EDISON

ProCredit Holding

Q225 results

More cautious amid macroeconomic uncertainty

Banks

26 August 2025

ProCredit Holding (PCB) continues to make good progress in building the scale of its loan book, with 7.2% growth in H125 at constant currency (on track to meet management's FY25 guidance of c 12%). In line with management's strategic objective, growth was supported by good momentum across all client segments and a continued high contribution from lower-volume clients (micro and small enterprises, and private clients) of more than 70%. Deposit growth was more constrained though at 1.5% (fx adjusted) in H125. While private client deposits exhibited robust growth, there was a slowdown in business deposits, possibly due to macroeconomic uncertainty. This was accompanied by continued slow downward repricing across PCB's broad deposit base and headwinds from asset repricing (including central bank deposits). Despite a levelling off in PCB's operating expenses (following a period of extensive investments to execute the company's updated strategy), this led to a 9.3% y-o-y decline in net profit in Q225 to €21.8m and, in turn, an annualised return on equity (ROE) of 8.3% in the quarter.

Year end	NII (€m)	EPS (€)	DPS (€)	BVPS (€)	ROE (%)	P/E (x)	Yield (%)	P/BVPS (x)
12/23	337	1.92	0.64	16.7	12.2	5.3	6.3	0.61
12/24	358	1.77	0.59	17.9	10.2	5.7	5.8	0.57
12/25e	347	1.59	0.53	18.7	8.7	6.4	5.2	0.54
12/26e	386	1.86	0.62	20.1	9.6	5.5	6.1	0.51

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

FY25 outlook largely confirmed but with higher risks

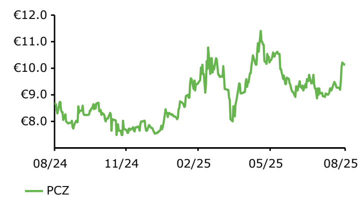
Management reiterated its FY25e outlook for ROE of around 10%, loan book growth of c 12% (excluding fx) and a CET-1 ratio of around 13%, although it flagged increased risk factors to its guidance stemming from macroeconomic uncertainty and revised its cost-to-income ratio (CIR) guidance to c 70% (from around the FY24 level of 68.1% previously). The company reiterated its medium-term objectives of growing its loan book above €10bn and reaching an ROE of c 13–14% (with additional 1.5pp upside potential from Ukraine's reconstruction), which we view as achievable.

Valuation: Shares offer 38% upside

We cautiously reduce our sustainable return on tangible equity (RoTE) assumption for PCB from 11% to 10% (to account for the short-term macroeconomic uncertainty) but maintain our assumption that PCB will reach its ROE target in the medium term (with our FY28e ROE forecast at 13.0%). Therefore, there is further valuation upside from PCB's achievement of its medium-term ROE target (reflecting this in our sustainable RoTE assumption would bring our current fair value to €16.70–17.50 per share), as well as the reconstruction of Ukraine following an end to the war with Russia (which would add another c €1.30 to our fair value estimate). Here, we note that PCB is well-positioned for Ukraine's reconstruction via its Ukrainian bank, which is well-capitalised, well-staffed and highly profitable. Downside risks come from PCB's Ecuadorian exposure. Our lower near-term forecasts and RoTE assumption are partly offset by a re-rating of peer multiples since our last update note in May, resulting in a current fair value estimate of €14.00/share (from €14.60 previously).

Price	**€10.15**
Market cap	**€604m**
Shares in issue	58.9m
Code	PCZ
Primary exchange	FRA
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	10.2	3.9	19.6
52-week high/low		€10.8	€7.1

Business description

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

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NIM remains under pressure, higher costs largely absorbed

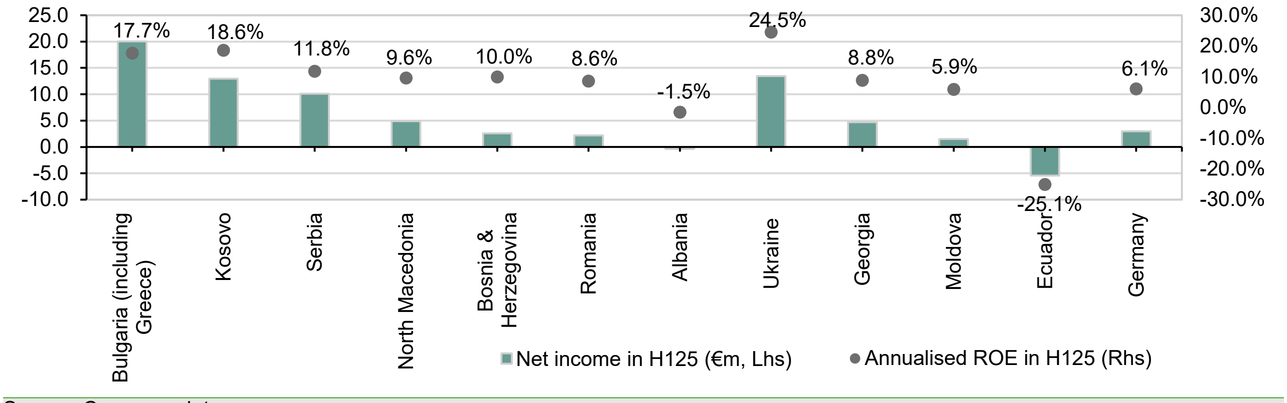
PCB reported a 9.3% y-o-y decline in net profit to €21.8m in Q225, implying an annualised ROE of 8.3% (vs 9.5% in Q224, see Exhibit 1). Region-wise, its major profit engines remain Bulgaria (including Greece), Ukraine, Kosovo and Serbia, all of which reported double-digit annualised ROE in H125 (see Exhibit 2). Ecuador continues to be a significant drag on performance, reporting a €5.4m loss in H125, amid macroeconomic headwinds, social instability, regulatory lending rate caps, as well as tight liquidity in the local banking sector. That said, PCB's management signalled that market rates for deposits have come down lately in Ecuador, somewhat easing the margin pressure (the local bank's net interest margin (NIM) was 2.3% in H125 versus 2.2% in Q125), and the liquidity situation in the banking sector has improved (assisted by measures from the International Monetary Fund).

Exhibit 1: PCB's Q225 and H125 results highlights

€m, unless otherwise stated	Q225	Q224	y-o-y change	H125	H124	y-o-y change
Net interest income	86.4	90.5	-4.5%	171.3	180.6	-5.1%
Net interest margin (annualised)	3.2%	3.6%	-39 bp	3.2%	3.6%	-45 bp
Expenses for loss allowances	1.1	5.4	-79.0%	0.3	5.7	-94.8%
Cost of risk (annualised, bp)	6	(33)	40 bp	1	18	-17 bp
Net fee and commission income*	24.5	23.2	5.5%	47.0	44.3	6.2%
Pre-tax profit	30.0	32.5	-7.8%	61.7	73.2	-15.8%
Net income	**21.8**	**24.1**	**-9.3%**	**47.0**	**57.6**	**-18.3%**
ROE	8.3%	9.5%	-1.2 pp	9.0%	11.6%	-2.6 pp
CIR	71.1%	66.3%	4.8 pp	70.9%	64.1%	6.9 pp
CET-1 ratio (fully loaded)	13.1%	14.3%	-1.2 pp	13.1%	14.3%	-1.2 pp
Deposit to loan ratio	111.7%	113.4%	-1.7 pp	111.7%	113.4%	-1.7 pp
Gross loan portfolio growth (sequential)	2.4%	3.8%	-1.4 pp	4.9%	6.9%	-2 pp
Customer deposits growth (sequential)	-0.2%	1.3%	-1.5 pp	-0.9%	4.1%	-4.9 pp

Source: Company data. Note: *Net fee and commission income including result from foreign exchange transactions.

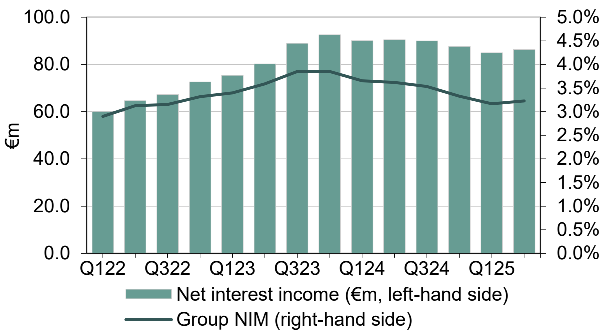
Exhibit 2: PCB's ROE in H125 by country



Source: Company data

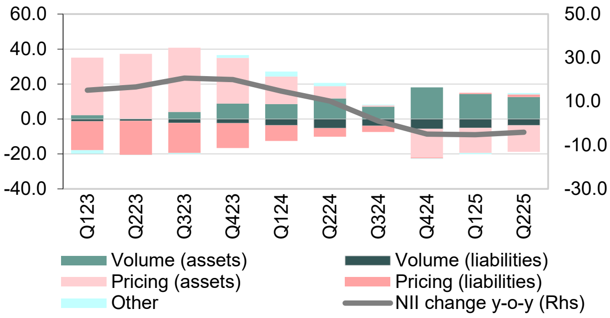
PCB's lower net profit primarily resulted from a 4.5% y-o-y fall in net interest income (NII) to €86.4m (a slight moderation versus the 5.7% y-o-y decline in Q125) amid NIM compression (3.2% at group level in Q225 versus 3.6% in Q224), driven by negative year-on-year asset repricing effects coupled with only a marginally positive effect from downward repricing of liabilities (despite European Central Bank and local rate cuts) (see Exhibit 4). This more than offset the positive impact from higher asset volumes (see below). PCB management highlighted that high deposit rates remain sticky amid macro-driven liquidity constraints across its markets of operations. An important driver of the negative year-on-year asset repricing effect of €29.4m in H125 was the €13.4m impact from lower interest income from cash and cash equivalents (most notably central bank deposits). That said, we note that NIM levelled off sequentially at 3.2% in Q225.

Exhibit 3: PCB's historical NII and NIM evolution



Source: Company data

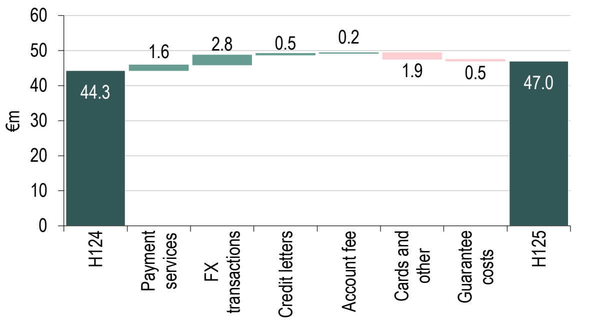
Exhibit 4: PCB's NII drivers in recent quarters (all figures in €m)



Source: Company data, Edison Investment Research

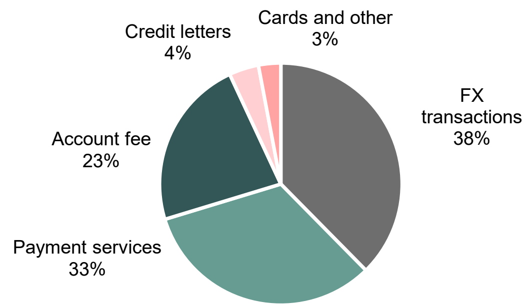
PCB's net fee and commission income (which now includes income from fx transactions) reached €24.5m, up 7.6% y-o-y. Key contributors to year-on-year growth in H125 included fx transactions (€2.8m) and payment services (€1.6m), while cards and other had a €1.9m negative impact because of higher fees charged by card providers (see Exhibit 5), although income from cards contributed positively in Q225.

Exhibit 5: Key drivers of PCB's net fee and commission income growth, H125 versus H124



Source: Company data

Exhibit 6: PCB's fee and commission split, H125



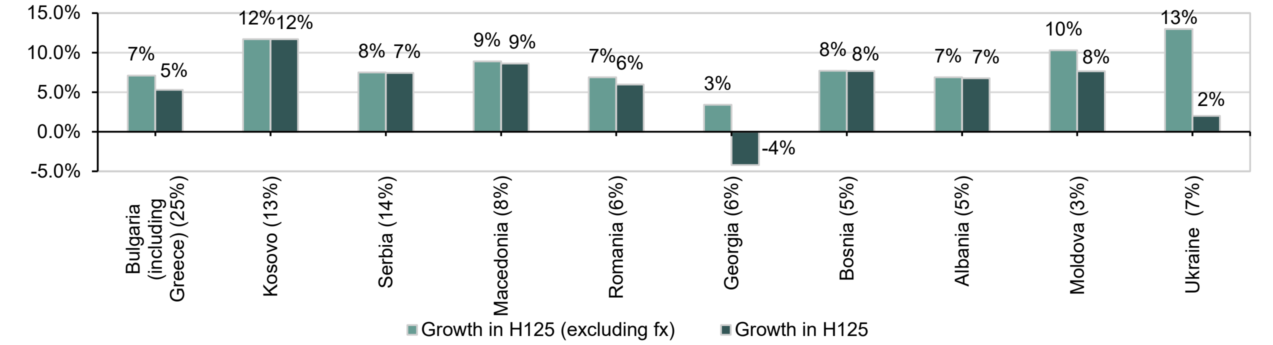
Source: Company data

This was coupled with a slight increase in operating expenses of 2.4% y-o-y to €76.4m. PCB made significant investments in staff (with a focus on front-office functions and IT), branch network, IT and marketing as part of its new strategy in FY24. This included an expansion of its headcount by 803 or 19%, as well as the opening of six new branches and 41 service points (with an additional six branches/service points in H125). PCB continues to develop its IT infrastructure; an ongoing project is its new mobile banking platform, which was rolled out in Kosovo and which will be gradually rolled out across its other local banks. Nevertheless, management confirmed that the increase in PCB's cost base related to the execution of its new strategy was largely absorbed by H125. There was no net growth in headcount in H125 and no increase in PCB's marketing budget and the budget of its in-house IT unit Quipu. This is reflected in PCB's minor year-on-year increase in personnel expenses of 0.5% in Q225, and a slight sequential decline. Administrative expenses increased in Q225 versus Q125 by 6.8% (and rose by 4.2% y-o-y), but this was mostly due to one-off consulting expenses. Consequently, the CIR was up only slightly from 70.8% in Q125 to 71.1% in Q225. This represents a run-rate ahead of management's FY25 guidance of a broadly stable CIR versus FY24 (68.1%). Therefore, management now guides to an FY25 CIR of around 70%, broadly in line with our previous forecast of 69.6% (which we have revised slightly upwards to 71.3%).

Loan portfolio growth on track, deposit growth slowing

PCB posted strong loan book growth at constant currency of 7.2% in H125 (on track to meet management's FY25 guidance of 12%), supported by good momentum across all client segments and a continued high contribution from lower-volume clients of more than 70%. As a result, PCB's lower-volume loan portfolio has expanded by 30% overall since end-2023 (ie when it launched its updated strategy – see our April 2024 outlook note for details) and at end-June 2025 represented 46% of PCB's total loan portfolio, up 1pp versus Q125 and 4pp since the launch of the updated strategy. It is therefore on track to reach management's medium-term target of c 50%. After accounting for negative currency effects (primarily in Ukraine, Ecuador and Georgia), PCB's loan portfolio grew by a still robust 2.4% in Q225 and 4.9% in H125. In Romania, Georgia, Bosnia & Herzegovina, Albania and Moldova (ie its subscale banks where PCB's priority is to grow strongly to realise economies of scale), growth was at a similar solid rate of 7.0% on average (fx adjusted). Headline growth was broadly similar, except in Georgia, which saw a negative impact from the depreciation of Georgian lari against the euro (see Exhibit 7). We note that PCB Ukraine is no longer contributing negatively to PCB's growth in loan portfolio, with the local loan book up 2.0% in H125 despite negative fx effects, following the €20m capital increase PCB carried out for its Ukrainian bank in December 2024, with PCB's investment insured under the umbrella of the German investment guarantee scheme by the Federal Government of Germany. Ecuador remains a drag with a c 11% decline in H125, which came from a combination of negative fx effects (US dollar depreciation) and the above-mentioned headwinds. PCB reported that, due to covenant breaches by the Ecuadorian bank with respect to return on average assets and the tier 1 capital ratio, €10.8m of liabilities to banks and €6.0m of subordinated debt of the bank have been classified as short term. The bank is in negotiations with lenders to obtain waivers to these covenants. PCB does not expect early repayment of the above liabilities.

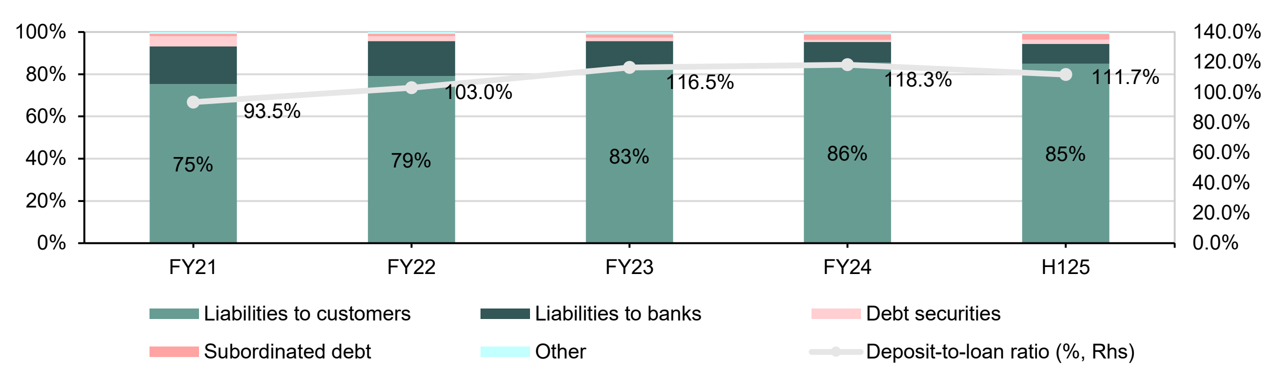
Exhibit 7: Growth in PCB's loan book in South-Eastern and Eastern Europe by country in H125



Source: Company data

PCB's deposits were broadly unchanged sequentially (down -0.2%) in Q225, translating to a 0.9% decline in H125, affected by currency effects and the seasonal decline in business deposits. We note that the fx-adjusted growth of 1.5% in H125 is still below the average headline growth of 3.1% in PCB's deposit base in the first half of the previous five years. Growth in private client deposits remains solid, and their share in total deposits increased by 2pp in the year to date to 45%, translating into a low-single digit percentage increase in H125 (including fx impact), according to our calculations. The slowdown came from business deposits, with possible reasons indicated by PCB's management including the broader macroeconomic uncertainty, as well as greater appetite of small and medium enterprises (SMEs) for investments and working capital as a way to hedge against a potential future increase in inflation. Consequently, PCB's deposit-to-loan ratio fell to 111.7% at end-June 2025 versus 114.7% at end-March 2025 and 118.3% at end-2024, bringing PCB further away from its medium-term target of a deposit-to-loan ratio at the level of the respective local banks above 120%. We note that the company made substantial progress in improving the ratio and raising the share of customer deposits in its refinancing mix in recent years (see Exhibit 8). However, given the current uncertain environment and recent fx headwinds, we now conservatively assume slower deposit growth in FY25e and FY26e of 3.9% and 9.7%, respectively (vs 11.6% and 12.4% assumed previously).

Exhibit 8: PCB's historical refinancing mix and deposit-to-loan ratio



Source: Company data, Edison Investment Research

Management believes that the increased investments in working capital should at some stage translate into a pick-up in

SME deposits as businesses drive up their sales. Deposits at PCB's Ecuadorian bank declined by 2.5% in H125 (ie less than the contraction in its loan book), resulting in an improved deposit-to-loan ratio of 117.7% (up 9.8pp vs end-2024). Management considers PCB's banks in Serbia and North Macedonia as being at an advanced stage, with emphasis on further growth but also optimisation of balance sheet structure to drive profitability. These banks posted robust loan book growth of 7.4% and 8.6% , respectively in H125, while their deposit base remained broadly flat, resulting in somewhat lower deposit-to-loan ratios, both year-on-year and versus end-2024.

Credit quality consistently robust

PCB's credit quality remains robust and continues to further improve with the share of stage 3 loans at 2.1% at end-June 2025 versus 2.2% at end-March 2025 and 2.3% at end-2024. This, coupled with further solid recoveries of written-off loans of €3.2m in Q225 (€6.1m in H125), resulted in a moderate cost of risk of 6bp in Q225 and a very low 1bp in H125. Region-wise, the low cost of risk was supported by net releases in Eastern Europe, while cost of risk in South-Eastern Europe stood at 15bp in H125 (still a moderate level) and in Ecuador PCB reported 44bp. There was no impact from the semi-annual update of macro parameters, and the stock of management overlays remained stable at €59.2m (or 33% of provisions), representing a sizeable buffer. That said, the group transferred €72.6m worth of credit exposures that are more sensitive to the impact of tariffs to stage 2 loans in H125. Credit quality in Ukraine is solid with the share of stage 3 loans at 3.3% at end-June 2025 and a €4.5m net release of loss allowances in H125. Meanwhile, the share of stage 3 loans continued to increase in Ecuador to 9.3% at end-June 2025 (vs 9.0% at end-March 2025 and 9.2% at end-2024) and H125 cost of risk was 44bp.

RWA efficiency measures and/or AT1/AT2 capital raise ahead

PCB's CET-1 ratio was stable in Q225 at 13.1%, well above the current regulatory requirement of 9.9%. That said, as discussed in our previous notes, the recently increased regulatory requirements coupled with the weakening in risk-weighted assets (RWA) density (67.5% in Q225 vs 66.4% in FY24 and 63.5% in FY23) will result in quite narrow regulatory buffers at the Tier 1 and total capital level (we currently assume c 0.9pp and 0.4pp for FY26e excluding any new Tier 1 or Tier 2 issuance, respectively). Therefore, we consider it likely that PCB will intensify its RWA efficiency measures and/or consider raising additional capital beyond CET-1 capital. Meanwhile, PCB's German holding company issued €100m debt securities in H125 as part of its regular financing/liquidity management (which does not have an impact on PCB's regulatory capital).

Forecast revisions

We have slightly reduced our gross loan book assumptions for FY25e and FY26e, mostly due to this year's currency effects, but remain of the view that PCB will stay on course with respect to loan portfolio growth. We have, however, lowered our deposit base forecasts by 6.9% in FY25e and 9.1% in FY26e to reflect the above-mentioned tighter liquidity across PCB's markets of operations. Although we maintain our NIM assumptions at a broadly unchanged level, the expected lower deposit volume may constrain growth in PCB's total interest-earning assets in the near term, which has driven a reduction of our NII forecast by 3.7% and 4.9% in FY25e and FY26e, respectively. This is partly offset by lower cost of risk assumptions given the continued solid credit quality of PCB's portfolio, including the provision reversal in Ukraine. Consequently, we have reduced our net income forecasts for FY25e and FY26e by 10.7% and 6.7%, respectively. Despite the near-term headwinds, we still expect PCB to reach its medium-term goals of a loan book in excess of €10bn and ROE of 13–14% (we have pencilled in the lower end of the range for FY28e). We assume a FY28e CIR of 58.7%, somewhat above management's medium-term target of 57%. PCB's RWA density has not improved so far this year, with RWA to total assets at 67.5% at end-June 2025 versus 66.4% at end-2024. In our opinion, this increases the probability that PCB will issue new AT1/AT2 capital. At the 2025 AGM held in June, PCB's shareholders authorised PCB's management to issue profit participation rights ('Genussrechte') of up to €200m, structured as Additional Tier 1 capital. During the H125 earnings call, management highlighted that it does not have immediate plans to conduct an issue. We therefore now assume that a €150m issue will take place sometime in FY26e (compared to FY25e, as previously assumed in our forecasts).

Exhibit 9: Forecast revision table

€m	FY24	FY25e				FY26e			
	Actual	Old	New	Change	growth y-o-y	Old	New	Change	growth y-o-y
Net interest income	358	360	347	*-3.7%*	*-3.2%*	406	386	*-4.9%*	*11.4%*
Net interest margin (annualised)	3.5%	3.2%	3.2%	*0 pp*	*-0.3 pp*	3.3%	3.3%	*0 pp*	*0.1 pp*
Expenses for loss allowances	(5)	9	5	*-42.1%*	*NM*	28	23	*-18.0%*	*363.0%*
Cost of risk (annualised in bp)	(8)	12	7	*-5 bp*	*15 bp*	34	28	*-6 bp*	*21 bp*
Net fee and commission income*	59	97	98	*0.4%*	*65.4%*	104	104	*0.0%*	*5.8%*
Operating expenses	303	314	308	*-2.1%*	*1.6%*	332	318	*-4.2%*	*3.4%*
Pre-tax profit	147	129	119	*-7.5%*	*-18.8%*	143	136	*-4.6%*	*14.5%*
Net income	104	105	94	*-10.7%*	*-10.1%*	117	109	*-6.7%*	*16.7%*
ROE	10.2%	9.6%	8.7%	*-0.9 pp*	*-1.6 pp*	10.0%	9.6%	*-0.5 pp*	*0.9 pp*
CET1 ratio	13.1%	13.0%	13.0%	*0 pp*	*0 pp*	13.0%	13.0%	*0 pp*	*-0.1 pp*
TCR	16.1%	17.8%	15.8%	*-2 pp*	*-0.3 pp*	17.4%	17.3%	*-0.1 pp*	*1.5 pp*
CIR	68.1%	69.6%	71.3%	*1.7 pp*	*3.1 pp*	66.0%	66.6%	*0.6 pp*	*-4.7 pp*
Gross loan portfolio	7,010	7,821	7,753	*-0.9%*	*10.6%*	8,728	8,695	*-0.4%*	*12.1%*
Net loan portfolio	6,828	7,644	7,575	*-0.9%*	*10.9%*	8,543	8,506	*-0.4%*	*12.3%*
Customer deposits	8,291	9,254	8,616	*-6.9%*	*3.9%*	10,400	9,454	*-9.1%*	*9.7%*

Source: Company data, Edison Investment Research. Note: *Includes results from foreign exchange transactions in FY25e and FY26e.

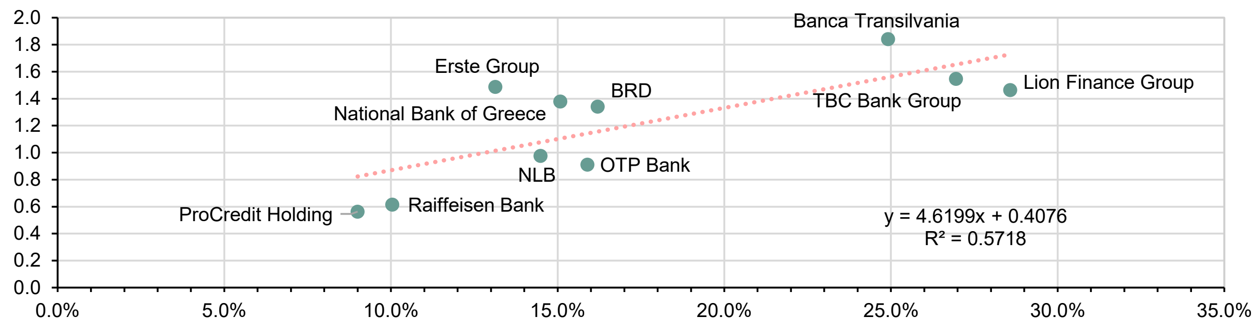
Exhibit 10: PCB's P/BV-ROE valuation (€m unless otherwise stated)

	FY24	FY25e	FY26e	FY27e	FY28e
Tangible Equity	**1,021,569**	**1,061,380**	**1,139,503**	**1,241,097**	**1,370,557**
Net attributable profit	104,309	93,724	109,365	138,049	175,476
RoTE (%)	*10.5%*	*9.0%*	*9.9%*	*11.6%*	*13.4%*
TNAV per share (€)	**17.3**	**18.0**	**19.3**	**21.1**	**23.3**

TNAV per share FY25e (€)	18.0
RoTE	9.0%
Sustainable RoTE	10.0%
Growth rate	2.0%
CoE	12.0%
Fair value multiple – CAPM model	0.80
Fair value multiple – regression multiple (FY25e)	0.81
Blended multiple	**0.81**
Fair value (€, end-2025)	14.52
discount factor	0.96
Fair value (€)	**14.00**
Current share price (€)	10.15
upside/downside	*38%*

Source: Company data, Edison Investment Research

Exhibit 11: P/BV versus ROE - PCB compared to peers (FY25e)



Source: LSEG Data & Analytics consensus as of 26 August 2025 except for ProCredit Holding (Edison Investment Research estimates). P/BV ratios calculated based on tangible book value per share where available.

Exhibit 12: Financial summary

Year end 31 December, IFRS, €000s	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e	FY28e
Income Statement								
Net interest income	222,021	264,634	337,224	358,239	346,810	386,182	443,668	505,333
Net fee and commission income	50,855	54,731	57,525	59,166	97,875	103,570	109,430	114,885
Operating income	281,881	339,848	412,506	444,299	431,671	477,656	540,703	607,517
Operating expenses	180,859	217,428	246,979	302,772	307,588	318,115	336,869	356,795
Loss allowances (-)	6,490	104,573	15,513	(5,154)	4,996	23,129	33,844	36,799
PBT	94,532	17,847	150,015	146,681	119,088	136,412	169,991	213,922
Net profit after tax	79,641	16,497	113,372	104,309	93,724	109,365	138,049	175,476
Reported EPS (€)	1.35	0.28	1.92	1.77	1.59	1.86	2.34	2.98
DPS (€)	0.00	0.00	0.64	0.59	0.53	0.62	0.78	0.99
Balance Sheet								
Loans and advances to customers	5,792,966	5,892,796	6,029,715	6,828,256	7,574,992	8,506,136	9,505,038	10,613,846
Total assets	8,215,901	8,826,124	9,748,968	10,751,615	11,254,748	12,301,209	13,581,205	15,050,858
Liabilities to customers	5,542,251	6,289,511	7,254,236	8,291,358	8,615,505	9,453,718	10,710,030	12,139,819
Total liabilities	7,359,587	7,956,689	8,765,179	9,695,713	10,150,536	10,968,874	12,147,277	13,487,470
Total shareholders' equity	856,314	869,435	983,789	1,055,902	1,104,212	1,332,335	1,433,929	1,563,389
BVPS (€)	14.54	14.76	16.70	17.93	18.75	20.07	21.80	24.00
TNAV per share (€)	14.23	14.46	16.32	17.34	18.02	19.35	21.07	23.27
Ratios								
NIM	2.90%	3.11%	3.63%	3.49%	3.19%	3.28%	3.43%	3.53%
Costs/Income	64.2%	64.0%	59.9%	68.1%	71.3%	66.6%	62.3%	58.7%
ROAE	9.7%	1.9%	12.2%	10.2%	8.7%	9.6%	11.2%	13.0%
CET1 Ratio	14.1%	13.5%	14.3%	13.1%	13.0%	13.0%	12.9%	13.1%
Tier 1 ratio	14.1%	13.5%	14.3%	13.1%	13.0%	14.8%	14.6%	14.7%
Capital adequacy ratio	15.3%	14.3%	15.8%	16.1%	15.8%	17.3%	16.9%	16.8%
Payout ratio (%)	0.0%*	0.0%*	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Customer loans/total assets	72.1%	69.1%	63.9%	65.2%	68.9%	70.7%	71.5%	72.0%
Deposits/loans	93.5%	103.0%	116.5%	118.3%	111.1%	108.7%	110.3%	112.0%

Source: Company 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.

EDISON

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