



Rating Action: Moody's Ratings affirms Santander Bank Polska S.A.'s A2 long-term deposit ratings; outlook remains stable

12 May 2025

Rating action follows the planned acquisition of a controlling shareholding by Erste Group Bank AG

Limassol, May 12, 2025 -- Moody's Ratings (Moody's) has today affirmed all ratings and assessments of Santander Bank Polska S.A. (SBP) including its: A2/P-1 long- and short-term deposit ratings, (P)A3 senior unsecured Medium-Term Note (MTN) programme ratings, A1/P-1 long- and short-term Counterparty Risk Ratings (CRRs), and A1(cr)/P-1(cr) long- and short-term Counterparty Risk Assessments, as well as the bank's baa2 Baseline Credit Assessment (BCA) and baa1 Adjusted BCA. The outlook on the long-term deposit ratings remains stable.

The rating action is prompted by the bank's announcement on 5 May 2025 [1] that Erste Group Bank AG (Erste; long-term deposits: A1 stable, senior unsecured debt: A1 stable, BCA: baa1) has reached an agreement to acquire a controlling 49% stake in SBP from Banco Santander, S.A. (Spain) (Santander; long-term deposits: A2 positive, senior unsecured debt: A2 positive, BCA: baa1), SBP's current controlling shareholder with a 62.2% stake.

RATINGS RATIONALE

--DETAILS OF THE TRANSACTION

Erste plans to acquire a 49% controlling stake in SBP and 50% of Santander's Polish asset management business. Before the transaction closes, Santander will acquire SBP's 60% ownership in Santander Consumer Bank S.A. (SCB), and as a result SCB will be deconsolidated from SBP. Erste and Santander also agreed to engage in strategic cooperation to leverage their strengths in corporate and investment banking as well as payments. Pending additional closing conditions and regulatory approvals, the banks expect the deal to close by year-end.

--AFFIRMATION OF THE BASELINE CREDIT ASSESSMENT

The affirmation of SBP's baa2 BCA reflects our view that, upon its completion, the transaction will have a limited financial impact on SBP's standalone credit profile and that execution risks associated with the deal will be well managed.

Given SCB's relatively small size — the Polish consumer bank accounted for a relatively low share of SBP's balance sheet, representing 6% of consolidated assets, 9% of loans, and 7% of deposits as of year-end 2024 — we expect the sale of SCB to have a positive impact on SBP's capitalization, which, however, may be temporary depending on the financial plan developed with its new owner, drive a marginal improvement in the bank's ratio of nonperforming loans to gross loans, and be broadly neutral in terms of funding and liquidity.

Although SCB is a very profitable business, we expect SBP's profitability to remain strong even following the sale of SCB, with a more significant influence from the path interest rates will follow in Poland and the costs related to the legal risks the bank faces from its exposure to Swiss-franc mortgages, which we anticipate will be lower in 2025 than the year before.

--AFFIRMATION OF THE ADJUSTED BCA

Our affirmation of SBP's baa1 Adjusted BCA is driven by the fact that the one notch of affiliate support uplift from SBP's BCA, which currently results from our assumption of a moderate likelihood of support in case of need from Santander, will likely remain unchanged following the closing of the transaction and the change in its controlling shareholder to Erste.

Upon the closing of the transaction, we will assess the likelihood of parental support from Erste in case of need, considering the significance of the Polish operations to Erste's business mix, its controlling shareholding, and the brand association with Erste.

--AFFIRMATION OF LONG-TERM DEPOSITS AND DEBT RATINGS

We expect SBP's resolution approach to remain unchanged following the change in ownership because Erste follows a multiple point of entry (MPE) resolution approach and its CEE subsidiary banks are separate resolution entities. As a result, the outcome of our Advanced Loss Given Failure (LGF) analysis, which takes into account the severity of loss faced by different liability classes in resolution, would be unchanged. We therefore continue to apply two notches of rating uplift for SBP's deposits and one notch for the senior unsecured MTN programme ratings from the bank's unchanged baa1 Adjusted BCA.

Our unchanged assumption of a moderate likelihood of support from the Government of Poland (A2 stable) if necessary, does not result in any additional rating uplift.

OUTLOOK

The stable outlook on SBP's long-term deposit ratings reflects our view that the financial impact of the planned sale of SCB will be limited and that the costs and execution risks associated with the announced change in ownership, relating mainly to IT transformation and rebranding, will be appropriately managed and have a limited impact on SBP's credit profile.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

SBP's ratings could be upgraded if its Adjusted BCA is upgraded or due to additional issuances of bail-in-able instruments that would result in a higher notching uplift from our Advanced LGF analysis. The bank's long-term Counterparty Risk Assessment can only be upgraded following an upgrade of its Adjusted BCA combined with an upgrade of the rating of the Government of Poland.

SBP's BCA could be upgraded following an improvement in asset quality while maintaining its strong profitability and capitalization. A one notch upgrade of SBP's BCA would eliminate the one notch of uplift from affiliate support and, hence, would not result in an upgrade of its Adjusted BCA.

There is limited downside to SBP's long-term deposit and senior unsecured MTN program ratings because a lower BCA or reduced uplift from our Advanced LGF analysis would likely be offset by government support uplift for SBP's deposit and senior unsecured MTN program ratings.

SBP's BCA could be downgraded owing to a material decline in its capitalization, significantly weaker asset quality, or a weakening in its funding profile and liquidity.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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REFERENCES/CITATIONS

[1] <https://www.santander.pl/en/investor-relations/banco-santander-group/current-reports-espi/list/current-report-espi-no-44-2025> 05-May-2025

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