

Monday, 16 June 2025 | update

## BNP Paribas Bank Polska: buy (reiterated)

BNPPPL PW; BNP1.WA | Banks, Poland

### A Quality Bank with a Deep Valuation Gap

**We reiterate a buy rating for BNP Paribas Bank Polska ("BNP Paribas") with a higher target price of PLN 140.55.**

**We consider BNP Paribas as a very attractively valued bank, trading at one of the highest, 42% discount to the peer group on the P/BV multiple. In our view, such a high discount is not justified, as the bank generates returns on equity that exceed its cost of equity and is a consistent dividend payer.**

**That said, we do agree that BNP should trade below peers, given slower-than-average loan growth in recent quarters, combined with lower profitability and dividends. In addition, BNP stock has underperformed the WIG-Banks index over the past 12 months, which we attribute to an ongoing share overhang, as the bank is expected by Polish FSA to increase its free float capitalization to 25%. Once the placement is completed, we expect a sharp re-rating.**

**We have raised our 2025 and 2026 net profit expectations for BNP Paribas by 24% and 18%, respectively, to reflect stronger-than-expected 2025 YTD results, especially in total income. We expect the bank to accelerate corporate lending, while the retail banking segment will grow at a subpar pace. At the same time, we expect BNP Paribas to offer lower dividend payout ratios of 30% in the next two years due to the impact of the CRR3 introduction and increased capital requirements for the banking sector.**

**Potential upside triggers we see for BNP, include an update of strategic goals, expected this year, featuring high ROE targets and a commitment to continued dividend payments.**

### Upgrading the Earnings Expectations

We have raised our net profit expectations for BNP Paribas after better-than-expected year-to-date results, with positive surprises in net interest income as well as F&C and net trading income. Moreover, BNP continues to deliver positive surprises in its cost of risk.

At the same time, we acknowledge that BNP's net interest margin has likely peaked, and we currently expect it to decline by 8 bps in 2025 and 29 bps in 2026.

All in all, relative to the corresponding consensus expectations, our updated 2025 net profit forecast is in line, the 2026 forecast is 7% lower (rate cut effects), and the 2027 forecast is 7% higher (loan growth).

### The End of CHF Provisioning

The coverage ratio for CHF loan exposures at BNP, at 162%, is among the highest in the sector. Moreover, the level of provisioning per active case, at PLN 456,00, is the highest among rated banks. We expect 2025 to be the last year of heavy CHF provisioning at BNP Paribas, following a 50% reduction compared to 2024.

### Healthy Capital Base Reflected in Dividends

BNP's Tier 1 ratio decreased to 13.1% in 1Q'25 from 13.8% in 4Q'24, and TCR dropped from 17.2% to 16.2%, mostly due to CRR3 implementation. To offset the declines, the bank decided to issue EUR 160m Tier2 notes.

We expect BNP to reduce its dividend payout to 30% in the next two years, as it faces higher demand for loans, underpinned by an increase in the minimum Tier 1 requirement from 9.00% to 11.00%.

(PLN m)	2023	2024	2025E	2026E	2027E
Net interest income	5,225.4	5,741.0	5,798.7	5,380.6	5,685.1
Non-interest income	2,359.8	2,336.8	2,599.8	2,448.6	2,546.4
Costs	3,397.9	3,676.9	3,819.1	3,891.0	3,981.9
Operating income	4,187.3	4,400.9	4,579.4	3,938.1	4,249.6
Net profit	1,012.5	2,358.3	2,656.1	2,365.2	2,584.9
C/I (%)	44.8	45.5	45.5	49.7	48.4
ROE (%)	8.4	16.7	16.4	13.3	13.3
P/E (x)	14.4	6.2	5.5	6.2	5.6
P/B (x)	1.1	0.9	0.9	0.8	0.7
DPS (PLN)	0.00	3.42	7.88	5.41	4.81
Dividend yield (%)	0.00	3.45	7.96	5.46	4.86

<b>Current Price*</b>	PLN 99.00
<b>Target Price</b>	PLN 140.55
<b>mCap</b>	PLN 14,594m
<b>Free Float</b>	PLN 2,739m
<b>ADTV (3M)</b>	PLN 1.6 m

\*Price as of June 13, 2025, 5:00 PM

### Ownership

BNP Paribas	81.23%
Others	18.77%

### About

BNP Paribas Bank Polska is a universal bank with a retail and corporate business. The bank ranks as top 6 in terms of assets. Organic growth has been supported in recent years by M&A activities including acquisition of Bank BGŻ or Raiffeisen Polbank. Historically, at the beginning BNP specialized in banking for the agriculture sector.

### BNP Paribas BPL vs. WIGBANK



Company	Target Price		Recommendation	
	new	old	new	old
BNP Paribas BPL	140.55	114.17	buy	buy

  

Company	Current Price	Target Price	Upside
BNP Paribas BPL	99.00	140.55	+42.0%

  

Forecast Update	2025E	2026E	2027E
Total Income	+8.1%	+5.6%	-
Pre-Tax Profit	+22.6%	+14.7%	-
Net Profit	+24.1%	+17.6%	-

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List of abbreviations and ratios used by mBank:

**EV** (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases); **EBITDA margin** – EBITDA/Sales

**OVERWEIGHT (OW)** – a rating which indicates that we expect a stock to outperform the broad market  
**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**HOLD** – we expect that the rate of return from an investment will range from 0% to +10%  
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mBank issued the following recommendations for BNP Paribas Polska in the 12 months prior to this publication:

**BNP Paribas Polska (Michał Konarski, Mikołaj Lemańczyk)**

Rating	buy	buy
Rating date	2024-12-02	2024-08-28
Target price (PLN)	114.17	143.23
Price on rating day	81.80	103.00

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