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Bank Handlowy: hold (reiterated)

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Dividend-Heavy, but Marginalized

We maintain our hold rating on Handlowy, but we lower our target price to PLN 110.0. The adjustment primarily reflects changes to our net profit forecasts. Relative to consensus, our 2025 estimate is 16% lower, while our 2026 forecast is 8% higher (including a PLN 100m earnout from the sale of retail operations), and our 2027 projection is 9% above consensus.

The investment thesis remains unchanged: Handlowy continues to stand out for its attractive dividend profile. In 2026, as in 2025, we expect the bank to be able to pay out an extraordinary dividend funded by unallocated 2019 profits and proceeds from the retail business divestment, driving the dividend yield to around 13%. We also anticipate double-digit yield in 2017.

Setting aside shareholder distributions, Bank Handlowy is poised to lose significant market share after the successful sale of retail operations to VeloBank, following which it will become a specialized, small bank without major market impact (below 2% market share). Handlowy should be able to deliver balance sheet growth, but not meaningful enough to defend the top line. "Innovation dividend" from AI solutions may help improve efficiency in the medium to long term, but we do not incorporate this yet into our forecasts for Handlowy. Our ROE estimates at 16%-17% correspond to around 1.6x P/BV fair value multiple.

CIT Hike Scenario

Whether the proposed changes to CIT rates for banks will come to pass remains uncertain given that 2027 is an election year in Poland, and the next government 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 for Bank Handlowy would decline by 14% and 8%, respectively, and our TP falls to PLN 104.00, below the current market valuation.

Current Price*	106.00 PLN	Upside
12M Target Price	110.00 PLN	+3.8%

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

	rating	target price	issued
new	hold	110.00 PLN	2025-11-14
old	hold	124.00 PLN	2025-06-09
Key Metrics		BHW PW	vs. WIG
Ticker	BHW PW	1M Price Chng	+3.2%
ISIN	PLBH00000012	YTD Price Chng	+24.3%
Outst. Stock (m)	130.7	ADTV 1M	2.5 mln PLN
MC (PLN m)	13,849.9	ADTV 6M	3.9 mln PLN
		P/E 12M fwd	8.2
		P/E 5Y avg	8.5
Free Float	25.0%		discount

Earnings Projections

(PLN m)	2023	2024	2025E	2026E	2027E
NII	3,279	3,217	2,099	1,919	1,840
Total income	4,552	4,514	3,118	2,934	2,894
Costs	-1,483	-1,607	-833	-848	-888
Provisioning	-18	17	-29	-20	-23
Net income	2,256	1,760	1,529	1,586	1,378
P/E	6.1	7.9	9.1	8.7	10.1
P/B	1.4	1.4	1.4	1.6	1.6
ROE	25.5%	18.0%	15.6%	17.1%	15.7%
DPS	9.00	11.14	13.73	14.31	11.61
DYield	8.5%	10.5%	13.0%	13.5%	10.9%

Forecast Update (% change)	2025E	2026E	2027E
Net interest income	-2.4%	-1.3%	-0.2%
Fee income	+4.0%	-5.0%	-4.8%
Total costs	+0.9%	+1.4%	+1.9%
Provisioning	+75.4%	+12.5%	+17.6%
Net income	-15.2%	-8.0%	-11.9%

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

Bank Handlowy (Michał Konarski, Mikołaj Lemańczyk)

Rating	hold	buy
Rating date	2025-06-09	2024-12-02
Target price (PLN)	124.00	109.00
Price on rating day	114.00	86.00

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