.



Scope 1 and Scope 2 greenhouse gas emissions

The total energy consumption of the ProCredit group in 2023 was 17,578 MWh. Energy consumption for fossil fuels amounted to 8,395 MWh; for nuclear energy 457 MWh; and for renewable energy sources (RE) 8,725 MWh. The graph below shows energy consumption by energy source over the last two years.



Consumption of fossil fuels and renewable energies

Due to the increase in the number of employees, our total energy consumption in 2023 rose by 2.3% compared to the previous year. The inclusion of more renewable energy suppliers led to an increase in RE consumption by 7.8%. By contrast, fossil fuels and nuclear energy fell by 2.7% and 0.4% respectively.

Looking at the various fossil fuels we consume, electricity from non-renewable energy sources and fuel for our vehicles represent the largest share. Our efforts are therefore focused on purchasing electricity from renewable sources, including a guarantee of origin (GoO), and on further electrifying our vehicle fleet.

In terms of renewable energies, our focus is on clean electricity. Over the last few years, we have steadily increased the proportion we produce ourselves. The table below shows the consumption of the individual energy types.

in MWh	31.12.2023	31.12.2022
Consumption of		
Coal and coal products	-	-
Crude oil and petroleum products	2,156	2,224
Natural gas	1,415	1,634
Other non-renewable sources	5	1
Purchased energy from non-RE sources	4,819	4,770
Fossil fuel consumption	**8,395**	**8,629**
Consumption from nuclear products	**457**	**459**
Consumption of		
RE fuel incl. Biogenics	742	553
Purchased energy from RE sources	7,621	7,183
Self-Generated non-fuel RE	363	360
Renewable energy consumption	**8,725**	**8,097**

As ProCredit has no business activities in climate-intensive sectors, it is not possible for us to determine the energy intensity here. Instead, we estimate our total energy consumption intensity using total net revenues and total energy consumption. Accordingly, our energy intensity has declined by 15.7%, from 50.6 MWh/EUR million to 42.6 MWh/EUR million.

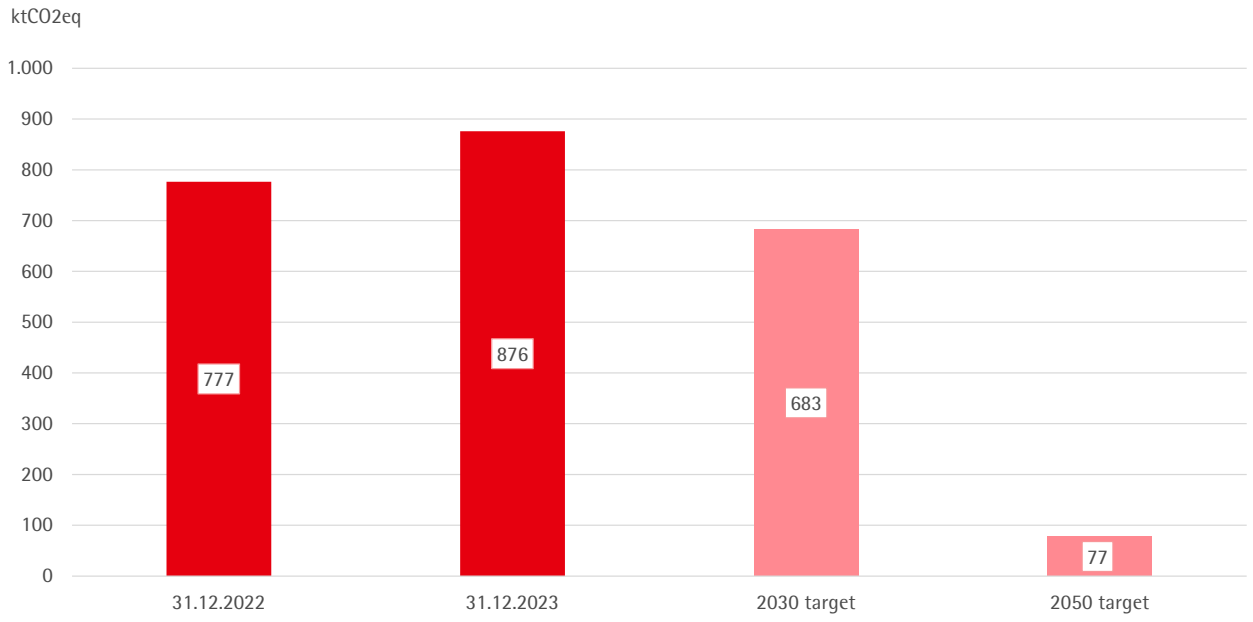
Despite the increase in emissions for Scope 1 and Scope 2 in 2023, the average annual reduction in emissions over the last five years was 10%. In addition to other electrification projects, such as expanding our electric vehicle fleet and e-charging stations, we have also installed solar modules for our own consumption on the majority of our subsidiary banks' buildings in order to further decarbonise our operations. This has enabled us to reduce our annual energy consumption by an average of 4.5% over the last five years. In addition, we have used our group-wide guidelines on sustainable suppliers, covering various ESG criteria, to assess 90% of our suppliers; 40% of them have been classified as sustainable.

Scope 3 emissions

Our Scope 1 and 2 emissions are very low compared to our Scope 3 emissions, which largely consist of financed emissions from our borrowers, as shown in the following chart over time. For the calculation of our Scope 3 emissions, we include two of the 15 categories of the GHG Protocol (business travel and financial investments). The most relevant category for us as a financial services provider is the borrower emissions that we have financed. The 12.8% growth in Scope 3 emissions is thus attributable to the rise in emissions financed that resulted from the change in portfolio composition.

For our Scope 3 target, we applied the customer engagement approach as validated by SBTi. Here, a linear reduction path was modelled with the assumption that 100% of our business customers will set their own emissions reduction targets by 2040. Using this method, we have set ourselves the target of engaging with the customers of ours who are responsible for 28% of our portfolio emissions by 2027 (compared to 2022 baseline), with a particular focus on agriculture and manufacturing. As for energy generation project finance,

we will continue to only support projects in renewable energies. Moreover, 20% of our portfolio is allocated to supporting clients in the acquisition of green assets, such as energy-efficient equipment, photovoltaic systems, green buildings, e-cars, waste management equipment and other items. In the next 5-7 years, we want to increase this share to 25%.



Scope 3 Greenhouse gas emissions





Above: Employee in front of ProCredit Bank Georgia's head office
Below: ProCredit Academy, Fürth, Germany

OWN WORKFORCE

The key to long-term success is our staff. We rely on a company culture that is based on our ethical principles and encourages proactive participation and professionalism. The implementation of our strategy requires staff who establish long-term relationships with customers and provide them with innovative and efficient service in a friendly manner. At the same time, we want to offer our employees long-term prospects with opportunities for further professional development. The management teams in the individual ProCredit banks are a key part of our sustainable approach to staff. Our management board members are, as a rule, from the countries where they work and have been with ProCredit for more than 13 years on average; all have graduated from our own ProCredit Management Academy. They have thus been well integrated into the group, have developed a comprehensive understanding of our business model and share the same strategic vision and ethical compass. A structured approach to staff recruitment, training and remuneration is a central component of the ProCredit group's human resources strategy. We have developed group-wide standards for these areas in order to ensure a consistent, transparent and long-term approach in all banks.

Our strategy is to promote a positive working environment characterised by diversity, flat hierarchies and open communication, in order to retain our staff in the long term. Our ethical approach to banking is a fundamental part of how we work and is fully integrated into our corporate culture. We promote independence and critical thinking, responsibility, gender equality and fairness between employees.

Number of Staff	**31.12.2023**			**31.12.2022**		
Country	Women	Men	Total	Women	Men	Total
Albania	128	45	173	99	44	143
Bosnia and Herzegovina	132	68	200	105	63	168
Bulgaria	309	201	510	267	163	430
Germany	374	419	793	341	393	734
Ecuador	187	149	336	169	135	304
Georgia	192	94	286	175	100	275
Kosovo	208	136	344	185	119	304
Moldova	110	43	153	93	40	133
North Macedonia	162	62	224	146	58	204
Romania	128	47	175	111	41	152
Serbia	296	125	421	266	123	389
Ukraine	226	110	336	199	108	307

The total number of employees in the ProCredit group was 3,951 as of 31 December 2023. In this section, employee figures comprise full-time and part-time employees as of the reporting date, in accordance with the application of definitions in the GRI standards. In terms of geography, 51.8% of our staff are located in South Eastern Europe, 19.6% in Eastern Europe, 8.5% in South America and 20.1% in our German locations.

	31.12.2023					31.12.2022				
	South Eastern Europe	Eastern Europe	South America	Germany	**Total**	South Eastern Europe	Eastern Europe	South America	Germany	**Total**
Permanent/ full-time										
Women	1,155	486	186	256	**2,083**	1,006	447	168	246	**1,867**
Men	596	226	149	274	**1,245**	520	236	135	272	**1,163**
Permanent/ part-time										
Women	2	-	1	42	**45**	1	-	1	45	**47**
Men	-	-	-	17	**17**	-	-	-	15	**15**
Temporary/full-time										
Women	206	42	-	62	**310**	169	20	-	42	**231**
Men	88	21	-	82	**191**	91	12	-	73	**176**
Temporary/ part-time										
Women	-	-	-	8	**8**	3	-	-	4	**7**
Men	-	-	-	3	**3**	-	-	-	2	**2**
Non-guaranteed hours employees										
Women	-	-	-	6	**6**	-	-	-	4	**4**
Men	-	-	-	43	**43**	-	-	-	31	**31**

Of the total number of employees, 85.8% had a permanent employment contract. Reflecting our approach to diversity and inclusion, 62.1% of our employees are female. In terms of full-time and part-time work, 96.9% of employees held full-time contracts.

	31.12.2023		31.12.2022	
Women	15	34.9%	16	38.1%
Men	28	65.1%	26	61.9%
Total number of employees in Management Board	**43**	**100.0%**	**42**	**100.0%**

Decisions on employee recruitment and promotion are based on values, commitment and professionalism. Women hold 54% of our middle manager positions; at top management level the figure was 35.0%. Although this indicator remains stable, there is room for further progress. To be clear, this breakdown is not the result of a planned strategy to achieve quantitative targets; instead, it is based on individual professional development and decisions on employee promotion.

	31.12.2023	31.12.2022
Annual total compensation ratio	25.0	26.2

At ProCredit, we attach great importance to our transparent salary structure with fixed salaries. We focus on fair and, above all, appropriate salary levels that reflect both the quality of our employees and the impact orientation of our banks. At the same time, we value a fair approach to remuneration, which is reflected in the annual total remuneration ratio. This shows the relationship between the highest salary level and the median salary. At regional level, the indicator varies between 8.2 and 11.0. At group level, this increases to 25.0 due to varying salary levels between the regions. Our salary structure is defined in our established standards. In this way, employees know where they stand in their career at ProCredit.

As a group that has been active in various countries over many years, drawing on varied and complex cultural and historical backgrounds, we want to promote diversity of opinion, freedom of expression and different ways of thinking. The group has a zero-tolerance approach to any behaviour related to discrimination or harassment, and we are committed to taking all necessary measures to prevent such incidents.

	1.1.–31.12.2023	1.1.–31.12.2022
Number of incidents of discrimination, including harassment reported in the reporting period	-	-
Number of complaints through channels of raising concerns (related to remaining social and human rights matters)	-	-
Total amount of material fines, penalties and compensation for damages as a result of violations regarding social and human rights factors	-	-
Number of severe human rights issues and incidents	-	-
Total amount of fines, penalties and compensation for damages for the issues above	-	-

Diversity

For the ProCredit group, the topic of diversity and inclusion is of particular importance and we want to continue to raise awareness. In 2023 alone, all of our employees underwent our Code of Conduct training with a total of 21,613 training hours on diversity and inclusion. Regular training in this area is planned starting from 2024, either as part of the Code of Conduct sessions or through a separate training course. Modules on diversity and inclusion have also been integrated into the ProCredit Academy curriculum. Every person deserves respect. This should never be taken for granted.

	31.12.2023		31.12.2022	
Age <30	1,043	26.4%	836	23.6%
Age 30-50	2,661	67.4%	2,510	70.8%
Age >50	247	6.3%	197	5.6%
Total number of staff	**3,951**	**100.0%**	**3,543**	**100.0%**

Onboarding

Our approach to recruitment focuses on individuals who are open, willing to learn and committed to our common values. Beyond technical and analytical skills, our staff must demonstrate personal integrity, openness and a willingness to work together with clients and colleagues. Candidates have the opportunity to gain a deep understanding of both the business strategy of the ProCredit group and our ethical principles.

Our Onboarding Programme covers what we believe to constitute responsible banking, and it provides new staff with an opportunity to learn directly from management and experienced colleagues about how ProCredit contributes to transparent and sustainable financial sector development.

We strive for a long-term relationship with all our employees, and this is based on training, continuous development and mutual respect.

As can be seen in the tables below, we value diversity when recruiting new colleagues as well as the long-term relationships with existing staff.

	1.1.–31.12.2023	1.1.–31.12.2022
Women	504	465
Men	319	338
Total new employees hires	**823**	**803**

The following table shows staff turnover:

Turnover of staff	1.1.–31.12.2023	1.1.–31.12.2022
Total number	317	368
Total rate	8.5%	11.0%

Persons with disabilities

As stated in our Code of Conduct, we strive for fair and equitable treatment of our employees, regardless of their ethnicity, skin colour, gender, language, political or religious beliefs, national origin or culture, marital status, sexual orientation or disability. People with disabilities account for 1% (previous year: 1%) of total staff, and are still underrepresented in our group. We are striving to create the necessary opportunities for greater inclusion of people with disabilities.

Collective bargaining

ProCredit recognises the right of our employees to join trade unions and to participate in collective bargaining in accordance with local law. General working conditions are set out in the individual employment contracts and in our Code of Conduct. The working and employment conditions do not differ between employees, regardless of whether they are covered by collective agreements.

Employees covered by collective bargaining agreements	31.12.2023	31.12.2022
Share of employees	14.0%	14.0%
Number of employees	543	482

In addition, we provide all employees with the opportunity to speak freely with their direct line managers and members of management about their performance, their expectations and the working atmosphere. These one-on-one meetings take place regularly and are anchored in our established standards. These discussions are highly valued by our employees, as they represent a platform for mutual exchange where they are encouraged to share their thoughts, ideas, impressions and concerns.

Training

At ProCredit, we maintain an expansive training curriculum that enables everyone to participate in numerous training courses. Our training approach is comprehensive: It begins with the onboarding programme for all new staff in our banks. We regularly offer specialised courses tailored to specific operations as well as group-wide training on relevant topics. The next level of training includes our ProCredit Banker and ProCredit Management programmes, which take place at the ProCredit Academy campus in Germany. The Academy serves as a meeting place for exchanging ideas and brainstorming together.

The topics covered in the programme reflect our business practices and ethical principles (corporate governance, employee development, credit risk, climate change, ethics and political philosophy). To date, more than 637 employees have completed or are currently attending the academies, and this includes all of our bank managers.

Ethics and personal responsibility are a key component of the training we offer. We likewise impart the philosophical and ethical principles which have developed since Antiquity. Against the backdrop of our sustainable and responsible approach to banking, we deem this link between past and present to be highly important. In addition, we carry out annual workshops for all staff; these focus on our binding Code of Conduct and on environmental topics. As the shared working language of the ProCredit group, English is used for all training measures. Therefore, staff must have a good command of the English language in order to communicate and contribute in our international environment.

Share of employees who participated in regular performance and career development reviews	1.1.–31.12.2023	1.1.–31.12.2022
by gender		
Women	80.0%	55.5%
Men	65.4%	44.7%
by employee category		
Middle Management	51.2%	44.4%
Specialist	77.9%	52.2%

Average hours of training per year per employee	1.1.–31.12.2023	1.1.–31.12.2022
by gender		
Women	113	136
Men	116	144
by employee category		
Management Board	52	36
Middle Management	147	129
Specialist	111	141

Our employee development approach remains a high priority. We invest heavily in the training and development of our staff, in order to create an open and efficient working atmosphere and also ensure that our customers receive friendly and competent service. The average volume of training in 2023 was 114 hours/employee (previous year: 139 hours/employee). On average, women took part in 113 hours (previous year: 136 hours) of internal and external training.

Health and safety

With regard to health and safety indicators, no work-related injuries or work-related illnesses were reported at our facilities in 2023. The group remains committed to maintaining health and safety measures in accordance with all legal and regulatory requirements. The table below refers to both employees and non-employees.

	1.1.–31.12.2023	1.1.–31.12.2022
Number of fatalities as a result of work-related injuries and work-related ill health	-	-
Rate of fatalities as result of work-related injuries and work-related ill health	-	-
Number of cases of recordable work-related ill health	-	-
Numbers of days list to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	-	-

Work-life balance

The physical and mental health of our employees is a high priority for us. We offer all staff the opportunity to work from home. The number of mobile working days varies in the countries where we operate.

We maintain open and transparent communication. This helps create a constructive environment that encourages employees to discuss the needs in their professional and private lives in order to find suitable solutions..

In order to improve the work-life balance, we inform our colleagues about opportunities for family-related leave. The table below provides an overview of family-related leave:

	1.1.–31.12.2023	1.1.–31.12.2022
Share of employees entitled to take family-related leaves	100.0%	98.7%
Employees entitled that took family-related leaves		
Women	86.0%	86.8%
Men	14.0%	13.2%





Above: Group discussion at the ProCredit Academy, Fürth, Germany
Below: Employees of ProCredit Bank Bosnia and Herzegovina at a sporting event

Consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

in '000 EUR	Note	1.1.–31.12.2023	1.1.–31.12.2022
Interest income (effective interest method)*		525,137	382,394
Other interest income*		5,387	1,932
Interest expenses		193,300	119,692
Net interest income	6	**337,224**	**264,634**
Fee and commission income		87,831	81,214
Fee and commission expenses		30,306	26,483
Net fee and commission income	7	**57,525**	**54,731**
Result from foreign exchange transactions	8	27,989	23,886
Result from derivative financial instruments and hedging relationships	9, 19	-1,778	3,531
Result on derecognition of financial assets measured at amortised cost	10	-355	-221
Net other operating result	11	-8,099	-6,713
Operating income		**412,506**	**339,848**
Personnel expenses	12	120,642	101,726
Administrative expenses	13	126,337	115,702
Loss allowance	14	15,513	104,573
Profit before tax		**150,015**	**17,847**
Income tax expenses	24	36,643	1,350
Profit of the period		**113,372**	**16,497**
Profit attributable to ProCredit shareholders		*113,372*	*16,497*

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

in '000 EUR	Note	1.1.–31.12.2023	1.1.–31.12.2022
Profit of the period		**113,372**	**16,497**
Items that are or may be reclassified to profit or loss			
Change in revaluation reserve from investment securities*	34	3,114	-4,757
*Change in value not recognised in profit or loss**		*3,151*	*-4,785*
Change in loss allowance (recognised in profit or loss)		*-37*	*29*
Change in deferred tax on revaluation reserve	34	-237	167
Change in translation reserve	5	-3,703	1,363
Change in value not recognised in profit or loss		*-3,703*	*1,363*
Items that will not be reclassified to profit or loss			
Change in revaluation reserve from shares*	34	1,811	-146
Other comprehensive income of the period, net of tax		**985**	**–3,372**
Total comprehensive income of the period		**114,357**	**13,125**
Total comprehensive income attributable to ProCredit shareholders		*114,357*	*13,125*
Earnings per share** in EUR	16	1.92	0.28

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in '000 EUR	Note	31.12.2023	31.12.2022
Assets			
Cash	17	219,879	171,663
Central bank balances	4, 14, 17	2,127,737	1,768,019
Loans and advances to banks	4, 14, 18	372,141	280,453
Derivative financial assets	4, 19	8,083	12,729
Investment securities	4, 14, 20	750,542	480,168
Loans and advances to customers	4, 14, 21	6,029,715	5,892,796
Property, plant and equipment	22	137,423	133,703
Intangible assets	23	22,732	17,993
Current tax assets	24	4,132	4,323
Deferred tax assets	24	12,201	10,714
Other assets	4, 14, 25	64,382	53,564
Total assets		**9,748,966**	**8,826,125**
Liabilities and equity			
Liabilities to banks	4	1,127,680	1,318,647
Derivative financial liabilities	4, 19	1,334	614
Liabilities to customers	4, 27	7,254,236	6,289,511
Debt securities	4, 28	147,088	191,988
Other liabilities	29	48,613	40,248
Provisions	30	21,997	18,168
Current tax liabilities	24	23,513	2,028
Deferred tax liabilities	24	1,449	1,888
Subordinated debt	4, 31	139,269	93,597
Liabilities		**8,765,177**	**7,956,690**
Subscribed capital and capital reserve	34	441,277	441,277
Retained earnings		625,906	512,537
Translation reserve		-85,485	-81,783
Revaluation reserve	34	2,091	-2,596
Equity attributable to ProCredit shareholders		**983,789**	**869,434**
Total liabilities and equity		**9,748,966**	**8,826,125**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders
Balance as of 1.1.2023	**441,277**	**512,537**	**-81,783**	**-2,596**	**869,434**
Profit of the period		113,372			113,372
Other comprehensive income of the period, net of tax			-3,703	4,688	985
Total comprehensive income of the period		113,372	-3,703	4,688	114,357
Other changes		-2			-2
Balance as of 31.12.2023	**441,277**	**625,906**	**-85,485**	**2,091**	**983,789**

in '000 EUR	Subscribed capital and capital reserve	Retained earnings	Translation reserve	Revaluation reserve	Equity attributable to ProCredit shareholders
Balance as of 1.1.2022	**441,277**	**496,044**	**-83,145**	**2,139**	**856,314**
Profit of the period		16,497			16,497
Other comprehensive income of the period, net of tax			1,363	-4,735	-3,372
Total comprehensive income of the period		16,497	1,363	-4,735	13,125
Other changes		-4			-4
Balance as of 31.12.2022	**441,277**	**512,537**	**-81,783**	**-2,596**	**869,434**

CONSOLIDATED STATEMENT OF CASH FLOWS

in '000 EUR	Note	1.1.–31.12.2023	1.1.–31.12.2022
Profit of the period		113,372	16,497
Income tax expenses		36,643	1,350
Profit before tax		**150,015**	**17,847**
Non-cash items included in the profit of the period and transition to the cash flow from operating activities:			
Depreciation, impairment and appreciation of loans and advances, property, plant and equipment and financial investments		37,348	134,486
Increase / decrease of provisions		13,133	9,047
Gains / losses from disposal of fixed assets		417	-202
Other non-cash expenses and income		-337,916	-265,115
Subtotal		-137,004	-103,938
Net change in assets and liabilities from operating activities:			
Loans and advances to banks		-99,053	78,661
Loans and advances to customers		-130,935	-196,102
Other assets from operating activities		-147,404	-42,596
Liabilities to banks		-194,542	5,409
Liabilities to customers		969,178	743,528
Debt securities	28	-49,855	-174,045
Other liabilities from operating activities		11,517	9,234
Interest received		514,299	377,481
Interest paid		-194,311	-117,795
Income tax paid		-17,841	-12,900
Cash flow from operating activities		**524,050**	**566,938**
Proceeds from disposal of fixed assets		5,422	8,743
Payments for purchase of fixed assets		-27,847	-21,224
Cash flow from investing activities		**-22,424**	**-12,482**
Proceeds from subordinated loans	31	45,460	4,000
Payments for subordinated loans	31	-7,886	-5,304
Cash flow from financing activities		**37,574**	**-1,304**
Cash and cash equivalents at end of previous year		**1,957,931**	**1,398,793**
Cash flow from operating activities		524,050	566,938
Cash flow from investing activities		-22,424	-12,482
Cash flow from financing activities		37,574	-1,304
Effects of exchange rate changes		-9,555	5,986
Cash and cash equivalents at end of period	17	**2,487,576**	**1,957,931**

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Significant accounting principles

1 Basis of accounting

The activities of the ProCredit group comprise the financing of Small and Medium-sized Enterprises (SMEs) and direct banking for private clients. We operate in South Eastern Europe, Eastern Europe, South America and Germany. Through our business activities we aim to sustainably provide a return on investment for our shareholders while making a contribution to economic, social and ecological development. The parent company of the group is ProCredit Holding AG ("ProCredit Holding"), domiciled at Rohmerplatz 33-37, 60486 Frankfurt am Main, Germany (Commercial Register Frankfurt, Section B No. 132455). 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. We prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as applicable within the European Union.

Our consolidated financial statements as of 31 December 2023 comprise the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements. Further disclosures with regard to the nature and extent of risks arising from financial instruments are presented in our risk report as part of the combined management report.

The consolidated financial statements are presented in euros, which is also the group's functional currency. The financial year of the ProCredit group is the calendar year. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit (EUR, %, etc.). The significant accounting policies have been consistently applied to all financial years presented, unless otherwise stated. Recognition and measurement is performed on a going-concern assumption.

In the course of preparing the consolidated financial statements, further assumptions, estimates and necessary discretionary judgements were made by the Management Board. All estimates and assumptions required are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis and are based on past experience and other factors, including expectations with regard to future events, and are considered appropriate under the given circumstances. The calculation of loss given default (LGD) for the determination of loss allowances was already adjusted as of mid-year 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 (30 June 2023), the changes to this methodology led to a EUR 9.4 million decrease in loss allowances for the group. In addition, a review was conducted on the effects of higher interest rates on intangible assets. The rise had no impact on the recoverability of these assets. For a description of the effects of estimates and judgements, please refer to notes 4 Financial instruments, 14 Loss allowance, 23 Intangible assets, 24 Income taxes, 30 Provisions, 33 Fair value of financial instruments, as well as the risk report in the combined management report.

2 *Principles of consolidation*

ProCredit Holding prepares the consolidated financial statements for the largest scope of entities. The consolidated financial statements comprise the financial statements of ProCredit Holding together with its subsidiaries. Subsidiaries are all companies which are controlled by the group. Control over an entity exists when ProCredit Holding is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date on which control ceases. The group has no material interest in joint ventures or associates. Group-internal transactions, balances and interim profits are eliminated in full.

The following subsidiaries are included in the scope of consolidation as of 31 December 2023:

#	Name of institution	Company purpose	Principal place of business	Turnover in '000 EUR	Profit before tax in '000 EUR	Income tax expenses in '000 EUR	Staff No. 31.12.2023	Proportion of ownership interest 31.12.2023	31.12.2022
	EU member states								
1	ProCredit Bank (Bulgaria) E.A.D.	Credit institution with banking licence	Bulgaria	79,313	38,031	5,947	507	100.0	100.0
2	ProCredit Bank AG	Credit institution with banking licence	Germany	21,261	9,479	0	75	100.0	100.0
3	ProCredit Academy GmbH	Training academy	Germany	3,450	0	0	32	100.0	100.0
4	QUIPU GmbH	IT consulting and software company	Germany	52,246	1,366	49	446	100.0	100.0
5	ProCredit Bank S.A.	Credit institution with banking licence	Romania	20,490	4,319	668	172	100.0	100.0
	Non-EU member states								
6	ProCredit Bank Sh.a	Credit institution with banking licence	Albania	12,424	2,083	486	170	100.0	100.0
7	ProCredit Bank d.d.	Credit institution with banking licence	Bosnia and Herzegovina	17,691	5,834	641	203	100.0	100.0
8	Banco ProCredit S.A.	Credit institution with banking licence	Ecuador	20,103	-2,284	350	334	100.0	100.0
9	JSC ProCredit Bank	Credit institution with banking licence	Georgia	33,624	18,959	2,660	281	100.0	100.0
10	ProCredit Bank Sh.a	Credit institution with banking licence	Kosovo	44,089	24,809	2,496	342	100.0	100.0
11	ProCredit Bank A.D.	Credit institution with banking licence	North Macedonia	28,420	10,725	1,101	221	100.0	100.0
12	ProCredit Regional Academy Eastern Europe dooel	Training academy	North Macedonia	87	-204	0	3	100.0	100.0
13	BC ProCredit Bank S.A.	Credit institution with banking licence	Moldova	16,826	7,879	963	150	100.0	100.0
14	ProCredit Bank a.d. Belgrade	Credit institution with banking licence	Serbia	59,139	22,493	2,355	418	100.0	100.0
15	JSC ProCredit Bank	Credit institution with banking licence	Ukraine	59,155	34,442	16,779	334	100.0	100.0

Turnover corresponds to the position "Operating income". The amounts shown above are based on the respective annual financial statements for each subsidiary (without eliminating transactions between group companies).

Shares in subsidiaries whose influence on the financial position and financial performance is insignificant, both individually and as a whole, are not consolidated but are recognised as financial investments under equity instruments. This includes the wholly owned subsidiaries ProCredit Reporting DOOEL, North Macedonia, Pro Energy L.L.C., Kosovo, and the special purpose entity PC Finance II B.V., The Netherlands. ProCredit Reporting DOOEL supports the reporting activities of the group and Pro Energy L.L.C. is engaged in the production, trade and distribution of renewable energy. In the past, part of the loan portfolio of a ProCredit bank was securitised via PC Finance II B.V.

Significant restrictions

As of 31 December 2023, our group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which the banking subsidiaries operate. These frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets. Please refer to our disclosures in the risk report as part of the combined management report. In some countries where the ProCredit group operates, payout of dividends is subject to the approval of local regulatory authorities. Due to martial law, ProCredit Bank Ukraine is currently not permitted to distribute dividends on ordinary shares. In addition, Ukrainian banks are not allowed to make early repayments to non-resident creditors nor can they shorten existing contract maturities. In addition, there are restrictions on our accounts in Russian roubles totalling EUR 563 thousand, for which we have established loss allowances in full. For information on currency translation, please refer to note 5.

3 Accounting developments

(a) Standards, amendments and interpretations that are already effective

- Amendments to IAS 1 and to IFRS Practice Statement 2: "Making Materiality Judgements" have a negligible impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 8: "Definition of accounting estimates" have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.
- Amendments to IAS 12: "Deferred Taxes related to Assets and Liabilities arising from a Single Transaction" have a minor impact on the measurement of deferred taxes. The amendments are effective for annual periods beginning on or after 1 January 2023.

The following standards, amendments or interpretations were issued by the IASB and endorsed by the EU and had no impact on our consolidated financial statements: IFRS 17 "Insurance Contracts", amendments to IFRS 17 "Insurance Contracts" and amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules".

(b) Standards, amendments and interpretations issued but not yet effective

- Amendments to IAS 1: "Classification of Liabilities as Current or Non-Current" and "Non-current Liabilities with Covenants" have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.

- Amendments to IFRS 16: "Lease Liability in a Sale and Leaseback" have a minor impact on the consolidated financial statements. The amendments are effective for annual periods beginning on or after 1 January 2024.
- Amendments to IAS 7 and IFRS 7: "Supplier Finance Arrangements" have no impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2024.
- Amendments to IAS 21: "Lack of Exchangeability" have no impact on the consolidated financial statements. The amendments are, subject to the still pending EU endorsement, effective for annual periods beginning on or after 1 January 2025.

There was no early adoption of any standards, amendments and interpretations not yet effective.

4 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity instrument for another entity. The financial assets of our group are mainly debt instruments, with only a small proportion consisting of equity instruments. Equity instruments are recognised at fair value through other comprehensive income. For debt instruments, IFRS 9 is based on a consistent approach to classify and measure financial assets according to the underlying business model in which the financial assets are managed and to their cash flow characteristics.

We differentiate between the following business models:

- "Hold to collect": the financial assets are held with the aim of collecting the contractual cash flows.
- "Hold to collect and sell": the financial assets are held with the aim of both collecting the contractual cash flows and selling the financial assets.
- "Other": this business model is used for financial assets that are neither allocated to the "hold to collect" business model nor to the "hold to collect and sell" business model.

Our business models for financial assets are assessed on the basis of groups of financial assets (portfolios). The allocation to a business model is based on the actual circumstances at the time of the assessment. We take the following criteria, among others, into account:

- our business strategy and risk strategy,
- the way in which the development of the business model is evaluated and reported to our Management and Supervisory Board,
- if there were sales in previous periods, the frequency, volume, timing and reasons for those sales as well as expectations regarding future sales activities.

As a result, the balance sheet items allocated to the "hold to collect" business model are: "Central bank balances", "Loans and advances to banks", "Loans and advances to customers" and "Other assets". "Investment securities" are allocated to the "hold to collect" or the "hold to collect and sell" business model.

Subsequent recognition of financial liabilities is at amortised cost; only derivative financial liabilities are recognised at fair value through profit or loss.

(a) Financial assets and liabilities at amortised costs

A financial asset is classified "at amortised cost" when the financial asset is assigned to the "hold to collect" business model with the objective to solely collect contractual cash flows through interest and principal

payments (SPPI conform). The review of the SPPI criterion is a discretionary decision of the Management. The financial assets arise when the group provides capital directly to a contracting party with no intention of trading the receivable.

These financial assets are initially recognised at fair value plus transaction costs; subsequently they are measured at amortised cost using the effective interest method. Expected credit losses (ECL) are recognised using a three-stage model (see note 14). If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in the consolidated statement of profit or loss. The upper limit on the reduction of the impairment is equal to the amortised costs which would have been incurred as of the valuation date if there had not been any impairment. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been substantially modified, or we have transferred substantially all risks and rewards of ownership. In addition, when loans and receivables are restructured with substantially different terms and conditions, the original financial asset is derecognised and replaced with the new financial asset.

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss over the period of the debt instrument. Financial liabilities at amortised cost are derecognised when they are extinguished – that is, when the obligation is settled, cancelled or expired.

(b) Financial assets at fair value with changes in fair value recognised in other comprehensive income

A financial asset is classified and recognised as "fair value through other comprehensive income" ("FVOCI"), if the financial asset is allocated to the "hold to collect and sell" business model.

In general, part of "Investment securities" are allocated to this business model. The cash flow criterion is checked individually. Investment securities of the ProCredit group fulfil the cash flow criterion (SPPI conform) but can be sold if required. Furthermore, a small amount of shares included under the balance sheet position "Other assets" are classified as FVOCI. There is no intention to trade or sell these shares.

At initial recognition, the FVOCI financial instruments are recorded at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently they are carried at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated statement of other comprehensive income under "Revaluation reserve". If the financial asset is derecognised (see note 14) for details on impairment), the cumulative gain or loss previously recognised in the "Revaluation reserve" is recognised in the consolidated statement of profit or loss. Interest calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as FVOCI financial instruments are recognised in the consolidated statement of profit or loss. For the FVOCI equity instruments, any dividend payments are recognised in the consolidated statement of profit or loss, but not the accumulated value change on derecognition (no recycling).

Purchases and sales of FVOCI financial instruments are recorded as of the trade date. They are derecognised when the rights to receive cash flows from the financial assets have expired or been significantly modified, or when we have transferred substantially all risks and rewards of ownership.

(c) Financial assets and financial liabilities at fair value through profit or loss

Derivatives with a positive fair value at the balance sheet date are carried as financial assets and reported under "Derivative financial assets". Derivatives with a negative fair value are carried as financial liabilities and

are reported under "Derivative financial liabilities". We designate certain derivatives as hedging instruments in qualifying hedging relationships (hedge accounting) in accordance with IFRS 9. At the inception of the hedging relationship, we formally document the relationship between the hedging instrument(s) and hedged item(s), including risk management objectives and strategies for undertaking the hedge, and the method of assessing effectiveness. We assess compliance with the effectiveness requirements both at the inception of the hedging relationship and on an ongoing basis.

Derivative financial instruments are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Purchases and sales of derivative financial instruments are recognised on the trade date – the date on which the group commits to purchase or sell the instrument. Subsequently, the financial instruments are carried at fair value. Gains and losses arising from changes in their fair value are immediately recognised in the consolidated statement of profit or loss of the period.

Derivative financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been significantly modified, or where the group has transferred legal rights and substantially all risks and rewards of ownership. Derivative financial liabilities are derecognised when they are extinguished – that is, when the obligation is settled, cancelled or expired.

5 Foreign currency translation

(a) Transactions in foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the group companies at the exchange rates prevailing on the date of the transaction. The financial statements of the local companies are prepared in the local currency which corresponds to the functional currency there.

Foreign currency monetary assets and liabilities are translated using the closing exchange rates on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss (result from foreign exchange transactions).

Foreign non-monetary items measured at amortised cost are translated with the historical exchange rate as at the date of the transaction.

(b) Group companies

The financial statements of all group entities (none of which operate in an economy subject to hyperinflation) whose functional currency is not the euro are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that statement of financial position.
- Income and expenses are translated at average exchange rates of the period.
- All differences resulting from the translation of net investments in foreign subsidiaries are recognised in the "Translation reserve" in equity. Upon disposal of a foreign subsidiary, the accumulated translation differences are reclassified from equity to the consolidated statement of profit or loss.

As a result of the Russian invasion of Ukraine, the National Bank of Ukraine (NBU) pegged the official exchange rate of the hryvnia to the US dollar in 2022. The exchange rate restrictions were gradually eased in 2023. In October, the NBU removed its fluctuation threshold for the peg to the US dollar, introducing instead

a managed flexible official exchange rate. We consider the exchange rate for the Ukrainian hryvnia published by the NBU to be suitable for currency translation.

Result for the financial year

6 *Net interest income*

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Interest income from		
Central bank balances	37,030	7,450
Loans and advances to banks	11,491	3,169
Investment securities FVOCI	10,874	3,961
Investment securities AC	36,181	16,343
Loans and advances to customers	429,561	351,471
Interest income (effective interest method)*	**525,137**	**382,394**
Interest income from		
Derivative financial assets	4,526	1,170
Prepayment penalty	861	762
Other interest income*	**5,387**	**1,932**
Interest expenses on		
Liabilities to banks	58,141	41,306
Derivative financial liabilities	2,625	1,155
Liabilities to customers	117,666	62,162
Debt securities	5,087	6,711
Subordinated debt	9,724	5,766
Negative interest from assets	57	2,591
Interest expenses	**193,300**	**119,692**
Net interest income	**337,224**	**264,634**

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

Interest income from our green loan portfolio amounts to EUR 75.5 million (2022: EUR 57.9 million). The green loan portfolio includes financing for investments in energy efficiency, renewable energies or other environmentally friendly technologies.

Interest income and expenses are recognised in the consolidated statement of profit or loss and reported on an accrual basis. Net interest income is calculated on the gross book value of a financial asset; for financial assets in Stage 3, net interest income is calculated on the net book value of a financial asset. Payments received in respect of written-off loans are not recognised in net interest income, but rather under "Loss allowance".

7 Net fee and commission income

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Fee and commission income from		
Payment services	31,181	27,827
Debit/credit cards	20,286	17,749
Account maintenance fee	22,213	22,631
Letters of credit and guarantees	7,822	6,769
Others	6,328	6,238
Fee and commission income	**87,831**	**81,214**
Fee and commission expenses on		
Payment services	5,384	4,833
Debit/credit cards	18,411	16,222
Account maintenance fee	1,977	2,184
Letters of credit and guarantees	4,355	3,045
Others	178	198
Fee and commission expenses	**30,306**	**26,483**
Net fee and commission income	**57,525**	**54,731**

Fee and commission income and expenses are recognised on the basis of the agreed amount payable. Income and expenses are generally recognised at a point in time.

8 Result from foreign exchange transactions

This position refers to the results of foreign currency exchange with and for customers. We do not engage in foreign currency trading on our own account. This position also includes unrealised foreign currency revaluation effects.

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Currency exchange	27,733	26,724
Net gains and losses from FX revaluation	257	-2,838
Result from foreign exchange transactions	**27,989**	**23,886**

9 Result from derivative financial instruments and hedging relationships

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Result from revaluation	-1,192	2,983
Result from hedging relationships	-586	548
Result from derivative financial instruments and hedging relationships	**–1,778**	**3,531**

The result from derivative financial instruments and hedging relationships is derived primarily from changes in interest rates.

10 Result on derecognition of financial assets measured at amortised cost

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Gains from derecognition of loans and advances to customers	100	8
Losses from derecognition of loans and advances to customers	-455	-230
Result on derecognition of financial assets measured at amortised cost	**-355**	**-221**

The "Result on the derecognition of financial assets measured at amortised cost" is mainly attributable to the derecognition of loans and advances to customers of ProCredit Bank Ukraine.

11 Net other operating income

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Other operating income from		
Reversal of provisions	456	1,858
Reimbursement of expenses	972	390
Sale of repossessed properties	1,548	1,772
Sale of property, plant and equipment	877	692
IT-services	4,993	5,467
Rental of investment properties	637	780
Others	3,893	4,111
Other operating income	**13,375**	**15,069**
Other operating expenses for		
Deposit insurance	9,268	9,566
Reimbursement	331	543
Disposal of property, plant and equipment	1,294	490
Impairment of repossessed properties	1,485	2,270
Administration of repossessed properties	269	333
Credit recovery services and solvency checks	742	818
Impairment of goodwill	383	1,909
Litigation settlements	2,019	1,652
Provisions for non-financial off-balance sheet transactions	596	-
Others	5,089	4,201
Other operating expenses	**21,475**	**21,782**
Net other operating result	**-8,099**	**-6,713**

The ProCredit group received public funding in the 2023 financial year totalling EUR 94 thousand (2022: EUR 142 thousand).

12 Personnel expenses and employees

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Salary expenses	101,414	84,831
Social security expenses	13,692	11,945
Post-employment benefits plans (Defined contribution plans)	3,671	3,074
Post-employment benefits plans (Defined benefit plans)	59	372
Other employee benefits	1,806	1,504
Personnel expenses	**120,642**	**101,726**

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 2022: EUR 857 thousand). The total remuneration of ProCredit Holding's Supervisory Board within the ProCredit group during the financial year amounts to EUR 385 thousand (2022: EUR 193 thousand). Further details on remuneration for the Management Board and Supervisory Board are provided in the remuneration report, which is published on the website of ProCredit Holding.

The number of employees is broken down according to the following segments:

	2023		2022	
	Average	Year end	Average	Year end
South Eastern Europe	2,041	2,142	1,802	1,879
Eastern Europe	767	792	708	731
South America	330	334	271	302
Germany	551	566	528	525
Total	**3,689**	**3,834**	**3,309**	**3,437**

13 Administrative expenses

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Depreciation fixed and intangible assets (incl. impairment)	23,515	28,490
IT expenses	25,034	20,504
Office space-related expenses	15,343	12,709
Non-profit tax	18,201	15,202
Legal and consulting fees	11,141	14,284
Marketing, advertising and representation	10,640	6,952
Transport	5,268	3,476
Recruitment and other personnel-related expenses	7,240	5,620
Insurances	4,008	2,671
Expenses for short-term leases	1,530	1,413
Expenses for leases of low-value items	437	403
Expenses for variable lease payments	178	228
Other administrative expenses	3,802	3,750
Administrative expenses	**126,337**	**115,702**

Of the total administrative expenses, EUR 9,414 thousand (2022: EUR 7,360 thousand) was incurred for staff training.

The decrease in depreciation of fixed and intangible assets (including impairment) is mainly due to the one-off write-downs on office buildings of ProCredit Bank Ukraine which had been recognised in the previous year. The decline in legal and consulting fees is mainly due to the additional legal and consulting services for the previous year which had resulted from the war in Ukraine.

Legal and consulting fees include the following expenses for the total fee charged by the auditor of ProCredit Holding:

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Audit of financial statements*	746	585
Tax advisory services	-	-
Other confirmatory services	116	6
Other services	-	-
Group auditor expenses*	**862**	**590**

** Previous year figures have been adapted and include expenses for ProCredit Bank Germany and QUIPU GmbH.*

14 Loss allowance

We establish loss allowances in an amount equivalent to the expected loss for all financial assets recognised at amortised cost, for investment securities recognised at fair value with changes in fair value reported in other comprehensive income (FVOCI), and for contingent liabilities. A three-stage model is used to report loss allowances. Estimates and assumptions are particularly necessary for determining which future-related macroeconomic factors are to be included. Furthermore, discretionary decisions are made when determining the probability of occurrence for various scenarios. Additional disclosures with regard to the nature and extent of risks arising from financial instruments, and particularly default risks, are presented in the risk report as part of the combined management report.

The ProCredit group sets aside loss allowances for the balance sheet items "Central bank balances", "Loans and advances to banks", "Investment securities", "Loans and advances to customers", for the financial assets under "Other assets" and for off-balance sheet transactions. These are recognised at net value within the corresponding balance sheet position; the exceptions are "Investment securities" recognised at fair value and off-balance sheet transactions. The loss allowance for investment securities at fair value is recognised through profit or loss directly in shareholders' equity under "Revaluation reserve". Loss allowances for off-balance sheet transactions are reported under the balance sheet position "Provisions".

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Change in loss allowances	28,475	116,396
Recovery of written-off loans	-13,675	-12,204
Direct write-offs	713	381
Loss allowance	**15,513**	**104,573**

Change in loss allowances

Recognition of loss allowances uses a three-stage model based on expected credit losses. Allocation to stages requires discretionary decisions to be made with regard to the definition of default, stage transfers and the determination of criteria as to whether there has been a significant increase in credit risk since recognition in the balance sheet:

- Stage 1: All financial assets are allocated to Stage 1 upon recognition, with the exception of those categorised as POCI (purchased or originated credit impaired). We establish loss allowances in an amount equivalent to the expected credit losses during a maximum of 12 months following the balance sheet date, insofar as there is no significant increase in credit risk since initial recognition.
- Stage 2: If credit risk increases significantly, the assets are classified as Stage 2 and loss allowances are established in an amount equivalent to the expected credit losses over the entire remaining maturity.
- Stage 3: Impaired financial assets are classified as Stage 3 and loss allowances are likewise established in an amount equivalent to the expected credit losses over the entire remaining maturity. For significant

exposures, loss allowances are determined individually on the basis of recoverable cash flows. For insignificant exposures, loss allowances are determined on the basis of portfolio-based parameters. Interest income is recognised on the net book value (with consideration of loss allowances).

Financial assets which are already impaired at initial recognition (POCI) are reported as part of the impaired exposures. These financial assets are initially recognised at fair value and thus no loss allowances are established. In subsequent periods, changes in the expected loss over the entire remaining maturity are recognised as an expense in the consolidated statement of profit or loss.

A non-substantial modification exists if a financial asset is modified without derecognition. The modification gain or loss is recognised in "Change in loss allowances". The modification gain or loss is equal to the difference between the original gross book value and the present value, discounted at the original effective interest rate, of the contractual cash flows under the modified terms.

Migration between the stages is possible in both directions (except for POCI), provided the grounds for the prior migration no longer exist. In the event that credit risk decreases, loss allowances already recorded are reduced.

For the "Other assets" position, loss allowances are established using the simplified approach. As a rule, loss allowances are recorded at initial recognition and on each subsequent reporting date in an amount equivalent to the expected credit losses during the total maturity period. For these short-term assets, the total maturity period has been simplified as 12 months.

Recoveries of written-off loans and direct write-offs

When a loan is uncollectible, it is written off considering the related loss allowance which has been set aside. Such write-offs occur after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts which have been written off are recognised in the consolidated statement of profit or loss under "Loss allowances". Uncollectible loans for which no loss allowances have been set aside in full are recognised in profit or loss as direct write-offs.

15 Segment reporting

The group aggregates its operations into reporting segments according to geographical regions. Each of these segments exhibits individual risk and return characteristics, as described in the combined management report. In general, business activities in all countries of operations are carried out with local customers, so that the respective items are allocated to the country in which the subsidiary is based. The operating income of the parent company is derived mainly from within the group. With the exception of the relationship between the German segment and the subsidiaries, there are no significant income or expense items arising from business dealings between segments. All income and expense items between the segments are disclosed separately in the following table. These are primarily interest income and expenses derived from loans extended by the parent company to the subsidiaries. The underlying interest rates are established at market conditions. Additionally, inter-segment transactions include the provision of centralised services by ProCredit Holding, IT services, staff training and dividends transferred from the subsidiaries to ProCredit Holding.

	1.1.–31.12.2023					
in '000 EUR	South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
Interest income (effective interest method)	289,026	174,909	50,612	47,678	-37,087	525,137
of which intercompany transactions	*4,671*	*7,466*	*38*	*24,913*		
Other interest income	3,452	130	-	6,271	-4,467	5,387
of which intercompany transactions	*2,721*	-	-	*1,745*		
Interest expenses	73,760	79,148	31,371	50,590	-41,568	193,300
of which intercompany transactions	*10,926*	*4,945*	*6,187*	*19,509*		
Net interest income	**218,718**	**95,891**	**19,241**	**3,359**	**14**	**337,224**
Fee and commission income	67,379	14,876	2,008	15,829	-12,261	87,831
of which intercompany transactions	*447*	*9*	-	*11,805*		
Fee and commission expenses	30,591	7,923	1,844	2,208	-12,260	30,306
of which intercompany transactions	*7,811*	*3,879*	*433*	*136*		
Net fee and commission income	**36,788**	**6,953**	**164**	**13,622**	**-1**	**57,525**
Result from foreign exchange transactions	16,923	9,477	260	1,311	18	27,989
of which intercompany transactions	*191*	*0*	-	*-210*		
Result from derivative financial instruments and hedging relationships	-850	-	-	-929	0	-1,778
of which intercompany transactions	*-4,107*	-	-	*4,107*		
Result on derecognition of financial assets measured at amortised cost	97	-452	-	-	-	-355
Net other operating result	-6,751	-143	438	141,609	-143,252	-8,099
of which intercompany transactions	*3,438*	*2,178*	*1,752*	*135,883*		
Operating income	**264,926**	**111,726**	**20,103**	**158,972**	**-143,220**	**412,506**
Personnel expenses	54,854	18,778	8,116	38,895	-	120,642
Administrative expenses	89,268	30,232	12,248	57,133	-62,544	126,337
of which intercompany transactions	*26,867*	*12,794*	*4,720*	*18,162*		
Loss allowance	12,358	1,524	2,024	-394	-	15,513
Profit before tax	**108,445**	**61,192**	**-2,284**	**63,338**	**-80,677**	**150,015**
Income tax expenses	13,736	20,403	350	2,154	-	36,643
Profit of the period	**94,709**	**40,790**	**-2,634**	**61,184**	**-80,677**	**113,372**
Profit attributable to ProCredit shareholders						*113,372*

	1.1.–31.12.2022					
in '000 EUR	South Eastern Europe	Eastern Europe	South America	Germany	Consolidation	Group
Interest income (effective interest method)*	190,465	145,417	45,752	24,500	-23,741	382,394
*of which intercompany transactions**	*843*	*1,873*	*7*	*21,018*		
Other interest income*	874	351	-	1,619	-912	1,932
*of which intercompany transactions**	*463*	-	-	*449*		
Interest expenses	36,977	62,362	20,277	24,579	-24,502	119,692
of which intercompany transactions	*8,460*	*4,959*	*6,561*	*4,523*		
Net interest income	**154,363**	**83,407**	**25,475**	**1,541**	**-151**	**264,634**
Fee and commission income	60,838	14,971	2,085	15,027	-11,706	81,214
of which intercompany transactions	*327*	*10*	-	*11,369*		
Fee and commission expenses	25,780	8,288	1,842	2,299	-11,726	26,483
of which intercompany transactions	*7,120*	*3,952*	*497*	*156*		
Net fee and commission income	**35,058**	**6,683**	**243**	**12,727**	**20**	**54,731**
Result from foreign exchange transactions	14,153	10,126	163	-542	-14	23,886
of which intercompany transactions	*170*	*185*	-	*-341*		
Result from derivative financial instruments and hedging relationships	1,178	-	-	2,353	0	3,531
of which intercompany transactions	*7,575*	-	-	*-7,575*		
Result on derecognition of financial assets measured at amortised cost	2	-223	-	-	-	-221
Net other operating result	-3,332	-304	-1,775	72,871	-74,173	-6,713
of which intercompany transactions	*3,069*	*1,918*	-	*69,186*		
Operating income	**201,422**	**99,687**	**24,107**	**88,949**	**-74,318**	**339,848**
Personnel expenses	43,535	16,660	7,440	34,091	-	101,726
Administrative expenses	72,924	34,289	12,620	44,519	-48,650	115,702
of which intercompany transactions	*22,124*	*12,308*	*4,631*	*9,587*		
Loss allowance	14,756	88,145	1,175	497	-	104,573
Profit before tax	**70,208**	**-39,407**	**2,871**	**9,843**	**-25,668**	**17,847**
Income tax expenses	7,692	-6,965	618	4	-	1,350
Profit of the period	**62,516**	**-32,443**	**2,253**	**9,838**	**-25,668**	**16,497**
Profit attributable to ProCredit shareholders						*16,497*

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

	31.12.2023		
in '000 EUR	Total assets excluding taxes	Total liabilities excluding taxes	Contingent liabilities
South Eastern Europe	6,868,204	6,163,832	911,615
Eastern Europe	1,821,410	1,596,120	183,792
South America	597,627	551,082	20,103
Germany	2,141,323	1,340,795	3,943
Consolidation	-1,695,930	-911,612	-
Total	**9,732,633**	**8,740,216**	**1,119,452**

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

16 Earnings per share

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Profit of the period	113,372	16,497
Profit attributable to ProCredit shareholders	113,372	16,497
Weighted average number of ordinary shares	58,898,492	58,898,492
Earnings per share* (in EUR)	**1.92**	**0.28**

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

Notes to the consolidated statement of financial position

17 Cash and central bank balances

in '000 EUR	31.12.2023	31.12.2022
Cash	219,879	171,663
Central bank balances	2,133,061	1,771,117
Loss allowances for central bank balances	-5,324	-3,098
Cash and central bank balances	**2,347,616**	**1,939,682**
Loss allowances for central bank balances	5,324	3,098
Loans and advances to banks with a maturity up to 3 months	366,764	274,057
Investment securities with a maturity up to 3 months	383,652	256,741
Central bank balance which do not qualify as cash or cash equivalents for the statement of cash flows	-615,780	-515,648
Cash and cash equivalents	**2,487,576**	**1,957,931**

Balances with central banks include minimum reserves that are not available for our day-to-day business and are thus not recognised under cash and cash equivalents in the cash flow statement.

The changes in central bank balances and the respective loss allowances are presented in the following tables.

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2023	**1,722,868**	**48,249**	**–**	**–**	**1,771,117**
New financial assets originated	226,161	-	-	-	226,161
Derecognition	-166,413	-16,162	-	-	-182,574
Transfers between stages	-	-	-	-	-
Change in exposure	319,347	-420	-	-	318,927
Exchange rate movements	2,370	-2,940	-	-	-570
Gross outstanding amount as of 31.12.2023	**2,104,334**	**28,727**	**–**	**–**	**2,133,061**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**-976**	**-2,123**	**–**	**–**	**-3,098**
New financial assets originated	-2,333	-	-	-	-2,333
Release due to derecognition	1	796	-	-	797
Transfers between stages	-	-	-	-	-
Change in credit risk	-853	21	0	0	-832
Exchange rate movements and others	-13	156	-	-	143
Loss allowances as of 31.12.2023	**-4,174**	**-1,149**	**–**	**–**	**-5,324**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2022	**1,405,779**	**–**	**–**	**–**	**1,405,779**
New financial assets originated	326,995	-	-	-	326,995
Derecognition	-236,095	-15,231	-	-	-251,326
Transfers between stages	-48,993	48,993	-	-	-
Change in exposure	265,771	8,659	-	-	274,430
Exchange rate movements	9,410	5,828	-	-	15,238
Gross outstanding amount as of 31.12.2022	**1,722,868**	**48,249**	**–**	**–**	**1,771,117**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**–745**	**–**	**–**	**–**	**–745**
New financial assets originated	-350	-	-	-	-350
Release due to derecognition	1	-	-	-	1
Transfers between stages	370	-370	-	-	-
Change in credit risk	-268	-1580	-	-	-1,848
Exchange rate movements and others	16	-172	-	-	-156
Loss allowances as of 31.12.2022	**–976**	**–2,123**	**–**	**–**	**–3,098**

18 Loans and advances to banks

The changes in loans and advances to banks and the respective loss allowances are presented in the following tables.

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2023	**280,470**	**–**	**703**	**–**	**281,174**
New financial assets originated	1,770,995	-	-	-	1,770,995
Derecognition	-1,680,433	-	-	-	-1,680,433
Transfers between stages	-14	-	14	-	-
Change in exposure	1,459	-	-1	-	1,458
Exchange rate movements	-330	-	-153	-	-483
Gross outstanding amount as of 31.12.2023	**372,147**	**–**	**563**	**–**	**372,710**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**–17**	**–**	**–703**	**–**	**–721**
New financial assets originated	-13	-	-	-	-13
Release due to derecognition	15	-	-	-	15
Transfers between stages	14	-	-14	-	-
Change in credit risk	-4	-	1	-	-3
Exchange rate movements and others	0	-	153	-	153
Loss allowances as of 31.12.2023	**–6**	**–**	**–563**	**–**	**–570**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2022	**252,654**	**–**	**–**	**–**	**252,654**
New financial assets originated	387,853	-	-	-	387,853
Derecognition	-300,374	-	-	-	-300,374
Transfers between stages	-345	-480	825	-	-
Change in exposure	-64,037	84	0	-	-63,953
Exchange rate movements	4,719	396	-121	-	4,994
Gross outstanding amount as of 31.12.2022	**280,470**	**–**	**703**	**–**	**281,174**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2022	**-5**	**–**	**–**	**–**	**-5**
New financial assets originated	-7	-	-	-	-7
Release due to derecognition	4	-	-	-	4
Transfers between stages	0	385	-385	-	-
Change in credit risk	-10	-171	-439	-	-620
Exchange rate movements and others	0	-215	121	-	-93
Loss allowances as of 31.12.2022	**-17**	**–**	**-703**	**–**	**-721**

19 Derivative financial assets and liabilities

	31.12.2023			31.12.2022		
		Fair value			Fair value	
in '000 EUR	Nominal amount	Assets	Liabilities	Nominal amount	Assets	Liabilities
Foreign exchange derivatives						
Swaps	114,789	78	381	109,048	35	587
Forwards	8,026	0	0	14,555	3	7
Interest rate derivatives						
Interest rate swaps (hedging instruments)	86,634	6,508	953	84,324	10,387	20
Interest rate swaps (others)	16,332	1,496	-	17,658	2,304	-
Derivative financial assets and liabilities	**225,781**	**8,083**	**1,334**	**225,585**	**12,729**	**614**

Derivatives are not netted in the statement of financial position. Under existing framework agreements for derivative trading, derivative financial assets and liabilities can be offset against each other if the counterparty defaults (global netting agreements). The following table presents the potential netting volume:

	31.12.2023		31.12.2022	
in '000 EUR	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Gross presentation	8,083	1,334	12,729	614
Potential netting volume	-48	-48	-31	-31
Potential net amount	8,035	1,286	12,698	583

We designate interest rate swaps as hedging instruments in hedging relationships (hedge accounting) in accordance with IFRS 9. These are used to hedge against changes in the fair value of fixed-interest loans or fixed-interest irrevocable loan commitments attributable to interest rate risk (micro fair value hedge). Gains or losses arising from changes in the fair value of interest rate swaps are recognised in the consolidated statement of profit or loss under "Result from derivative financial instruments and hedging relationships". Gains or losses arising from changes in the fair value of hedged items attributable to interest rate risk are

also recognised in the consolidated statement of profit or loss under "Result from derivative financial instruments and hedging relationships". The carrying amount of hedged items is adjusted accordingly.

With regard to the risk management strategy, including the management of interest rate risk in ProCredit group, we refer to the explanations in the risk report as part of the combined management report.

We hedge the fixed-interest underlying transactions with pay-fixed/receive-floating interest rate swaps in the context of micro-hedges. Underlying and hedging transactions enter into a hedging relationship in full. The critical terms of the hedging instrument and the hedged item match or are closely aligned. The assessment of effectiveness is therefore based on a qualitative assessment of these critical terms ("critical terms match method").

The main causes of possible hedge ineffectiveness are:

- early repayment or different repayment dates for the hedged item and the hedging instrument,
- the use of different yield curves to discount the hedged item and the hedging instrument,
- the effect from interest rate premiums on the variable side of an interest rate swap.

The remaining maturities of interest rate swaps as fair value hedges related to interest rate risk on loans and irrevocable loan commitments are broken down as follows:

	Remaining maturity as of 31.12.2023			Remaining maturity as of 31.12.2022		
in 000' EUR	Up to 1 year	1–5 years	More than 5 years	Up to 1 year	1–5 years	More than 5 years
Nominal amount	-	-	86,634	-	-	84,324
Average fixed interest rate	-	-	3.2%	-	-	2.8%

The hedging instruments and the items used to hedge the fair value with respect to interest rate risk, as well as hedge ineffectiveness, are shown in the following tables:

	31.12.2023			
		Carrying amount		Change in fair value used for recognising hedge ineffectiveness for the period
in '000 EUR	Nominal amount	Assets	Liabilities	
Hedging instruments				
Interest rate swaps	86,634	6,508	953	-4,916

	31.12.2023		
	Assets		
in '000 EUR	Carrying or nominal amount	Accumulated amount of fair value hedge adjustments included in the carrying amount	Change in value used for recognising hedge ineffectiveness for the period
Hedged items			
Loans and irrevocable credit commitments	81,259	-5,601	4,330

in '000 EUR	1.1.–31.12.2023
Hedge ineffectiveness recognised in profit or loss	-586

	31.12.2022			
		Carrying amount		
in '000 EUR	Nominal amount	Assets	Liabilities	Change in fair value used for recognising hedge ineffectiveness for the period
Hedging instruments				
Interest rate swaps	84,324	10,387	20	10,177

	31.12.2022		
	Assets		
in '000 EUR	Carrying or nominal amount	Accumulated amount of fair value hedge adjustments included in the carrying amount	Change in value used for recognising hedge ineffectiveness for the period
Hedged items			
Loans and irrevocable credit commitments	71,213	-9,931	-9,630

in '000 EUR	1.1.–31.12.2022
Hedge ineffectiveness recognised in profit or loss	548

The interest rate swaps are included in the consolidated statement of financial position under "Derivative financial assets" and "Derivative financial liabilities". Loans are included in the consolidated statement of financial position under "Loans and advances to customers". Irrevocable loan commitments are part of contingent liabilities. Hedge ineffectiveness is included in the consolidated statement of profit or loss under "Result from derivative financial instruments and hedging relationships".

20 Investment securities

	31.12.2023			31.12.2022		
in '000 EUR	Investment securities at FVOCI	Investment securities at AC	Total	Investment securities at FVOCI	Investment securities at AC	Total
Fixed interest rate securities	334,546	364,419	698,965	228,763	195,956	424,719
Variable interest rate securities	28,741	23,999	52,741	35,650	19,857	55,506
Loss allowance		-1,163	-1,163		-57	-57
Investment securities	**363,287**	**387,255**	**750,542**	**264,412**	**215,756**	**480,168**

The changes in investment securities and the respective loss allowances are presented in the following tables. All investment securities are classified as Stage 1.

	2023			2022		
in '000 EUR	Investment securities at FVOCI	Investment securities at AC	Total	Investment securities at FVOCI	Investment securities at AC	Total
Gross outstanding amount as of 1.1.	**264,412**	**215,813**	**480,225**	**246,919**	**163,498**	**410,417**
New financial assets originated	226,094	641,885	867,980	144,685	188,173	332,859
Derecognition	-130,126	-472,551	-602,676	-112,717	-128,035	-240,752
Change in exposure	3,046	5,182	8,228	-14,640	2,396	-12,244
Exchange rate movements	-139	-1,912	-2,051	165	-10,219	-10,054
Gross outstanding amount as of 31.12.	**363,287**	**388,418**	**751,705**	**264,412**	**215,813**	**480,225**

in '000 EUR	2023 Investment securities at FVOCI	2023 Investment securities at AC	2023 Total	2022 Investment securities at FVOCI	2022 Investment securities at AC	2022 Total
Loss allowances as of 1.1.	**-110**	**-57**	**-167**	**-81**	**-20**	**-101**
New financial assets originated	-29	-1,222	-1,250	-98	-55	-152
Release due to derecognition	45	116	161	51	16	67
Change in credit risk	21	-1	20	18	3	21
Exchange rate movements and others	0	1	1	0	-1	-1
Loss allowances as of 31.12.	**-73**	**-1,163**	**-1,236**	**-110**	**-57**	**-167**

21 Loans and advances to customers

in '000 EUR	31.12.2023 Gross outstanding amount	Loss allowance	Net outstanding amount	%
Business loans	**5,597,281**	**-181,314**	**5,415,967**	**89.8%**
Wholesale and retail trade	1,498,723	-32,068	1,466,655	24.3%
Agriculture, forestry and fishing	1,048,672	-52,650	996,022	16.5%
Production	1,218,697	-43,808	1,174,889	19.5%
Transportation and storage	281,000	-9,318	271,682	4.5%
Electricity, gas, steam and air conditioning supply	367,729	-12,541	355,188	5.9%
Construction and real estate	549,703	-9,991	539,712	9.0%
Hotel, restaurant and catering	192,081	-6,561	185,519	3.1%
Other economic activities	440,675	-14,376	426,299	7.1%
Private loans	**629,194**	**-15,446**	**613,748**	**10.2%**
Housing	469,950	-9,633	460,316	7.6%
Investment loans	62,040	-2,276	59,764	1.0%
Consumer loans	97,205	-3,538	93,667	1.6%
Total	**6,226,475**	**-196,760**	**6,029,715**	**100.0%**

in '000 EUR	31.12.2022 Gross outstanding amount	Loss allowance	Net outstanding amount	%
Business loans	**5,552,189**	**-199,067**	**5,353,122**	**90.8%**
Wholesale and retail trade	1,504,750	-35,361	1,469,389	24.9%
Agriculture, forestry and fishing	1,110,101	-69,425	1,040,676	17.7%
Production	1,261,533	-45,136	1,216,396	20.6%
Transportation and storage	262,237	-10,351	251,886	4.3%
Electricity, gas, steam and air conditioning supply	319,074	-8,890	310,183	5.3%
Construction and real estate	505,703	-9,155	496,548	8.4%
Hotel, restaurant and catering	178,526	-6,648	171,877	2.9%
Other economic activities	410,267	-14,101	396,166	6.7%
Private loans	**555,537**	**-15,863**	**539,674**	**9.2%**
Housing	429,950	-10,479	419,471	7.1%
Investment loans	54,601	-2,574	52,027	0.9%
Consumer loans	70,986	-2,810	68,176	1.2%
Total	**6,107,726**	**-214,930**	**5,892,796**	**100.0%**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Gross outstanding amount as of 1.1.2023	**5,460,063**	**447,993**	**196,721**	**2,949**	**6,107,726**
New financial assets originated	2,246,927	-	-	69	2,246,996
Modification of contractual cash flows of financial assets	-686	279	-237	-	-645
Derecognitions	-830,352	-128,517	-23,894	-173	-982,935
Write-offs	-	-127	-43,917	-186	-44,229
Changes in interest accrual	11,874	6,793	6,183	-15	24,834
Changes in the principal and disbursement fee	-932,538	-137,413	-14,567	-326	-1,084,844
Transfers to Stage 1	388,434	-386,233	-2,201	-	-
Transfers to Stage 2	-819,230	828,304	-9,074	-	-
Transfers to Stage 3	-8,309	-54,280	62,588	-	-
Exchange rate movements and others	-29,495	-6,257	-4,617	-59	-40,428
Gross outstanding amount as of 31.12.2023	**5,486,688**	**570,543**	**166,985**	**2,258**	**6,226,475**

in '000 EUR	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowances as of 1.1.2023	**-52,952**	**-38,583**	**-122,154**	**-1,242**	**-214,930**
New financial assets originated	-26,591	-	-	-	-26,591
Release due to derecognition	4,844	6,294	12,543	6	23,686
Transfers to Stage 1	-6,557	6,340	217	-	-
Transfers to Stage 2	17,698	-19,778	2,081	-	-
Transfers to Stage 3	199	6,610	-6,809	-	-
Change in credit risk	11,807	-9,895	-29,557	-65	-27,711
Usage of allowance	-	127	43,216	186	43,529
Exchange rate movements and others	639	597	4,015	5	5,256
Loss allowances as of 31.12.2023	**-50,912**	**-48,289**	**-96,449**	**-1,109**	**-196,760**

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

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

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Amortised cost before modification	202,368	130,312
Net modification	-645	-807

With regard to the change in loss allowances, we also refer to the presentation in the risk report as part of the combined management report.

22 Property, plant and equipment

in '000 EUR	Land and buildings	Land and buildings (ROU)	Equipment	Equipment (ROU)	Total PPE
Total acquisition costs as of 1.1.2023	**122,747**	**39,051**	**101,036**	**425**	**263,260**
Additions	5,181	8,098	12,471	88	25,839
Disposals	-6,188	-1,415	-6,257	-37	-13,897
Exchange rate adjustments	-1,161	181	-188	0	-1,168
Total acquisition costs as of 31.12.2023	**120,580**	**45,915**	**107,062**	**476**	**274,033**
Accumulated depreciation as of 1.1.2023	**-39,211**	**-15,709**	**-74,392**	**-244**	**-129,557**
Depreciation	-3,821	-5,773	-8,665	-95	-18,354
Disposals	4,038	1,284	5,464	30	10,815
Exchange rate movements	388	-77	173	-	484
Accumulated depreciation as of 31.12.2023	**-38,606**	**-20,275**	**-77,421**	**-309**	**-136,611**
Net book value	**81,974**	**25,640**	**29,641**	**167**	**137,423**

in '000 EUR	Land and buildings	Land and buildings (ROU)	Equipment	Equipment (ROU)	Total PPE
Total acquisition costs as of 1.1.2022	**126,226**	**31,600**	**96,162**	**310**	**254,297**
Additions	4,922	10,342	10,522	115	25,901
Disposals	-8,402	-2,869	-6,874	-	-18,145
Exchange rate adjustments	1	-21	1,226	-	1,206
Total acquisition costs as of 31.12.2022	**122,747**	**39,051**	**101,036**	**425**	**263,260**
Accumulated depreciation as of 1.1.2022	**-32,760**	**-12,895**	**-70,951**	**-155**	**-116,761**
Depreciation	**-9,919**	**-4,958**	**-8,825**	**-89**	**-23,790**
Disposals	2,986	2,072	6,478	-	11,536
Appreciation	-	-	21	-	21
Exchange rate movements	482	71	-1,115	-	-562
Accumulated depreciation as of 31.12.2022	**-39,211**	**-15,709**	**-74,392**	**-244**	**-129,557**
Net book value	**83,536**	**23,342**	**26,644**	**180**	**133,703**

Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation and impairment losses. Acquisition or production costs include all expenditure directly attributable to the goods. Component parts of an asset are recognised separately if they have different useful lives or have different patterns of use. The acquisition costs of rights-of-use assets (ROU) include the amount of the lease liability, plus all lease payments made at or before provision, initial direct costs and estimated dismantling and removal costs, less any incentives received.

Subsequent purchase or production costs are included in the asset's carrying amount or are recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to

the group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the Consolidated Statement of Profit or Loss during the current financial period.

Management makes the discretionary decision to depreciate assets on a straight-line basis over the following expected useful lives (unchanged from previous year):

- Buildings 15 – 40 years
- Equipment 2 – 10 years

Leasehold improvements are depreciated over the shorter of rental contract life or expected useful life. The rights of use are amortised on a straight-line basis until the end of the lease term.

In addition, all property, plant and equipment are tested for impairment on an annual basis, or to the extent that events or changes in circumstances indicate that the carrying amount may not be recoverable. Moreover, impairment tests are performed for the cash-generating unit. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Depreciation and impairment are recognised within "Administrative expenses".

23 Intangible assets

Intangible assets consist predominantly of software and goodwill. A small amount is related to trademarks.

(a) Software

	2023		2022	
in '000 EUR	Developed software	Acquired software	Developed software	Acquired software
Total acquisition costs as of 1.1.	**21,512**	**37,457**	**19,930**	**35,548**
Additions	3,219	7,163	1,582	4,382
Disposals	-	-1,342	-	-2,504
Exchange rate movements	-	-89	-	30
Total acquisition costs as of 31.12.	**24,731**	**43,188**	**21,512**	**37,457**
Accumulated depreciation as of 1.1.	**-16,589**	**-27,957**	**-14,704**	**-27,601**
Depreciation	-2,101	-3,059	-1,885	-2,813
Disposals	-	1,292	-	2,455
Exchange rate movements	-	82	-	2
Accumulated depreciation as of 31.12.	**-18,690**	**-29,642**	**-16,589**	**-27,957**
Net book value	**6,041**	**13,547**	**4,923**	**9,500**

Software is stated at acquisition or production cost less scheduled depreciation and impairment losses. The acquisition or production costs include all expenses to acquire or to develop and bring to use the specific software. Management makes the discretionary decision to amortise software on a straight-line basis over an expected useful life of up to five years. In addition, software is tested for impairment on an annual basis and in response to relevant events or changed circumstances. Moreover, impairment tests are performed for the cash-generating unit. Depreciation and impairment are recognised within "Administrative expenses".

(b) Goodwill

in '000 EUR	31.12.2023	31.12.2022
Bulgaria	1,264	1,264
Georgia	1,263	1,306
Kosovo	614	614
North Macedonia	-	383
Goodwill	**3,142**	**3,568**

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Impairment losses are charged to "Net other operating result" in the Consolidated Statement of Profit or Loss.

Goodwill developed as follows:

in '000 EUR	2023	2022
Goodwill as of 1.1.	**3,568**	**5,234**
Gross amount as of 1.1.	12,932	13,172
Exchange rate movements	-259	-240
Gross amount as of 31.12.	12,673	12,932
Accumulated impairment losses as of 1.1.	-9,365	-7,938
Additions	-383	-1,909
Exchange rate movements	216	482
Accumulated impairment losses as of 31.12.	-9,531	-9,365
Goodwill as of 31.12.	**3,142**	**3,568**

Goodwill is tested for impairment at least on an annual basis or in response to relevant events or changed circumstances. In performing goodwill impairment testing, a discounted cash flow model is used where each subsidiary is defined as an individual cash-generating unit. Management estimates are involved in forecasting future cash flows and in determining the cost of capital. The cash flow projections are based on the current business planning and therefore appropriately reflect future business prospects for a five-year period. Estimated future cash flows are extrapolated in perpetuity due to the long-term perspective of the equity investments, using management's best estimate for determining future net growth rates based on currently observable data and economic projections. The estimated future cash flows are discounted at specific equity discount rates which reflect the risk profile of the individual entity. Goodwill is tested by comparing the respective net present value of future cash flows from a subsidiary (value in use) with the carrying value of its net assets plus goodwill.

The pre-tax discount factors are derived from a pricing model. Assumptions regarding terminal growth are derived from the long-term growth prospects of the economies of the European Union.

	2023		2022	
	Discount Rate	Terminal Growth Rate	Discount Rate	Terminal Growth Rate
Bulgaria	11.8 %	2.5 %	10.2 %	2.5 %
Georgia	13.0 %	3.7 %	11.7 %	3.7 %
Kosovo	14.3 %	3.0 %	14.2 %	2.9 %
North Macedonia	16.7 %	2.8 %	12.3 %	3.0 %
Serbia	-	-	11.7 %	3.1 %
Ukraine	-	-	18.1 %	1.2 %

In the past financial year, the goodwill of ProCredit Bank North Macedonia was written down in the amount of EUR 0.4 million. This is primarily due to the increase in the discount rate.

For the other cash-generating units, goodwill would only be impaired if the discount rates were to increase by more than 1.0 percentage point or the terminal growth rates were to decrease by more than 2.5 percentage points.

24 Income taxes

In calculating both the current taxes on income and earnings and the deferred taxes, the respective country-specific tax rates are applied. The income tax rate applied for the reporting period was 15.9% (2022: 3.1%), calculated by dividing the total tax burden by the unconsolidated profits. The change in the tax rate applied is due on the one hand to the loss incurred by ProCredit Bank Ukraine for the previous year and on the other hand to the increase in income tax for banks in Ukraine. In the 2023 financial year, the tax rate was raised from 18% to 50% and a ban on offsetting previous year's losses against 2023 profits was introduced. From 2024, the income tax rate for banks will be 25% and the option of offsetting losses will be available again.

Deferred taxes are recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements prepared in conformity with IFRS. Deferred tax assets and liabilities are determined using local tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

However, the deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither the profit (before tax) for the period according to IFRS, nor the taxable profit or loss, and does not give rise to equal taxable and deductible differences.

We recognise deferred tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilised. The profit projection is based on the current business planning and reflects the Management's view of future business prospects.

Changes in deferred taxes related to fair value revaluation of investment securities are recognised in the consolidated statement of other comprehensive income. The presentation in the consolidated statement of other comprehensive income is made on a gross basis. At the time of sale, the respective deferred taxes are recognised in the consolidated statement of profit or loss together with the deferred gain or loss.

Income tax assets and liabilities of the companies are recognised on a net basis if they relate to the same tax authority.

The tables below show the development of deferred taxes and provide information on the underlying business transactions for deferred tax assets and liabilities:

in '000 EUR	Tax depreciation	Loss allowance	Tax loss carried forward	Provisions	Other temporary differences	Deferred taxes
Net book value as of 1.1.2023	**688**	**-208**	**8,116**	**155**	**75**	**8,826**
Considered in Profit or Loss	-728	61	3,116	619	-142	2,926
Considered in Other Comprehensive Income	-	-	-	-	-237	-237
Exchange rate movements	-8	-27	-703	-37	11	-763
Net book value as of 31.12.2023	**-47**	**-174**	**10,530**	**737**	**-293**	**10,752**
thereof deferred tax assets	*889*	*-*	*10,530*	*719*	*63*	*12,201*
thereof deferred tax liabilities	*936*	*174*	*-*	*-18*	*356*	*1,449*

in '000 EUR	Tax depreciation	Loss allowance	Tax loss carried forward	Provisions	Other temporary differences	Deferred taxes
Net book value as of 1.1.2022	**365**	**264**	**17**	**150**	**311**	**1,106**
Considered in Profit or Loss	522	-408	9,322	54	-344	9,146
Considered in Other Comprehensive Income	-	-	-	-	167	167
Exchange rate movements	-199	-63	-1,223	-48	-59	-1,593
Net book value as of 31.12.2022	**688**	**-208**	**8,116**	**155**	**75**	**8,826**
thereof deferred tax assets	*1,490*	*881*	*8,116*	*167*	*61*	*10,714*
thereof deferred tax liabilities	*802*	*1,089*	*-*	*11*	*-14*	*1,888*

The reconciliation between expected and actual tax expenses is shown in the following table:

in '000 EUR	1.1.-31.12.2023	1.1.-31.12.2022
Profit before tax	150,015	17,847
Tax expected	35,961	1,537
Tax effects of items which are not deductible		
non-taxable income	-28,135	-10,342
non-tax deductible expenses	8,581	2,234
no tax asset built on tax loss carry-forwards	3,496	5,678
no tax asset built on temporary differences	1,339	-
Current tax of prior periods	53	33
Consolidation effects	19,339	2,210
Tax effects from changes in tax rate	-3,993	-
Income tax expenses	**36,643**	**1,350**

The expected tax expense is calculated by applying the weighted average of all local tax rates to the profit before tax. The change in the expected tax rate is derived from the above-mentioned increase in the profit tax for banks in Ukraine, a tax increase in Georgia and the adjustment of the weighting. Compared to the previous year, the remaining local tax rates have not changed.

Tax effects from unused loss carry-forwards largely comprise an amount of EUR 3.4 million for ProCredit Holding. ProCredit Holding does not establish deferred tax assets for losses carried forward, as it will not be possible to make use of these assets within the tax planning period. The accumulated tax loss carry-forwards for which no deferred tax assets were established as of the balance sheet date for ProCredit Holding are EUR 142.0 million (2022: 148.6 Mio. EUR) for corporation income tax and EUR 44.5 million (2022: EUR 65.5 million) for trade tax. The loss carry-forwards are mainly accumulated due to dividend income of ProCredit Holding, 95% of which is non-taxable in Germany, and are adjusted for trade tax by special add-backs within the interest barrier. In addition, there are further deductible differences amounting to EUR 5.1 million for ProCredit Bank Ukraine, for which no deferred tax assets were recognised, as it is not probable that they will be utilised in the future.

The following table shows the main components of income tax expense:

in '000 EUR	1.1.–31.12.2023	1.1.–31.12.2022
Current tax	39,516	10,463
Current tax of prior periods	53	33
Deferred tax relating to origination and reversal of temporary differences	-2,926	-9,146
Income tax expenses	**36,643**	**1,350**
Deferred tax on revaluation reserve (charged or credited directly to equity)	-237	167
Total	**36,405**	**1,517**

25 Other assets

in '000 EUR	31.12.2023	31.12.2022
Non-financial instruments		
Repossessed properties	5,875	3,770
Investment properties	2,687	3,653
Inventory and assets to be sold	536	637
Financial instruments		
Prepayments	18,948	14,768
Accounts receivable (up to one year)	13,592	13,840
Shares	9,081	7,289
Others	15,603	11,229
Loss allowance	-1,940	-1,622
Other assets	**64,382**	**53,564**

Repossessed properties are non-financial assets acquired in exchange for credit exposures as part of an orderly realisation and are sold as soon as possible. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan at the date of exchange. All subsequent impairment losses and reversals of impairment up to the original amount are recognised in the consolidated statement of profit or loss in "Net other operating result". Repossessed property can be subdivided into segments as follows:

in '000 EUR	31.12.2023	31.12.2022
South Eastern Europe	1,057	1,624
Eastern Europe	1,433	142
South America	3,385	2,004
Repossessed properties	**5,875**	**3,770**

Investment property comprises land and buildings leased to third parties. These are recognised using the acquisition cost model. Gains and losses on disposals (determined by comparing sale proceeds with carrying amount) are recognised in profit or loss at the time of disposal. As in the previous year, no impairment was recognised for investment property during the 2023 financial year.

in '000 EUR	2023	2022
Total acquisition costs as of 1.1.	**4,832**	**6,962**
Additions	15	62
Disposals	-1,256	-2,582
Exchange rate adjustments	-73	391
Total acquisition costs as of 31.12.	**3,518**	**4,832**
Accumulated depreciation as of 1.1.	**-1,180**	**-1,067**
Depreciation	-112	-157
Disposals	443	111
Exchange rate movements	18	-66
Accumulated depreciation 31.12.	**-831**	**-1,180**
Investment properties	**2,687**	**3,653**

The fair value of investment property amounts to 2.7 Mio. EUR (2022: EUR 4.0 million), of which EUR 1.2 million (2022: EUR 2.2 million) was determined on the basis of external qualified assessments. The future minimum lease income of investment property breaks down as follows:

in '000 EUR	31.12.2023	31.12.2022
no later than 1 year	573	325
later than 1 year and no longer than 5 years	599	2,287
later than 5 years	-	183
Future minimum lease income	**1,172**	**2,795**

The changes in other financial instruments (excluding shares) and the respective loss allowances are presented in the following tables. The simplified approach is used when establishing loss allowances.

in '000 EUR	2023	2022
Gross outstanding amount as of 1.1.	**39,837**	**34,280**
New financial assets originated	6,461	6,559
Derecognition	-4,993	-4,477
Change in exposure	6,947	3,512
Exchange rate movements	-109	-36
Gross outstanding amount as of 31.12.	**48,143**	**39,837**

in '000 EUR	2023	2022
Loss allowances as of 1.1.	**-1,622**	**-1,724**
New financial assets originated	-157	-1,202
Release due to derecognition	32	88
Change in credit risk	-248	766
Exchange rate movements and others	55	450
Loss allowances as of 31.12.	**-1,940**	**-1,622**

26 Pledged and transferred assets

We have pledged a number of our assets for funding, the majority of which on a portfolio basis. The pledges could be exercised in case of default of principal or interest payment. The maturities of the pledges are in line with the related liabilities.

in '000 EUR	31.12.2023	31.12.2022
Central bank balances	-	19,810
Loans and advances to banks	5,383	6,413
Loans and advances to customers	32,237	34,162
Other assets	2,032	1,408
Carrying amount of financial assets pledged as collateral	**39,652**	**61,793**

27 Liabilities to customers

in '000 EUR	31.12.2023	31.12.2022
Sight deposits	**3,046,001**	**2,816,556**
private individuals	825,974	806,836
legal entities	2,220,027	2,009,721
Saving deposits	**1,720,865**	**1,600,867**
private individuals	828,318	869,422
legal entities	892,547	731,445
Term deposits	**2,487,370**	**1,872,088**
private individuals	1,479,261	973,513
legal entities	1,008,108	898,576
Liabilities to customers	**7,254,236**	**6,289,511**

28 Debt securities

in '000 EUR	31.12.2023	31.12.2022
Fixed interest rate debt securities	137,069	181,988
Variable interest rate debt securities	10,019	10,000
Debt securities	**147,088**	**191,988**

The change in debt securities is as follows:

in '000 EUR	2023	2022
Debt securities as of 1.1.	**191,988**	**353,221**
Cashflow		
Cash out	-49,988	-175,452
Non-cashflow		
Deferred fees and accrued interest	5,087	6,711
Exchange rate movements	-	7,508
Debt securities as of 31.12.	**147,088**	**191,988**

29 Other liabilities

in '000 EUR	31.12.2023	31.12.2022
Lease liabilities	26,673	24,393
Advance payments, disagios	3,931	2,832
Liabilities for goods and services	9,113	6,850
Non-income tax liabilities	4,731	3,716
Others	4,166	2,457
Other liabilities	**48,613**	**40,248**

Lease liabilities are recognised at the present value of the lease payments not yet made at the reporting date. The lease payments are discounted at the lessee's incremental borrowing rate of interest. They are subsequently measured at amortised cost using the effective interest method.

in '000 EUR	31.12.2023	31.12.2022
no later than 1 year	4,148	5,354
later than 1 year and no later than 5 years	11,374	14,632
later than 5 years	11,150	4,407
Lease liabilities	**26,673**	**24,393**

The interest expense for lease liabilities amounts to EUR 824 thousand (2022: EUR 673 thousand) for the period. The cash outflows for lease liabilities in the period amounted to EUR 6,219 thousand (2022: EUR 5,679 thousand).

30 Provisions

Provisions are established when we have a present legal or constructive obligation resulting from past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount of provisions represents the best possible estimate, taking into account estimation uncertainties regarding the amount to be paid or the probability of occurrence. The majority our obligations will be settled within a one-year period. Multi-year obligations are discounted at an average interest rate of 5.8% (2022: 5.1%). Unwinding is recognised as interest expense over time.

The development of provisions is as follows:

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Off-balance sheet transactions	Other provisions	Provisions
Book value as of 1.1.2023	**3,536**	**4,000**	**2,829**	**2,328**	**4,195**	**1,279**	**18,168**
Used	-3,322	-806	-2,353	-81	-	-226	**-6,786**
Releases	-199	-242	-401	-282	-682	-14	**-1,820**
Change in credit risk	-	-	-	-	-637	-	**-637**
Additions	4,168	1,049	2,791	341	4,035	639	**13,023**
Unwinding	-	50	-	168	-	14	**231**
Exchange rate movements	15	7	-29	-64	-119	8	**-183**
Book value as of 31.12.2023	**4,198**	**4,058**	**2,838**	**2,411**	**6,792**	**1,701**	**21,997**

in '000 EUR	Unbilled services	Legal risks	Untaken vacation	Post-employment benefits	Off-balance sheet transactions*	Other provisions	Provisions
Book value as of 1.1.2022	**2,953**	**5,002**	**2,336**	**1,763**	**3,222**	**1,540**	**16,816**
Used	-2,643	-575	-1,868	-	-64	-25	**-5,176**
Releases	-248	-786	-342	-80	-770	-345	**-2,570**
Change in credit risk	-	-	-	-	-23	-	**-23**
Additions	3,477	336	2,785	414	1,925	78	**9,015**
Unwinding	-	91	-	156	-	14	**262**
Exchange rate movements	-3	-68	-81	76	-96	17	**-155**
Book value as of 31.12.2022	**3,536**	**4,000**	**2,829**	**2,328**	**4,195**	**1,279**	**18,168**

** The description has been adapted to the current disclosure structure (in the previous year: Contingent liabilities).*

Provisions for unbilled services are established for services which have been provided but not yet invoiced as of the reporting date. Provisions for legal risks are mainly recognised for legal disputes, primarily for legal risks in connection with the collection of commission fees in the Serbian banking sector. Provisions for untaken vacation are established for employee vacation days still outstanding as of the reporting date. Provisions for post-employment benefits include obligations for staff pensions. Provisions for off-balance sheet transactions include provisions for financial and non-financial off-balance sheet transactions.

31 Subordinated debt

in '000 EUR	31.12.2023	31.12.2022
Fixed interest rate subordinated debt	95,808	39,120
Variable interest rate subordinated debt	43,460	54,477
Subordinated debt	**139,269**	**93,597**

The change in subordinated debt is as follows:

in '000 EUR	2023	2022
Subordinated debt as of 1.1.	**93,597**	**87,390**
Cashflow		
Cash out	-7,886	-5,304
Cash in	45,460	4,000
Non-cashflow		
Deferred fees and accrued interest	9,715	5,766
Exchange rate movements	-1,618	1,745
Subordinated debt as of 31.12.	**139,269**	**93,597**

32 Maturities of assets and liabilities

In the following table, we show amounts for assets and liabilities that will be settled within twelve months (short-term) and more than twelve months (long-term) after the balance sheet date. Financial instruments without contractual maturities as well as "Cash" are classified as short-term. We classify the balance sheet positions "Property, plant and equipment", "Intangible assets" and "Deferred tax assets/liabilities" as long-term.

in '000 EUR	Short-term	Long-term	31.12.2023	Short-term	Long-term	31.12.2022
Assets						
Cash	219,879	-	219,879	171,663	-	171,663
Central bank balances	2,127,737	-	2,127,737	1,751,395	16,624	1,768,019
Loans and advances to banks	371,561	580	372,141	280,153	300	280,453
Derivative financial assets	78	8,004	8,083	38	12,691	12,729
Investment securities	603,196	147,346	750,542	339,852	140,317	480,168
Loans and advances to customers	2,334,579	3,695,136	6,029,715	2,386,387	3,506,409	5,892,796
Property, plant and equipment	-	137,423	137,423	-	133,703	133,703
Intangible assets	-	22,732	22,732	-	17,993	17,993
Current tax assets	3,793	340	4,132	4,142	181	4,323
Deferred tax assets	-	12,201	12,201	-	10,714	10,714
Other assets	55,201	9,182	64,382	46,315	7,249	53,564
Total assets	**5,716,023**	**4,032,943**	**9,748,966**	**4,979,944**	**3,846,181**	**8,826,125**
Liabilities						
Liabilities to banks	348,840	778,840	1,127,680	341,209	977,438	1,318,647
Derivative financial liabilities	379	954	1,334	594	20	614
Liabilities to customers	6,813,376	440,860	7,254,236	5,879,301	410,211	6,289,511
Debt securities	57,088	90,000	147,088	44,988	147,000	191,988
Other liabilities	27,253	21,361	48,613	21,130	19,118	40,248
Provisions	14,803	7,194	21,997	10,907	7,261	18,168
Current tax liabilities	23,513	-	23,513	2,028	-	2,028
Deferred tax liabilities	-	1,449	1,449	-	1,888	1,888
Subordinated debt	29,735	109,534	139,269	1,595	92,002	93,597
Total liabilities	**7,314,985**	**1,450,192**	**8,765,177**	**6,301,753**	**1,654,937**	**7,956,690**

Due to covenant breaches by ProCredit Bank 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.

33 Fair value of financial instruments

		31.12.2023				
in '000 EUR	Category	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets						
Central bank balances	AC	2,127,737	2,127,737	-	2,127,737	-
Loans and advances to banks	AC	372,141	371,401	-	348,055	23,346
Derivative financial assets	FV	8,083	8,083	-	8,083	-
Investment securities	FVOCI	363,287	363,287	240,165	123,122	-
Investment securities	AC	387,255	387,740	47,122	340,617	-
Loans and advances to customers	AC	6,029,715	5,979,197	-	-	5,979,197
Other assets (Shares)	FVOCI	9,081	9,081	3,810	3,337	1,934
Other assets (Financial instruments)	AC	46,203	46,203	-	45,591	613
Total		**9,343,501**	**9,292,729**	**291,097**	**2,996,542**	**6,005,090**
Financial Liabilities						
Liabilities to banks	AC	1,127,680	1,076,289	-	40,925	1,035,364
Derivative financial liabilities	FV	1,334	1,334	-	1,334	-
Liabilities to customers	AC	7,254,236	7,254,050	-	5,009,344	2,244,707
Debt securities	AC	147,088	138,667	-	-	138,667
Other liabilities	AC	48,613	48,194	-	45,452	2,742
Subordinated debt	AC	139,269	134,249	-	-	134,249
Total		**8,718,219**	**8,652,783**	**-**	**5,097,054**	**3,555,729**

Categories: FV - at fair value through profit or loss; AC - at amortised cost; FVOCI - at fair value through other comprehensive income

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

Categories: FV - at fair value through profit or loss; AC - at amortised cost; FVOCI - at fair value through other comprehensive income

The ProCredit group's fair value determination gives the highest priority to (unadjusted) quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. For short-term financial instruments (maturity up to six months) carried at amortised costs, the carrying value represents a reasonable estimate of fair value to the extent that there are no significant interest rate

changes. The ProCredit group has no fair value financial instruments with Level 3 inputs, with the exception of an insignificant amount of shares.

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

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

The fair value is determined in accordance with the IFRS valuation hierarchy. This categorises the inputs used in the valuation techniques to measure fair value into three levels:

(a) Level 1 Inputs

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

(b) Level 2 Inputs

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

(c) Level 3 Inputs

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

34 Equity

(a) Subscribed capital

The share capital amounts to EUR 294,492,460, unchanged since the previous year, and is divided into 58,898,492 non-par value shares. All issued shares are non-par value shares and fully paid. Each holder of ordinary shares is entitled, subject to a corresponding resolution of the General Meeting, to receive dividends and is entitled to one vote per share.

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. No dividend was distributed for 2022.

The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital by issuing up to 5,889,849 new registered value shares for cash and non-cash consideration by a total amount of up to approximately EUR 29.4 million, which may be issued in whole or in part until 4 June 2028.

By resolution of the Extraordinary General Meeting of ProCredit Holding of 15 November 2019, the general partner, ProCredit General Partner AG, was authorised to acquire treasury shares of stock in accordance with section 71 (1) no. 8 AktG. The acquisition is possible for any legally permissible purpose. The authorisation is valid until five years after the date of the resolution and is limited in total to 1.5% of the share capital existing at the time the resolution is adopted by the General Meeting or – if lower – of the share capital existing at the time the authorisation is exercised. As of 31 December 2023 ProCredit Holding AG did not hold any treasury shares of stock.

(b) Capital reserve

Premiums from the issue of shares are shown in the capital reserve, which amounted to EUR 146.8 million (2022: EUR 146.8 million). The costs for issuing new shares are offset against capital reserve.

(c) Retained earnings

The retained earnings mainly result from profit carried forward from previous years, less dividends distributed. The retained earnings also include the legal reserve.

(d) Translation reserve

The translation reserve includes exchange rate gains and losses arising from capital consolidation and is based on exchange rate differences from the currency translation of the financial statements of consolidated subsidiaries.

(e) Revaluation reserve

The results from the measurement of investment securities and shares, after taking deferred taxes into account, as well as loss allowances for investment securities, are recognised in the revaluation reserve. It developed as follows during the financial year:

in '000 EUR	2023	2022
Revaluation reserve as of 1.1.	**-2,596**	**2,139**
Changes in fair value of investment securities*	3,151	-4,785
Changes in fair value of shares*	1,811	-146
Amount recognised in income statement	-	-
Change in loss allowance	-37	29
Impairment	-	-
Deferred taxes	-237	167
Revaluation reserve as of 31.12.	**2,091**	**-2,596**

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

Additional notes

35 Regulatory own funds

We calculate our capital adequacy according to CRR and CRD V on the basis of the IFRS consolidated financial statements. Whereas the capital requirements for the ProCredit group are imposed and monitored by BaFin and by the Supervisory College, the individual ProCredit banks are subject to the requirements imposed by the respective national supervisory authorities. These national requirements are largely based on the recommendations of the Basel Committee. In addition to compliance with the national requirements,

each ProCredit bank calculates its capital ratios in accordance with CRR and ensures compliance with internally defined minimum requirements.

As of 31 December 2023, the Common Equity Tier 1 capital of the ProCredit group amounted to EUR 885 million, which is EUR 65 million higher than the previous year. This increase is due to the recognition of the overall result for the 2022 financial year following the Annual General Meeting in June 2023 and to the recognition of interim profits in 2023. Tier 2 capital as of 31 December 2023 stood at EUR 95 million, an EUR 46 million from the previous period that can largely be attributed to prolonged and newly issued subordinated debt.

in '000 EUR	31.12.2023	31.12.2022
Common equity Tier 1 capital	884,847	820,244
Additional Tier 1 capital	-	-
Tier 2 capital	94,620	48,194
Total capital	**979,467**	**868,438**
Risk weighted assets	**6,192,778**	**6,087,042**

Our risk-weighted assets increased during the course of 2023 by a total of EUR 106 million or around 2%, reaching an overall amount of EUR 6.2 billion. The increase is due in particular to higher risk-weighted assets for market risks and operational risk. The increase in risk-weighted assets for credit risk, which was associated with loan portfolio growth, was more than offset by credit risk mitigation measures such as the inclusion of additional financial guarantees, the recognition of real estate collateral and the synthetic securitisation of a sub-portfolio from ProCredit Bank Bulgaria with the European Investment Fund (EIF), with the overall result that risk-weighted assets for credit risk showed a slight decline.

For assessing the exposure towards credit risk, the credit risk standardised approach (CRSA) is used for all exposure classes. The amount of credit risk decreased in the 2023 financial year by EUR 10 million, ending the period at EUR 5.0 billion.

Since the ProCredit group consists only of non-trading book institutions, the market risks are limited to foreign currency risk. This arises almost exclusively as a result of the equity holdings denominated in foreign currency that ProCredit Holding maintains in its foreign subsidiaries. The amount for foreign currency risk as of 31 December 2023 was EUR 666 million, which represents an increase of EUR 68 million.

We also apply the standardised approach to quantify operational risk. The amount for operational risk at year-end 2023 was EUR 508 million.

Given the small volume of derivatives held by the group, the risk arising from credit valuation adjustment (CVA) is insignificant. The standard method is used for the calculation, with counterparty default risk being calculated for derivative positions in accordance with the original exposure method pursuant to Art. 282 CRR. The amount for CVA risk as of 31 December 2023 was EUR 11 million.

	31.12.2023		31.12.2022	
in '000 EUR	Risk-weighted assets	Minimum capital requirements	Risk-weighted assets	Minimum capital requirements
Credit risk	5,006,572	400,526	5,016,083	401,287
Market risk	666,404	53,312	598,397	47,872
Operational risk	508,410	40,673	458,331	36,666
Credit Valuation Adjustment risk	11,392	911	14,231	1,138
Total	**6,192,778**	**495,422**	**6,087,042**	**486,963**

The CRR minimum capital ratios are set to 4.5% for the Common Equity Tier 1 capital ratio, 6% for the Tier 1 capital ratio and 8% for the total capital ratio. In addition, various capital buffers consisting of CET1 capital must be maintained: The capital conservation buffer introduced in stages has been 2.5% since 2019. An individual capital add-on pursuant to the Supervisory Review and Evaluation Process (SREP) was set for the ProCredit group based on total capital. For 2023, the German Federal Financial Supervisory Authority (BaFin) set the add-on to 3.5% for the ProCredit group. The institution-specific countercyclical capital buffer amounted to 0.3% as of 31 December 2023. Overall, this resulted (taking into account the capital buffers) in a minimum capital requirement of 9.3% for the CET1 capital ratio, 11.4% for the T1 capital ratio and 14.3% for the total capital ratio of ProCredit group.

During the reporting period, the ProCredit group met all regulatory capital requirements at all times. The capital ratios of the ProCredit group are shown 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%**

36 Contingent liabilities

in '000 EUR	31.12.2023	31.12.2022
Credit commitments (revocable)	750,437	656,384
Payment guarantees	160,520	144,208
Performance guarantees	193,958	192,738
Credit commitments (irrevocable)	10,923	18,539
Letters of credit	3,613	4,274
Total	**1,119,452**	**1,016,143**

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

37 Related party transactions

Legal entities or natural persons are considered to be related parties if they are in a relationship with ProCredit group and if these have the ability to directly or indirectly control or exercise significant influence in making financial or operational decisions. All transactions are performed substantially on the same terms, including interest rates and security, as for transactions of a similar nature with third-party counterparts. Related parties in the ProCredit group include subsidiaries as well as persons in key management positions and their family members. Until the change in legal form for ProCredit Holding on 27 September 2023, ProCredit General Partner AG, Frankfurt am Main, was also a related party as the direct parent company and ultimate controlling enterprise. In the previous year, there were also business relationships with companies whose business activities are controlled or significantly influenced by persons in key management positions or their family members (Zeitinger Invest GmbH, Frankfurt am Main, until 31 May 2022).

in '000 EUR	Management Board	Supervisory Board	Family members of key personnel	ProCredit General Partner AG	31.12.2023
Income	-	1	-	-	**1**
Expenses	952	338	-	879	**2,168**
Assets	-	10	18	-	**28**
Liabilities	236	185	55	-	**476**

in '000 EUR	Management Board	Supervisory Board	Family members of key personnel	ProCredit General Partner AG	Zeitinger Invest GmbH	31.12.2022
Income	-	1	-	1	3	**6**
Expenses	7	210	47	1,125	0	**1,390**
Assets	-	20	-	-	-	**20**
Liabilities	123	213	60	-	0	**396**

The expenses for ProCredit General Partner AG consist mainly of remuneration of the members of the Management Board. Since ProCredit Holding's change in legal form to an AG on 27 September 2023, the Management Board of ProCredit Holding has been responsible for the management of the company; the remuneration for ProCredit General Partner AG therefore no longer applies. The Management Board remuneration for the period after the change in legal form is shown under Management Board expenses. The expenses and liabilities for the Supervisory Board mainly result from the remuneration of the Supervisory Board members. The liabilities largely comprise deposits.

Intra-group transactions between affiliated companies within the scope of consolidation are eliminated in full (see also notes 2 and 15) and are also not shown as transactions with related parties. Transactions with affiliated companies outside the scope of consolidation (see note 2) are as follows:

in '000 EUR	31.12.2023	31.12.2022
Income	210	5
Expenses	1,023	1,077
Assets	2,449	2,877
Liabilities	46	443

The expenses consist mainly of personnel expenses of ProCredit Reporting DOOEL, North Macedonia. The assets mainly include a loan to Pro Energy L.L.C., Kosovo, with a remaining term of 18.5 years and a fixed interest rate of 2.9%. The assets also include the investments in these companies.

38 Statement on the German Corporate Governance Codex

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/).

39 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

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

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

Frankfurt am Main, 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 CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of ProCredit Holding AG, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2023 to 31 December 2023, and notes to the consolidated 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 consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated 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 consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated 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 Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

We have determined the following matters to be the key audit matters to be communicated in our auditor's report:

1. Calculation of the model-based risk provision for non-defaulted loans and advances to customers without impaired credit
2. Identification and measurement of loans and advances to customers with impaired credit on individual basis
3. Recognition and measurement of deferred tax assets attributable to tax loss carryforwards

Calculation of the model-based risk provision for non-defaulted loans and advances to customers without impaired credit

Description of matter

The group presents gross loans and advances to customers in the amount of kEUR 6,226,475 in the consolidated financial statements as at 31 December 2023. Of this amount, kEUR 5,486,688 relates to loans and advances that are classified as Level 1 in the risk provisioning model under IFRS 9 and for which loss allowances of kEUR 50,912 were recognized. The loss allowances for loans and advances of kEUR 570,543, which are classified as Level 2 in the IFRS 9 risk provisioning model, accounted for kEUR 48,289.

The calculation of the loss allowances for loans and advances to customers without impaired credit is based on a Group-wide risk provisioning model for estimating the following valuation parameters: Probability of default (PD), loss given default (LGD) and expected exposure at the time of default taking into account the effects of the Ukraine war. In accordance with IFRS 9, the valuation parameters are used both in the application of the stage transfer requirements and in the measurement of the amount of the allowance for losses on loans and advances. The risk provisioning model incorporates both historical information and forward-looking forecast information on various macroeconomic variables, such as inflation or unemployment, whose relevance may vary in the individual countries in which the ProCredit group operates. Furthermore, the risk provisioning model is based on three scenarios, a baseline scenario, an optimistic scenario and a pessimistic scenario, which are included in the aggregation with different weights. As the estimation of the valuation parameters, the forward-looking forecast information and the weighting of the respective scenarios are subject to uncertainties and discretionary scope, and due to the increased economic

uncertainties resulting from the Ukraine war, this matter was of particular importance in the context of our audit.

The key policies for the accounting and measurement of loans and advances to customers without impaired credit according to IFRS 9 are explained in note "4) Financial instruments", "14) Loss allowance" and "21) Loans and advances to customers" in the notes to the consolidated financial statements. For information on impairment under IFRS 9 please refer to the section on "Loss allowances" in the Risk Report in the combined management report

Auditor's response
Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We first comprehended the model methodically, taking into account the validation results of ProCredit, to test the appropriateness of the group-wide risk provisioning model used. In addition, we obtained an understanding of the processes and internal controls to ensure the proper determination of the data and information relevant for the valuation parameters. In doing so, we also tested, with the involvement of internal IT specialists, the effectiveness of the controls to ensure the correct and complete recording and processing of the underlying relevant data streams.

We assessed the procedures for country-specific selection, identification and validation of forward-looking forecast information. We compared the macroeconomic forecast information used by the ProCredit group with external sources. We also verified the results of sensitivity analyses regarding changes in the parameters used in the risk provisioning model as disclosed in the combined management report and considered them in our overall assessment. In performing these procedures, we involved internal specialists with particular expertise in the area of credit risk modeling.

In order to test whether the default probabilities determined by the Group-wide risk provisioning model were appropriately taken into account when applying the stage transfer requirements of IFRS 9, we obtained an understanding of the underlying processes and tested the appropriateness and effectiveness of the implemented internal controls at the level of the operating banks included in the consolidated financial statements. In addition, we performed evidence-based audit procedures at the level of the operating banks included in the consolidated financial statements with regard to the Group-wide application of the step transfer requirements for the conscious selection of loans and advances to customers based on risk considerations.

Identification and measurement of loans and advances to customers with impaired credit on individual basis

Description of matter
In the Company's consolidated financial statements, loans and advances to customers of KEUR 6,226,475 were recognised as at 31 December 2023, of which KEUR 166,985 were classified as loans and advances to customers with impaired credit (Stage 3). To this end, the Company recognised loss allowances of KEUR 96,449. Of the loans and advances to customers with impaired credit, a significant portion relates to receivables for which the loss allowances is determined individually on the basis of the recoverable cash flows.

The identification of the loans and advances to customers with impaired credit and measurement of individual loss allowances is subject to judgment and uncertainty. This requires, among others, an assessment

by management of the ability of the borrowers to meet the contractually agreed debt service (interest and principal), which include assumptions about the expected contractual cash flows and/or the expected cash flows from the use of loan collateral. The risk for the financial statements lies in particular in the fact that assumptions made in identifying the loss allowances for loans and advances to customers with impaired credit with regard to the expected cash flows may be incorrect and that loss allowances are not recognized in the financial statements in an appropriate amount. In light of the complexity of the assessment and the additional uncertainty triggered by the Ukraine war, we consider the identification and measurement of loans and advances to customers with impaired credit, to be a key audit matter.

The key policies for the accounting and measurement of loans and advances to customers with impaired credit according to IFRS 9 are explained in note "4) Financial instruments", "14) Loss allowance" and "21) Loans and advances to customers" in the notes to the consolidated financial statements. For information on impairment under IFRS 9 please refer to the section on " Loss allowances" in the Risk Report in the combined management report.

Auditor's response
Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion.

We obtained an understanding of the process for identifying loans and advances to customers with impaired credit and assessed the appropriateness of the process, including internal controls. In order to assess the appropriateness of the internal controls in relation to the identification of loans and advances to customers with impaired credit, we inspected the relevant organisational policies and conducted interviews. In addition, we tested the effectiveness of the controls that the company has established to identify exposures with impaired credit. In doing so, we also tested the effectiveness of the controls for ensuring the correct and complete recording and processing of the relevant data streams on which the identification of loss allowances for loans and advances to customers is based, with the involvement of internal IT specialists.

We used a conscious selection of individual exposures based on materiality and risk considerations to identify the loans and advances to customers with impaired credit. In particular, we assessed whether the assessment made by management regarding the occurrence of the objective evidence of impairment and the fulfillment of the debt service are appropriate. To this end, we assessed the economic circumstances of the borrowers. In addition, we discussed the suitability of the objective evidence used for the identification of loans and advances to customers with impaired credit with the responsible parties and assessed it in the light of actual defaults in the past.

We then tested the measurement of individual credit loss allowances at the level of the operating banks included in the consolidated financial statements. For this purpose, we traced the scenarios used to derive the expected cash flows and payment dates for a conscious selection of credit exposures, as well as the assigned probabilities of occurrence. In doing so, we also considered whether the necessary calculation parameters, including assumptions about country-specific future macroeconomic conditions, were appropriately derived from the Group's risk provisioning model. In our assessment, we also included, depending on the exposure strategy pursued, the expected cash flows from the use of loan collateral. Finally, we have traced the calculation of the expected cash flows for the individual credit exposure and the specific credit loss allowances recognized.

Recognition and measuremnet of deferred tax assets attributable to tax loss carryforwards

Description of matter
As of December 31, 2023, the Group has deferred tax assets of EUR 12.2 million. Of this amount, EUR 10.5 million relates to tax loss carryforwards, which exclusively concern JSC ProCredit Bank, Kyiv/Ukraine (PCB Ukraine).

The recognition and measurement of deferred tax assets is discretionary and requires estimates of the future taxable income situation and the usability of tax loss carryforwards. This assessment is based in particular on assumptions about future business results, which are based on the approved business plan.

Due to the existing scope for discretion in estimating future taxable income and the usability of tax loss carryforwards and the uncertainties in the adopted business plan of PCB Ukraine as a result of the war in Ukraine, we consider the recognition and measurement of deferred tax assets attributable to tax loss carryforwards to be a key audit matter.

The key policies for the recognition and measurement of deferred tax assets are explained in section "24) Income taxes" of the notes to the consolidated financial statements.

Auditor's response
We obtained an understanding of the process to determine whether unused tax loss carryforwards in the relevant jurisdiction have been identified and measured in accordance with the tax rules and regulations for deferred tax accounting under IAS 12.

In doing so, we assessed the assumptions in the adopted business plan of PCB Ukraine, which serves as the basis for estimating the future taxable income of PCB Ukraine.

In addition, we assessed the recognition of deferred tax assets on the tax loss carryforwards of PCB Ukraine by analyzing the significant assumptions made to estimate future taxable income. We assessed the estimates used in the earnings forecast by comparing the underlying key assumptions with externally available historical data and forecasts. Furthermore, we computationally verified the underlying calculation.

In assessing the assumptions underlying the deferred tax assets in the context of the impairment test, we consulted our tax experts as well as internal specialists with particular expertise in the field of business valuation.

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 consolidated financial statements and combined management report and our audit opinion

Our opinions on the consolidated 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 of the consolidated financial statements, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

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

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's position and is, in all material respects, consistent with the consolidated 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 Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Group's position and, in all material respects, is consistent with the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Group'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 consolidated 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group'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 consolidated 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 Consolidated 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 consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file „ProCredit Holding_KA_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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements and of the Combined Management Report" above.

Basis for the opinion
We conducted our assurance work of the rendering of the consolidated 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 (06.2022)). 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 consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated 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.

Group 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 consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group 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 group auditor of ProCredit Holding AG without interruption since 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 consolidated 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.