FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Santander at 'A+'; Outlook Stable

Wed 08 Jul, 2026 - 12:41 ET

Fitch Ratings - Barcelona - 08 Jul 2026: Fitch Ratings has affirmed Banco Santander, S.A.'s Long-Term Issuer Default Rating (IDR) at 'A+' with a Stable Outlook and Viability Rating (VR) at 'a'. A full list of rating actions is below.

KEY RATING DRIVERS

Balanced Geographic Diversification: Santander's ratings benefit from its stable, balanced and geographically diversified universal banking operations with strong franchises in several key markets and a leading European consumer finance business. Its business profile and effective risk management support resilient profitability and adequate capitalisation, offsetting weaker asset quality compared with higher-rated European peers. Santander's funding benefits from its growing deposit base, while maintaining access to diverse wholesale funding sources.

The IDR is one notch above the VR to reflect Santander's large resolution debt buffer.

Increased Exposure to High-Rated Markets: Santander's blended operating environment assessment of 'a' is in line with that of Spanish domestic peers. It balances the material exposure to emerging markets and benefits from good opportunities in Spain and other key mature markets. Santander has materially increased its presence in the UK and the US through the completed acquisition of TSB Banking Group plc in the UK in April 2026 and planned takeover of Webster Financial Corporation in the US.

Santander's multiple point-of-entry resolution strategy requires subsidiaries to manage capital and funding independently. This limits the potential for foreign operations to become a contingent liability for the parent.

Strong Business Profile: Santander's global universal banking franchise, underpinned by a strong presence in key markets and product segments, allows it to generate sound and stable earnings through different interest rate and economic cycles. Its diversified business model is supported by its growing corporate and investment banking and payments businesses and a leading consumer finance business. Wealth management and insurance are less developed than at other European peers but adequately complement its product offering and are growing.

Conservative Risk Profile: The bank's centralised and robust risk controls coupled with tightened underwriting standards in more vulnerable asset classes and geographies, underpin its resilient asset quality. Interest-rate and foreign-exchange risks are well-managed, and traded market risk is contained and below higher-rated peers.

Resilient Asset Quality: Santander's broadly resilient asset quality metrics through the cycle stem from its proactive risk management, franchise depth and uncorrelated credit cycles in the markets in which it operates. Fitch expects its impaired loans ratio to remain at about 3% in 2026-2027, benefiting from recently tightened loan underwriting (notably the retail segment in Brazil) and supportive economic performance in key markets despite global risks.

Strong Profitability: Santander's diversified franchise across all business lines, strong operating efficiency and international presence support strong profitability. We expect operating profit to remain comfortably above 3% of risk-weighted assets (RWAs) in 2026-2028. The metric will benefit from revenue growth and efficiency improvements stemming from transformational initiatives and the progressive realisation of synergies in acquisitions.

Improved Capital Target: We expect Santander to maintain a common equity Tier 1 (CET1) ratio close to 13% in 2026-2028, at the upper end of its 12%-13% operating range, following its new strategic plan. Robust earnings generation and recurring capital optimisation measures support larger capital distributions and business growth.

Diversified Funding, Strong Retail Franchise: Santander's gross loan-to-deposit ratio remains consistently at around 100%. It is slightly above that of domestic and international peers, although it will benefit from the bank's strategy to expand its deposit base. The bank's global retail deposit franchise has been resilient throughout the cycle, which enhances the stability of the group's funding and liquidity and reduces concentration risks. Wholesale funding is diversified by product and currency across various geographies and has access to a wide investor base.

RATING SENSITIVITIES

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

Santander's Long-Term IDR would be downgraded if its VR was downgraded or if the resolution debt buffer falls below 10% of RWAs.

Negative VR pressure would emerge if we no longer expected Santander to structurally operate with a CET1 ratio at least close to about 13% and the operating profit/RWAs falls below 3% on a sustained basis, signalling diminishing earnings resilience.

An unexpected severe economic setback in the group's core countries sharply eroding its business and financial prospects, or a higher weighting towards more volatile markets, would also be negative for Santander's ratings.

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

The Long-Term IDR would be upgraded if Santander's VR was upgraded and the bank maintains a resolution debt buffer sustainably above 10% of RWAs.

An upgrade of Santander's VR would require further improvements in its operating environment assessment. In addition, an upgrade would require a better risk profile, visibly stronger asset-quality metrics, and maintaining a CET1 and operating profit/RWAs ratios materially above 13% and 3%, respectively, on a sustained basis.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The bank's Derivative Counterparty Rating (DCR) and long-term senior preferred debt rating (senior unsecured debt under Fitch's Bank Rating Criteria) are one notch above the VR. This reflects the reduced probability of default on these obligations compared with the VR, due to the large resolution debt buffer. At end-2025, this buffer was 13.7% of RWAs (adjusted for recent M&A deals and deconsolidating major subsidiaries that are outside the resolution group with corresponding intragroup funding) and we expect it to remain sustainably between 10% and 15%. For the same reason, its long-term senior non-preferred debt (senior resolution debt under the Bank Rating Criteria) is equalised with the VR.

Spain's Long-Term IDR of 'A' constrains the uplift of the long-term deposit rating to one notch above the VR, despite the large resolution debt buffer.

The Short-Term IDR and the short-term senior preferred debt and deposit ratings of 'F1' are the lower option that maps with their corresponding long-term ratings as the funding and liquidity score is not high enough to warrant a higher rating.

The Tier 2 debt is rated two notches below the VR to reflect higher loss severity, as we expect poor recoveries for this type of debt in a default scenario.

Legacy preferred shares are rated five notches below the bank's VR. This corresponds to two notches for loss severity and three notches for non-performance risk, given the presence of a profit test in the notes' terms and conditions.

Santander's Government Support Rating (GSR) of 'no support' reflects our view that although external extraordinary sovereign support is possible, it cannot be relied on. This is because senior creditors can no longer expect to receive full extraordinary support from the sovereign in the event that the bank becomes non-viable.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The long-term senior preferred debt, long-term senior non-preferred debt, long-term deposit ratings and DCR are sensitive to changes to the VR and the resolution debt buffer. The long-term deposit rating will be upgraded by one notch when deposit preference is implemented in Spain or if Spain's sovereign rating is upgraded.

The Short-Term IDR and short-term senior preferred debt and deposit ratings are sensitive to their corresponding long-term ratings and the bank's funding and liquidity score.

Santander's subordinated debt and legacy preferred shares' ratings are sensitive to a change in the VR.

An upgrade of the GSR would be contingent on a positive change in the sovereign's propensity to support the bank. In Fitch's view, this is highly unlikely, although not impossible.

VR ADJUSTMENTS

The operating environment score of 'a' is below the 'aa' category implied score due to the following adjustment reason(s): sovereign rating (negative).

The funding & liquidity score of 'a' is above the 'bbb' category implied score due to the following adjustment reason(s): deposit structure (positive), and non-deposit funding (positive).

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.

ESG CONSIDERATIONS

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, visithttps://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Banco Santander, S.A.	LT IDR	A+ Rating Outlook Stable	Affirmed	A+ Rating Outlook Stable
	ST IDR	F1	Affirmed	F1
	Viability	a	Affirmed	a
	DCR	A+(dcr)	Affirmed	A+(dcr)
	Government Support	ns	Affirmed	ns
subordinated	LT	BBB+	Affirmed	BBB+
Senior preferred	LT	A+	Affirmed	A+
preferred	LT	BB+	Affirmed	BB+
long-term deposits	LT	A+	Affirmed	A+
Senior non-preferred	LT	A	Affirmed	A
short-term deposits	ST	F1	Affirmed	F1

Senior preferred	ST	F1	Affirmed	F1

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Pau Labro Vila
Director
Primary Rating Analyst
+34 93 494 3464
pau.labrovila@fitchratings.com
Fitch Ratings Ireland Spanish Branch, Sucursal en España
Av. Diagonal 601 Planta 4 Barcelona 08028

Cristina Torrella Fajas
Senior Director
Secondary Rating Analyst
+34 93 323 8405
cristina.torrellafajas@fitchratings.com

Michal Bryks
Senior Director
Committee Chairperson
+48 22 103 3024
michal.bryks@fitchratings.com

MEDIA CONTACTS

Tahmina Pinnington-Mannan
London
+44 20 3530 1128
tahmina.pinnington-mannan@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 08 May 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Banco Santander, S.A.	EU Issued, UK Endorsed

DISCLAIMER & DISCLOSURES

its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch’s website.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a

Ratings.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU Regulation or the UK Regulation, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.