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# Bank Millennium: hold (downgraded)

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## Close to Fair Value

We raise our 12M TP to PLN 16.50, but we downgrade MIL to Hold.

We raise our income forecasts, reflecting a lower ETR and stronger expectations for the trading/FX line. Conversely, we reduce our NII projections, which were too optimistic. Additionally, we have increased expected CHF provisioning, as the 9M'25 run rate has already exceeded our FY estimate. Our net profit estimates differ from market expectations by +20%/+22%/+17% in years 2025/26/27.

Further, we lower the 2027E dividend payout ratio to 35% (vs. Millennium's official policy of 35–50%), which, based on our earnings estimates, implies a dividend yield of approximately 3%.

The downward revision in the risk-free rate trajectory, in line with recent movements in the yield curve, has had a positive impact on our valuation. We do not factor in the proposed changes to CIT and banking tax rates for banks, which remain subject to presidential approval, but we present a reference scenario incorporating the CIT hike, which would reduce our target price to PLN 14.97.

We also highlight that, should President Nawrocki introduce additional redistribution measures – such as another credit vacation scheme or a mortgage rate cap (Hungarian style) – the impact on Millennium could be material, given its strong retail orientation.

Taking all factors into account, we see limited upside in MIL stock and maintain our Hold recommendation. Our ROE forecasts for 2025-2027 stand at 13%, 19%, and 20%, respectively, which correspond to fair value P/BV multiples of 2.2x, 1.8x, and 1.6x.

### CIT Hike Scenario

The fate of the proposed CIT rate reduction for banks to 23% from 2028 (from 30% in 2026 and 26% in 2027) appears uncertain, given the political backdrop and timing. The bill has passed the Sejm, but a new government formed after the 2027 election may show limited appetite for tax cuts. Accordingly, our base-case scenario assumes a CIT rate of 30% in 2026, falling to 26% in 2027 and the terminal period, alongside a 10% banking tax rate cut. Under these assumptions, our 2026 and 2027 net profit forecasts drop by 26% and 9%, respectively, and our TP falls to PLN 14.97 – below Millennium's current valuation.

| | | Upside |
|---|---|---|
| **Current Price*** | 15.16 PLN | |
| **12M Target Price** | 16.50 PLN | +8.8% |

* Price as of October 24, 2025, 5:00 PM

| | rating | target price | issued |
|---|---|---|---|
| **new** | **hold** | **16.50 PLN** | **2025-10-27** |
| old | buy | 15.20 PLN | 2025-06-13 |

| Key Metrics | | | MIL PW | vs. WIG |
|---|---|---|---|---|
| Ticker | MIL PW | 1M Price Chng | +2.5% | -2.1% |
| ISIN | PLBIG0000016 | YTD Price Chng | +70.3% | +30.3% |
| Outst. Stock (m) | 1,213.1 | ADTV 1M | | 8.5 mln PLN |
| MC (PLN m) | 18,390.9 | ADTV 6M | | 25.5 mln PLN |
| | | P/E 12M fwd | 15.0 | +31.2% |
| Free Float | 49.9% | P/E 5Y avg | 11.5 | premium |

**Earnings Projections**

| (PLN m) | 2023 | 2024 | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|
| NII | 5,253 | 5,530 | 5,780 | 5,853 | 5,891 |
| Total income | 7,024 | 6,516 | 7,288 | 7,297 | 7,291 |
| Costs | -2,295 | -2,773 | -2,934 | -2,896 | -2,949 |
| Provisioning | -352 | -457 | -311 | -465 | -515 |
| Net income | 576 | 719 | 1,161 | 1,939 | 2,441 |
| P/E | 31.9 | 25.6 | 15.8 | 9.5 | 7.5 |
| P/B | 2.7 | 2.4 | 2.0 | 1.7 | 1.4 |
| ROE | 9.3% | 9.8% | 13.8% | 19.3% | 20.3% |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.56 |
| DYield | 0.0% | 0.0% | 0.0% | 0.0% | 3.7% |

| Forecast Update (% change) | 2025E | 2026E | 2027E |
|---|---|---|---|
| Net interest income | -2.7% | +0.3% | +2.4% |
| Fee income | +2.5% | +2.8% | +2.7% |
| Total costs | +4.3% | +3.3% | +2.4% |
| Provisioning | -30.0% | -8.2% | -2.1% |
| Net income | +3.5% | -4.1% | +3.5% |

**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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**mBank issued the following recommendations for Bank Millennium in the 12 months prior to this publication:**

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

| Rating | buy | buy |
|---|---|---|
| Rating date | 2025-06-13 | 2024-12-02 |
| Target price (PLN) | 15.20 | 11.85 |
| Price on rating day | 13.82 | 8.44 |

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