

Tuesday, 17 June 2025 | update

Alior Bank: buy (reiterated)

ALR.PW; ALR.WA | Banks, Poland

M&A premium or ABB discount?

We increase our target price from PLN 118.00 to PLN 130.00 and keep buy recommendation. Mostly due to estimates increases in 2026. Our net profit estimates for years 2025/26/27 are above in line with consensus for 2025 while at the same time 6% and 4% higher for 2026 and 2027.

PZU Group transformation into holding and further Group restructure could result in M&A premium or ABB discount for Alior. Out of four most possible scenarios, we would see premium, in one scenario discount and in last one no valuation impact, hence we believe that risk is skewed slightly towards upside.

Recently presented strategy set ambitious KPIs, yet we are little bit more skeptical than management, especially when it comes to fees and commission growth, with our 10% growth estimate in year 2024-2027 vs 38% goal set by Alior. As a result our ROE forecast at 15% in 2027 is below Alior's strategy goal at 18%.

At 1.1x NTM P/BV Alior trades with 27% discount to WIG Banks index, which is not justified and calls for closure. In short-term Alior should deliver decent results. What is more important, within strategy horizon Alior should cut its NPL ratio below 5%, meaning that higher than 50% payout ratios should be possible – we assume 60% payout ratio in 2027, which should translate into around 10% dividend yield (attractive, given assumed compression of interest rates). From risks, we point out for underestimated provisioning in corporate segment (we note that Alior likely has exposure for JSW, which currently is cash burning machine), we addressed that by lifting our CoR assumptions for 2025 to around 88bps (above guidance). Additionally, if windfall profit tax will be brought back to the table, Alior may be hit relatively hard given its results improvement vs 2018-2022 period.

At our value P/BV valuation for Alior is at 1.4x/1.2x/1.1x for years 2025/26/27, which corresponds with ROE at 19%/17%/15%.

Premium or discount?

PZU Group restructure brings many different scenarios and we believe it's rather unlikely that Alior's position within Group will be as it is now. In first scenario, we call for M&A premium as Alior may be sold to local player, which should trigger need for tender offer, in second we see Alior merging with Pekao, which also should end up with premium, in third we see PZU selling Alior's stake into the hands of entity not present in Poland, which would translate into status quo, in forth we see risk of ABB as PZU's CEO indicated that in one scenario PZU could lower its stake in Alior to 10% (PLN 3bn ABB).

Very ambitious fees KPIs

In recently presented strategy Alior set goal for 30% increase in number of long-term relationship clients, which should help to improve net fees revenues by 38% in 2024-2027 period. We believe that it may be hard task as Alior operates in very competitive market and its specialization are consumer loans are high velocity products, not supporting longer relationship. As a result our estimates for net fee income growth at 9% in year 2024-2027 is far from Alior's goal, hence our ROE and net profit estimates for 2027 are below Alior's targets.

(PLN m)	2023	2024	2025E	2026E	2027E
Net interest income	4,772.4	5,183.7	5,343.0	5,355.3	5,414.6
Non-interest income	1,062.5	1,039.0	1,039.1	1,094.8	1,134.4
Costs	2,179.9	2,280.3	2,482.8	2,569.9	2,695.5
Operating income	3,655.0	3,942.4	3,899.3	3,880.2	3,853.6
Net profit	2,030.1	2,445.0	2,241.3	2,247.8	2,184.4
C/I (%)	37.4	36.6	38.9	39.8	41.2
ROE (%)	26.3	23.9	19.0	17.2	15.2
P/E (x)	6.3	5.2	5.7	5.7	5.8
P/B (x)	1.4	1.1	1.0	0.9	0.8
DPS (PLN)	0.00	4.42	9.36	8.58	10.33
Dividend yield (%)	0.0	0.0	9.6	8.8	10.6

Current Price*	PLN 97.30
Target Price	PLN 130.00
mCap	PLN 12,702m
Free Float	PLN 8,550m
ADTV (3M)	PLN 47.5m

*Price as of June 16, 2025, 5:00 PM

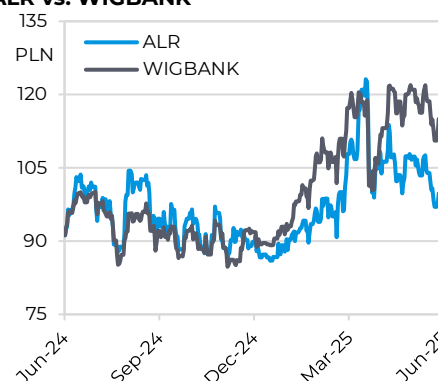
Ownership

PZU S.A.	31.91%
NN OFE	9.15%
Allianz OFE	8.83%
Generali OFE	5.01%
Others	45.10%

About

Alior Bank is universal bank, being part of PZU Group. It specializes in consumer and cash loans. As a part of its new strategy, Alior wants to establish longer relationship with customers. Currently Alior is at 8th place when it comes to size of balance sheet within banking sector.

ALR vs. WIGBANK



Company	Target Price		Recommendation	
	new	old	new	old
Alior Bank	130.00	118.00	buy	buy
Company	Current Price	Target Price	Upside	
Alior Bank	97.30	130.00	+33.6%	
Forecast Update		2025E	2026E	2027E
Total Income	-0.2%	+4.3%	-	-
Pre-Tax Profit	-1.8%	+7.6%	-	-
Net Profit	-1.2%	+8.7%	-	-

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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

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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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The production of this recommendation was completed on June 17, 2025, 8:01 AM.
This recommendation was first disseminated on June 17, 2025, 8:20 AM.

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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 Alior Bank in the 12 months prior to this publication:

Alior Bank (Michał Konarski, Mikołaj Lemańczyk)

Rating	buy	buy
Rating date	2024-12-02	2024-08-28
Target price (PLN)	118.00	124.00
Price on rating day	91.30	100.50

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