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Santander Bank Polska: hold (reiterated)

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Robust Q3, Integration and CIT Risks Ahead

We slightly adjust our target price to PLN 551.69 per share, keeping our "Hold" rating unchanged.

Santander Bank Polska ("Santander") reported a stronger-than-expected 3Q'25 net income, while its pre-provisioning operating profit was in line with expectations. We expect elevated CHF provisioning again in 4Q'25, followed by continued write-offs in the projected amount of PLN 1.26bn in 2026 (-40% Y/Y).

With no major surprises in YTD results, we keep our 2025-27 earnings expectations mostly intact except for a 4% reduction in 2026E net income. Amid ongoing interest rate cuts, we expect just a slight decline in net interest income in 2026 (-1.5%) and 2027 (-0.5%). In line with management guidance, we expect the cost of risk to remain low at 40 bps in 2026-27. At the same time, we continue to expect operating costs in 2026 to be boosted by integration costs related to Santander's takeover by Erste Group. Overall, compared to consensus, our net income forecast for 2025 is 6% lower, while our estimates for 2026 and 2027 are 3% and 12% higher, respectively.

Erste Group indicated during our European Financials Conference in September that the takeover transaction will most likely be finalized in 1Q'26, representing a slight delay from the initially expected 4Q'25 timeline. This is likely to increase the risk of an ABB stake sale by the previous owner, Banco Santander, which, following the deal, will be left with a 13.2% stake in Santander Bank Polska, worth PLN 7.5bn.

CIT Hike Scenario

The proposed CIT rate cut to 26% from 2027 (from 30% in 2026) remains uncertain, given the political backdrop – 2027 is an election year. 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 Santander drop by 14% and 9%, respectively, and our TP falls to PLN 516.72, still warranting a Hold call.

Overall, at 2026 P/BV 1.4x (6% discount to peers) and 17% ROE (peers at 18.5%) we view Santander as fairly valued and do not consider a potential CIT hike to be a major valuation risk. A certain discount during a potential ABB could present an investment opportunity.

Current Price*	503.20 PLN	Upside
12M Target Price	551.69 PLN	+9.6%

* Price as of October 29, 2025, 5:00 PM

	rating	target price	issued
new	hold	551.69 PLN	2025-10-30
old	hold	558.90 PLN	2025-08-06

Key Metrics		vs. WIG		
Ticker	SPL PW	1M Price Chng	+6.0%	-0.4%
ISIN	PLBZ000000044	YTD Price Chng	+22.4%	-20.0%
Outst. Stock (m)	102.2	ADTV 1M	33.6 mln PLN	
MC (PLN m)	51,421.7	ADTV 6M	40.7 mln PLN	
		P/E 12M fwd	9.1	-11.0%
Free Float	37.8%	P/E 5Y avg	10.2	discount

Earnings Projections

(PLN m)	2023	2024	2025E	2026E	2027E
NII	13,116	13,873	12,792	12,598	12,539
Total income	15,992	17,132	16,066	15,936	15,982
Costs	-4,715	-5,065	-4,860	-5,399	-5,603
Provisioning	-1,149	-983	-651	-706	-753
Net income	4,831	5,213	5,502	5,921	7,029
P/E	10.6	9.9	9.3	8.7	7.3
P/B	1.6	1.6	1.5	1.4	1.3
ROE	16.1%	16.2%	16.7%	16.7%	17.9%
DPS	23.25	44.63	46.37	35.00	34.77
DYield	4.6%	8.9%	9.2%	7.0%	6.9%

Forecast Update (% change)	2025E	2026E	2027E
Net interest income	0.0%	0.0%	0.0%
Fee income	-0.4%	-1.0%	-1.0%
Total costs	0.0%	0.0%	0.0%
Provisioning	+9.2%	0.0%	0.0%
Net income	-0.2%	-4.1%	-0.4%

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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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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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	hold	sell	buy
Rating date	2025-08-06	2025-05-19	2024-12-02
Target price (PLN)	558.90	515.00	590.60
Price on rating day	520.60	534.20	437.20

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