

Wednesday, 6 August 2025 | update

Santander Bank Polska: hold (upgraded)

SPL PW; SPL1.WA | Banks, Poland

Q2 results and SCB deal in Focus

We are upgrading our recommendation for Santander Bank Polska (SBP) to 'hold' and raising our 12-month target price to PLN 558.90. The higher target price reflects slightly higher expectations for 2026-27 results, revised expectations regarding sale of Santander Consumer Bank (SCB) impact on capital ratios, and a lower risk-free rate.

With its Q2 2025 results, Santander Bank Polska shed more light on the deconsolidation of SCB, separating the company's operations into discontinued operations. We have adjusted our income statement and balance sheet for 2025 accordingly. For 2026/27 we have already taken into account the sale of SCB.

Santander Bank Polska also disclosed that the sale of Santander Consumer Bank will have a positive impact on net profit of PLN 369m at the non-consolidated level and PLN 18m at the consolidated level. In addition, we have revised our capital adequacy ratio expectations, as the sale of SCB will have a positive impact on the consolidated TCR of c.1.6 p.p.

Thanks to higher capital adequacy ratios, we have increased the dividend payout ratio from 50% to 65% in 2026 and to 60% in 2027, in line with PKO BP's dividend payout ratios. We have recently lowered dividend payout ratios across the sector, assuming that banks will prefer growth in the corporate sector over dividend payments. Furthermore, we note that SBP's dividend payout ratio will remain higher than that of Erste Group at 40-50%.

We value SBP for 2026 at 1.5x P/BV, in line with Bank Pekao, given similar profitability and dividend capacity. On the positive side, we note that SBP will remain highly profitable, with ROE at 16-18%. On the other hand, we see some challenges arising from the ownership changes, as competition is likely to be fierce for SBP's customers during and after the transition period, especially as Erste will have to introduce its brand to the Polish market. We also remind you of Banco Santander's surplus shares worth approximately PLN 7bn. In summary, we believe that Santander Bank Polska is fairly valued, although a certain discount during a potential ABB may represent an investment opportunity.

2Q'25 results recap, management guidance and changes to our forecasts

Santander Bank Polska's results for Q2 2025 exceeded the consensus, mainly due to lower risk costs and better net trading income. The structure of the results changed as SBP decided to recognize SCB in discontinued operations. Our net profit forecast for 2025 has been lowered by 3%, but raised by 5-6% for 2026/27 due to lower expectations for cost of risk. Our forecast for 2025 is 8% lower than the consensus, but in line for 2026 and 12% higher for 2027.

Management sees NII sensitivity to 100bps base rate cut at PLN 280m on group level and at 250m on continued business level. SBP expects two more rate cuts this year (25 bps each) and a base rate decline to 4.00% in 2026. CoR is expected to remain stable in 2H'25.

What should investors expect after the change of ownership?

In a recent interview, the CEO of Erste Group stated that he is in favour of local managers and appreciates the current management of SBP. Nevertheless, we note that in other subsidiaries in Central and Eastern Europe, Erste typically has mixed management boards with Austrian representatives.

As in other markets, we expect Erste Group to continue to focus on asset quality and profitability rather than aggressive market share gains. At the same time, we note that with the sale of SCB, SBP's share of the retail non-mortgage loan market will fall by approximately 3 p.p., which will cause the banks' market share to fall to fourth place in Poland. We also expect SBP to continue to create CHF-related provisions in 2026. The CEO of Erste Group also stated that the group is not currently interested in other acquisitions in Poland.

(PLN m)	2023	2024	2025E	2026E	2027E
Net interest income	13,115.9	13,873.2	12,791.8	12,597.6	12,539.0
Non-interest income	2,876.4	3,258.5	3,269.1	3,386.3	3,506.1
Costs	4,715.0	5,065.0	4,859.8	5,399.5	5,602.5
Operating income	11,277.3	12,066.6	11,201.1	10,584.4	10,442.5
Net profit	4,831.1	5,212.7	5,513.8	6,172.3	7,058.9
C/I (%)	29.5	29.6	30.3	33.8	34.9
ROE (%)	16.1	16.2	16.0	17.5	17.9
P/E (x)	11.0	10.2	10.2	8.6	7.5
P/B (x)	1.7	1.6	1.6	1.4	1.3
DPS (PLN)	23.25	44.63	46.37	33.25	36.24
Dividend yield (%)	4.47	8.57	8.91	6.39	6.96

Current Price*	PLN 520.60
Target Price	PLN 558.90
mCap	PLN 53,628m
Free Float	PLN 20,272m
ADTV (3M)	PLN 45.8m

*Price as of August 05, 2025, 5:00 PM

Ownership

Banco Santander S.A.	62.20%
Others	37.80%

About

Santander Bank Polska (Santander) is a universal lender with a slight bias toward the retail sector. Santander has a solvency ratio of 18%. In 2025 Banco Santander, majority owner, announced it will sell its Polish subsidiary to Erste Group. At the same time, it will acquire 60% stake in Santander Consumer Bank from Santander Bank Polska. Santander currently ranks the No. 3-4 bank in Poland depending on the product.

SPL vs. WIGBANK



Company	Target Price		Recommendation	
	new	old	new	old
Santander BPL	558.90	515.00	hold	sell

Company	Current Price	Target Price	Upside
Santander BPL	520.60	558.90	+7.4%

Forecast Update	2025E*	2026E	2027E
Total Income	-11.3%	-0.9%	+0.9%
Pre-Tax Profit	-1.8%	+1.3%	+2.9%
Net Profit	-3.0%	+5.0%	+6.3%

*total income affected by deconsolidation of SCB

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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

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
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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HOLD – we expect that the rate of return from an investment will range from 0% to +10%
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NAV – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

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

Santander Bank Polska (Michał Konarski, Mikołaj Lemańczyk)

Rating	sell	buy	buy
Rating date	2025-05-19	2024-12-02	2024-08-28
Target price (PLN)	515.00	590.60	574.45
Price on rating day	534.20	437.20	510.80

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