

Wednesday, 18 June 2025 | update

## BOŚ Bank: hold (downgraded)

BOS PW; BOSP.WA | Banks, Poland

### Banking on local demand

We are lowering our recommendation for BOŚ Bank from 'Buy' to 'Hold' and setting the target price at PLN 10.84 per share.

BOŚ Bank is currently trading at the largest discount relative to peer group. We believe this is justified as the bank is not growing and is not generating satisfactory return on equity. In addition, the implementation of CRR3 has deprived BOŚ Bank of a significant portion of its capital surplus, as the TCR ratio fell from 17.2% in 4Q'24 to 15.8% in 1Q'25.

We have lowered our net profit forecasts for 2025 by 35% and for 2026 by 21%. The results for 1Q'25 disappointed us in terms of net interest income and net provisioning result. In addition, we note that in 4Q'24, the bank adjusted salaries, which had a full impact on Q1 2025 results (+15% y/y). On the positive side, we believe that net write-offs related to CHF are coming to an end and will be halved this year.

The bank is focusing on the green segment, although this is insufficient to expand its balance sheet. In a recent interview, the CEO of BOŚ Bank indicated that the bank will seek demand for corporate loans in local governments and increase the share of green loans in its entire portfolio from 40% to 50%. In addition, the bank wants to focus on customer relations, anticipating that this will result in reduced financing costs.

We remain skeptical, as the bank is not seeing any growth. In the 1Q'25, net loans fell by 8% y/y, and the 10-year CAGR fell by 2%. We are concerned that focusing on local markets and green energy may not be enough to grow the balance sheet. We currently forecast balance sheet growth of 3% in terms of 3-year CAGR, which will not be enough to offset the effect of falling interest rates.

Overall, we are disappointed with BOŚ Bank's performance in recent quarters. We expect ROE to peak next year due to declining CHF-related provisions. The bank should be trading at a discount, although we believe its current level is adequate. Proving that the bank can increase its balance sheet total could be an opportunity for an increase in valuation.

### Net interest income reached its peak?

Net interest income decreased by 6% q/q and remained unchanged y/y. We note that interest income remained unchanged q/q, while costs increased by 10%. Interestingly, BOŚ Bank's share in term deposits increased during the year from 48% to 54% at the end of 1Q'25, indicating that customers are staying with the bank due to attractive deposit pricing. BOŚ Bank's sensitivity is approximately PLN 30m for every 100 basis points of interest rate cuts. We expect NII and NIM to start declining in 2025, as balance sheet growth will not be sufficient to offset the decline in the base interest rate in Poland.

### Bank tax will kick in

We expect BOŚ Bank to complete its recovery plan this year. This means that the bank tax and higher BGF costs will come into effect in 2026. We forecast that the bank tax will amount to PLN 47m in 2026 and PLN 50m in 2027.

### Profitability much below the average

Lower interest rates, higher operating costs and the introduction of a bank tax will have a negative impact on profitability. We forecast that BOŚ Bank's ROE will be 6% in 2026 and 5% in 2027, below the sector average of 18.5% and 17.4%, respectively. This is significantly below the management's target of 10%.

(PLN m)	2023	2024	2025E	2026E	2027E
Net interest income	811.0	834.3	793.1	788.6	779.2
Non-interest income	275.9	255.2	249.8	257.8	265.7
Costs	595.0	683.0	721.2	743.3	761.5
Operating income	491.9	406.4	321.7	303.0	283.4
Net profit	78.4	79.7	92.2	150.1	129.4
C/I (%)	54.7	62.7	69.1	71.0	72.9
ROE (%)	3.8	3.6	4.1	6.3	5.1
P/E (x)	12.0	11.8	10.2	6.3	7.3
P/B (x)	0.4	0.4	0.4	0.4	0.4
DPS (PLN)	0.00	0.00	0.00	0.00	0.00
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00

Current Price*	PLN 10.12
Target Price	PLN 10.84
mCap	PLN 940.6m
Free Float	PLN 342.5m
ADTV (3M)	PLN 0.3 m

\*Price as of June 17, 2025, 5:00 PM

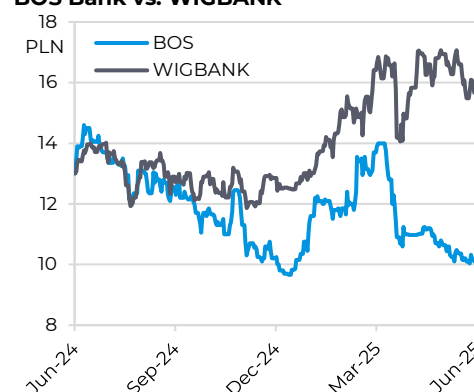
### Ownership

NFOŚiGW	58,05%
PFR	8,61%
DGLP	5,54%
Other	27,80%

### About

BOŚ Bank is a niche bank with a predominance of corporate loans. The bank's strategic intention is to focus on the sale of environmentally friendly products. The bank has a portfolio of foreign currency mortgage loans. The bank is undergoing a recovery programme.

### BOŚ Bank vs. WIGBANK



Company	Target Price		Recommendation	
	new	old	new	old
BOŚ Bank	10.84	13.00	hold	buy
Company	Current Price	Target Price	Upside	
	10.12	10.84	+7.1%	
Forecast Update		2025E	2026E	2027E
Total Income	-3.2%	-0.5%	-	
Pre-Tax Profit	-34.3%	-12.2%	-	
Net Profit	-35.4%	-20.9%	-	

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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%  
**SELL** – we expect that an investment will bear a loss

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**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**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 BOŚ Bank in the 12 months prior to this publication:**

**BOŚ Bank (Michał Konarski, Mikołaj Lemańczyk)**

Rating	buy	buy
Rating date	2024-12-02	2024-08-28
Target price (PLN)	13.00	16.00
Price on rating day	10.25	13.05

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