EDISON

ProCredit Holding

Company outlook

Long-term story remains intact despite the war

Banks

ProCredit Holding (PCB) continued to report good progress in realising its scaling potential with FY21 ROE of 9.7% versus 6.9% in FY19. Despite the risk of a global recession, we believe that monetary tightening (supporting PCB's net interest margin) and a relatively favourable, regional mid-term outlook should translate into healthy earnings growth in its South-Eastern (SEE) segment (c 70% of PCB's loan book at end-March 2022). Having said that, the war in Ukraine will weigh on PCB's local bank (12.9% of PCB's loan book as at May 2022) and could lead to further provisions in Ukraine in FY22. Nevertheless, we believe the market has overreacted, with PCB's shares now trading at c 0.24x our expected FY22 tangible book value.

Year end	Net interest income (€m)	EPS* (€)	DPS (€)	P/BV (x)	P/E (x)	ROE (%)	Yield (%)
12/20	201.6	0.70	0.53	0.3	5.0	5.3	15.1
12/21	222.0	1.35	0.00	0.2	2.6	9.7	0.0
12/22e	251.3	0.39	0.00	0.2	9.0	2.6	0.0
12/23e	278.1	1.40	0.47	0.2	2.5	8.9	13.3

Source: ProCredit Holding. Note: *From total operations.

Prudent approach to portfolio growth, risk and costs

PCB remains committed to its position as an impact-oriented SME lender in selected emerging European economies and Ecuador. We believe this has allowed the bank to maintain solid growth of c 10% pa in its loan book in recent years and to report limited credit losses (underpinned by a long-term approach to clients and responsible banking practices). In addition, prudent cost management allowed PCB to bring its return on equity (ROE) closer to its Austrian peers in FY21. The bank maintains a solid capital base with a CET-1 ratio of 13.4% at end-March 2022 (well above the regulatory requirement of 8.2%).

Further credit losses in Ukraine likely

In our base case scenario, we assume that the Russian offensive will last until end 2022 and its major territorial gains will be limited to the remaining Luhansk and Donetsk regions. This should result in credit losses from expropriating 10.3% of PCB Ukraine's portfolio (c €82m), as well as an elevated default rate on the remaining portfolio. We estimate that this will translate into c €41.1m of additional loss allowances in FY22 on top of those already booked in respect of Ukraine until Q122. The losses may lead to a decline in the local bank's CET-1 ratio below the regulatory requirement (7.0%) from 12.2% at 8 February 2022. However, the National Bank of Ukraine (NBU) stated that in these instances, it will allow banks to continue operating to gradually rebuild their capital buffers.

Valuation: PCB Ukraine default more than priced in

After a temporary suspension in early March 2022, we are now reintroducing our forecasts and valuation of PCB. In our base case scenario, we value PCB at €10.00 per share (implying a 186% upside). We acknowledge the significant risks to the above scenario and have therefore also estimated PCB's valuation assuming a default of the local bank in Ukraine, which implies a fair value per share of €8.88.

1 July 2022

Price	**€3.50**
Market cap	**€206m**

Total assets (€bn) at end-March 2022	8.2
Shares in issue	58.9m
Free float	38.7%
Code	PCZ
Primary exchange	Frankfurt Prime Standard
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(9.2)	(0.8)	(57.3)
Rel (local)	2.2	11.8	(48.1)
52-week high/low		€8.6	€3.3

Business description

ProCredit Holding is a Germany-based group operating regional banks across South Eastern and Eastern Europe and Ecuador. The banks focus on SMEs and private middle-income and high earners.

Next events

Q222 results	11 August 2022
Q322 results	10 November 2022

Analyst

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Edison profile page

ProCredit Holding is a research client of Edison Investment Research Limited

Investment summary

Company description: Supporting SMEs in emerging markets

PCB is a specialist SME lender operating in emerging Europe and Ecuador, with a strong emphasis on sustainability and long-term relationships with its customers. It has completed an important streamlining of the business before the pandemic, involving the reduction of its branch network and digitalisation of operations (powered by in-house software company Quipu), which helped it withstand the COVID-19 impact (and more recently the war in Ukraine). The company's sustainability orientation is also illustrated by its growing book of green loans of €1.2bn at end-March 2022, representing c 19.1% of its total loan book (with a mid-term target of 20%).

Valuation: Fair value of €10.00 in base case scenario

In our base case scenario, we assume that PCB will recognize c €88.1m in loss allowances in FY22 (versus €35.6m already booked in Q122), mostly in Ukraine. As these provisions are utilised after the expiry of credit moratoria in Ukraine (which we forecast for FY23), we expect PCB's loan book growth at group level to decelerate to 3.0% in FY23 (up by c 2% in the Eastern Europe region as the decline in Ukraine is offset by growth in Georgia). Using the implied price to tangible book value of 0.72x, based on a blended capital asset pricing model (CAPM, using a sustainable RoTE of 10%) and P/BV-ROE regression of PCB's peers for FY22e and FY23e (1.05x in our November 2021 note) translates into a fair value for PCB of €10.00 (vs €14.70 in November 2021). This compares with the current share price of €3.50, suggesting that the market has overreacted to the outbreak of the war. While ProCredit Bank Ukraine has been an important part of the PCB group (12.9% of loan book as at May 2022 and 27.2% of net profit before the allocation of group functions in FY21), we believe that current developments in the country are more than priced in.

Financials: SEE operations to offset Ukraine's weakness in the medium term

PCB was able to improve its ROE from 6.9% in FY19 to 9.7% in FY21 on the back of: 1) solid loan book and deposit growth; 2) a decline in its cost income ratio (CIR) from 70% to 64%; 3) a reduction in risk-weighted assets (RWA) as a percentage of total assets; and 4) a lower effective tax rate (16% in FY21 versus 20% in FY19). This was accompanied by limited loss allowances, with PCB's cost of risk at 12bp in FY21 versus 57bp in FY20, with the latter mostly driven by macro assumption updates and transfers from stage 1 to 2, while defaults remained at a low level (2.6% in FY20, down to 2.3% in FY21). PCB's profitability this year will be impaired by loss allowances in Ukraine, leading to a net loss of c €26.5m in the Eastern Europe (EE) segment in FY22 (and translating into a group ROE of 2.6%). However, we believe that PCB's progress in realising its scaling potential will continue in subsequent years, further supported by the positive impact of monetary tightening on its net interest margin (we assume c 3.0% in FY22 and 3.1% in FY23 versus 2.9% in FY21). This will particularly apply to PCB's SEE segment (where we expect net profit to increase by 15% in FY22 to €54.9m and by 25% to €68.6m in FY23) but also to its operations in Georgia.

Sensitivities: Outcome of Russia's invasion of Ukraine

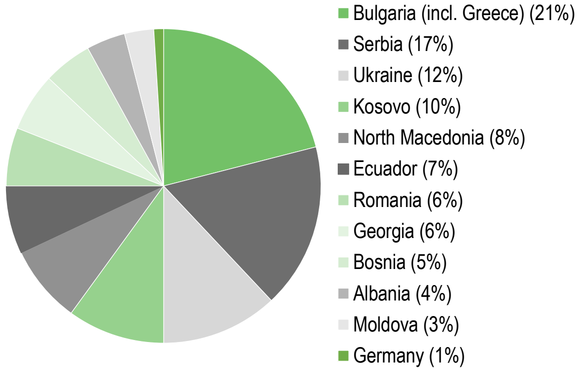
The key risks to our forecasts are from the prospective development of the war in Ukraine. In a bear scenario in which we assume a default of ProCredit Bank Ukraine (either because of high credit losses from physical damage and an economic crisis or discontinuation of the Ukrainian rule of law), we arrive at a fair value of €8.88 per share (based on an RoTE of 9%). Also, PCB mentioned in its annual report that a material default event by ProCredit Bank Ukraine could lead to special termination rights in funding agreements at the PCB level. Another major sensitivity represents the risk of a recession in Europe due to the impact of the war in Ukraine (which could be further exacerbated by another COVID-19 wave). We estimate that every 100bp deterioration in PCB's sustainable RoTE due to the long-lasting effects of a global recession would reduce our valuation by c €0.90 per share. PCB has no direct exposure to Russia and thus the sanctions imposed on Russia will have no direct or meaningful impact on PCB's business.

Company description: Impact-oriented SME lender

Focus on SMEs in emerging markets

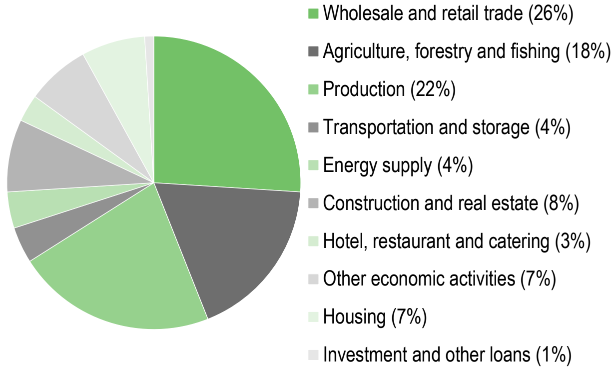
PCB specialises in financing SMEs in transition economies, currently in emerging Europe (SEE and EE regions) and Ecuador (see Exhibit 1), while its German operations are largely focused on providing services to the group such as efficient payment, liquidity and support functions. PCB's focus is on impact-oriented financing, which supports sustainable development, employment and social prosperity. Its target customer group is growing, well-established SMEs that foster innovation, local production and the transition to a green economy (SMEs represented 92% of PCB's gross loan book at end-March 2022). PCB also offers banking services to private clients, mostly to middle-income and high earners (SME owners in particular). It provides a full range of banking services, including investment and working capital loans (with a target amount of €50k to single-digit million euros), as well as liquidity management and trade finance. It also offers housing and investment loans and overdrafts to private clients as well as current accounts, flexible savings and term deposit accounts.

Exhibit 1: PCB's loan book by country



Source: Company data as at end-March 2022

Exhibit 2: PCB's loan book by sector



Source: Company data as at end-March 2022

Highly digitalised operations

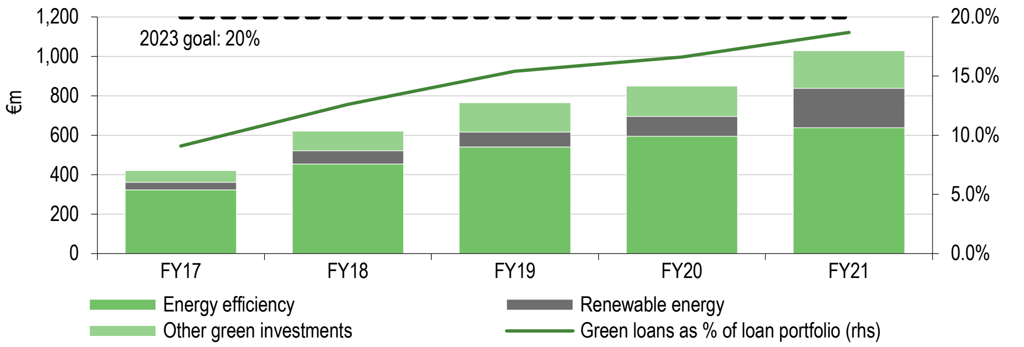
Despite its traditional approach to banking, PCB is committed to investing in the development of efficient and secure technology. Its app- and web-based functionalities are developed in house by Quipu, which PCB believes helps address IT challenges quickly. The launch of ProCredit Direct in 2017, a digital banking platform primarily for private clients, complemented the existing approach of Hausbank for SMEs (involving a comprehensive approach to SME companies) and allowed the company to initiate the digitalisation of financial services to private clients, fully completed in 2018. All transactions in the group's banks are now digital (PCB abolished over-the-counter and cash transactions in its branches).

Sustainability orientation

PCB's long-term mission is to contribute to an inclusive, stable and efficient financial system. It focuses on building and maintaining long-term relationships with its clients and employees, offers simple and transparent products, promotes a savings-oriented culture and puts a strong emphasis on prudent credit as well as environmental and social risk management. Moreover, PCB has been actively cooperating with European institutions to foster innovation and became one of the largest partners of the InnovFin programme run by the European Investment Fund. PCB highlights that it can fulfil the needs of SMEs better than its competitors, thanks to its well-trained and long-serving staff (see our recently published ESG Edge Report for details).

PCB's sustainability orientation is also illustrated by its growing book of green loans. Its €1.2bn green loan portfolio represented c 19.1% of its loan book at end-Q122, the highest among its competitors in local markets, according to management, and growing at a CAGR of 18% between FY17 and FY21 (and c 15% y-o-y in FY21 alone). Management aims to increase this share to 20% by 2023. Its green portfolio includes loans to fund energy efficiency projects that reduce energy consumption by at least 20% (these made up 57% of the green loan portfolio at end-FY21), renewable energy (19%) and other green investments (24%), including investments leading to the prevention of air, water and soil pollution, waste management, and organic agriculture and production (see Exhibit 3). We note that PCB operates in countries where CO_2 emissions per unit of GDP are still higher than the EU average, which we believe creates scope for further growth in its green loan book.

Exhibit 3: PCB's green loan portfolio



Source: Company data

Recently, growth in PCB's green loans slowed down somewhat, as it stopped funding photovoltaic projects that use solar panels produced in the region of Xinjiang in China in FY21 due to concerns over breaches of the Uyghur minority's human rights in this process. Management estimates that c 67% of existing solar capacity financed by PCB was provided by companies directly or indirectly involved in the production of photovoltaic panels in this region. While this approach may affect the expansion of its business over the short term, management believes it can bring long-term environmental and social benefits, as well as sustainable value creation for PCB's shareholders.

PCB's ESG efforts are also reflected in its MSCI ESG rating of AA and outperformance versus peers in our ESG scoring system (see our ESG Edge Report for details). We believe PCB's holistic approach to sustainability issues, which is well-rooted in its history and mission, distinguishes it from its competitors. This is also supported by PCB's shareholder structure, with core shareholders including Zeitinger Invest (a strategic shareholder since inception, 17.0% stake), KfW (a German development bank, 13.2%), DOEN Participaties (a Dutch entity focused on supporting sustainable and socially inclusive entrepreneurs, 12.5%) and IFC (a member of the World Bank Group, 10.0%).

Management

ProCredit's business is managed by ProCredit General Partner (the personally liable managing partner of ProCredit AG & Co KGaA), which has a management board consisting of four members:

Dr Gabriel Schor has worked for the consulting company IPC (founded in 1980, now Zeitinger Invest, a major shareholder with a c 17% stake in PCB) since 1983. He was appointed to PCB's management board in 2004 and is responsible for accounting and taxes, administration and translation, communications, funding and treasury, investor relations, reporting and controlling, as well as supervisory reporting and capital planning.

Sandrine Massiani joined PCB in 2007 and initially worked as regional coordinator in Africa. She became coordinator of the group's human resources in 2011, and manager of human resources and IT in 2015. She was appointed to the management board in 2017 and is currently overseeing credit risk management, fraud prevention, compliance and AML, human resources and internal auditing. Before joining PCB, Sandrine worked at BNP Paribas and Development Finance International (an international advisory firm focused on emerging markets), and was a project coordinator and short-term expert at IPC.

Dr Gian Marco Felice joined the management board in June 2020. He has held various managerial positions within the group since 2001 and is now responsible for business support, environmental management and impact reporting, as well as IT.

Hubert Spechtenhauser joined the management board in March 2022. He has held various senior managerial positions at Commerzbank Group, Landesbank Hessen-Thüringen (Helaba) Group and UniCredit Group. At ProCredit, he is responsible for risk control, financial risk management, operational risk management and legal.

PCB's key management personnel also includes **Christian Dagrosa**, an authorised representative of the company ('prokurist') and manager responsible for investor relations, as well as reporting and controlling. However, he is not a member of ProCredit General Partner's management board. Finally, the management team is supported by **Rossana Mazzilli**, chief general counsel and an authorised representative of the company.

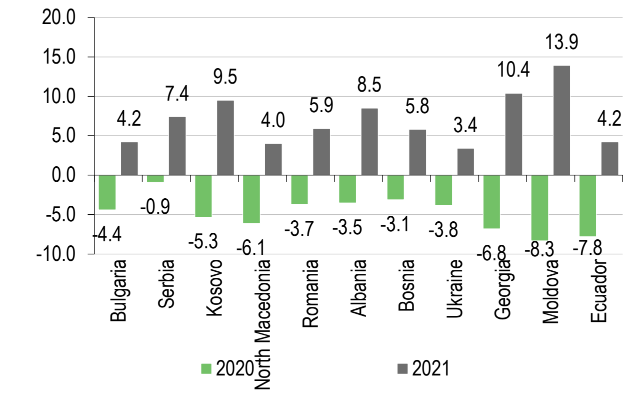
Market outlook

Most of PCB's countries of operation have already fully recovered from the COVID-19 wave last year, with average 2021 GDP growth of 6.2% (weighted by PCB's loan book) after a 4.3% decline in 2020 (see Exhibit 4 for growth rates per country). A notable exception is Ecuador, where real GDP fell by 7.8% in 2020 but grew only 4.2% in 2021, based on IMF data.

In its April 2022 World Economic Outlook (WEO), the IMF forecast that most of these countries will enjoy real GDP growth of c 2.0–3.5% in 2022, except for Moldova (0.3%) and Ukraine, with the latter's real GDP expected to fall by 35% due to the Russian invasion (in its Global Economic Prospects report in June 2022, the World Bank estimated a decline of 45.1%). This compares with 2.8% and 3.7% forecasts for the euro area and United States, respectively (or 2.5% each based on World Bank forecasts). The IMF has reduced its forecasts for PCB's countries of operations compared to the October 2021 WEO (when it expected 2022 real GDP growth of 3.2–5.8%), primarily due to the impact of the war in Ukraine, higher energy prices and supply chain disruptions.

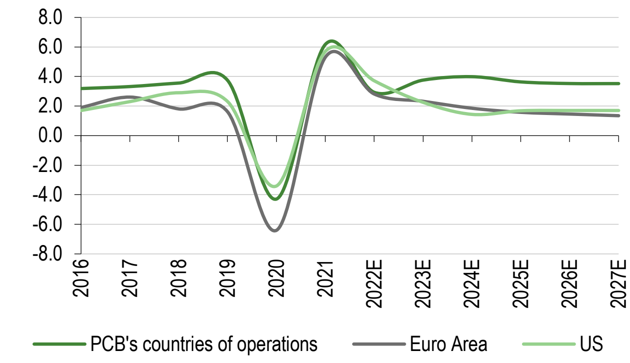
The IMF also forecasts c 2–4% GDP growth per year for most of PCB's countries in 2023 (with Georgia highest at 5.8%) and in 2024–27 (Georgia and Moldova outperforming with 5.0%+ pa). This is ahead of expected growth in the advanced economies (see Exhibit 5). Interestingly, the IMF anticipates similar or higher average growth in 2023–27 compared to 2015–19 for the majority of PCB's countries. The IMF does not publish forecasts for Ukraine in 2023 and beyond, as its economic prospects largely depend on the outcome of the war (the World Bank assumed growth of 2.1% in 2023 and 5.8% in 2024).

Exhibit 4: Real GDP growth in 2020 and 2021 by PCB's countries of operation



Source: IMF World Economic Outlook April 2022 database

Exhibit 5: Average real GDP growth of PCB's countries of operation compared to the euro area and US

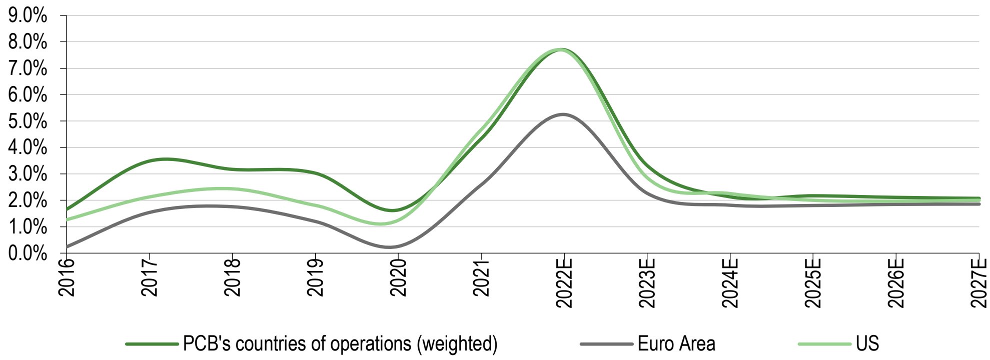


Source: Edison Investment Research based on data from the IMF World Economic Outlook April 2022 database. Note: Weighted average based on share of PCB's loan book in the relevant year (2021 share for 2022–27e). Forecasts exclude Ukraine.

While SEE/EE countries are expected to see good economic growth in the medium term, the current macroeconomic environment poses several challenges, which affect these countries to varying degrees. Firstly, this includes energy security related to oil, gas and coal imports from Russia, illustrated for instance by the fact that 90% of Bulgaria's domestic gas consumption came from Russian imports historically. Bulgaria now seeks to replace these with gas from Azerbaijan after Russia cut off supplies to the country in April 2022. Moreover, Bulgaria's only oil refinery operates with 50% Russian oil (the other 50% comes from the Middle East). Other countries with strong dependence on Russian gas are North Macedonia, Bosnia and Herzegovina and Serbia. We note that some of these countries decided to adopt a neutral stance towards Russia's aggression and have not joined Western sanctions (eg Bosnia and Herzegovina, Serbia), making any targeted reductions in supply by Russia less likely. Moreover, Romania is more protected, with the relation of imports from Russia to gross available energy at only 15.5% for gas and 11.8% for coal (though 37.0% for oil) in 2020 (according to Eurostat data), while Georgia's supplies of oil and gas from Russia made up only 26% and 8% of its total imports in 2020, according to Geostat.

Nevertheless, most of the SEE/EE countries will experience negative impacts from higher energy prices contributing to overall inflation (which also includes a significant impact from higher food prices), see Exhibit 6. On the other hand, Ecuador is an oil exporter benefiting from the current price environment and which has the opportunity to revive its oil industry as US refineries look for new oil suppliers amid sanctions on Russia. Coupled with tight cooperation with the IMF (as part of the economic programme under the Extended Fund Facility), this could help Ecuador recover from the difficult economic situation that led to the default in 2020. However, potential headwinds may come from resistance to the reforms of the current president (Guillermo Lasso) on the part of his political opposition.

Exhibit 6: Average inflation rate of PCB's countries of operation vs the euro area and US

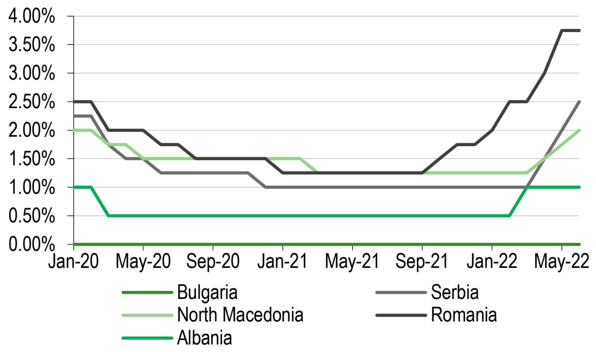


Source: Edison Investment Research based on data from the IMF World Economic Outlook April 2022 database. Note: Weighted average based on the share of PCB's loan book in the relevant year (2021 share of 2022– 27e). Forecasts exclude Ukraine.

Secondly, economic activity will be dampened by weaker growth in the EU, where PCB's countries of operation are members (Bulgaria, Romania) or with which they have significant economic ties. However, over the medium term, several countries should benefit from the Economic and Investment Plan for the Western Balkans recently adopted by the EU and aimed at supporting competitiveness and inclusive growth, as well as the green and digital transition. Also, Bulgaria and Romania will continue to benefit from the EU's structural funds. The region is also experiencing supply chain issues in a number of industries, such as automotive (eg Romania) or construction (eg Serbia). Moldova is also vulnerable given the presence of Russian separatists in Transnistria, its dependence on energy imports from Russia and the influx of Ukrainian refugees.

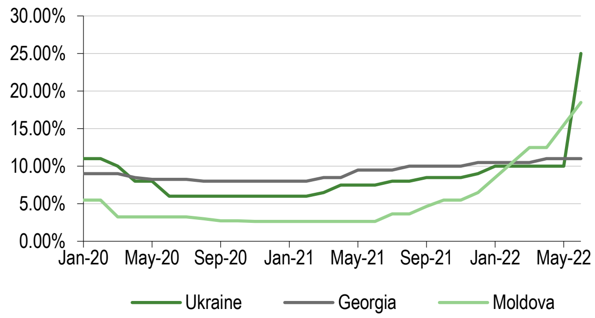
We note that in response to high inflation and macro/geopolitical risks, central banks in the region have started raising their key policy rates to pre-COVID levels or above, as shown in Exhibits 7 and 8. Moreover, the European Central Bank (ECB) seems to be on the verge of a monetary tightening cycle, which would influence rates on PCB's floating-rate euro-denominated loans (52% of its portfolio at end-March 2022 consisted of loans in euros). This should provide some margin tailwinds for PCB.

Exhibit 7: Central bank policy rates in the SEE region



Source: Local central banks

Exhibit 8: Central bank policy rates in the EE region



Source: Local central banks

Ukrainian banking sector during wartime

The Ukrainian banking system continues to operate under extraordinary conditions, as the government extended martial law to 25 August 2022. Meanwhile, the NBU returned to an active interest rate policy, increasing its key policy rate from 10% to 25% on 3 June. It also widened the interest corridor for monetary transactions (±2% from ±1% previously) with banks to provide additional capacity for reviving the interbank market. We also note that on 9 March, the IMF approved funding of US$1.4bn under the Rapid Financing Instrument to Ukraine (50% of the country's quota at the IMF).

According to the NBU's banking sector review published on 11 May, the local banking sector has maintained operational profitability, but built up high provisions for credit losses in Q122, as banks still need to measure non-performing loans (NPLs) despite the nationwide credit moratoria in place. As a result, the NPL ratio was 27.1% at end-March 2022 (versus 26.6% at end-February 2022), according to the NBU. We also note that growth in customer deposits in the first quarter helped maintain a high level of bank liquidity.

Financials: Gradually realising its scaling potential

ROE improving from 6.9% in FY19 to 9.7% in FY21

In our initiation note published in June 2020, we highlighted that historically the group's ROE was somewhat below local peers at c 7–8% versus Austrian peers (Raiffeisen Bank International (RBI) and Erste Group) at c 10–13% and local players at c 15–25% (although this is in local currencies and therefore subject to FX risk for international investors). At the same time, we pointed out that PCB's returns were very stable, as it has remained profitable every year since 2005 (even during the Global Financial Crisis in 2008/09 at c 4%).

When comparing PCB's key operating metrics to RBI, Erste Group and OTP Bank, we concluded that PCB's profitability may have been lower for several reasons. Firstly, PCB's higher RWA as a percentage of total assets may have resulted from 1) the higher risk weighting of mortgages on commercial versus residential real estate; 2) the higher risk weighting of corporate versus retail loans; and 3) the lack of European Banking Authority (EBA) acknowledgement of equivalence for some of PCB's countries of operation (which means that most of PCB's liquid assets have a 100% weighting). Secondly, a higher CIR compared to peers. Finally, a higher customer loan to deposit ratio (albeit somewhat offset by a higher net interest margin). However, between FY19 and FY21, PCB made notable progress in closing the ROE gap with Austrian peers, with an ROE of 9.7% in FY21 (see Exhibit 9) compared to 10.9% for RBI and 11.6% for Erste Group. Management's intention is to sustain this level with a medium-term target of c 10%. Below we discuss some of the key drivers behind it.

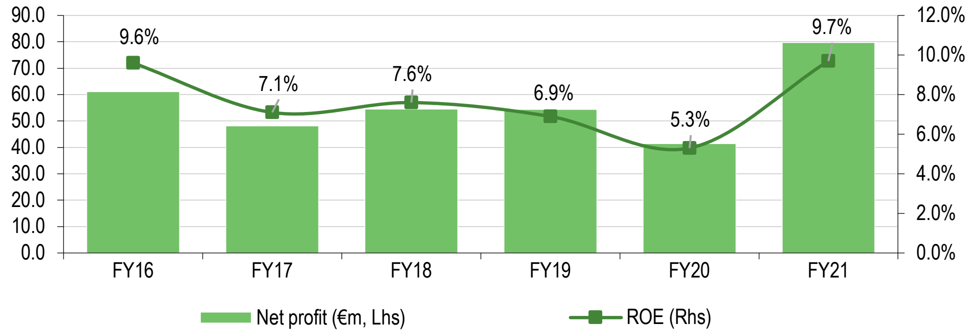
Exhibit 9: PCB vs major peers

	ProCredit (FY19)	ProCredit (FY21)	RBI (FY21)	Erste Group (FY21)	OTP Bank (FY21)
Net interest margin	3.1%	2.9%	2.0%	2.1%	3.5%
Net fee and commission income as % of total assets	0.8%	0.6%	1.0%	0.7%	1.6%
Cost Income ratio	70%	64%	54%	56%	51%
Effective tax rate	20%	16%	16%	18%	15%
Customer loans as % of total assets	70%	71%	52%	57%	57%
Customer loans to deposits	111%	107%	88%	83%	75%
RWA to total assets	78%	68%	47%	42%	61%
Cost of risk (bp)	(7)	12	30	9	30
CET-1 ratio	14.1%	14.1%	13.1%	14.5%	17.5%
ROE	**6.9%**	**9.7%**	**10.9%**	**11.6%**	**18.5%**
Total assets (€m)	6,698	8,216	192,101	307,248	74,590

Source: Company data, Edison Investment Research

In Q122, PCB reported a net loss of €1.7m due to higher provisions for credit losses of €35.6m (versus €3.6m in Q121), of which €35.3m was in Ukraine. Meanwhile, its SEE segment posted an 84% y-o-y increase in net profit to €18.2m, translating into an annualised ROE of 12.2% (versus 7.5% in Q121). Its EE segment excluding Ukraine (covering Georgia and Moldova) posted a €5.0m net profit in Q122, representing an annualised ROE of 17.5%. Importantly, all banks except ProCredit Bank Ukraine were profitable in Q122.

Exhibit 10: ProCredit Holding's historical profitability



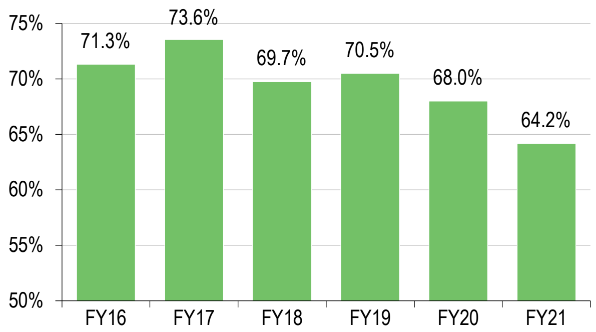
Source: Company data

Loan book growth and prudent cost management reducing CIR

PCB's CIR declined from 70.5% in FY19 to 68.0% in FY20 and to 64.2% in FY21 (see Exhibit 11), assisted by good cost control, with overall operating expenses increasing by just 5.5% y-o-y in FY21 following a 2.5% decline in FY20. While this includes some positive COVID-19-related effects from reduced travel expenses (€3.5m in FY21 versus FY19, or 1.2pp of FY21 CIR), we believe it is also a sign of the successful streamlining of the business completed in late 2019/early 2020. In Q122, PCB's CIR was 59.1% (vs 64.8% in Q121), as 14.8% y-o-y growth in operating income to €77.7m outpaced the increase in personnel expenses (up 2.4% y-o-y to €23.3m) and administrative expenses (up 2.8% y-o-y to €22.6m). Growth in Q122 operating costs primarily reflected further investments in IT, staff training, as well as marketing and promotion efforts across the group.

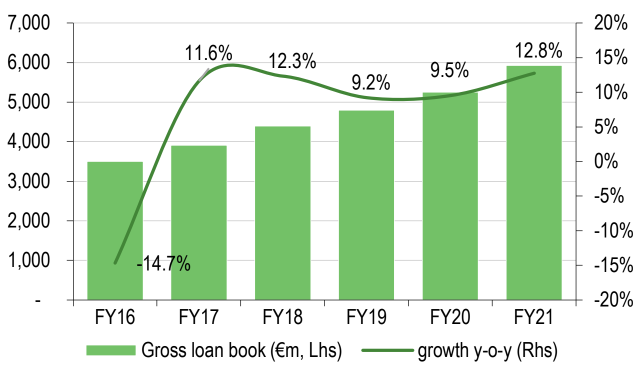
Moderate growth in operating expenses was coupled with solid gross loan book expansion by 9.5% in FY20 and 12.8% in FY21 (see Exhibit 12), allowing PCB to continue realising the scaling potential coming from its tailored digital platform and lean branch structure. Green loans were an important contributor to growth (discussed earlier in this note). In Q122, PCB's loan book rose by a further 1.8% versus end-2021, driven by SEE (up 2.4% to €4.24bn) and South America (up 4.6% to €443m, assisted by US dollar appreciation), while Ukraine and Georgia/Moldova were down 1.2% and 0.9%, respectively. Q122 growth in EE was negatively affected by FX and PCB's management highlighted that FX-adjusted growth was in line with Q121 (3.0%). We note that loan book expansion in recent quarters was primarily fuelled by loans with maturities of up to three years (classified as working capital loans, although some are likely to be for investment purposes).

Exhibit 11: PCB's historical CIR



Source: Company data

Exhibit 12: PCB's historical loan book growth



Source: Company data

We understand that PCB has largely exhausted its cost reduction potential, but should be able to continue to grow its loan book at 10% pa without a meaningful increase in its operating cost base. We believe this is underpinned by: 1) lower penetration of banking services in SEE/EE compared to

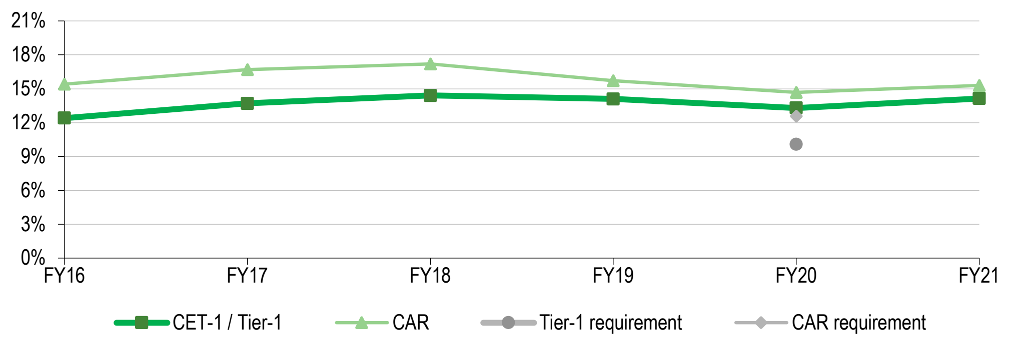
Western Europe (loan book to GDP at c 45% on average versus well over 70% in Western Europe in 2020, according to World Bank data); and 2) PCB's relatively small share of respective local markets (except for Kosovo). During the last capital markets day in October 2021, management highlighted that it sees room to further improve the ratio of loan book per employee in some of its regional banks, which was €2.3m per employee for SEE/EE banks in total (excluding Ecuador, Quipu ProCredit academies and ProCredit Holding staff) compared to more than €3.0m for some group banks such as ProCredit Bank Bulgaria. At end-2021, PCB's total loan book per employee was c €1.8m at group level, according to our calculations. Management's current mid-term target is for a CIR below 60%.

Capital ratios remain robust

We note that PCB's balance sheet headroom has improved due to the reduced ratio of RWA as a percentage of total assets from 78% at end-2019 to 68% at end-2021. This reflects in particular: 1) a €120m reduction in credit risk in FY20 coming from the EBA's acknowledgement of equivalence of Serbian banking regulation in January 2020; and 2) the introduction of new SME support factors (€140m and €100m RWA reduction in FY20 and FY21, respectively).

Together with PCB's retained earnings over the last two years, this translated into its CET-1 ratio (equal to the tier 1 ratio for PCB) remaining at 14.1% at end-2021, broadly unchanged from end-2019 and well above the regulatory requirement of 8.2%. Its Q122 CET-1/tier 1 ratio went down to 13.4%, but we note that it excludes Q421 profits (which would add 30bp) and includes dividend accrual (35bp), while PCB's AGM recently voted in favour of retaining its FY21 earnings (in line with management's revised proposal in response to the war in Ukraine).

Exhibit 13: ProCredit Holding's historical capital ratios



Source: Company data

Deposit growth keeping pace with loan book

Despite healthy growth in the loan portfolio, PCB's loan to deposit ratio also improved slightly from 111% at end-2019 to 107% at end-2021, with customer deposits increasing by 13.0% in FY20 and 13.1% in FY21. This was fuelled by growth in sight and savings (FlexSave) deposits, which are characterised by a lower interest margin (thereby having a positive impact on the group's net interest margin). PCB's direct bank approach proved helpful in attracting new deposits during the COVID-19 lockdowns. Deposits at group level grew 9.9% y-o-y in Q122, despite the decline in deposits in the EE segment by 5.4% versus end-2021, mostly in Ukraine. Nevertheless, we note that PCB's loan to deposit ratio remains well above its peers (75–88% in FY21, see Exhibit 9).

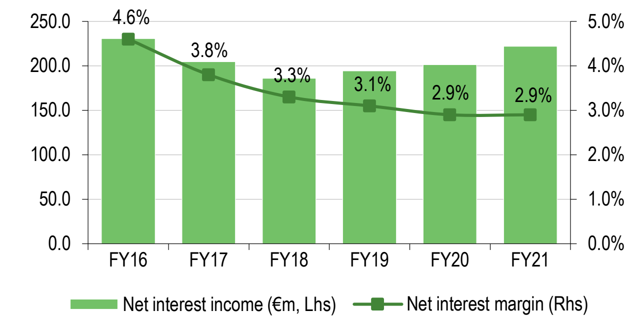
Net interest margin starting to pick up

PCB's net interest margin (NIM) has been declining in recent years due to its repositioning process from higher-risk (but also higher-margin) microloans to the segment for SME loans (before 2020), as well as the competitive environment amid low interest rates (especially in the SEE region).

These pressures have abated recently and PCB's NIM has started to be supported by monetary tightening in some countries (eg Romania, Georgia and Moldova). As a result, its FY21 NIM was 2.9% (stable versus FY20), with a Q421 margin of 3.0% (ahead of 2.8% in Q420). Similarly, Q122's NIM of 2.9% was higher than the 2.7% reported in Q121, with the slight decline from 3.0% in Q421 largely calendar driven (lower number of days).

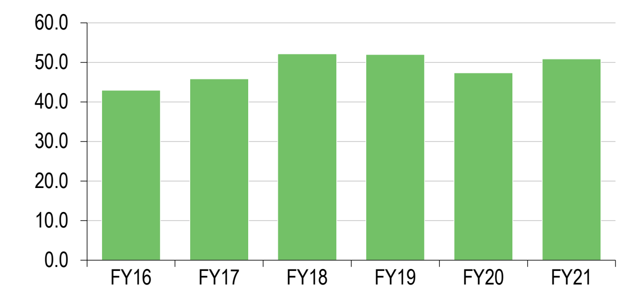
PCB's net fee and commission income was affected by the pandemic due to a lower volume of money transfers and card transactions, as well as a decline in the account maintenance fee because of the departure of non-core clients with low account balances (particularly in Kosovo). However, these started to recover in FY21, translating into net fee and commission income of €50.9m (versus €47.4m in FY20 and €52.0m in FY19). In Q122, it was up 5.5% y-o-y to €12.6m.

Exhibit 14: PCB's historical net interest income and NIM



Source: Company data

Exhibit 15: PCB's historical net fee and commission income (€m)

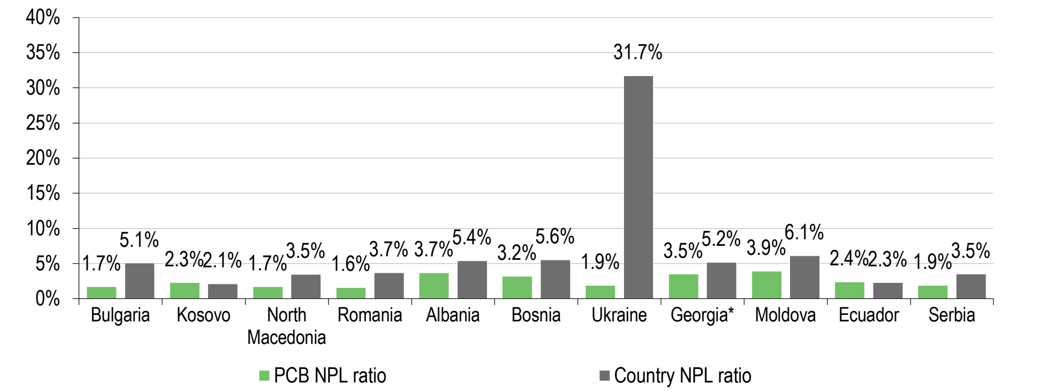


Source: Company data

PCB maintained high credit quality in FY21

We believe that PCB's responsible banking practices, focused on a long-term approach to clients, providing funding to well-stablished SMEs from relevant economic sectors and prudent credit risk management, are reflected in the relatively low level of NPLs compared to local banking sectors (see Exhibit 16). PCB describes its approach to credit risk management, a core element of its responsible banking approach, in detail in its capital markets day presentation on credit risk.

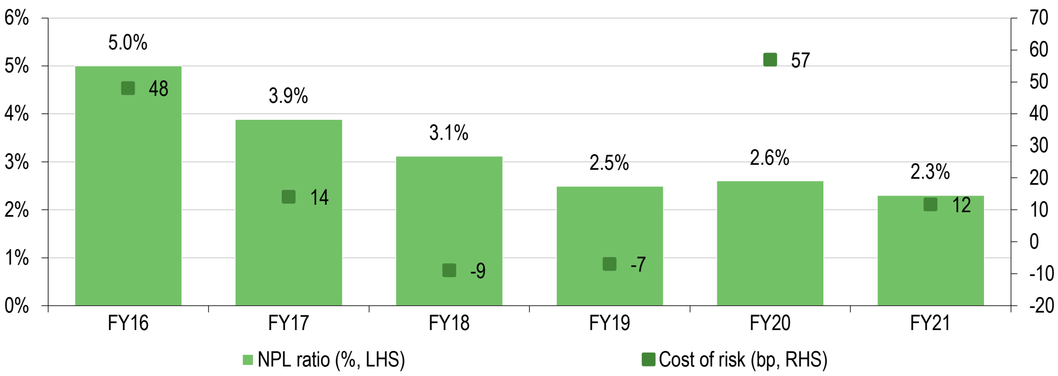
Exhibit 16: PCB's ratio of credit-impaired loans versus local NPL ratios at end-FY21



Source: Company data, IMF Financial Soundness Indicators. Note: *NPL ratio for Georgia based on local central bank methodology. Based on IMF data, this would be 1.9%.

PCB's cost of risk was relatively low at 12bp in FY21 versus 57bp in FY20 (see Exhibit 17), corresponding to loss allowances of €6.5m in FY21 (FY20: €28.6m). Here, we note that FY20 provisions came mostly from macro assumption updates (€19.4m), while stage transfers (€16.8m) were predominantly from stage 1 to stage 2 (driven by restructurings) with defaults remaining at a low level (PCB's share of credit-impaired loans was 2.6% at end-2020 versus 2.5% at end-2019. Importantly, the above-mentioned macro provisions have not been released yet, which means that the low cost of risk in FY21 primarily reflected the strong credit metrics of PCB's individual borrowers. As a result, PCB's share of credit-impaired loans was 2.3% in FY21 (with a ratio of 1.1% in its green portfolio). Stage 2 loans declined to 3.6% at end-2021 from 4.9% at end-2020 (and versus 3.4% at end-2019). Finally, the group continued to book robust recoveries of written-off loans (€12.8m in FY21 versus €11.6m in FY20).

Exhibit 17: PCB's historical share of credit-impaired loans and cost of risk



Source: Company data

Lower tax rate in FY21

A lower effective tax rate of 15.8% versus c 20% on average in FY18–20 also had a positive impact on PCB's profitability. Here, we note that the FY21 level is much closer to the average official corporate tax rate for PCB's countries of operation of c 13–14% (weighted by profit after tax).

Ukraine will weigh on group results in the near term

Given limited financial visibility in Ukraine, PCB's management refrained from issuing precise guidance for FY22, but acknowledged that loan book growth, ROE and capital ratios are likely to decline versus FY21, while the CIR will be higher.

Local bank operations continue as normal

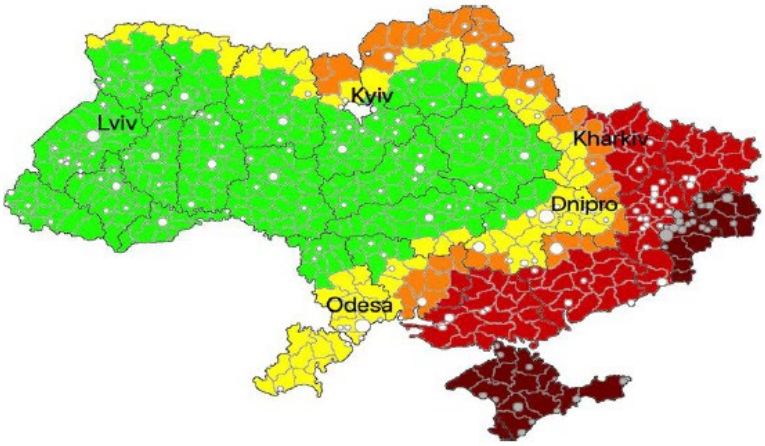
ProCredit Bank Ukraine's gross loan book of €797m represented c 12.9% of group loan portfolio as at May 2022. It was also PCB's most profitable regional bank in FY21 with net profit of €23.7m. Consequently, the development of the war in Ukraine will have a significant impact on PCB's group results. The local bank's operations are largely uninterrupted (considering the circumstances) and more than 85% of the bank's staff are working from a number of locations inside and outside Ukraine. The bank maintains close contact with its clients and reached more than 99% of them via monthly questionnaires. These indicate that most of the clients reported a high level of business activity in March (two-thirds of clients) and April, with only limited collateral damage. Lending remains restricted, except for agriculture lending to existing clients with the support of partial state guarantees and more recently agreed EBRD guarantees. All loans remain under moratoria according to martial law and, as a result, the share of credit impaired loans in Ukraine remains low at 1.6% at end-April 2022 (with a coverage ratio of 459%).

EE segment's FY22 loss at c €26.5m in our base case scenario

PCB recognised €35.3m in provisions for credit losses attributable to Ukraine in Q122 (4.8% of gross loan book at end-March 2022). Management recently disclosed that c 74.9% of PCB

Ukraine's loan book at May 2022 is located in the relatively safe yellow and green zones (see Exhibit 18). At the same time, 10.3% (c €82m) is located in war zone regions or occupied areas (but with no loans in the regions occupied since 2014), referred to as the red zones. Another 14.8% (or c €118m) of the Ukrainian loan book is located in high-risk (orange) zones.

Exhibit 18: Regional categorisation and risk classification (as at beginning of June 2022)



Source: Company data. See detailed descriptions of zone categorisation in PCB's June presentation.

In our base case scenario, we assume that the active part of the conflict will last to the end of 2022 and, until then, Russia's major territorial gains will be limited to the remaining Luhansk and Donetsk regions. Consequently, we assume that all of the red zones will be occupied by the Russians and that any of the loan book in these regions will be written off in full due to expropriation (ie 100% default rate, 100% loss rate) and that PCB will face an elevated default rate in the remaining zones (particularly high in the orange zone) at a 50% loss rate. We estimate that this implies an additional provisioning requirement (on top of allowances booked until end-March 2022) of c €41.1m in FY22 and will translate into a share of credit-impaired loans across the EE region of 6% at end-2023. The above credit losses may lead to ProCredit Bank Ukraine's CET-1 ratio dropping below the 7.0% regulatory requirement (the ratio was 12.2% as at 8 February 2022). However, the NBU highlighted in its banking sector review published on 11 May that even if losses lead to the violation of a given bank's capital requirements, it will not apply any corrective measures during a period of martial law and several months after it is over to allow capital buffers to be re-established.

Exhibit 19: Summary of forecasts for PCB's Eastern Europe segment

	2021	2022e	2023e	2024e	2025e	2026e
Net interest income	71.3	74.5	68.1	77.4	81.5	89.7
NIM	*4.3%*	*4.2%*	*3.8%*	*4.2%*	*4.2%*	*4.4%*
Fee and commission income	7.8	8.2	8.4	8.8	9.1	9.5
Loss allowances	(1.4)	75.7	8.0	3.1	2.8	3.0
Cost of risk (bp)	*12*	*568*	*60*	*24*	*21*	*20*
Operating income	85.2	10.9	71.7	86.9	92.0	100.8
Operating expenses	(38.1)	(42.9)	(45.8)	(47.9)	(50.0)	(52.2)
Net profit	**39.0**	**(26.5)**	**21.4**	**32.3**	**34.8**	**40.3**
ROE	**17.7%**	**-11.5%**	**9.4%**	**13.0%**	**12.8%**	**13.5%**
CIR	45%	49%	58%	53%	53%	50%

Source: Company data, Edison Investment Research

SEE segment's profits driven by loan book growth & higher NIM

Meanwhile, we expect PCB's results in SEE to benefit from interest hikes in some countries (eg Romania, Serbia, North Macedonia), as well as forthcoming monetary tightening by the ECB (most of PCB's euro-denominated loan book is in SEE). Together with robust loan portfolio growth and moderate operating cost increases, this will allow the region to approach an ROE of c 11.0% in our forecast horizon period (versus 8.4% in FY21, see Exhibit 20).

Exhibit 20: Summary of forecasts for PCB's SEE segment	2021	2022e	2023e	2024e	2025e	2026e
Net interest income	130.1	150.1	181.2	180.5	193.9	210.3
NIM	*2.4%*	*2.6%*	*2.9%*	*2.7%*	*2.7%*	*2.7%*
Fee and commission income	31.8	32.8	34.6	36.6	38.6	40.7
Loss allowances	7.0	9.9	16.1	11.7	10.6	12.3
Cost of risk (bp)	*18*	*23*	*35*	*23*	*19*	*20*
Operating income	159.4	176.7	201.8	210.5	228.3	246.4
Operating expenses	(106.3)	(115.1)	(123.8)	(130.3)	(137.2)	(144.4)
Net profit	**47.8**	**54.9**	**68.6**	**70.6**	**80.2**	**89.7**
ROE	**8.4%**	**9.0%**	**10.2%**	**9.7%**	**10.2%**	**10.7%**
CIR	64%	62%	57%	59%	57%	56%

Source: Company data, Edison Investment Research

Ecuador on the way to sustained profitability

We assume that PCB's operations in Ecuador will gradually become more profitable amid macro tailwinds from high oil prices and a possible increase in interest in its oil industry by foreign investors.

Exhibit 21: Summary of forecasts for PCB's South America segment	2021	2022e	2023e	2024e	2025e	2026e
Net interest income	20.2	26.0	28.1	28.9	31.0	34.0
NIM	*4.5%*	*4.8%*	*4.7%*	*4.7%*	*4.5%*	*4.5%*
Fee and commission income	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Loss allowances	1.0	2.6	2.3	2.6	2.9	3.2
Cost of risk (bp)	*48*	*55*	*43*	*46*	*47*	*45*
Operating income	17.8	22.0	24.3	24.9	26.6	29.3
Operating expenses	(16.9)	(19.5)	(21.2)	(22.2)	(23.4)	(24.6)
Net profit	**0.2**	**1.9**	**2.4**	**2.0**	**2.4**	**3.6**
ROE	**0.5%**	**3.9%**	**4.6%**	**3.7%**	**4.4%**	**6.1%**
CIR	90%	79%	79%	81%	79%	76%

Source: Company data, Edison Investment Research

Valuation

We continue to value PCB using an implied price to tangible book value (P/BV) based on a blend of our assessment of the bank's sustainable RoTE and cost of equity derived from a CAPM, and the regression line implied by the ROE and P/BV relationships at which PCB's peers currently trade.

In our CAPM model, we have used country-level market risk premiums weighted by PCB's gross loan book split by country at end-March 2022, arriving at an equity risk premium of 10.2%. We have used a risk-free rate of 2.0%, which is close to the current euro area yield curve for maturities beyond 10 years. We have also applied a beta of 1.0x (given that the performance of the banking sector tends to mirror conditions in the broader economy) and a long-term growth rate of 2.0%. We have retained our sustainable RoTE assumption of 10%. The new assumptions imply a P/BV multiple for PCB of 0.78x versus 1.05x in our previous valuation (see Exhibit 22).

Regression lines based on FY22e and FY23e P/BV and ROE indicators for PCB's peers imply a P/BV multiple (for PCB's sustainable RoTE of 10%) at 0.66x (see Exhibits 24 and 25). As a result, we have assumed a fair value multiple of 0.72x, which is the average of the multiple derived from the CAPM and the regression analysis. This implies a fair value per PCB share of €10.00 (versus the current share price of €3.50). Here we acknowledge that the peer group is quite scattered across the P/BV-ROE map, making the regression line less reliable. We believe this may be due to a number of non-financial factors, such as political risk perceived by investors.

Exhibit 22: PCB's P/BV-ROE valuation

€'000s unless otherwise stated	FY21	FY22e	FY23e	FY24e	FY25e	FY26e
Shareholder's equity	856,315	883,586	966,097	1,033,045	1,108,287	1,195,410
Intangibles	18,411	18,235	18,235	18,235	18,235	18,235
Tangible equity	**837,904**	**865,351**	**947,862**	**1,014,810**	**1,090,051**	**1,177,175**
Net attributable profit	79,642	22,931	82,511	94,451	106,725	122,699
RoTE	**10.0%**	**2.7%**	**9.1%**	**9.6%**	**10.1%**	**10.8%**
Tangible equity per share (€)	**14.2**	**14.7**	**16.1**	**17.2**	**18.5**	**20.0**
Tangible equity per share (FY22e, €)	**14.7**					
Sustainable RoTE	10.0%					
Growth rate	2.0%					
Cost of equity	12.2%					
Fair value multiple – CAPM model	0.78x					
Fair value multiple – regression multiple	0.66x					
Fair value multiple – simple average	**0.72x**					
Fair value per share (end-2022, €)	10.62					
discount factor	*0.94*					
Fair value per share (€)	**10.00**					
Current share price (€)	3.50					
Upside/downside	*186%*					

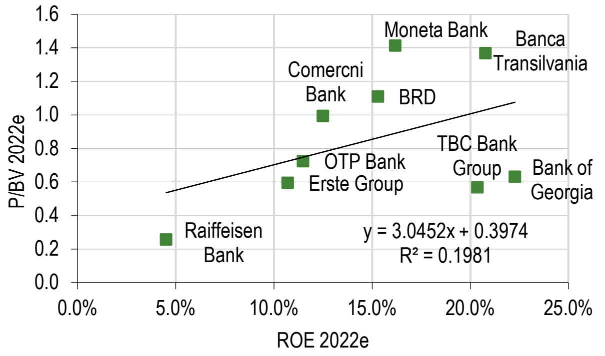
Source: ProCredit, Edison Investment Research

Exhibit 23: PCB's valuation sensitivity analysis (€/share)

		Sustainable RoTE						
		7.0%	8.0%	9.0%	**10.0%**	11.0%	12.0%	13.0%
Cost of equity	10.7%	7.94	8.94	9.95	10.96	11.96	12.97	13.98
	11.2%	7.72	8.69	9.65	10.61	11.58	12.54	13.50
	11.7%	7.53	8.45	9.38	10.30	11.23	12.16	13.08
	12.2%	7.36	8.25	9.14	**10.00**	10.92	11.81	12.70
	12.7%	7.20	8.06	8.92	9.77	10.63	11.49	12.35
	13.2%	7.05	7.88	8.71	9.54	10.37	11.20	12.03
	13.7%	6.92	7.73	8.53	9.33	10.14	10.94	11.75

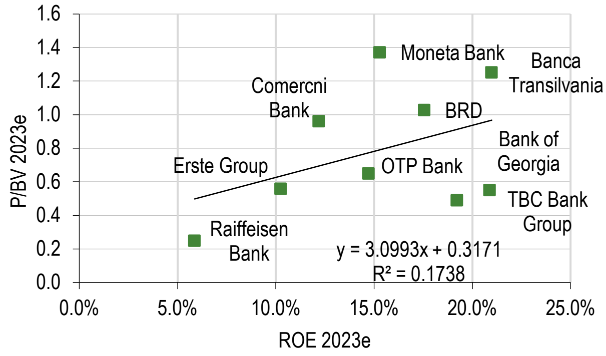
Source: Edison Investment Research

Exhibit 24: P/BV versus ROE – PCB's peers (2022e)



Source: Refinitiv consensus at 1 July 2022

Exhibit 25: P/BV versus ROE – PCB's peers (2023e)



Source: Refinitiv consensus at 1 July 2022

Sensitivities

War in Ukraine

While the Ukrainian forces have shown strong resistance, the outcome of Russia's invasion is difficult to predict at this stage. Moreover, it is hard to forecast the prospective economic development of Ukraine (even if we assume the Russian army makes no further progress). Hence, it is possible that our base case assumptions prove too optimistic and that ProCredit Bank Ukraine will default due to 1) high credit losses as a result of physical damage to the assets of borrowers (including loan collateral) and an inevitable economic crisis; or 2) a discontinuation of Ukrainian rule of law. We estimate that this would result in 1) a decline in our forecast of PCB's tangible equity at end-2022 from c €865m to €742m (or from €14.7 to €12.6/share) and 2) a fall in group sustainable ROE from c 10% to 9%. This would imply a fair value per share of €8.88, according to our estimates.

We also note that PCB flagged in its annual report that a material default event by ProCredit Bank Ukraine could lead to special termination rights in funding agreements at the PCB group level (we understand this mostly relates to PCB's €326.3m debt securities and part of its €89.2m subordinated debt), which could result in additional liquidity risk for the group. While PCB considers the default risk of ProCredit Bank Ukraine as low at present, it has already taken measures to mitigate the above-mentioned liquidity risk, in particular through negotiations on new funding guarantees, which are in progress.

Other sensitivities

- **Macroeconomic risk** remains higher in PCB's countries of operation compared to Western Europe and Central and Eastern Europe (CEE) countries given the earlier stage of economic development and several challenges or risks these economies face (see our initiation note for details). Moreover, the region may be affected by a possible recession in Europe and we estimate that every 100bp deterioration in PCB's sustainable RoTE due to the long-lasting economic effects of the above would reduce our valuation by c €0.90 per share. Having said that, we note that growth in PCB's loan book proved resilient during a tougher economic environment, as illustrated by the 9.5% y-o-y growth at group level in 2020 despite COVID-19. It is also worth noting that PCB still has significant macro provisions from the pandemic that it has not released to reflect the current more challenging economic environment (see above), which constitutes a buffer in terms of loss provisions. Nevertheless, we have already assumed above-average loss provisions in FY23 to reflect some deterioration in the credit quality of PCB's portfolio.
- **COVID-19:** while the pandemic has eased in recent months, there is a risk of further waves and the emergence of more dangerous strains, which could lead to renewed lockdowns. This is especially important given lower vaccination rates in the SEE/EE region (c 25–50% share of fully vaccinated people, according to Our World in Data; Ecuador at 78%) compared to Western Europe (EU at 76%). In this context, we note that PCB's performance in FY20 and FY21 demonstrated that it could weather the pandemic headwinds well compared to its peers.
- **Foreign exchange risk:** PCB is exposed to foreign currency exchange rate volatility due to its international operations. At group level, currency risk primarily arises from the changing value of the parent company's equity investments in regional banks, which are denominated in the respective domestic currencies and accounted for on an equity basis. This is directly reflected in PCB's equity in the changes to its translation reserve. However, the impact on PCB's CET-1 capital is normally largely offset by a corresponding downward FX impact on its RWA. It aims to reduce credit risk for clients and the group's banks by typically disbursing foreign currency loans only to customers that generate revenues in this currency. Finally, depreciation of domestic currencies could lead to a reduction in regulatory capital ratios at local banks, but PCB mitigates this risk by matching the foreign currency exposures of its assets and liabilities. Its use of hedging instruments is thus limited. Some countries where PCB has a presence have pegged their domestic currencies to the euro, which inherently reduces their volatility versus the euro (the group's reporting currency) – see our initiation note for details. Finally, we note that the official exchange rate of Ukrainian hryvnia has been fixed as part of the martial law introduced in the Ukrainian banking system in February 2022.

- **Weather anomalies and natural disasters** pose a risk for PCB's significant exposure to agriculture loans (18% at end-March 2022).
- **Fintech competition:** a number of innovative companies (both balance sheet lenders and operators of digital marketplaces) seek to address the SME funding gap in Europe. These constitute potential new competition for PCB, given that they target a similar segment. Nevertheless, we believe that PCB's Hausbank approach, coupled with strong experience in the markets in which it operates, represents a significant competitive advantage.

Exhibit 26: Financial summary

Year ending December, €'000s unless otherwise stated.	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
INCOME STATEMENT									
Net interest income	186,235	194,533	201,561	222,021	251,254	278,052	287,558	307,160	334,680
Net fee and commission income	52,172	51,972	47,380	50,855	53,288	56,318	59,771	63,473	67,364
Loss allowances (-)	(4,714)	(3,327)	28,600	6,490	88,131	26,299	17,367	16,258	18,371
Operating income	245,394	252,603	223,514	275,392	223,744	312,056	337,677	363,560	394,581
Operating expenses	167,866	175,737	171,430	180,859	198,278	214,066	225,299	236,919	249,137
PBT	77,528	76,866	52,085	94,533	25,468	97,990	112,378	126,642	145,444
Net profit after tax	**54,479**	**54,305**	**41,396**	**79,642**	**22,931**	**82,511**	**94,451**	**106,725**	**122,699**
Reported EPS (€)	**0.90**	**0.89**	**0.70**	**1.35**	**0.39**	**1.40**	**1.60**	**1.81**	**2.08**
DPS (€)	0.30	0.00	0.53	0.00	0.00	0.47	0.53	0.60	0.69
BALANCE SHEET									
Cash and balances at Central Banks	963,714	1,081,723	1,405,349	1,545,523	1,608,800	1,911,531	1,941,143	2,057,994	2,193,912
Loans and advances to banks	211,592	320,737	236,519	252,649	252,649	252,649	252,649	252,649	252,649
Investment securities	297,308	378,281	336,476	410,400	361,152	361,152	361,152	361,152	361,152
Loans and advances to customers	4,267,829	4,690,961	5,131,582	5,792,966	6,271,499	6,481,659	7,103,754	7,816,561	8,605,585
Property, plant and equipment and investment properties	130,153	138,407	140,744	137,536	137,502	137,502	137,502	137,502	137,502
Intangible assets	22,191	20,345	19,316	18,411	18,235	18,235	18,235	18,235	18,235
Other assets	73,396	67,106	59,315	58,416	69,473	66,123	69,473	66,123	69,473
Total assets	**5,966,184**	**6,697,560**	**7,329,301**	**8,215,901**	**8,719,310**	**9,228,851**	**9,883,908**	**10,710,216**	**11,638,508**
Liabilities to banks	1,014,182	1,079,271	1,235,763	1,313,666	1,313,666	1,339,939	1,380,137	1,435,343	1,507,110
Liabilities to customers	3,825,938	4,333,436	4,898,897	5,542,251	6,043,699	6,444,457	6,992,367	7,688,229	8,457,629
Debt securities	206,212	343,727	266,858	353,221	326,395	326,395	326,395	326,395	326,395
Subordinated debt	143,140	87,198	84,974	87,390	89,229	89,229	89,229	89,229	89,229
Other liabilities	33,076	50,436	63,080	63,059	62,735	62,735	62,735	62,735	62,735
Total liabilities	**5,222,549**	**5,894,068**	**6,549,573**	**7,359,587**	**7,835,724**	**8,262,755**	**8,850,864**	**9,601,931**	**10,443,098**
Total shareholders' equity	**743,634**	**803,492**	**779,728**	**856,314**	**883,585**	**966,096**	**1,033,044**	**1,108,286**	**1,195,409**
BVPS	12.5	13.5	13.2	14.5	15.0	16.4	17.5	18.8	20.3
TNAV per share	12.1	13.1	12.9	14.2	14.7	16.1	17.2	18.5	20.0
Ratios									
NIM	3.30%	3.10%	2.90%	2.90%	2.97%	3.10%	3.01%	2.98%	3.00%
Costs/Income	69.7%	70.5%	68.0%	64.2%	63.6%	63.3%	63.5%	62.4%	60.3%
ROAE	7.6%	6.9%	5.3%	9.7%	2.6%	8.9%	9.4%	10.0%	10.7%
CET1 Ratio	14.4%	14.1%	13.3%	14.1%	13.2%	13.0%	12.6%	12.5%	12.5%
Tier 1 ratio	14.4%	14.1%	13.3%	14.1%	13.2%	13.0%	12.6%	12.5%	12.5%
Capital adequacy ratio	17.2%	15.7%	14.7%	15.3%	14.1%	13.9%	13.4%	13.3%	13.2%
Payout ratio (%)	33.3%	0.0%*	33.3%*	0.0%	0.0%	33.3%	33.3%	33.3%	33.3%
Customer loans/total assets	73.6%	71.6%	71.7%	72.1%	74.3%	72.3%	73.6%	74.6%	75.6%
Loans/deposits	114.8%	110.7%	107.3%	107.0%	107.2%	103.5%	104.0%	104.0%	104.0%

Source: Company data, Edison Investment Research; Note: * In 2021, PCB distributed 1/3 of the accumulated profits of 2019 and 2020.

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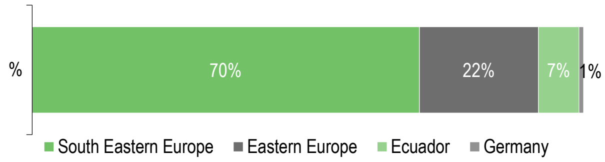
Rohmerplatz 33–37 60486 Frankfurt Germany +49 69 951 437 0 procredit-holding.com	

Management team

Board member: Dr Gabriel Schor	Board member: Sandrine Massiani
Dr Schor has worked for the consulting company IPC (founded in 1980, now Zeitinger Invest) since 1983. He was appointed to PCB's management board in 2004 and is responsible for accounting and taxes, administration and translation, communications, funding and treasury, investor relations, reporting and controlling, as well as supervisory reporting and capital planning.	Sandrine joined PCB in 2007 and initially worked as regional coordinator in Africa. She became coordinator of the group's human resources in 2011 and manager of human resources and IT in 2015. She was appointed to the management board in 2017 and currently oversees credit risk management, fraud prevention and compliance and AML, human resources and internal audit. Before she joined PCB, Sandrine worked at BNP Paribas and Development Finance International (an international advisory firm focused on emerging markets), and was a project coordinator and short-term expert at IPC.
Board member: Dr Gian Marco Felice	**Board member: Hubert Spechtenhauser**
Dr Felice joined the management board in June 2020. He has held various managerial positions in the group since 2001 and is now responsible for business support, environmental management and impact reporting, as well as IT	Hubert joined the management board in March 2022. He has held various senior managerial positions at Commerzbank Group, Landesbank Hessen-Thüringen (Helaba) Group and UniCredit Group. At ProCredit, he is responsible for risk control, financial risk management, operational risk management and legal

Principal shareholders	(%)
Zeitinger Invest	17.0
KfW	13.2
DOEN Participaties	12.5
International Finance Corporation	10.0
TIAA	8.6
Free float	38.7

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