

## **EuroRating affirmed 'A-' credit rating with a stable outlook assigned to the bank Santander Bank Polska S.A.**

Public / Private rating	public
Continued / One off rating	continued (monitored rating)
Category	rating for the issuer
Name of the rated entity	Santander Bank Polska S.A.
Type of the rated entity	bank
Type of the credit rating	long-term, international scale
Date of rating affirmation	22.02.2024
Rating level	A-
Rating outlook	stable

**Warsaw, 22 February 2024 – EuroRating credit rating agency has revised the credit rating for the bank Santander Bank Polska S.A. The rating has been affirmed at 'A-' with a stable outlook.**

### **KEY RATING DRIVERS**

**Strong capital position of the bank:** The share of equity in total liabilities has oscillated around 11-13% in recent years. EuroRating assesses this level as relatively high and safe, especially considering the moderate share of loans in assets. The bank's good capital position is further confirmed by the high level of regulatory capital ratios (Tier 1 ratio at 17.2% and total capital ratio (TCR) at 18.6%), which, despite the decline in Q4 2023 due to the payment of the dividend, still maintain high and safe values.

**Good quality of the loan portfolio:** At the end of 2023, the share of non-performing loans in the portfolio amounted to 4.6%. This figure is below the average for the entire banking sector and reflects the bank's effective credit risk management. Additionally, the high coverage ratio of non-performing loans by reserves further bolsters the portfolio's resilience.

**Moderate share of loans in assets:** From 2020 to 2023, the value of loans in relation to the bank's total assets has significantly decreased (falling below 60% in recent quarters, compared to 65-70% prior to 2019). Consequently, the bank maintains a moderate exposure to risks associated with granted loans.

**High liquidity:** Since 2020, the ratio of collected deposits to granted loans has consistently been high (at the end of 2023, this ratio amounted to 1.37), indicating that the bank maintains a relatively high level of liquidity.

**Financial performance growth:** In 2023, the bank reached a record consolidated net profit of PLN 4.8 billion, marking a 73% increase compared to the previous year. The interest income amounted to PLN

13.1 billion, representing a 36% growth compared to 2022. The bank's record-breaking results contribute to further increases in operational efficiency ratios – both the ROA (1.8%) and ROE (15.5%) have reached their highest levels in eight years.

**Mortgage portfolio in CHF:** Santander Bank Polska holds a portfolio of mortgages in Swiss francs, but EuroRating assesses its share in the total value of granted loans (approximately 1.3%) and the total assets of the bank (below 1%) as low and immaterial. Additionally, considering the substantial reserves already established, potential extra losses tied to legal risks associated with these types of loans are not expected to significantly affect the bank's financial results and capital position in the upcoming periods, according to the agency.

**High probability of support:** The majority shareholder of the bank is the Spanish Banco Santander, the largest bank in the Eurozone. Although Santander Bank Polska is one of the largest banks in Poland in terms of size, its scale of operations remains relatively small compared to the entire Santander group. EuroRating evaluates that in the event of a crisis, there is a high likelihood of receiving support from the majority shareholder.

**Long operating history and extensive scale of operations:** Santander Bank Polska (previously known as Bank Zachodni and BZ WBK) has been operating since 1988. Since 2001, the bank's shares have been listed on the Warsaw Stock Exchange and the bank is included in the WIG20 (blue chips) index. Through a combination of organic growth and strategic acquisitions, the bank has attained a substantial scale of operations, establishing itself as one of the largest banks in Poland.

**Credit holidays:** The government's plans for 2024 include the reintroduction of credit holidays, which may result in a decrease in revenues and have a negative impact on the bank's financial performance.

## STABLE RATING OUTLOOK

The stable rating outlook means that, according to the current EuroRating's estimates, the rating assigned to the company should most likely remain unchanged in the horizon of the next 12 months.

## MAIN FACTORS THAT COULD LEAD TO A RATING CHANGE

The most significant potential factors that could (individually or collectively) lead to a positive rating action (change of the rating outlook to positive and/or rating upgrade), EuroRating includes: an increase in the level of the equity-to-assets ratio and regulatory capital ratios; further improvement of financial performance and an increase in the assets profitability ratio; a decrease in the share of non-performing loans; as well as an increase in the creditworthiness of Poland (reduction of credit risk of government bonds).

The most significant potential factors that could (individually or collectively) lead to a downgrade of current credit rating (and/or to a change of the rating outlook to negative): potential significant deterioration of financial performance (including, in particular, the generation of losses); making excessively high dividend payouts and any significant decrease of the equity-to-liabilities ratio and/or a decline of regulatory capital ratios; as well as any substantial deterioration in economic conditions and a significant increase of the share of non-performing loans.

**BEST/WORST RATING SCENARIO**

The full range of best- and worst-case scenarios for all rating categories spans from 'AAA' to 'D'. Historical long-term statistics on rating migrations (changes between individual rating classes) for entities rated by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics> (annexes No. 6-9).

## REGULATORY DISCLOSURES

### Information on the EuroRating credit rating agency

EuroRating is a fully independent international credit rating agency operating since 2007, specializing in assessing the credit risk of enterprises and financial institutions. EuroRating Sp. z o.o. is formally registered by the European Securities and Markets Authority (ESMA) as a credit rating agency authorized to issue public credit ratings throughout the European Union (in accordance with the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision of ESMA.

EuroRating holds the ECAI (External Credit Assessment Institution) status in the European Union, pursuant to the Regulation of the European Parliament and of the Council No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR Directive). The credit ratings (including unsolicited ratings) assigned by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation by all financial institutions or any other entities and are entirely equal to credit ratings issued by other credit rating agencies registered by ESMA.

### Methodology

The presented credit rating for the bank Santander Bank Polska S.A. is an issuer credit rating – it is a general assessment of the creditworthiness of the assessed entity and concerns the credit risk of its senior, unsecured and unsubordinated financial obligations.

The presented credit rating has been assigned in accordance with the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council on credit rating agencies.

The methodology used in this rating was "Credit rating methodology for banks" published in June 2023 and available at: <https://www.eurorating.com/en/ratings/methodology/credit-risk-assessment-methodology>

The rating scale of the EuroRating credit rating agency as well as detailed rating definitions are published at: <https://www.eurorating.com/en/ratings/rating-scale>

Historical default statistics for entities assessed by EuroRating are published in the report on rating statistics, available at: <https://www.eurorating.com/en/ratings/statistics>

EuroRating's definition of default as well as definitions of rating notations can be found in the agency's website at: <https://www.eurorating.com/en/ratings/methodology/definition-of-default>

Credit ratings assigned by the EuroRating credit rating agency are not solely estimates of the probability of default of a rated entity, but represent a total estimated assessment of a risk of loss (i.e. the ultimate loss of part or all of the receivables along with any interest) by the creditors of the rated entity in the event of its default. Ratings assigned by EuroRating therefore express a combination of the estimated probability of default of the rated entity and the estimated level of loss of receivables by its creditors in the event of an actual default (Loss Given Default).

### Public status of the credit rating / terms of use

The presented credit rating for the bank Santander Bank Polska S.A. is a public rating. The date of the first publication of the rating, the current rating level and the full rating history are published on the EuroRating's website in the section "Credit ratings", in the relevant tab on the rated entity/security.

The terms of use for credit ratings issued by EuroRating are published on the agency's website at: <https://www.eurorating.com/en/ratings/about-credit-ratings/terms-of-use>

### Solicitation status

The rating assigned to the bank Santander Bank Polska S.A. was not solicited by the rated entity or any related third parties. The rated entity did not participate in the rating process and the EuroRating had no access to internal documents or the management of the rated entity. The analytical process relied solely on publicly available information. Key sources of information included: interim financial statements, presentations and reports from the rated entity, along with media coverage of the economy and relevant industries, as well as public information about the rated entity itself. The assigned credit rating was presented to the rated entity in advance and issued without any changes resulting from this disclosure.

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