

Monday, 16 June 2025 | update

ING BSK: buy (reiterated)

ING PW; ING.WA | Banks, Poland

Protecting Net Interest Income, Unlocking Fee Growth

We raise our target price for ING BSK ("ING") due to estimates adjustment from PLN 300 to PLN 335.00 per share and we maintain our 'buy' recommendation.

ING has lost the title of the 'most expensive CEE bank' to Moneta, but it is still trading at a premium valuation that is justified by high-quality corporate governance and a track record of delivering consistent growth. At NTM P/BV close to 2.1x, ING is currently trading at a 38% premium over WIG-Banks (last 5Y average is 51%).

ING BSK has plans to form a new Private Banking division. We believe judging by the ratios of fees to assets and labor costs to fees that ING has untapped potential in fee generation, which the new division may help to unlock.

After a rise in CoR in 2024, ING seems to have successfully addressed the issue, and net provisioning should normalize in 2025. The improved CoR outlook is most likely already priced into the bank's current valuation.

Corporate governance and growth have been the main drivers of ING's trading premium over its peers. P/BV valuations are not overly stretched – yet. We have raised our 2025 and 2026 net profit forecasts for ING BSK by 11% and 9%, respectively, to reflect stronger NII outlook and slightly better net provisioning. All in all, we expect flattish net earnings in the 2024-2027 period despite interest rate cuts, as cash flow hedging strategies should help safeguard net interest income against decreasing rates.

In terms of M&A, we do not see ING as a consolidator in light of its own comments that organic growth is crucial, however, we want to point out that ING Groep has indicated it is ready for M&A action in the medium term.

We expect ING to deliver ROE of 24% in 2025, 21% in 2026, and 19% in 2027, which at least partially explains the bank's respective fair valuations at 2.2x, 1.9x, and 1.7x P/BV.

Hedging Strategies Should Support Interest Income

As interest rates in Poland drop, cash flow hedging strategies should kick in at ING BSK. First, we would expect to see an increase in the fair value of derivatives in OCI, which will then channel through to net interest income with each coupon payment.

As a result, despite interest rate cuts, we expect only minor pressure on net interest margins, coupled with a rise in net interest income.

Establishing a Private Banking Division

ING BSK announced at the 1Q'25 earnings conference that it was planning to form a new division of its business dedicated to Private Banking, which will serve affluent and wealthy clients and operate at the intersection of retail and corporate banking. Details are not known yet, but we consider this a promising idea given ING's ability to spot new trends and its untapped potential for generating fee and commission income.

ING may need to seek regulatory approvals to expand the fee-earning segment of its brokerage business to include, e.g., consulting and advisory services for corporate clients, but, all in all, we see this as an opportunity.

(PLN m)	2023	2024	2025E	2026E	2027E
Net interest income	8,170.5	8,725.0	9,152.6	9,271.9	9,446.6
Non-interest income	2,477.6	2,521.0	2,580.7	2,737.4	2,897.2
Costs	3,700.1	3,958.0	4,349.9	4,503.9	4,751.9
Operating income	6,948.0	7,288.0	7,383.5	7,505.4	7,591.9
Net profit	4,440.9	4,369.0	4,387.6	4,394.8	4,452.5
C/I (%)	34.7	35.2	37.1	37.5	38.5
ROE (%)	34.1	25.8	23.9	20.9	18.9
P/E (x)	8.5	8.7	8.6	8.6	8.5
P/B (x)	2.3	2.2	1.9	1.7	1.5
DPS (PLN)	0.00	33.35	25.18	16.86	16.89
Dividend yield (%)	0.0	11.5	8.7	5.8	5.8

Current Price*	PLN 291.00
Target Price	PLN 335.00
mCap	PLN 37,859m
Free Float	PLN 9,465m
ADTV (3M)	PLN 5.0m

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

Ownership

ING Bank N. V.	75.00%
Allianz OFE	7.31%
NN OFE	5.05%
Others	12.64%

About

ING BSK is universal bank with a substantial corporate and mortgage portfolio. Over the years, the bank has gained market share and become the fourth-largest Polish bank by assets. Corporate governance quality and sustained growth have been ING's hallmarks. ING BSK is about to launch a Private Banking division.

ING vs. WIGBANK



Company	Target Price		Recommendation	
	new	old	new	old
ING BSK	335.00	300.00	buy	buy

Company	Current Price	Target Price	Upside
ING BSK	291.00	335.00	+15.1%

Forecast Update	2025E	2026E	2027E
Total Income	1.5%	2.7%	-
Pre-Tax Profit	7.8%	7.3%	-
Net Profit	11.4%	10.2%	-

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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

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NAV – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following recommendations for ING BSK in the 12 months prior to this publication:

ING BSK (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy
Rating date	2024-12-02	2024-08-28
Target price (PLN)	300.00	325.00
Price on rating day	236.50	271.00

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