FitchRatings

Banks
Universal Commercial Banks
Germany

ProCredit Holding AG & Co. KGaA

Key Rating Drivers

Support-Driven IDRs: The Issuer Default Ratings (IDRs) and Support Rating of ProCredit Holding AG & Co. KGaA (PCH) are driven by Fitch's view of the potential support PCH can expect to receive from its core international financial institutions (IFI) shareholders: KfW (AAA/Stable), International Finance Corporation (IFC), and DOEN Foundation.

SME-Oriented Business Model: PCH's 'bb' VR reflects the fairly narrow franchises of most of its subsidiary banks in their respective jurisdictions and their focus on servicing SMEs in south eastern Europe (SEE) and eastern Europe (EE). PCH's VR is complemented by the group's strong corporate governance and cautious risk management, which have resulted in the group's asset quality consistently outperforming the markets in which it operates.

Manageable Asset Quality Pressures: While the group's Stage 3 loan ratio remained stable at a low 2.5% (excluding loans purchased or originated credit-impaired, POCI) at end-2020, its Stage 2 loan ratio grew to 4.9% (end-2019: 3.4%) due to the restructurings of some exposures and risk category reclassifications, following the extensive monitoring of the whole business portfolio. We expect a slight deterioration in asset quality metrics in 2021, and risks could emerge should the economic recovery falter.

Moderate Profitability: We expect the group's 2021 profitability to hover at around 2020 figures as lower-for-longer interest rates will likely be counterbalanced by growing volumes. We do not expect loan impairment charges (LICs) to increase further. In 2020, ProCredit group's operating profit to risk-weighted assets (RWAs) was about 1%, down from 1.5% yoy.

Adequate Capitalisation: Fitch expects the group's capitalisation to remain only adequate amid high appetite for organic growth, but commensurate with the risk profile. At end-2020, the common equity Tier 1 (CET1) ratio of 13.3% (end-2019: 14.1%) and the total capital ratio of 14.7% were maintained with reasonable buffers over minimum regulatory requirements.

Diversified Funding, Reasonable Liquidity: Our assessment of the group's funding and liquidity considers the nominal standalone deposit franchise of most of its subsidiary banks, some reliance on wholesale funding, and reasonable liquidity, which is managed centrally. Granular customer deposits, which have continued to grow, are the group's main source of funding and represented around 76% of total funding at end-2020.

Rating Sensitivities

Owners Support: A weakening of support available to PCH due to, for example, an exit of one or more core IFI shareholders, or a change in their support stance, which we view as unlikely in the rating horizon, could lead to a downgrade of PCH's IDRs and Support Rating. The IDRs could be upgraded if PCH's strategic importance for its core IFI shareholders increases.

Operating Environment, Financial Profile: PCH's VR could be downgraded as a result of (individually or collectively): a deterioration in the environments where the group operates, especially if combined with a material weakening in asset quality; a weakening of its capitalisation, in particular if the CET1 ratio sustainably erodes below 12%; and a material and sustainable constraint on capital and liquidity fungibility in the group, putting pressure on the group's liquidity profile and on the PCH’s double leverage.

An upgrade of PCH's VR would require an improvement of the operating environments of the jurisdictions where the group operates, combined with maintaining good asset quality, a sustainable improvement in profitability and significant strengthening of capitalisation.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Local Currency	
Viability Rating	bb
Support Rating	2
Sovereign Risk	
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

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Affirms ProCredit Holding and Six Subsidiary Banks (March 2021)

Financial Data

ProCredit Holding AG & Co. KGaA

	31 Dec 20	31 Dec 19
Total assets (USDm)	8,916.8	7,524.1
Total assets (EURm)	7,329.3	6,697.6
Total equity (EURm)	779.7	803.5

Source: Fitch Ratings

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Institutional Support Assessment

High Probability of Extraordinary Support from Core IFI Shareholders

PCH's IDRs and Support Rating reflects Fitch's view of the potential support it could receive, if needed, from its core international financial institutions (IFI) shareholders: KfW (AAA/Stable), IFC and DOEN Foundation. Other than the three IFIs, Zeitinger Invest GmbH and ProCredit Staff Invest remain core founding shareholders in PCH. These five entities together have about a 55% stake and hold strategic control over the group through their status as general partners within PCH's KGaA structure.

Fitch's view of support is based on the lasting and strategic nature of investment in PCH, the commitment of the core shareholders, as reflected in their role within PCH's governance structure, the alignment of the IFIs' own missions of development-oriented financing with that of the ProCredit group, and a record of debt and capital support provided to PCH and its subsidiary banks.

In our view, strong supervision by the German banking regulator (BaFin) supports the core IFI shareholders' confidence in the quality of risk management, compliance standards and in the sustainability of ProCredit group's business model, and these are important considerations for their propensity to support PCH. Fitch views the ability of the shareholders to provide support, if needed, as strong given ProCredit group's relative size and geographically diversified operations. The Stable Outlook on PCH's IDR reflects our view that the propensity and ability of PCH's owners to provide support are unlikely to change in the near- to medium-term.

PCH's Long-Term IDR of 'BBB' is directly notched off KFW's Long-Term IDR of 'AAA'. The wide notching between the two reflects KFW's minority stake in PCH (13%) and limited strategic role of PCH for KFW group's operations (see the table below).

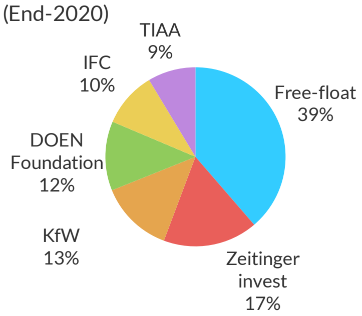
Institutional Support			Value
Parent IDR			AAA
Total Adjustments (notches)			-8
Institutional Support:			**BBB**
Support Factors (negative)	Equalised	1 Notch	2+ Notches
Parent ability to support and subsidiary ability to use support			
Parent/group regulation		✓	
Relative size	✓		
Country risks	✓		
Parent Propensity to Support			
Role in group			✓
Potential for disposal		✓	
Implication of subsidiary default			✓
Integration			✓
Size of ownership stake			✓
Support track record		✓	
Subsidiary performance and prospects	✓		
Branding			✓
Legal commitments			✓
Cross-default clauses			✓

Within this report:

- PCH refers to ProCredit Holding AG & Co. KGaA, the holding company only.
- ProCredit Group refers to the consolidated group, including PCH and its subsidiary banks.

Shareholder Structure

(End-2020)

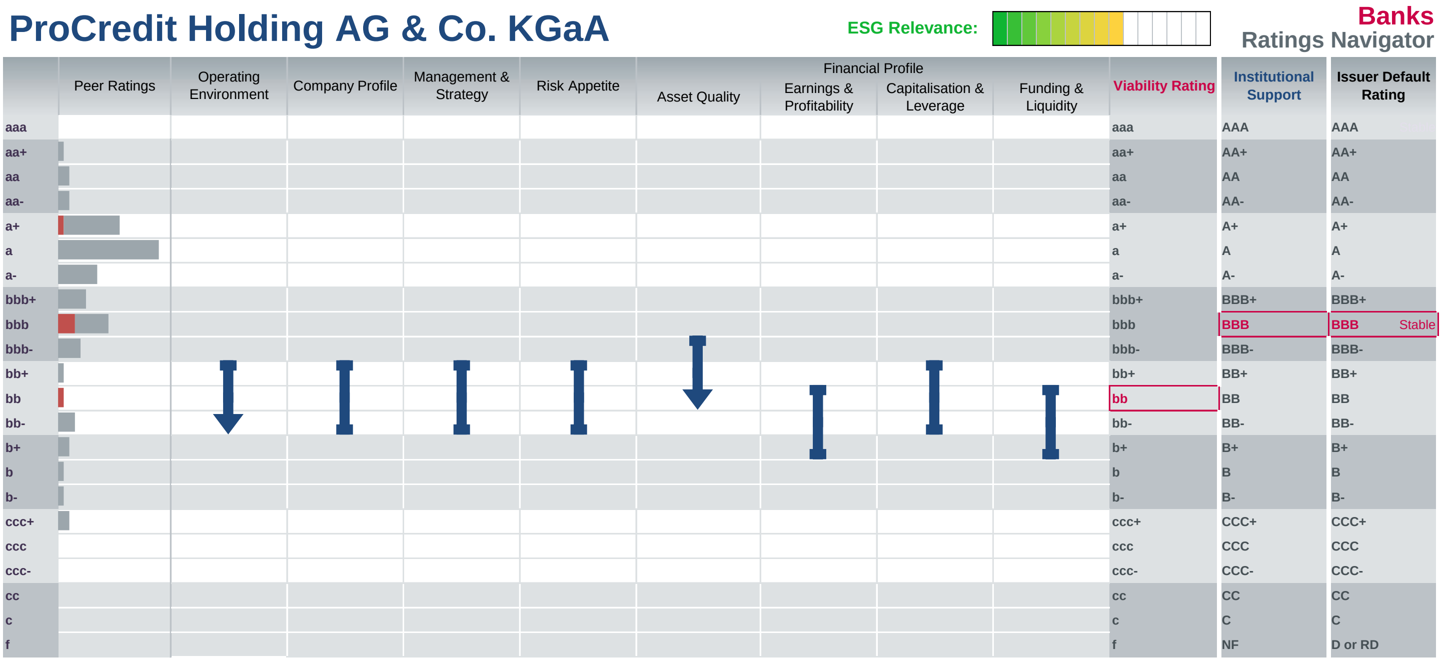


Source: Fitch Ratings, PCH

Legend

- Higher influence
- Moderate influence
- Lower influence

Ratings Navigator



PCH's VR is based on Fitch's assessment of the consolidated group's financial profile, and does not incorporate any downward notching at the holding company level. This reflects the following factors:

i. the group being subject to consolidated supervision and required to meet regulatory requirements at the consolidated level;
ii. the absence of permanent regulatory restrictions on dividend or liquidity flows from subsidiaries to PCH;
iii. integrated liquidity management, with contingency plans in place;
iv. expectations that double leverage will stabilise at around 120%; and
v. a simple organisational structure with full ownership of banking subsidiaries.

Bar Chart Legend

Vertical bars – VR range of Rating Factor
Bar Colors – Influence on final VR
Higher influence
Moderate influence
Lower influence
Bar Arrows – Rating Factor Outlook
⇧ Positive ⇩ Negative
⇳ Evolving ▫ Stable

Operating Environment

ProCredit Group's Main Operating Environments Still on Negative Outlook

Fitch has maintained the negative outlook on the ‘bb’ score of PCH’s operating environment, similar to that of most of the key countries where PCH's subsidiaries operate. They reflect material pandemic-motivated downward revisions in GDP forecasts and amplified risks posed to the banks' balance sheets and earnings profiles. Fitch expects strong economic recovery in 2021, but downside risks remain high and are mostly related to a potential resurgence in infections and renewed lockdown measures.

The operating environment assessment reflects the ProCredit Group’s activity in mostly less stable and less advanced economies with moderate to weak income levels and significant structural weaknesses. However, we have also factored in the benefits from PCH being based in Germany, which includes the supervision of the consolidated group by BaFin and PCH’s access to the German deposit through ProCredit Bank AG (PCBDE) and to capital markets.

Real GDP growth forecast (%)

Country	2019	2020	2021F
Bulgaria	3.7	-4.2	3.4
Ecuador	0.1	-7.5	3.8
Georgia	5.0	-6.2	4.3
Germany	0.6	-4.9	4.5
North Macedonia	3.6	-4.5	3.9
Romania	4.1	-3.9	6.0
Serbia	4.2	-1.0	5.2
Ukraine	3.2	-4.2	4.1

Source: Fitch Ratings

Company Summary and Key Qualitative Assessment Factors

Deeply Rooted Business Model, Focused on SMEs in Emerging Markets

ProCredit Group operates a traditional banking model, which is heavily weighted towards lending to SMEs in relatively weak economies (mostly in south-eastern and eastern Europe) and relies on net interest income (NII), which typically represents about 80% of revenue. The group's business orientation remains on financing business development, innovation and environment protection for formalised and established companies and agricultural producers.

Although the PCH's subsidiary banks generally lack a strong franchise and pricing power in any particular geography (having usually low single-digit market shares, except in Kosovo), the ProCredit brand carries a good deal of name recognition and perception as a SME-oriented and digital bank. Over time ProCredit Group has established itself as a client-focused institution that builds long-term customer relationships and has well-qualified staff.

PCH holds 100% stakes in all group banks. The role of the holding company is to provide equity and debt financing to group banks, to encompass a clear mission, product offering and risk-management framework and policies, and to oversee subsidiaries' performance. PCBDE serves as the group's treasury arm, a hub for liquidity operations and clearing of international payments.

Experienced Management, Consistent Execution

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 the local management deploys the group's guidance adopting the set of objectives to local peculiarities. The in-house academies enhance the corporate culture and provide training programmes for management staff.

PCH has generally achieved its key financial targets, though execution was variable across the banks with most challenges related to strategic exit from micro-lending, implementation of a direct banking concept and pandemic headwinds faced by the subsidiaries in Albania, Ecuador and Romania. In the medium term the group targets a return on equity of about 10% with average 10% annual loan growth (2020: +9.5%) and a cost/income (C/I) ratio at below 60%.

Sizeable Growth Managed by Well-Balanced Risk Management Framework

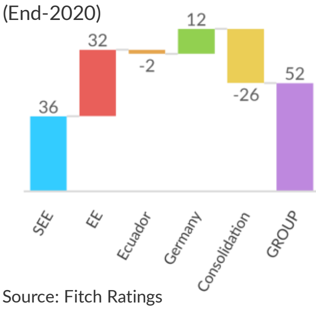
PCH's risk appetite balances its prudent underwriting standards, reasonable control framework and solid organic growth. However, these cannot fully contain the risks to its business model coming from markets that are inherently riskier than its domestic German market. ProCredit Group's loan growth outpaced internal capital generation in recent years, but we believe that the control environment is suitably adapted to handle higher business volumes.

ProCredit Group's traditionally conservative approach to risk management has been reflected in limited exposure to risky economic sectors, a good degree of diversification by country and borrower, and cash-flow-based review process supplemented by strong loan collateralisation.

Risk management is integrated across the group and PCH is directly involved in approval and monitoring of the largest customer exposures at subsidiary banks. Non-retail exposures are mostly long-term investment loans concentrated in trade, manufacturing and agricultural sectors. Green loans, characterised by superior quality, accounted for close to 19% of gross loans at end-2020. The group's loan portfolio is granular (the biggest 10 customer loans accounted for about 2% of total loans at end-2020), but with naturally higher single-name concentrations at subsidiaries. Limited lending to private individuals is generally low-risk since it is selective and mostly related to mortgage-backed housing loans.

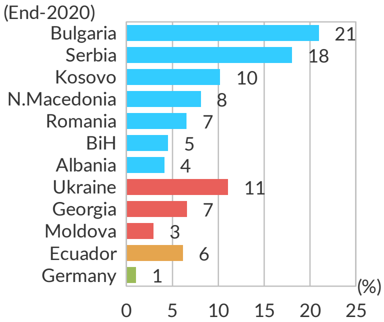
Foreign-currency (FC) risks arise primarily from PCH's FC equity holdings in subsidiary banks, and is difficult to hedge. This exposes PCH's regulatory capital to changes in exchange rates of local currencies against the euro through a translation reserve in equity. Lending by subsidiary banks in FC (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 is mitigated by the evaluation of the borrowers' debt service capacity under the stress scenarios in the underwriting process and reliable currency pegs to the euro in some countries (Bosnia and Herzegovina, Bulgaria, Kosovo and North Macedonia).

Pre-Tax Profits: Breakdown by Business Line
(End-2020)



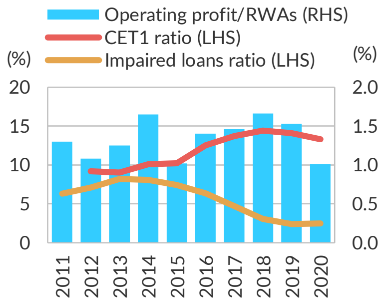
Source: Fitch Ratings

Loan Book Split by Geography
(End-2020)



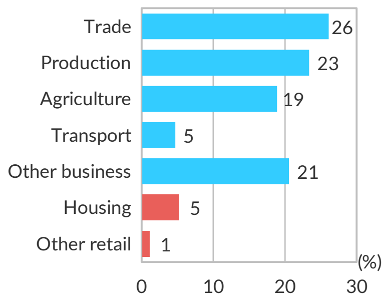
Source: Fitch Ratings, PCH

Results Through-The-Cycle



Source: Fitch Ratings, PCH

Gross Loan Book by Sector
(End-2020)



Source: Fitch Ratings, PCH

Key Financial Metrics – Latest Developments

Resilient Asset Quality, But Pressures Remain

The Stage 3 loans ratio remained stable at 2.5% (excluding POCI loans) in 2020, while Stage 2 loans increased to 4.9% of gross loans (from 3.4% at end-2019), reflecting the effects of pandemic-driven monitoring and spill-overs of drought on agricultural portfolio in some countries. At end-2020, less than 2% of the loan book was still under moratoriums.

We consider it unlikely that a high portion of Stage 2 will migrate to Stage 3, as ProCredit Group are likely to benefit from its conservative underwriting. Through-the-cycle the asset quality has consistently outperformed most of markets where ProCredit banks operate, with the weakest asset quality reported by Albanian and Ecuadorian subsidiaries (the Stage 3 loans ratio at about 6%).

At end-2020, the coverage of Stage 3 loans with specific loan-loss allowances was moderate at about 47%, partly reflecting high collateralisation, while overall coverage was much stronger at about 94%. Stage 2 loans were 6.5% covered with specific reserves.

Non-loan assets (about 30% of total assets at end-2020) are held mostly for liquidity management and largely carried the risks of the countries where the group operates. They mainly comprised cash and balances at central banks (19%) and local government bonds (5%).

Profitability Affected by Higher Impairments

At end-2020, the group's operating profit-to-RWAs ratio was modest and decreased to about 1% (from 1.5% at end-2019), largely due to higher LICs. These grew to 57bp of gross loans, compared to net releases in 2019, because of the revision of the macroeconomic projections in the provisioning model and transfers to Stage 2 loans.

Pre-impairment profitability (1.5% of RWAs) improved, supported by better NII (up 4% yoy). The latter was underpinned by solid lending growth and lower cost of funding, while net interest margin (3.7% in 2020) remained under pressure from falling market rates in many jurisdictions. Fee and commission income decreased yoy as a result of subdued transaction volumes in 2Q20. Cost efficiency strengthened modestly, as reflected in a C/I ratio at about 68% at end-2020, and in our view room for further optimisation on cost side is limited.

The Ukrainian, Bulgarian and Kosovar subsidiaries were the main profit contributors in 2020 (about aggregated EUR48 million). This compares with the three loss-making subsidiaries - in Romania (EUR5 million), Albania (about EUR4 million) and Ecuador (EUR2 million).

Adequate Capitalisation

At end-2020, the group's CET1 (13.3%, excluding portion of planned dividend pay-outs from 2019 and 1H20 results) and total capital ratio (14.7%) provided reasonable buffers over minimum requirements. PCH's general policy is to distribute around 1/3 of current profit, but it remains subject to the regulatory constraints.

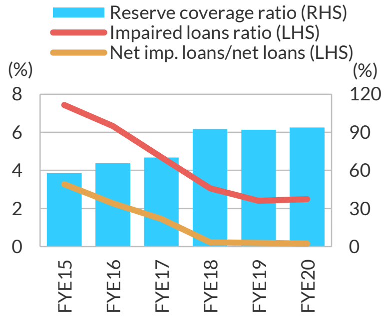
Capital ratios decreased by about 1p.p. yoy, mainly due to the negative development of the currency translation reserve and the further amortisation of Tier 2 capital, while RWAs were stable. The stability of the RWAs, despite solid loan growth, resulted from the recognition of Serbia's banking regulation as CRR-equivalent by the EU Commission, and the introduction of the SME support factor in the "CRR quick-fix".

Diversified Funding, Reasonable Liquidity

ProCredit Group is mainly funded by granular customer deposits, which made up about 76% of total funding at end-2020. About 68% of these was attributable to cheap current and savings accounts. Deposit base grew by 13% yoy also benefiting from the group's well-established digital offer. The funding profile is complemented by a well-established and adequately diversified long-term loans from IFIs extended directly to PCH's subsidiaries (and partly guaranteed by the holding), senior unsecured and subordinated debt issued by PCH, and interbank funding.

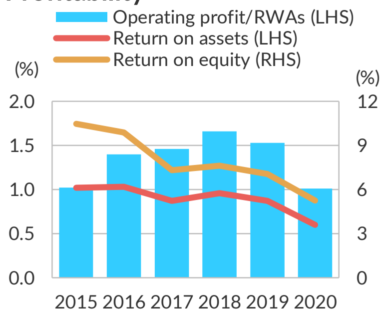
Liquidity is well-managed across the group and complies with the rules prescribed on the national level for subsidiary banks. Liquidity coverage ratio was solid at 153% at end-2020 (2019: 198%), comfortably above the regulatory requirement. The pool of highly liquid assets accounted for about 30% of total assets at end-2020.

Asset Quality



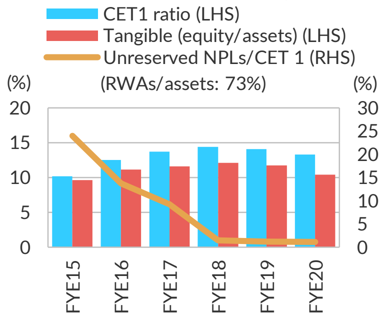
Source: Fitch Ratings, PCH

Profitability



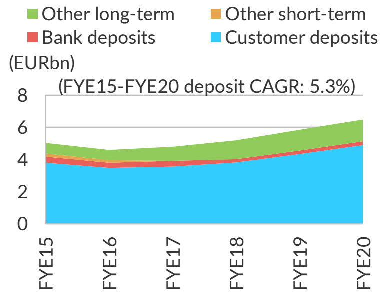
Source: Fitch Ratings, PCH

Capitalisation & Leverage



Source: Fitch Ratings, PCH

Funding Breakdown



CAGR = compound annual growth rate
Source: Fitch Ratings, PCH

Summary Financials and Key Ratios

	31 Dec 20		31 Dec 19	31 Dec 18	31 Dec 17
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	245	201.6	194.5	186.2	204.8
Net fees and commissions	58	47.4	52.0	52.2	45.8
Other operating income	6	4.9	6.2	2.9	4.2
Total operating income	309	253.9	252.7	241.3	254.8
Operating costs	209	171.4	175.8	167.8	186.2
Pre-impairment operating profit	100	82.5	76.9	73.5	68.6
Loan and other impairment charges	35	28.6	-3.3	-4.7	5.3
Operating profit	66	53.9	80.2	78.2	63.3
Other non-operating items (net)	-2	-1.8	-10.6	-7.8	-0.6
Tax	13	10.7	15.3	15.9	14.6
Net income	50	41.4	54.3	54.5	48.1
Other comprehensive income	-65	-53.8	21.6	9.1	-21.0
Fitch comprehensive income	-15	-12.4	75.9	63.6	27.1
Summary balance sheet					
Assets					
Gross loans	6,392	5,254.3	4,797.4	4,392.1	3,909.9
- Of which impaired	159	130.8	115.5	134.3	183.5
Loan loss allowances	149	122.7	106.4	124.3	128.5
Net loans	6,243	5,131.6	4,691.0	4,267.8	3,781.4
Interbank	288	236.5	320.7	211.6	196.2
Derivatives	1	0.5	0.3	1.3	1.1
Other securities and earning assets	423	347.6	390.4	308.5	217.8
Total earning assets	6,954	5,716.2	5,402.4	4,789.2	4,196.5
Cash and due from banks	1,710	1,405.3	1,081.7	963.8	1,076.7
Other assets	253	207.8	213.5	213.2	226.2
Total assets	8,917	7,329.3	6,697.6	5,966.2	5,499.4
Liabilities					
Customer deposits	5,960	4,898.9	4,333.5	3,825.9	3,570.9
Interbank and other short-term funding	281	230.6	226.8	200.8	359.5
Other long-term funding	1,651	1,357.1	1,283.4	1,162.4	869.6
Trading liabilities and derivatives	5	4.4	1.7	1.3	4.1
Total funding	7,897	6,491.0	5,845.4	5,190.4	4,804.1
Other liabilities	71	58.6	48.7	32.2	36.8
Preference shares and hybrid capital	n.a.	n.a.	n.a.	n.a.	n.a.
Total equity	949	779.7	803.5	743.6	658.5
Total liabilities and equity	8,917	7,329.3	6,697.6	5,966.2	5,499.4
Exchange rate		USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, ProCredit Holding AG & Co. KGaA

Summary Financials and Key Ratios

	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.0	1.5	1.7	1.5
Net interest income/average earning assets	3.7	3.9	4.1	5.0
Non-interest expense/gross revenue	67.5	69.6	69.5	73.1
Net income/average equity	5.3	7.1	7.6	7.3
Asset quality				
Impaired loans ratio	2.5	2.4	3.1	4.7
Growth in gross loans	9.5	9.2	12.3	7.8
Loan loss allowances/impaired loans	93.8	92.1	92.6	70.0
Loan impairment charges/average gross loans	0.6	-0.1	-0.1	0.1
Capitalisation				
Common equity Tier 1 ratio	13.3	14.1	14.4	13.7
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	n.a.	n.a.	15.4	14.7
Tangible common equity/tangible assets	10.4	11.7	12.1	11.6
Basel leverage ratio	9.3	10.8	11.0	10.5
Net impaired loans/common equity Tier 1	1.2	1.2	1.5	9.3
Net impaired loans/Fitch Core Capital	n.a.	n.a.	1.4	8.7
Funding and liquidity				
Loans/customer deposits	107.3	110.7	114.8	109.5
Liquidity coverage ratio	153.0	198.0	187.0	179.0
Customer deposits/funding	75.5	74.2	73.7	74.4
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, ProCredit Holding AG & Co. KGaA

Holding Company

PCH derives its income mainly from dividend payments from subsidiary banks, which are complemented by interest income on loans (senior and subordinated) to subsidiary banks and from management consulting fees and guarantees provided to its banks. PCH also has profit/loss sharing agreements in place with PCBDE, its training academy and its subsidiary providing IT services for the Group (Quipu).

PCH's loss in 2020, driven by lower dividend income and a write-down of the value of equity investments, resulted in an increase in its common equity double leverage[1] to about 120%, at which figure we expect to stabilise. Impairments in the equity investments were particularly high in 2019/20 (about EUR50 million annually) and reflected adjustments to the valuation model, but also weak performance in particular subsidiaries (Albania, Ecuador and Romania).

We view the pandemic-driven restrictions on dividend payments by banks in selected ProCredit markets as temporary. However, if such restrictions continue, they will constrain capital fungibility in the group, inflate PCH's double leverage, and possibly weaken the position of PCH's bondholders in relation to the consolidated group's credit profile.

PCH's non-equity funding comprised medium-term bonds (50% of liabilities at end-2020), long-term loans in the form of certificates of indebtedness "schuldscheindarlehen" placed via German banks and was complemented by loans from banks and IFIs. Maturities are well spread and these sources of funding have been stable through the cycle. The holding company maintains a modest liquidity buffer (about EUR30 million of cash and cash equivalents at end-2020). However, we believe that its proven access to wholesale debt markets and established relationships with IFIs limit refinancing risks.

Holding Company's Simplified Income Statement

(EURm)	2020	2019	2018
Recurring income from subsidiaries	**51.2**	**74.6**	**74.8**
Total revenue	**52.2**	**75.6**	**81.1**
Recurring expenses	**42.2**	**43.3**	**43.4**
Impairment of equity investments	52.1	50.2	19.6
Total expenses	**94.5**	**93.5**	**63.0**
Pre-tax result	**-42.3**	**-17.9**	**18.1**
Net result	**-43.6**	**-18.5**	**17.8**

Source: Fitch Ratings, ProCredit Holding AG & Co. KGaA

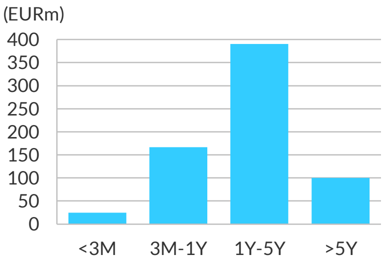
Dividend Income from Subsidiaries

(EURm)	2020	2019	2018
PCB Bulgaria	-	18.1	16.4
PCB Ecuador	0.1	-	-
PCB Georgia	-	8.1	10.0
Quipu	-	-	1.2
PCB N.Macedonia	-	-	1.9
PCB Academy	-	-	0.8
PCB Moldova	-	3.6	-
PCB Kosovo	-	17.0	20.0
PCB Ukraine	21.2	-	-
Total	**21.3**	**46.8**	**50.3**

Source: Fitch Ratings, PCH

PCH - Funding Maturities

(End-2020)



Source: Fitch Ratings, PCH

PCH's Subsidiary Banks - Standalone Profile Assessment

PCH's Subsidiary Banks	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating
ProCredit Bank Sh.a. (Albania)	b	b-	b	b+	b	ccc+	b-	b+	b-
ProCredit Bank d.d. Sarajevo (Bosnia)	b	b-	b+	b	b	b-	b	b	b-
ProCredit Bank (Bulgaria) EAD	bb	bb-	bb	bb	bb+	bb	bb	bb	bb-
Banco ProCredit (Ecuador)	ccc+	ccc	b-	ccc+	b-	ccc	b-	ccc+	ccc+
ProCredit Bank (Georgia)	bb-	b+	bb	bb-	bb-	bb-	bb-	bb-	bb-
ProCredit Bank Sh.a. (Kosovo)	b	b+	bb	b+	b+	b+	b+	bb-	b+
ProCredit Bank AD Skopje (North Macedonia)	bb-	b+	bb	bb-	bb-	b+	b+	bb-	bb-
ProCredit Bank S.A. (Romania)	bb+	b	b+	bb-	bb-	ccc+	bb-	bb-	b
ProCredit Bank a.d. Beograd (Serbia)	bb-	b+	bb	bb-	bb-	b+	bb-	bb-	bb-
ProCredit Bank (Ukraine)	b	b	b+	b	b	b+	b+	b	b

Source: Fitch Ratings

[1] Defined as the holding company's equity investments in subsidiaries and intangible assets in relation to its common equity

Environmental, Social and Governance Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

FitchRatings

ProCredit Holding AG & Co. KGaA

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ProCredit Holding AG & Co. KGaA has 5 ESG potential rating drivers

- ProCredit Holding AG & Co. KGaA 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.

			Overall ESG Scale
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)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

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 ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.