

RATING ACTION COMMENTARY

Fitch Upgrades Santander Bank Polska's IDR to 'A-' Following Banco Santander's Upgrade

Mon 17 Feb, 2025 - 11:25 AM ET

Fitch Ratings - Paris - 17 Feb 2025: Fitch Ratings has upgraded Santander Bank Polska S.A.'s (Santander BP) Long-Term Issuer Default Rating (IDR) to 'A-' from 'BBB+' and its Shareholder Support Rating (SSR) to 'a-' from 'bbb+'. The Outlook on the Long-Term IDR is Stable. A full list of rating actions is below.

The upgrades mirror the recent rating action on its parent, Banco Santander, S.A. (A/Stable), as the IDRs of Santander BP are driven by its shareholder support (see "Fitch Upgrades Santander to 'A'; Outlook Stable", dated 11 February 2025 on www.fitchratings.com for further details).

Santander BP's National Long-Term Rating has also been upgraded to 'AA+(pol)' from 'AA(pol)'. Its 'bbb' Viability Rating is unaffected by today's rating action.

Unless noted below, the key rating drivers for Santander BP are those outlined in our Rating Action Commentary published on 17 July 2024 ("Fitch Affirms Santander BP at 'BBB+'; Outlook Stable")

KEY RATING DRIVERS

Shareholder Support Drives IDRs: Santander BP's Long-Term IDRs and SSR are one notch below Banco Santander, S.A.'s (A/Stable/a) Long-Term IDR to reflect a very high probability of support. This is underpinned by the strategic importance of the Polish market for Banco Santander. Santander BP's synergies with its parent and integration within the broader group are strong, reflected in both its product offering and risk management, and underpinned by a solid record of supporting the group's objectives.

A default of Santander BP would be damaging to Santander's reputation, given that both banks are based in the EU. Nonetheless, local management retains operational independence. The 'a-' SSR also considers Banco Santander's multiple-point-of-entry resolution strategy, with Santander BP being its own resolution group, separate from

the parent resolution group. Santander BP's Long-Term National Rating reflects the bank's improved creditworthiness relative to Polish peers.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Santander BP's IDRs and SSRs would be downgraded if Banco Santander's IDRs are downgraded or if Fitch expects a weakening of the parent's propensity to support the Polish subsidiary. The latter could result from Poland becoming less strategically important for the group or the subsidiary becoming significantly less integrated within the group, which we do not expect.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of Banco Santander's IDRs would drive an upgrade of Santander BP's IDRs and SSR, provided our assumptions surrounding potential support remain unchanged.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Santander BP's 'F1' Short-Term IDR has been upgraded by one notch following the upgrade of the Long-Term IDR. It is the higher of the two options mapping to an 'A-' Long-Term IDR on Fitch's rating scale, considering that the Long-Term IDR is support-driven. The Santander BP Short-Term IDR is in line with Banco Santander's Short-Term IDR.

Santander BP's senior preferred and senior non-preferred debt ratings have been upgraded by one notch following the upgrade of the Long-Term IDR, to 'A-' and 'BBB+' respectively. They are rated in line with and one notch below the bank's Long-Term IDR of 'A-', respectively. We expect the level of senior non-preferred and more junior debt to remain below 10% of Santander BP's risk-weighted assets (RWAs) on a sustained basis. This is based on the bank's high common equity Tier 1 (CET1) capital relative to its resolution requirements, as well as its sizeable allowance to meet resolution requirements with senior preferred debt.

Santander BP must comply with resolution buffers set under both total loss-absorbing capacity (TLAC) and minimum requirements for own funds and eligible liabilities (MREL) regulations. The bank's binding TLAC requirement is at 21.5%, including its combined buffer requirement (3.5% of RWAs), and out of that, 3.5pp can be met with senior preferred debt. The bank's fully loaded MREL for 2024 was lower than the TLAC requirement at 18.9%, including the combined buffer requirement. At end- 2024, the bank's TLAC/MREL ratio was 22.9%, including senior preferred debt.

Santander BP's short-term senior preferred debt has been upgraded to 'F1', in line with the support-driven Short-Term IDR of 'F1'.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The senior preferred and senior non-preferred debt ratings are sensitive to changes to the bank's IDRs.

If we expect Santander BP to meet its resolution requirements with only senior non-preferred and more junior instruments, or if we expect Santander BP's senior non-preferred and more junior debt buffers to exceed 10% of RWAs on a sustained basis, we would likely upgrade the bank's senior preferred and senior non-preferred debt ratings to one notch above and in line with the bank's Long-Term IDR, respectively.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Santander BP's IDRs, SSR and senior debt ratings are linked to Banco Santander's Long-Term IDR.

ESG CONSIDERATIONS

Santander BP's ESG Relevance Scores for Management Strategy is '4', reflecting our view of high government intervention risk in the Polish banking sector, which affects the bank's operating environment, its business profile, and its ability to define and execute on its strategy. This has a negative impact on its credit profile and is relevant to ratings in combination with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

Santander Bank Polska S.A.	LT IDR	A-	Upgrade		BBB+
	ST IDR	F1	Upgrade		F2
	LC LT IDR	A-	Upgrade		BBB+
	Natl LT	AA+(pol)	Upgrade		AA(pol)
	Natl ST	F1+(pol)	Affirmed		F1+(pol)
	Shareholder Support	a-	Upgrade		bbb+
Senior preferred	LT	A-	Upgrade		BBB+
Senior non-preferred	LT	BBB+	Upgrade		BBB
Senior preferred	ST	F1	Upgrade		F2

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APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Bank Rating Criteria \(pub. 15 Mar 2024\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Santander Bank Polska S.A.

EU Issued, UK Endorsed

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