FitchRatings

Banks
Universal Commercial Banks
Germany

ProCredit Holding AG

Key Rating Drivers

Shareholder Support Drives IDRs: ProCredit Holding AG's (PCH) Shareholder Support Rating (SSR) of 'bbb' drives its Long-Term Issuer Default Rating (IDR). The SSR is underpinned by Fitch Ratings' view of a high probability of external support being forthcoming to PCH from its largest international financial institution (IFI) shareholder, KfW (AAA/Stable).

We use KfW's ratings as an anchor to our support assessment, although we believe other IFI shareholders, including the European Bank for Reconstruction and Development (EBRD; AAA/Stable) and DOEN Foundation, could also contribute to any required support. This reflects the strategic nature of the IFIs' investment in PCH, their role in the governance structure and a record of liquidity and capital support.

High Propensity to Support: The wide notching between the ratings of KfW and PCH is driven by our view that potential support could be constrained by KfW's stake of only 13.2% in PCH, its limited operational synergies with PCH, and that reputational risks would be contained for KfW in a PCH default. Nevertheless, we believe capital or liquidity support would be made available to PCH as long as PCH's business model sustainably aligns with the IFI shareholders' mission and corporate governance remains effective.

SME Focus; Strong Governance: Fitch assesses PCH on a consolidated basis. PCH's VR considers its specialised business model focused on responsible financing, mainly to SMEs, with a geographical footprint largely in southern and eastern Europe (SEE). Our assessment also reflects the group's prudent corporate governance and risk management, and strong through-the-cycle asset quality.

International Operations: PCH's 'bb' operating environment score reflects the group's operations in less stable and less advanced economies across SEE, although some of these are improving. The score also considers PCH's domicile in Germany, which results in robust oversight of the group by the European and German regulators.

Sustained, Reasonable Asset Quality: PCH's asset quality compares well in the respective markets that its subsidiaries operate in. The impaired loans ratio decreased to 2.3% at end-2024 (end-2023: 2.7%), due in part to strong loan growth and a fall in impaired loans. We expect it to be broadly stable over the next two years, reflecting disciplined risk-management practices and growth ambitions. The share of loans in Ukraine has materially decreased since 2022.

Strategic Investments Weigh on Profitability: Profitability is moderate by international standards and prone to swings due to PCH's business model. The group's operating profit declined in 2024 to 2.1% of risk-weighted assets (RWAs; 2023: 2.4%), due to strategy implementation costs and a lower net interest margin (NIM) driven by higher funding costs. We expect the operating profit/RWAs ratio to weaken in 2025 towards 1% due to continued strategic spend and a lower NIM, before improving in 2026 to above 1.5%.

Moderate Capitalisation: The bank's common equity Tier 1 (CET1) ratio of 13.1% at end-2024 is only adequate in the context of the group's operations in less stable economies, which are more susceptible to unexpected events. We expect PCH's CET1 ratio to remain above 12% over the next two years due to less capital-intensive loan growth and moderate internal capital generation.

Diversified Funding; Reasonable Liquidity: PCH's funding and liquidity considers the generally nominal standalone deposit franchises of its subsidiaries, established relationships with IFI creditors, and reasonable liquidity that is managed centrally. Deposit funding has increased in recent years, supporting a decrease in the gross loans/customer deposits ratio to 85% at end-2024 (end-2021: 107%). Liquidity is well managed across the group with adequate buffers.

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2
Long-Term IDR (xgs)	BB(xgs)
Short-Term IDR (xgs)	B(xgs)
Viability Rating	bb
Shareholder Support Rating	bbb

Sovereign Risk (Germany)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms ProCredit Holding AG and ProCredit Bank AG at 'BBB'; Outlook Stable (April 2025)

ProCredit Holding AG - Ratings Navigator (April 2025)

Sovereign Data Comparator (March 2025)

KfW (October 2024)

European Bank for Reconstruction and Development (November 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A weakening in our assessment of potential support available to PCH from KfW; for example, due to a material decrease in its stake or a material shift away from the group's current strategic focus that results in a negative change in its support stance, could lead to downgrades of PCH's IDRs and SSR, unless it is offset by potential support from another highly rated shareholder.

PCH's VR would be downgraded if we expect a sustained weakening in the CET1 ratio to below 12% or an increase of its impaired loans ratio to above 5%.

The VR could also be downgraded if we expect the holding company's IFRS common equity double leverage to rise above 120% for a sustained period without mitigating factors.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The IDRs could be upgraded if PCH's strategic importance to KfW increases, or if another IFI shareholder with a strong credit profile and a very high propensity to support PCH increases its share above KfW's.

Fitch does not expect a VR upgrade in the medium term unless the group's operating environment score improves further. This could lead to an upgrade if it is combined with PCH maintaining good asset quality, sustained improvement in profitability and significant strengthening of capitalisation.

Other Debt and Issuer Ratings

Rating Level	Rating
Subordinated: long term	BB-

Source: Fitch Ratings

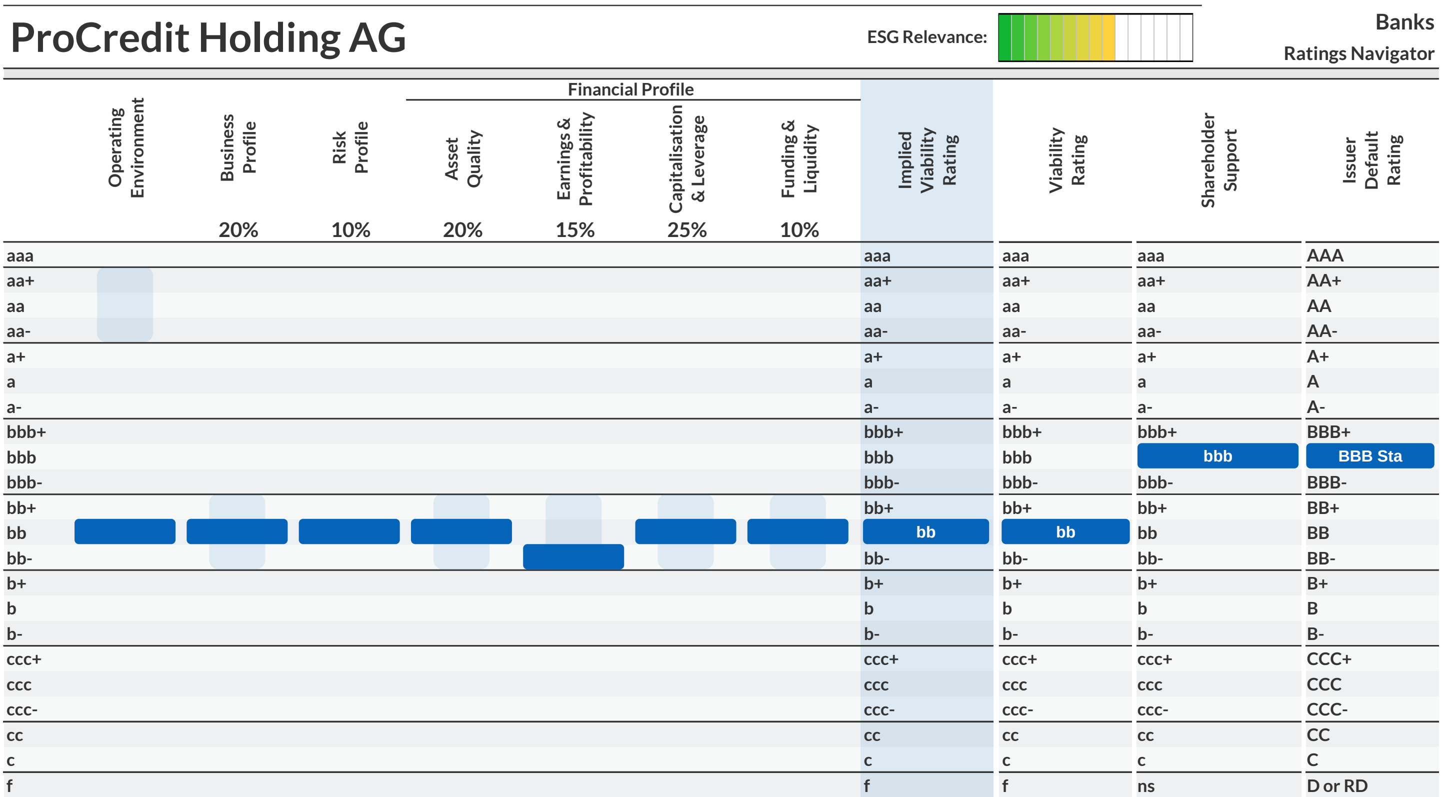
Subordinated Debt

PCH's subordinated Tier 2 debt is rated one notch below its VR. The VR is used as the anchor rating for this instrument as it best indicates the risk of the issuer becoming non-viable and reflects our view that extraordinary support from PCH's IFI shareholder is less likely to fully extend to non-senior obligations. The rating is notched down once for loss severity, rather than our baseline two notches, from the VR to reflect our view that a large or full loss is likely to be mitigated by institutional support.

Ex-Government Support Ratings

PCH's 'BB(xgs)' Long-Term IDR (xgs) is in line with the bank's VR. Its 'B(xgs)' Short-Term IDR (xgs) is the only option mapping to its Long-Term IDR (xgs).

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

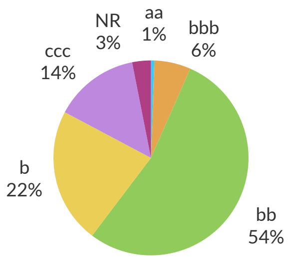
The operating environment score of ‘bb’ is below the ‘aa’ implied category score due to the following adjustment reason: international operations (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Our assessment of ProCredit's group operating environment is based on the weighted average loan exposure approach. The group has a strong focus on SEE and EE, which are mostly more volatile and less advanced economies, with moderate to weak income levels and significant structural weaknesses, albeit in some of these the operating environment is improving. The benefits from the holding company being headquartered in Germany include the high-quality supervision of the consolidated group by the European and German regulator (BaFin) but also access to the German deposit and capital markets.

Loan Distribution by Operating Environment Score
End-2024



Source: Fitch Ratings, Fitch Solutions, PCH

Business Profile

Focus on MSMEs; Operations Concentrated in SEE

ProCredit group's traditional banking model is heavily weighted towards lending to SMEs in fairly weak economies and relies on net interest income (over 80% of revenue). The group's business strategy focuses on the continued sustainable financing of formalised and established small and medium-sized companies and agricultural producers, while expanding the retail franchise (including micro-enterprises), aiming to become a universal bank for these retail clients. The group also aims for a significant share of green lending in its total loan portfolio (around 20% at end-2024). The role of the holding company is to provide equity and debt financing to group banks to support ordinary business, to encompass a clear mission, product offering and risk-management framework and policies, and to oversee subsidiaries' performance. PCH wholly owns the stakes in all group banks.

Although PCH's subsidiary banks generally lack a strong franchise and pricing power in any particular geography (usually having low single-digit market shares, except double-digits in Kosovo), the ProCredit brand is well recognised and the bank is perceived as an SME lender in the local markets. ProCredit group has established itself as a client-focused institution that builds long-term relationships, with digital capabilities and well-qualified staff.

Group banks are increasingly deposit-funded, with well-established access to IFI funding and guarantee programmes, while the rest is funded by the parent and ProCredit Bank AG (PCBDE; BBB/Stable). PCBDE is based in Germany and serves as the group's treasury arm, a hub for liquidity operations and the clearing of international payments.

Presence in Ukraine Remains Residual Downside Risk, Although Reduced

Ukraine is a strategic market for PCH, accounting for around 7% of loans following a selective reduction by around 40% since the start of the war. Exposure is equivalent to 55% of the group's CET1 capital at end-2024. We believe the residual risks for the group from the operations of ProCredit Bank (Ukraine) (PCBU; CCC) are manageable if spread over time. The share of the Ukrainian bank's loan portfolio classified as impaired has fallen to 3.6% at end-2024 (end-2023: 7.2%) due to repayments and write-offs.

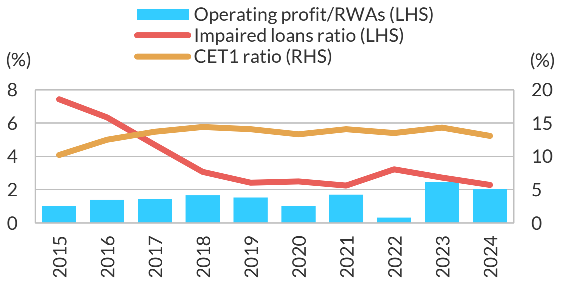
We believe the group is committed to its subsidiary, and recently increased its capital stake in the bank by converting the remaining EUR20 million of subordinated debt into equity. This new investment is insured by the German investment guarantee scheme. Nevertheless, we believe that potential cumulative losses for the group from its operations in Ukraine could be greater than PCH's equity stake (EUR109 million at end-2024).

Experienced Management; Reasonable Performance Tested by Market Challenges

ProCredit group's performance has been supported by its experienced management, strong corporate governance and a clearly defined strategy. PCH sets guidelines for commercial, risk, capital and funding strategies, and local management deploys the group's guidance by adapting the set of objectives to the specifics of local markets. In-house academies enhance the corporate culture and provide training programmes for management and staff.

The group has generally met its key financial targets, although it had to update some 2024 targets. Its return on equity target was lowered slightly to around 10% (from 10%–12%; end-2024: 10.2%) due to increased tax on the Ukrainian subsidiary, the challenging environment in Ecuador, and increased costs from its new strategy. The higher costs also led to an increase in the bank's cost/income ratio target to 66% from 63% (end-2024: 68%). PCH also raised its guidance for loan portfolio growth to above 10% in 2024 (end-2024: 12.6%) and confirmed the targets for its CET1 ratio (over 13%; end-2024: 13.1%) and its leverage ratio (around 9%; end-2024: 8.4%).

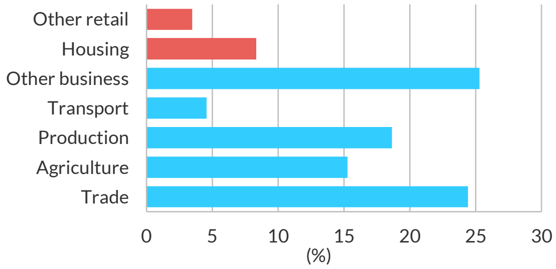
Performance Through the Cycle



Source: Fitch Ratings, Fitch Solutions, PCH

Gross Loan Book by Sector

End-2023



Source: Fitch Ratings, Fitch Solutions, PCH

Risk Profile

ProCredit group's risk appetite balances its prudent underwriting standards, reasonable control framework and geographically diversified organic growth. However, these cannot fully contain the risks to the group's business model from markets that are inherently higher risk than its German base. Its organic growth appetite remains high, but we believe that the group's control environment is suitably adapted to handle higher business volumes. The group's strategy (announced in March 2024) entails a pivot to serving smaller SMEs, micro-businesses and a wider group of private individuals, aiming for higher margins, better reciprocity and further growth potential in these segments. We expect this to have a neutral impact on the overall risk profile, falling within the scope of the current assessment.

The group's conservative approach to risk management has been reflected in limited exposure to higher-risk economic sectors, a good degree of diversification by country and borrower, and a cash-flow-based loan underwriting process, supplemented by strong collateralisation. The subsidiaries' business model, management and strategy are strongly influenced by the parent and by their integration into the group.

SME exposures (close to 90% of the loan portfolio at end-2024) are mostly long-term investment loans concentrated in trade, manufacturing and agriculture, with a proportion of green lending of around 20%. The group's loan portfolio is granular (the top 25 customer loans were below 5% of total loans), but with naturally higher single-name concentrations at the smaller subsidiaries. Lending to private individuals mainly relates to mortgage-backed housing loans.

Foreign-currency (FC) risks arise mostly from PCH's FC equity holdings in subsidiary banks and are difficult to hedge. This exposes PCH's regulatory capital to changes in exchange rates of local currencies against the euro through a translation reserve in equity (end-2024: -EUR80 million). Lending by subsidiary banks in FC (mostly the euro) is meaningful and typical for banks operating in SEE. This puts unhedged borrowers' repayments at risk in the event of a sharp depreciation of the local currency, but this is mitigated by the evaluation of the borrowers' debt service capacity under the stress scenarios in the underwriting process, and, in some countries (Bosnia and Herzegovina, Bulgaria, Kosovo and North Macedonia), by reliable currency pegs to the euro.

Financial Profile

Asset Quality

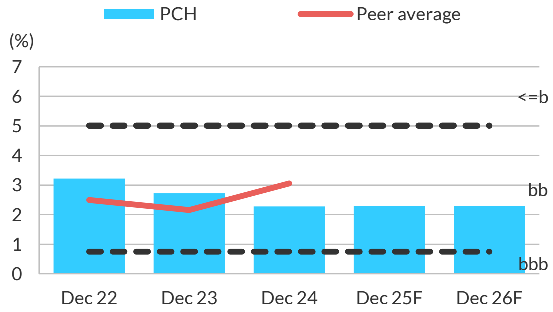
ProCredit group's fairly conservative risk appetite and prudent underwriting standards support its sound asset quality. Despite the challenging operating environment in some markets and direct exposure in Ukraine through its subsidiary, the group's loan portfolio performed reasonably well, as reflected by the impaired loans ratio of 2%–3.5% over the past four years. We still consider the ongoing Russia–Ukraine war as a major risk, although the bank's vulnerability has decreased with the reduction of the portfolio in Ukraine to EUR512 million and the fairly high total precautionary reserves at the group level (around EUR60 million).

We expect PCH's impaired loans ratio to remain below 3% in 2025 and 2026, with mild lagged effects of the challenging operating environment, offset by normalised loan growth.

Coverage of impaired loans with specific loan-loss allowances was a reasonable 50% for the group at end-2024, and higher – at around 85% – in Ukraine. Overall impairment coverage was solid at close to 115%, inflated by Stage 2 loan provisions and management overlays.

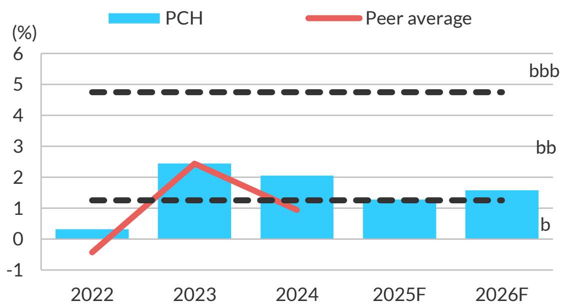
Non-loan assets (around 37% of total assets at end-2024) are held mostly for liquidity management purposes and largely reflect the sovereign risk of the countries in which the group operates. They mainly comprised cash and balances at central banks and local government bonds or bills, mostly with up to 12 months' maturity.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

ProCredit group's through-the-cycle profitability has been volatile amid challenges in some of its operating countries. Nonetheless, it has consistently been supported by loan volume growth and by the bank's asset quality, which is generally better than peers'. Despite an increase in operating income by 7.1% and a small reversal of loan impairment charges, operating profit declined in 2024 as the group's operating expenses increased by 22% due to its strategic investments, in particular in IT and staff. Interest rates in some of the group's markets of operations have also started to decline, although these remain higher than in previous years, supporting the group's NIM to some extent. Nevertheless, loans are repricing faster than deposits as interest rates decline, and competition is strong for deposits in some markets, placing pressure on the group's NIM despite significant loan growth.

Fitch expects ProCredit group's profitability metrics, expressed by the operating profit/RWAs ratio, to decline in 2025 (but to remain above 1% of RWAs) and to increase in 2026 to a level that is structurally stronger than in recent years (four-year average: 1.4%). This expectation is driven partly by a lower but stable NIM as interest rates on loans decline, which will be balanced by a likely decline in interest rates on deposits, as well as the group's increased emphasis on micro and smaller SME loans. Lending to these client groups is mostly higher-margin and more capital-efficient. Additionally, planned investments in the new strategy will also play a role. The bank's expertise in SME lending and its cautious approach to entering new segments should help to maintain loan impairment charges at below 40bp in the medium term.

Capitalisation and Leverage

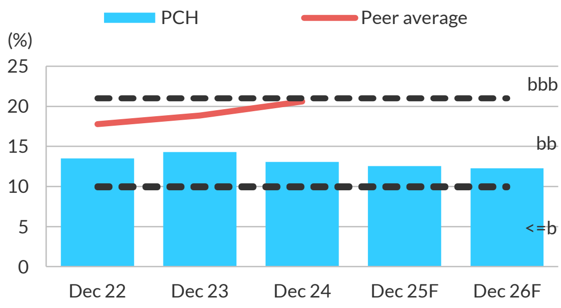
PCH's capitalisation is underpinned by moderate loss-absorption capacity through its pre-impairment profit and conservative risk management, resulting in low levels of problem loans. The CET1 (13.1%) and total capital adequacy (16%) ratios provided reasonable buffers over regulatory minimum requirements (9.4% and 14.4%, respectively) at end-2024. The CET1 ratio is expected to increase to 13.5% after the inclusion of 2H24 profits minus planned dividend payments. The group's total capital adequacy ratio also increased by around 2pp following the issuance of green Tier 2 bonds in April 2024.

The bank expects an overall increase in capital requirements by 0.75pp due to the 2% increase ordered by BaFin after a review of credit processes, partially offset by the reduction in capital requirements by 1.25% due to methodological changes in the Supervisory Review and Evaluation Process. We still expect PCH to maintain reasonable buffers over the updated regulatory requirements.

PCH has previously maintained fairly stable capitalisation, supported by reduced profit distributions and RWA optimisation. The group's leverage remains adequate, as measured by a tangible common equity/tangible assets ratio of 9.5%. PCH's general policy is to distribute around a third of its profits.

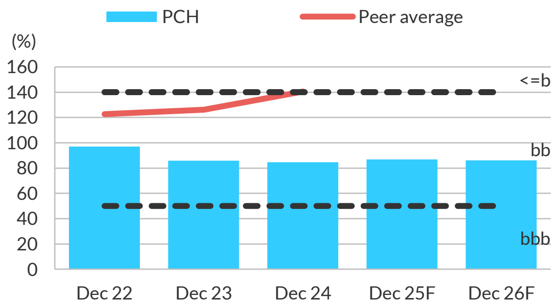
We believe that PCH's capital metrics could be more prone to fluctuations due to inherent risks in the markets where the group operates, also resulting in fluctuations in the fair-value reserve and translation component of its equity (both of which are difficult to predict).

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

The group accelerated the development of its subsidiaries' self-financing capabilities, which resulted in a reduced loans/deposits ratio of 85% at end-2024 (end-2021: 107%). Customer deposits represented 87% of the group's funding, and a stable 62% of these were cheap current and savings accounts. Most of the group's subsidiaries have only nominal deposit franchises and lack pricing power; the quality of their deposit base is supported by their high or increasing granularity.

The funding profile is complemented by well-established and adequately diversified long-term loans from IFIs, directly extended to PCH's subsidiaries and partly guaranteed by the holding, senior unsecured and subordinated debts issued by PCH, and by interbank funding.

Liquidity is managed cautiously across the group and complies with the rules prescribed at national level for subsidiary banks. The liquidity coverage ratio was solid at 174% at end-2024, comfortably above the regulatory requirement. The group's pool of high-quality liquid assets was 27% of total assets.

We view PCH's standalone liquidity buffers as sufficient in the medium term in light of scheduled repayments, considering both an amendment of its debts' cross-default clause and potential stress at its Ukrainian subsidiary. Moreover, PCH should also be able to mobilise external liquidity and refinancing sources, in case of need.

Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics as per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bb' category.

The peer average includes Addiko Bank AG (bb), IKB Deutsche Industriebank AG (bbb-), ProCredit Bank (Bulgaria) EAD (bb). Financial year end is 31 December for all banks in this report, unless otherwise stated.

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	12 months (USDm) Audited – unqualified	12 months (EURm) Audited – unqualified	12 months (EURm) Audited – unqualified	12 months (EURm) Audited – unqualified	12 months (EURm) Audited – unqualified
Summary income statement					
Net interest and dividend income	372	358	337	265	222
Net fees and commissions	62	59	58	55	51
Other operating income	27	26	19	23	12
Total operating income	461	443	414	342	285
Operating costs	314	302	248	218	183
Pre-impairment operating profit	147	141	166	124	103
Loan and other impairment charges	-5	-5	15	105	7
Operating profit	152	146	151	20	96
Other non-operating items (net)	0	0	-1	-2	-2
Tax	44	42	37	1	15
Net income	108	104	113	17	80
Other comprehensive income	6	6	1	-3	28
Fitch comprehensive income	114	110	114	13	108
Summary balance sheet					
Assets					
Gross loans	7,286	7,010	6,227	6,108	5,924
– Of which impaired	166	160	169	197	133
Loan loss allowances	189	182	197	215	131
Net loans	7,097	6,828	6,030	5,893	5,793
Interbank	534	514	372	281	253
Derivatives	7	7	8	13	1
Other securities and earning assets	1,012	973	762	491	423
Total earning assets	8,649	8,322	7,172	6,677	6,470
Cash and due from banks	2,249	2,164	2,348	1,940	1,546
Other assets	276	266	229	209	201
Total assets	11,174	10,752	9,749	8,826	8,216
Liabilities					
Customer deposits	8,617	8,291	7,254	6,290	5,542
Interbank and other short-term funding	984	946	1,128	1,319	1,314
Other long-term funding	359	346	286	286	441
Trading liabilities and derivatives	1	1	1	1	0
Total funding and derivatives	9,961	9,585	8,670	7,894	7,297
Other liabilities	115	111	96	62	63
Total equity	1,097	1,056	984	869	856
Total liabilities and equity	11,174	10,752	9,749	8,826	8,216
Exchange rate		USD1 = EUR0.962186	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, ProCredit Holding AG

Key Ratios

(%)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	2.1	2.4	0.3	1.7
Net interest income/average earning assets	4.6	4.9	4.0	3.7
Non-interest expense/gross revenue	68.2	59.9	63.7	64.1
Net income/average equity	10.3	12.1	1.9	9.7
Asset quality				
Impaired loans ratio	2.3	2.7	3.2	2.3
Growth in gross loans	12.6	2.0	3.1	12.8
Loan loss allowances/impaired loans	113.6	116.3	109.3	98.7
Loan impairment charges/average gross loans	-0.1	0.3	1.7	0.1
Capitalisation				
Common equity Tier 1 ratio	13.1	14.3	13.5	14.1
Fully loaded common equity Tier 1 ratio	13.1	14.3	13.5	14.1
Tangible common equity/tangible assets	9.5	9.8	9.6	10.2
Basel leverage ratio	8.4	8.8	8.9	9.3
Net impaired loans/common equity Tier 1	-2.3	-3.1	-2.2	0.2
Funding and liquidity				
Gross loans/customer deposits	84.6	85.8	97.1	106.9
Liquidity coverage ratio	174.1	177.9	155.0	158.4
Customer deposits/total non-equity funding	86.5	83.7	79.7	76.0
Net stable funding ratio	153.5	158.0	146.0	141.7

Source: Fitch Ratings, Fitch Solutions, ProCredit Holding AG

Support Assessment

Shareholder Support	
Shareholder IDR	AAA
Total Adjustments (notches)	-8
Shareholder Support Rating	bbb
Shareholder ability to support	
Shareholder Rating	AAA/ Stable
Shareholder regulation	1 Notch
Relative size	Equalised
Country risks	Equalised
Shareholder propensity to support	
Role in group	2+ Notches
Reputational risk	2+ Notches
Integration	2+ Notches
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.
Higher influence   Moderate influence   Lower influence

PCH's IDRs and SSR are driven by Fitch's view of a high likelihood of extraordinary support from PCH's largest IFI shareholder, KfW, to which Fitch anchors its support assessment. Nonetheless, we expect KfW to act in cooperation with the other IFI shareholders, EBRD and DOEN Foundation. These entities could provide further support, given the same strategic nature of their investment in PCH, which Fitch views as long-term, the alignment of the IFIs' missions of promoting economic and social development with ProCredit's impact-oriented strategy and geographical presence in emerging European countries, and a record of ordinary liquidity and capital support already provided to PCH and its subsidiaries.

The wide notching between the ratings of KfW and PCH is driven by the propensity to support being constrained by KfW's 13.2% minority stake, its limited synergies with PCH other than an aligned mission and strategic impact orientation, and contained reputational risk in case of a PCH default. We believe support would be made available to cover temporary shortages of capital or liquidity as long as PCH continues to operate in a manner consistent with the objectives of its IFI shareholders and maintains robust corporate governance. The wide notching also results from uncertainty regarding support being timely, given the fragmented nature of the shareholder structure.

Subsidiaries and Affiliates

Issuer Ratings (Main Subsidiaries)

Rating Level	ProCredit Bank AG	ProCredit Bank (Bulgaria) EAD	ProCredit Bank a.d. Beograd	ProCredit Bank AD Skopje	ProCredit Bank S.A.	ProCredit Bank Sh.a. (Kosovo)	ProCredit Bank Sh.a. (Albania)	Banco ProCredit S.A.	ProCredit Bank (Ukraine)
Long-Term IDR	BBB/Stable	BBB-/Stable	BBB-/Stable	BBB-/Stable	BBB-/Stable	BB+/Stable	BB+/Stable	B/Stable	CCC
Short-Term IDR	F2	F3	F3	F3	F3	B	B	B	C
Viability Rating	-	bb	bb-	bb-	b+	b+	b-	ccc+	ccc
Shareholder Support Rating	bbb	bbb-	bbb-	bbb-	bbb-	bb+	bb+	b	ccc

Source: Fitch Ratings

The Long- and Short-Term IDRs of the main subsidiaries are all based on shareholder support from PCH.

PCBDE's IDRs are in line with PCH's. This reflects our view that PCBDE is an integral part of the ProCredit group given its treasury and other core "services" function role. The equalisation also considers the profit-and-loss transfer agreement between PCH and PCBDE, which Fitch regards as a solid indication of PCH's support commitment.

The Long-Term IDRs of ProCredit Bank (Bulgaria) EAD, ProCredit Bank a.d. Beograd, ProCredit Bank AD Skopje and ProCredit Bank S.A. are all notched down once from PCH's to reflect Fitch's view that their activities are strategically important to the group and remain part of its long-standing and well-established presence in SEE. Fitch considers the strong ability and propensity of the parent to provide support. This assessment is underpinned by the subsidiaries' long support of group objectives and reputational risk for the parent should any of these subsidiaries default.

The Kosovar and Albanian subsidiaries are notched down twice from PCH to reflect our view that both banks' capacity to utilise parent support to service obligations remains linked to transfer and convertibility risks in their respective regions. Although reduced, these risks still limit the extent to which potential support can be factored into the banks' ratings.

The wider notching for the Long-Term IDR of Banco ProCredit S.A. from PCH's reflects Fitch's view that, while parental support is robust, it remains constrained by Ecuador's transfer and convertibility risks, as captured in the 'B' country ceiling.

The 'CCC' Long-Term IDR of PCBU reflects that while PCH's propensity to support the bank remains high due to its strategic importance, PCBU's ability to use potential support from its parent, in particular to service FC obligation, is constrained.

Environmental, Social and Governance Considerations

FitchRatings **ProCredit Holding AG**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ProCredit Holding AG has 5 ESG potential rating drivers

- ProCredit Holding AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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