

# ProCredit Holding

## Staying on course in Q126

Q126 results

ProCredit Holding's (PCB's) Q126 results did not bring any major surprises. Net interest income rose by 8.6% y-o-y to €92.3m, supported by robust loan book growth of 2.6% in Q126 (and 10.7% y-o-y, broadly in line with customer deposit growth) with a more than 80% contribution from higher-yielding, lower-volume segments. As a result, net interest margin remained stable year-on-year at 3.2%. Net fee and commission (F&C) income fell by 4.4% y-o-y to €21.6m, mostly driven by the introduction of the euro in Bulgaria and SEPA roll-out across multiple countries of PCB's operations. Credit quality remained robust with an annualised cost of risk of 14bp in Q126 and a share of stage 3 loans of 3.0% at end-March 2026. The temporary increase in the corporate tax rate in Ukraine from 25% to 50% had a negative impact on the bottom line. Consequently, PCB's net income fell by 14.1% y-o-y to €21.7m, implying an annualised return on equity (ROE) of 8% in Q126. This run-rate is somewhat ahead of management guidance for FY26, but the first quarter results do not capture some of the expected recurring and one-off costs (including the impact of the sale of a 95% stake in ProCredit Bank Ecuador).

Year end	NII (€m)	EPS (€)	DPS (€)	BVPS (€)	ROE (%)	P/E (x)	Yield (%)	P/BVPS (x)
12/24	358	1.77	0.59	17.9	10.2	4.5	7.5	0.44
12/25e	353	1.42	0.47	18.2	7.8	5.6	6.0	0.43
12/26e	389	1.26	0.42	19.0	6.7	6.3	5.3	0.42
12/27e	439	1.65	0.55	20.2	8.4	4.8	6.9	0.39

Note: NII, net interest income. EPS as reported by the company.

## FY26 guidance and medium-term targets maintained

PCB's management reiterated its FY26 guidance of an ROE of c 7%, loan book growth of c 12–15% (excluding any major fx movements), a cost-to-income ratio (CIR) around the FY25 level of 73.4% and a CET1 ratio of c 13%. Management's medium-term targets are also unchanged and include a loan book of over €10bn, ROE of c 13–14% and a CIR of c 57% (excluding one-off effects). In line with PCB's dividend policy assuming a one-third payout ratio, management proposed a dividend of €0.47 per share, which currently implies an attractive c 6% dividend yield. The company also released its Impact Report 2025; we discuss the key takeaways from the publication below.

## Valuation: Fair value estimate remains unchanged

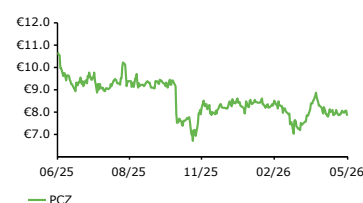
We maintain our fair value estimate of €13.50 per PCB share, which represents 71% upside potential to the current share price. There is further substantial optionality beyond our current estimate, as it is based on a conservative sustainable return on tangible equity (RoTE) of 9% (significantly below PCB's medium-term target) and excludes the upside from a potential end to the Ukraine war and Ukraine's subsequent reconstruction (which according to PCB's management offers upside ROE potential of around 1.5pp).

Banks

1 June 2026

<b>Price</b>	<b>€7.91</b>
<b>Market cap</b>	<b>€478m</b>
Shares in issue	58.9m
Free float	47.3%
Code	PCZ
Primary exchange	FRA
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	0.4	(3.0)	(18.2)
52-week high/low		€10.3	€6.8

### Business description

Based in Germany, ProCredit Holding operates regional banks across Southeastern and Eastern Europe and Ecuador. The banks focus on micro, small and medium enterprises, and private clients.

### Next events

AGM	3 June 2026
Q226 results	13 August 2026

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## Net interest income supported by loan book growth in Q126

PCB reported net income of €21.7m, down 14.1% y-o-y and implying an annualised ROE of 8.0% (compared to 9.5% in Q125), see Exhibit 1. This is slightly ahead of management's FY26 guidance of c 7%, but PCB notes that some of the costs expected for the year, most notably the impact of the planned disposal of a 95% stake in ProCredit Bank Ecuador, have not yet materialised. Moreover, some operating expenses (for instance in respect of marketing campaigns) normally ramp up gradually at the beginning of the year. PCB's effective tax rate at group level increased to 25.8% compared to 20.5% in Q125, reflecting the temporarily higher 50% rate in Ukraine. Management proposed a dividend of €0.47 per share, which is in line with its dividend policy of paying out one-third of net profit.

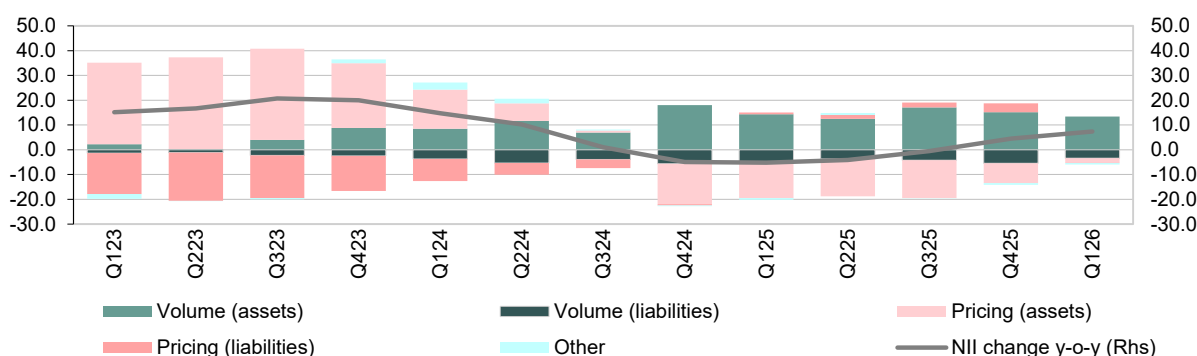
### Exhibit 1: PCB's Q126 results highlights

€m, unless otherwise stated	Q126	Q125	y-o-y change
Net interest income	92.3	85.0	8.6%
Net interest margin (annualised)	3.2%	3.2%	1 bp
Expenses for loss allowances	2.7	(0.8)	NM
Cost of risk (annualised, bp)	14	(5)	NM
Net fee and commission income	21.6	22.6	-4.4%
Pre-tax profit	29.2	31.7	-7.9%
<b>Net income</b>	<b>21.7</b>	<b>25.2</b>	<b>-14.1%</b>
ROE	8.0%	9.5%	-1.5 pp
CIR	71.2%	70.8%	0.4 pp
CET-1 ratio (fully loaded)	12.9%	13.1%	-0.2 pp
Deposit to loan ratio	114.9%	114.7%	0.2 pp
Gross loan portfolio growth (sequential)	2.6%	2.5%	0.1 pp
Customer deposits growth (sequential)	0.0%	-0.7%	0.6 pp

Source: Company data

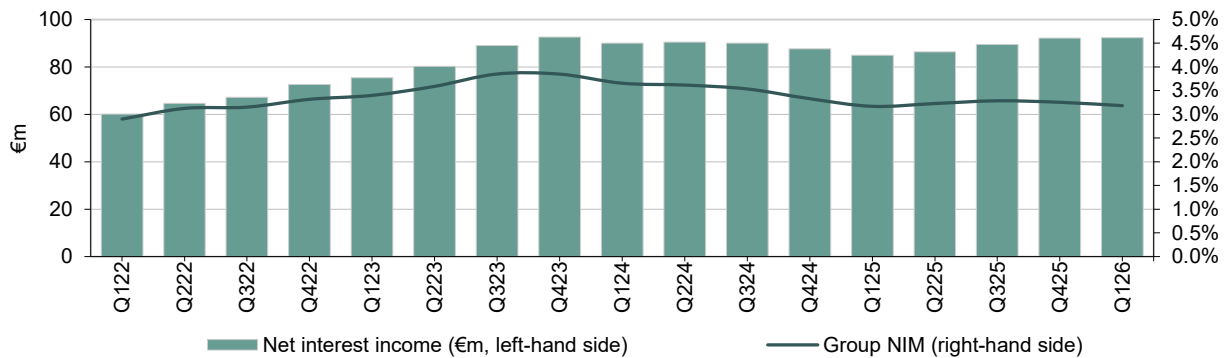
Net interest income increased 8.6% y-o-y to €92.3m, driven by positive volume effects of €13.4m from the growth in PCB's loan book (by a solid 2.6% in Q126 alone), more than 80% of which was driven by higher-yielding, lower-volume segments (private-client and micro loans as well as loans to the lower end of its SMEs), whose share in the total loan book reached 49% in Q126 (visibly up compared to 45% in Q125). This in turn was supported by PCB's strategy, which involves growing its total client base from 332k in FY25 to 800k by FY29. The number of clients increased by 12k to 344k in Q126, especially in the micro segment (up 10%), where loan growth reached 10.5% in Q126. Coupled with fading negative asset repricing effects (see Exhibit 2), this resulted in a stable net interest margin compared to Q125 at 3.2% (with a slight sequential decline attributable to a lower number of days in the quarter), despite incremental interest expense from last year's subordinated debt issuance.

### Exhibit 2: PCB's net interest income drivers in recent quarters (all figures in €m)



Source: PCB data, Edison Investment Research

**Exhibit 3: PCB's historical net interest income and net interest margin evolution**



Source: PCB data, Edison Investment Research

Customer deposits remained stable in the quarter due to the usual seasonal outflows from SME accounts, which was offset by healthy growth in deposits from micro enterprises of 11.2%. Total customer deposits increased by 10.9% y-o-y, with the share of retail deposits stable at 45%.

Net F&C income fell by 4.4% y-o-y to €21.6m, mostly due to the impact of euro introduction in Bulgaria on PCB's income from foreign exchange transactions, as well as the introduction of the Single Euro Payments Area (SEPA) across several of PCB's markets, resulting in lower income from hard-currency international money transfers. Bulgaria's euro adoption may support foreign direct investments, trade and tourism, which could in turn support PCB's loan growth in the longer run.

Despite the decrease in net F&C income, PCB's total operating income went up by 4.7% y-o-y to €110.5m, which was coupled with an only marginally higher growth in operating expenses (up 5.3% y-o-y on the back of further strategic IT investments and wage growth), resulting in a CIR of 71.2% in Q126, slightly above the 70.8% reported in Q125.

PCB's loan quality remained robust, with a share of stage 3 loans of 3.0% at end-March 2026 versus 2.2% at end-March 2025, with the increase largely attributable to a sub-portfolio of project finance exposures, as discussed in our [Q325 update note](#). Cost of risk stood at 14bp in Q126 at group level, well below PCB's through-the-cycle assumption of 30–35bp. This includes 88bp cost of risk in Ukraine, which was driven by higher loss allowances in conjunction with Russia's campaign targeting Ukraine's power grid and the potential impact on PCB's clients. The higher cost of risk in Ukraine was more than offset by net releases of loss allowances in Georgia and Moldova, resulting in an overall cost of risk of -11bp in Eastern Europe (Southeastern Europe reported 23bp in Q126). PCB identified c €10m of directly affected loan exposures linked to the Middle East conflict, which were placed on the watch list and transferred to stage 2 (management highlighted that it has seen no deterioration in their credit quality at this stage). It also has a €130m exposure to SMEs operating in sectors with high sensitivity to oil and gas prices, which have driven up transfers from stage 1 to stage 2 loans in Q126.

PCB's fully loaded CET1 ratio stood at 12.9% at end-March 2026 compared to 13.1% at end-2025, well ahead of its regulatory requirement of 10.3%. However, PCB's tier 1 ratio (which is equal to its CET1 ratio) and total capital ratio (16.2% at end-March 2026) represent a more limited buffer against regulatory requirements of 12.6% and 15.7%, respectively. Therefore, we believe that PCB's current emphasis on intensifying its risk-weighted asset (RWA) efficiency measures is logical.

As discussed in our [outlook note](#), PCB improved its RWA density to 62.9% at end-2025, versus 67.1% at end-September 2025 and 66.4% at end-2024, driven by a 27% reduction in RWA related to market risk in Q425 on the back of its new framework for open currency position hedging, which involves the acquisition of hedges for local currencies in its markets of operations at the holding level to maximise the positive impact on group RWA. Management targets a decline in RWA density below 60% by FY29 (which we have pencilled into our forecasts) through further reductions in market RWA resulting from the recognition of its remaining currency hedges by the regulator, as well as improved credit RWA density on the back of targeted changes in client mix. RWA density increased to 64.1% in Q126 due to a combination of loan book growth and annual recalibration of RWA related to operational risk (which increased to €596.7m in Q126 from €516.9m at end-2025). Moreover, PCB recently issued €150m of additional tier 1 (AT1) capital instruments (rated B- by Fitch). The securities bear a fixed 8.00% coupon payable annually until 3 December 2031; starting from this date, the interest rate will be reset at five-year intervals based on the then prevailing 5-year Euro swap plus an initial credit spread of 5.195%. There was strong investor demand, and the issue was three times oversubscribed. PCB expects a c 2pp increase in its pro forma tier 1 capital ratio at end-March 2026 to 14.9% as a result

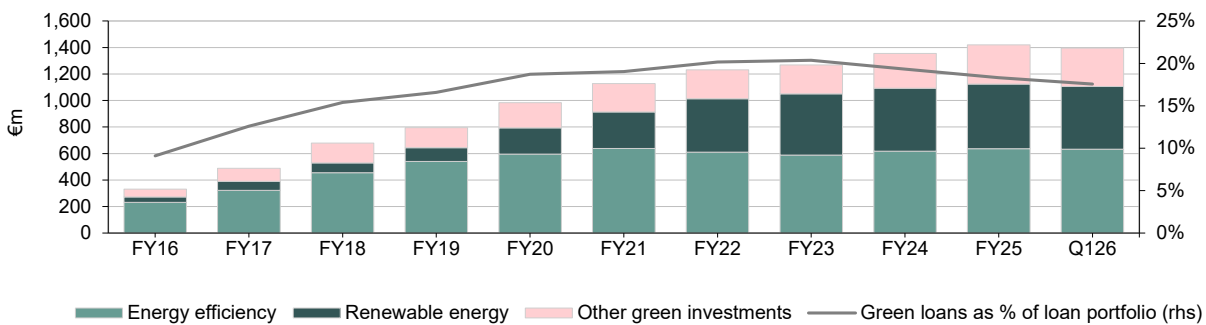
of the issuance. Consequently, we expect PCB's tier 1 and total capital ratio buffers to improve from 0.3pp and 0.5pp at end-March 2026, respectively, to c 3pp at end-2026.

## Sustainability progress in 2025

PCB's recently released 2025 Impact Report points to further execution of its sustainability agenda, with management highlighting climate action, inclusive finance and digital transformation as core elements of its impact-oriented banking model. Key achievements in 2025 were the group-wide rollout of the CO<sub>2</sub> Calculator, which is intended to support data-driven decarbonisation discussions with business clients, continued growth in the green loan portfolio to €1.42bn and the expansion of dedicated women-in-business programmes to nine banks, already ahead of the 2030 target of at least seven banks. The group also introduced an ESG risk score for business clients and ProConnect, a regional digital platform for SME clients.

Green lending continued to grow in absolute terms, with the green loan portfolio up 4.8% y-o-y to €1.42bn in FY25 (followed by a slight 1.6% decline in Q126), compared with €1.36bn in FY24 (implying an FY20–25 CAGR of 8%). Financing remains focused on energy efficiency (45% at end-March 2026), renewable energy (34%) and other green investments (21%), particularly in markets with carbon-intensive energy systems. Renewable energy projects in operation avoided 252.8ktCO<sub>2</sub>e of emissions in FY25, up from 240.7ktCO<sub>2</sub>e in FY24, and the installed capacity of financed photovoltaic (PV), biogas, hydro and wind projects exceeded 1GW. The share of green loans declined to 17.6% at end-March 2026 from 18.3% at end-2025 and its peak of 20.4% at end-2023 due to PCB's strategic reorientation towards lower-volume enterprise and private clients (discussed in detail in our outlook note), who are less likely to embark on significant green investments. Therefore, management does not expect a significant increase in the share of green loans.

**Exhibit 4: Evolution of PCB's green loan book**



Source: PCB data

The rollout of the CO<sub>2</sub> Calculator across all countries of operation is relevant to PCB's transition plan, validated by the Science Based Targets initiative (SBTi), under which it aims to engage clients responsible for 28% of portfolio emissions (with an emphasis on agriculture and manufacturing sectors) and support them in setting their own science-based targets by 2027. The group also supported its first group-level client, based in North Macedonia, in developing a climate transition plan.

In its own operations, Scope 1 and 2 emissions stood at 4.8ktCO<sub>2</sub>e in 2025 and were 97% above the 2022 base year, reflecting growth in employees, branches and portfolio volume, although emissions per employee were down 20.3%. PCB's own PV installations reached a capacity of 627.58kWp, and electric vehicles accounted for 45% of its fleet in 2025. PCB maintains its target of reaching net zero by 2050.

On the social side, PCB continues to report robust inclusion metrics, with women representing 64% of the workforce and 54% of managerial roles (stable vs 2024). Around 21.2% of loans disbursed by PCB (by count) were to women-owned micro, small and medium-sized enterprises. Dedicated offers for young entrepreneurs were active in five countries, and 29.9% of loan clients were micro businesses. The group also supported an estimated 177,733 jobs (according to the Joint Impact Model) through its loan portfolio (which grew by 13.1% in 2025 on an fx-adjusted basis), including 7.1% linked to youth employment. PCB also delivered close to 29,000 hours of client training to 2,492 participants. This underpins management's message that its impact model is increasingly embedded in day-to-day banking rather than limited to dedicated green products.

## Forecast revisions

We have made changes to our net interest income and capital ratio forecasts to reflect PCB's AT1 issue, with its impact on PCB's net interest income partly offset by higher interest income assumptions. We have maintained our fair value estimate for PCB's shares at €13.50.

### Exhibit 5: Forecast revisions summary

€m	FY25		FY26e			FY27e			
	Actual	Old	New	Change	growth y-o-y	Old	New	Change	growth y-o-y
Net interest income	353	391	389	-0.4%	10.2%	446	439	-1.5%	13.0%
Net interest margin (annualised)	3.2%	3.3%	3.3%	0 pp	0.1 pp	3.6%	3.5%	-0.1 pp	0.2 pp
Expenses for loss allowances	11	13	13	0.0%	19.1%	31	31	0.0%	134.6%
Cost of risk (annualised in bp)	15	17	17	0 bp	2 bp	36	36	0 bp	19 bp
Net fee and commission income	97	93	93	0.0%	-3.4%	98	98	0.0%	4.9%
Operating expenses	322	336	336	0.0%	4.1%	364	364	0.0%	8.5%
Pre-tax profit	106	117	116	-1.4%	9.5%	131	124	-5.3%	7.0%
Net income	83	74	74	-0.4%	-11.4%	102	97	-5.2%	31.2%
ROE	7.8%	6.8%	6.7%	0 pp	-1.1 pp	8.8%	8.4%	-0.4 pp	1.7 pp
CET1 ratio	13.1%	13.7%	13.4%	-0.3 pp	0.3 pp	13.7%	13.5%	-0.2 pp	0 pp
TCR	16.3%	16.9%	18.6%	1.7 pp	2.3 pp	16.7%	18.3%	1.7 pp	-0.3 pp
CIR	73.4%	72.0%	72.2%	0.3 pp	-1.2 pp	69.2%	70.1%	0.9 pp	-2.1 pp
Gross loan portfolio	7,752	8,233	8,233	0.0%	6.2%	9,233	9,233	0.0%	12.1%
Net loan portfolio	7,564	8,052	8,052	0.0%	6.4%	9,031	9,031	0.0%	12.2%
Customer deposits	9,136	9,570	9,570	0.0%	4.8%	10,692	10,692	0.0%	11.7%

Source: Company data, Edison Investment Research

### Exhibit 6: Financial summary

Year end 31 December, IFRS, €000s	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e	FY29e
<b>Income Statement</b>								
Net interest income	264,634	337,224	358,239	352,988	388,864	439,475	502,636	564,607
Net fee and commission income	54,731	57,525	59,166	96,631	93,385	97,954	102,364	106,748
Operating income	339,848	412,506	444,299	439,266	464,720	519,314	586,207	651,777
Operating expenses	217,428	246,979	302,772	322,428	335,704	364,275	387,022	410,783
Loss allowances (-)	104,573	15,513	(5,154)	11,190	13,329	31,271	35,207	34,322
PBT	17,847	150,015	146,681	105,648	115,687	123,768	163,978	206,672
Net profit after tax	16,497	113,372	104,309	83,454	73,924	96,966	131,114	167,287
Reported EPS (€)	0.28	1.92	1.77	1.42	1.26	1.65	2.23	2.84
DPS (€)	0.00	0.64	0.59	0.47	0.42	0.55	0.74	0.95
<b>Balance Sheet</b>								
Loans and advances to customers	5,892,796	6,029,715	6,828,256	7,564,267	8,052,080	9,031,310	10,097,108	11,251,116
Total assets	8,826,124	9,748,968	10,751,615	11,595,373	12,137,779	13,301,541	14,649,139	16,143,812
Liabilities to customers	6,289,511	7,254,236	8,291,358	9,136,232	9,570,292	10,691,725	11,947,729	13,354,454
Total liabilities	7,956,689	8,765,179	9,695,713	10,521,308	10,869,854	11,961,292	13,210,097	14,581,188
Total shareholders' equity	869,435	983,789	1,055,902	1,074,065	1,267,925	1,340,250	1,439,042	1,562,624
BVPS (€)	14.76	16.70	17.93	18.24	18.98	20.21	21.89	23.98
TNAV per share (€)	14.46	16.32	17.34	17.44	18.18	19.41	21.09	23.19
<b>Ratios</b>								
NIM	3.11%	3.63%	3.49%	3.22%	3.28%	3.46%	3.60%	3.67%
Costs/Income	64.0%	59.9%	68.1%	73.4%	72.2%	70.1%	66.0%	63.0%
ROAE	1.9%	12.2%	10.2%	7.8%	6.7%	8.4%	10.6%	12.4%
CET1 Ratio	13.5%	14.3%	13.1%	13.1%	13.4%	13.5%	13.5%	13.8%
Tier 1 ratio	13.5%	14.3%	13.1%	13.1%	15.4%	15.4%	15.3%	15.4%
Capital adequacy ratio	14.3%	15.8%	16.1%	16.3%	18.6%	18.3%	18.0%	17.9%
Payout ratio (%)	0.0%*	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Gross customer loans/total assets	69.1%	63.9%	65.2%	66.9%	67.8%	69.4%	70.4%	71.2%
Gross loans/deposits	97.1%	85.8%	84.5%	84.9%	86.0%	86.4%	86.4%	86.1%

Source: PCB data, Edison Investment Research

Note: \*In light of the war in Ukraine and the risk of a broader escalation of the conflict, which could have adversely affected PCB's business in the entire region, no dividends were paid in 2022 and 2023, contrary to PCB's dividend policy of distributing one-third of consolidated profits.

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