

# Banco Santander S.A.

December 2, 2025

This report does not constitute a rating action.

## Ratings Score Snapshot

SACP: a			Support: +1		Additional factors: 0	
Anchor	bbb+		ALAC support	1	Issuer credit rating	
Business position	Very Strong	2	GRE support	0	A+/Stable/A-1	
Capital and earnings	Adequate	0	Group support	0	Resolution counterparty rating	
Risk position	Strong	1	Sovereign support	0	AA-/--/A-1+	
Funding	Adequate	0				
Liquidity	Adequate					
CRA adjustment		-1				

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

## Credit Highlights

### Overview

Key strengths	Key risks
Wide geographic diversification and solid retail banking franchises, underpinning robust and stable earnings.	Exposure to higher-than-average economic risk in some countries of operation.
Consistent delivery of strategic goals.	Challenging operating conditions in some Latin American markets.
Sound capitalization for the risks it faces.	

**The bank will close its 2023-2025 strategic plan having delivered on its targets, some of which were upgraded during the period.** In February 2026, it will present a new strategic plan. The recent strategy focused on:

- Fostering organic business growth (attracting new and further engaging current clients);

### Primary Contact

**Elena Iparraguirre**  
Madrid  
34-91-389-6963  
elena.iparraguirre  
@spglobal.com

### Additional Contact

**Luigi Motti**  
Madrid  
34-91-788-7234  
luigi.motti  
@spglobal.com

- Strengthening profitability (return on tangible equity [RoTE] post AT1 of 16.5%) and increasing shareholders' distributions (50% pay out);
- Improving efficiency (cost to income of 42%) with the One Transformation plan as a key enabler;
- Preserving solid capitalization (revised operating CET 1 target of 12%-13%);
- Promoting the effective allocation of capital (85% of risk-weighted assets [RWAs] with return on RWAs in excess of cost of equity); and
- Progressing its digital and ESG agendas.

**Profitability continues to improve despite declining rates and Latin American currency**

**depreciations.** As of September 2025, Santander's results were up 11% year-on-year, which suggests that its 2025 results will again mark another record. The group's hedging strategy and good management of funding costs helped it contain the impact of lower interest rates on its net interest income, which declined only marginally. Fee income growth, progressing the One Transformation plan, which led to operating costs declining in nominal terms, and slightly lower credit impairments also contributed to the bank's solid performance, with its RoE standing at 13.7% (RoTE of 16.8%). Furthermore, Santander will be able to maintain sound profitability, in our view, even though in 2026 it will lose the profit contribution from its Polish subsidiary, as it agreed to sell a 49% majority stake, and will not be able to offset this with the addition of U.K.-based TSB. We forecast its RoE to decline slightly to 11.5%-12.0% over 2026-2027. But volume growth, a larger contribution from non-interest income sources, and lower operating costs--as further cost synergies materialize--will continue to support profitability.

**The bank's RAC sits comfortably in the adequate category.** Earnings generation and the easing of economic risks in the U.K. have helped improve Santander's 2024 pro forma RAC to 8.5% and we expect further upside, with the RAC moving toward 9.5% by 2027, on the back of solid retained earnings and contained risk asset expansion (as the bank makes more use of risk-transfer techniques). Management has also raised its operating CET 1 target to 12%-13%, from 12% before.

**Asset quality pressures will ease and credit costs should moderately decline toward 120 bps by 2027, from 130 bps on average in 2025-2023, on improvements primarily in the European and U.S. operations.** Conversely, the cost of risk of the European auto lending business is still normalizing (from low levels), while Latin America also shows weakening asset quality trends. Santander's credit costs are higher than peers' due to the inherently higher credit risks in some of its countries of operation, namely in Latin America.

**Santander's robust business model and wide geographic diversification continue to support our ratings.** The strength of its business model lies in the bank running powerful retail banking franchises in several countries, and its resulting wide geographic diversification, which benefits its risk profile and its consistent profitability and efficiency track record.

**Recent M&A transactions in Poland and the U.K. are ratings neutral.** Primarily because of the limited size of both operations in the group context, the deals' lack of impact on the bank's capitalization and the manageable effect on future profitability. While Santander has a track record of actively managing its investments and selling subsidiaries when it sees a strategic and economic rationale, we had not anticipated the move in Poland. It received an attractive offer, in cash and at a good multiple (2.2x tangible book value) but the profitability and growth prospects of the Polish subsidiary--given Poland's sizable population, dynamic economy, and underleveraged private sector--had also looked strong. In 2024 Santander Bank Polska

contributed €800 million or 6% of the group's net attributable profits, but this will likely be higher in 2025. Furthermore, Santander did not sell its ownership in full and retained a 13% minority stake.

Subsequently, Santander agreed to buy UK TSB from Banco Sabadell, using part of the capital generated in the prior deal. This acquisition is far from being transformational, neither in terms of size nor diversification, with the value added relying on the possibility of achieving cost synergies and improving the profitability of Santander's UK operations, which are behind target. In this case, TSB was valued at 1.5x tangible book value.

## Outlook

The stable outlook reflects our expectations that over the next couple of years Santander will be able to preserve its credit strengths, including its large and diversified footprint, strong earnings power, and sound risk-adjusted capitalization. We expect the group's operating performance to remain solid as interest rates decline, and as key strategic initiatives bear fruit and help contain costs, leading to ROE of 11.5%-12.0% in 2026-2027, according to our calculations. Solid profits and contained RWA expansion should also lead to a moderate improvement in Santander's capitalization, despite the bank distributing half of the profits it generates to shareholders. We see the RAC moving toward 9.5% by 2027. Generally lower financing costs should ease the pressure on Santander's asset quality, allowing cost of risk to decline moderately from 130 bps in 2023-2025 toward 120 bps by 2027.

### Downside scenario

There is limited downside pressure because, even if Santander's stand-alone creditworthiness were to weaken, we could incorporate more credit uplift than the current one notch for the large buffer of subordinated bail-inable debt that the bank has accumulated, provided it maintains this large buffer. Furthermore, the upgrading of our long-term sovereign credit rating on Spain to 'A+' also reduces the likelihood of our ratings on Santander being affected by a sovereign downgrade, provided we continue to believe the bank is eligible to be rated one notch above the sovereign rating, as has been the case for the past few years.

We could consider revising the SACP downward if the relative weight of higher-risk economies were to increase significantly; if the bank's wide geographical and business diversification stopped providing tangible benefits to its risk profile; or if unexpected events, such as material acquisitions, undermined its capital position.

### Upside scenario

We could take a positive rating action if economic risks in Santander's geographical footprint were to ease and we continued to believe that the bank would be resilient in a hypothetical sovereign default scenario, therefore being eligible to be rated one notch above our sovereign credit rating on Spain.

## Key Metrics

## Banco Santander S.A. Key Ratios And S&amp;P Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2023a	2024a	2025f	2026f	2027f
Growth in operating revenue	10.6	7.8	(5.0) -(6.5)	(1.0)-1.0	2.5-4.0
Growth in customer loans	-0.42	0.16	(4.5) -(5.5)	2.7-3.3	2.7-3.3
Growth in total assets	3.60	2.23	0.3	1.1	2.5
Net interest income/average earning assets (NIM)	3.10	3.19	2.7-3.0	2.7-3.0	2.8-3.0
Cost to income ratio	46.18	45.02	46-47	46-48	45-47
Return on average common equity	12.12	13.04	12.5-13.5	11.5-12.5	11.5-12.5
Return on assets	0.70	0.77	0.7	0.7	0.7-0.8
New loan loss provisions/average customer loans	1.29	1.28	1.3	1.3	1.2
Gross nonperforming assets/customer loans	3.51	3.47	3.3-3.6	3.2-3.5	3.0-3.3
Net charge-offs/average customer loans	1.20	1.14	1.1	1	1
Risk-adjusted capital ratio	7.92	8.33	8.8-9.2	9.0-9.5	9.3-9.8

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

## Anchor: Recently Revised To 'bbb+'

Our anchor for Santander is currently 'bbb+', in line with that of most of its global and European peers, even though the bank is exposed to a higher weighted-average economic risk than most of them.

Santander's 'bbb+' anchor results from the weighted average of the economic risk of the countries where it operates, currently '4', and Spain's industry risk assessment of '3'.

Santander's weighted average economic risk is similar to that of banks focused exclusively on Spain, despite exposure to its home market accounting for only one fourth of the total. That is because exposures to lower risk countries (the U.K.; economic risk of '3'), the U.S. ('3'), Germany ('2') and France ('3'), accounting respectively for 25%, 10%, 5%, and 5% of the group's lending exposures at June 2025, offset the higher risks of markets like Brazil ('7'), Mexico ('6') and other Latin American countries ('7'), which represent 10%, 5%, and 5% of exposures. The remaining 5% of exposures are in Portugal and Europe, 5% each, both with economic risk assessments of '4'. Weightings are rounded to the nearest 5% before averaging and are calculated pro forma the recent sale of Polish operations.

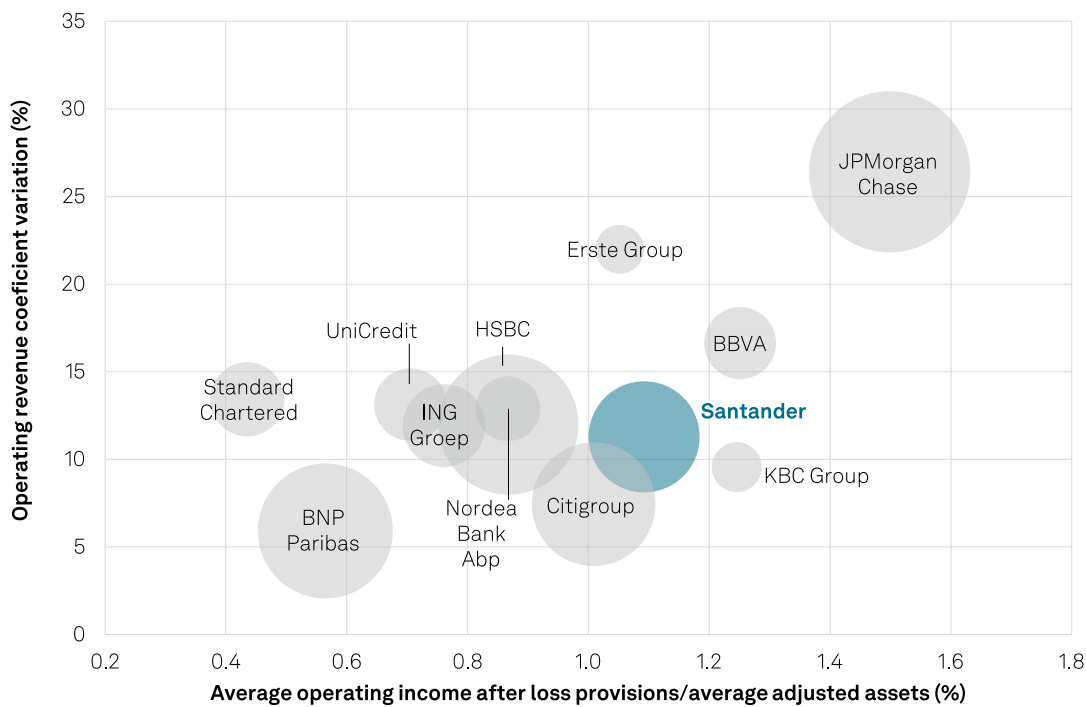
Our industry risk assessment for Spain is now '3', after we revised it upward in March 2025, and is supported by Spanish banks' solid funding profiles and improved profitability. Customer deposits, largely provided by households and therefore cheap and stable, more than fully fund banks' loan books, and Spanish banks have become net external creditors. Additionally, Spanish banks' profitability has substantially improved, and we expect it will remain solid as interest rates normalize, with banks benefiting from the return of lending growth, hedging strategies, and their lean operating structures after more than a decade of downsizing. Largely supervised by the European Central Bank, Spain's regulatory and supervisory framework is aligned with international standards, as are banks' governance and disclosure standards.

# Business Position: A Powerful, Geographically Diversified and Profitable Retail Banking Franchise

Santander benefits from a robust business model based on a geographically diversified franchise, with leading market positions in the countries where it operates and a focus on stable retail banking, all of which contribute to strong, consistent earnings and outstanding efficiency (charts 1 and 2). Of the bank's global peers, only the ratings on French bank BNP Paribas and U.S. bank JP Morgan Chase benefit from these business model strengths to the same extent as Santander.

Chart 1

## Santander has a track record of strong profits and recurrent earnings

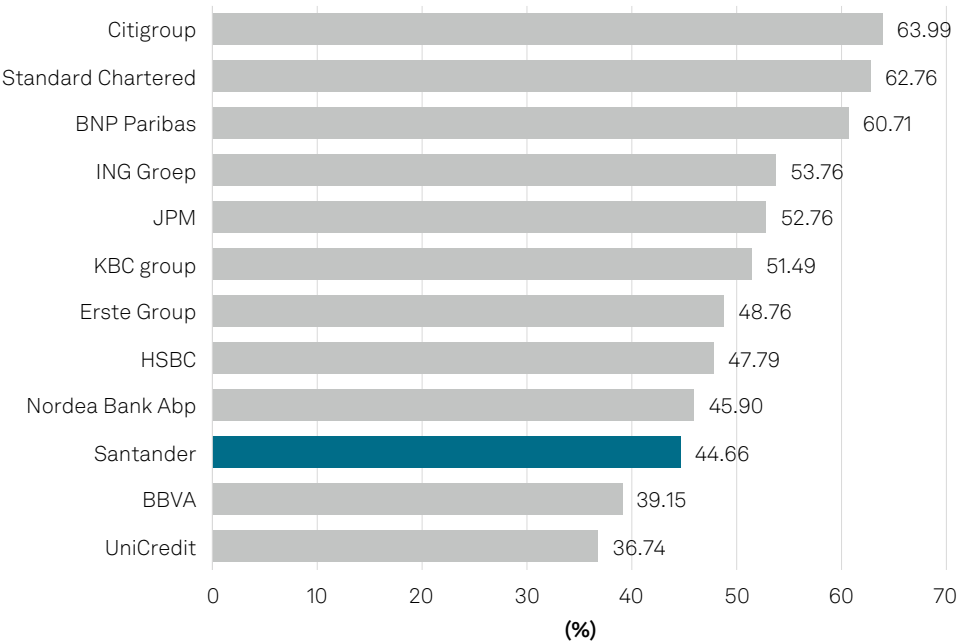


\*Data as of 2014-2024. Coefficient variation measures the standard deviation of operating revenues to the mean. Bubble size represents total assets. Source: S&P Global Ratings. Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 2

A high level of efficiency is one of Santander's key attributes

Cost to income ratio as of June 2025



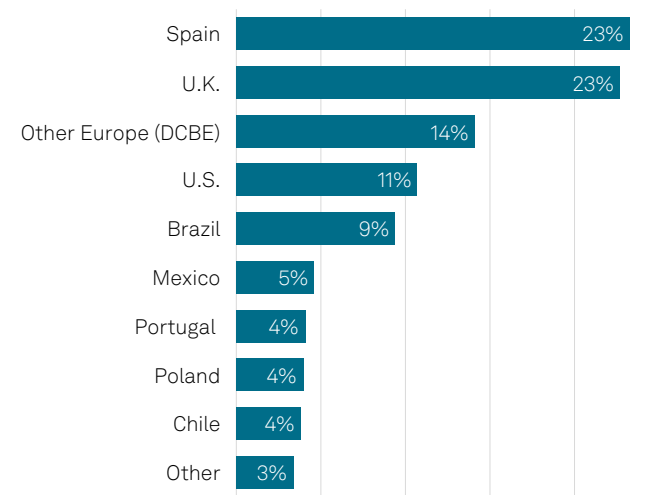
Data as of June 2025. Source: S&P Global Ratings.  
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Santander is currently one of the most geographically diversified banks in the world (see chart 3). No single country accounts for more than 25% of the group's credit. Its presence in developed economies outweighs its presence in emerging markets (80% and 20% of loans in June 2025, respectively) but it is more balanced in terms of profit contribution (about 65% and 35% during the first half of 2025; see chart 4). The limited economic correlation of its countries of operation has allowed Santander to accommodate the ups and downs of different economic cycles and achieve consistent, resilient results over time. Geographic diversification even proved valuable during the pandemic because the magnitude and timing of economic effects in each country varied.

Chart 3

**Santander has wide geographic diversification, weighted toward mature economies**

Geographical distribution of customer loans as of September 2025



DCBE--Digital Consumer Bank Europe. Source: Banks' financial reports.

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Santander also has strong positions and franchises in most of its markets of operation, which provide it with pricing power, organic growth opportunities, and a loyal retail customer funding base. In addition to the 17%-18% market share in loans and deposits the bank holds in Spain, Santander is the third-largest mortgage lender in the U.K. (10% market share, which will increase by a further 2% once it integrates TSB). It owns the second-largest bank in Chile and Mexico and the third largest in Portugal and Brazil (the latter excluding public banks). It has also built one of the largest pan-European consumer finance businesses. Santander is also present in the U.S., where it benefits from decent, though regional, market positions in several strong northeastern areas and runs a consumer arm specializing in nonprime auto loans (SCUSA).

The group primarily focuses on retail banking activities that support its business and earnings stability, but over recent years it has also developed four global business lines (consumer; corporate and investment banking; wealth management and insurance; and payments) that are increasingly contributing to earnings and fees.

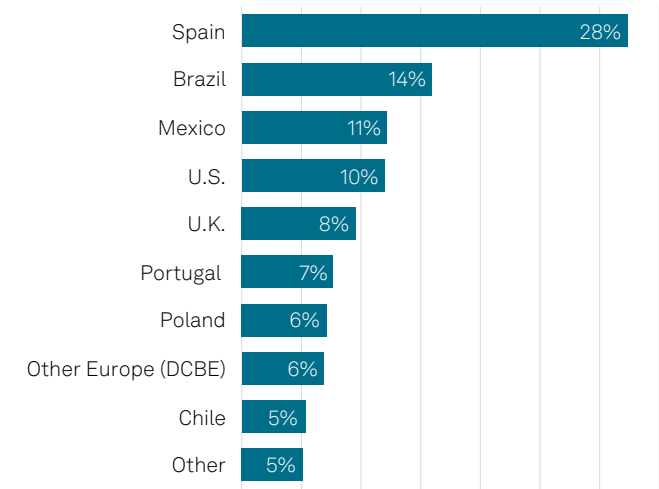
In a few months the bank will close its current strategic plan, delivering on most of its objectives:

- Strengthening profits and increasing shareholder remuneration. As of September 2025, its RoTE pre-AT1 stood at 16.8%, at the upper end of the 15%-17% band targeted, and its cost-to-income was 41.3%, better than the 42% goal. The dividend pay-out increased to 50%.
- Maintaining a solid capital base (the CET 1 target improved to 13% from the previous one of more than 12%) and strict discipline in capital allocation, prioritizing higher growth and more profitable businesses. The share of RWAs with returns exceeding the cost of capital reached 88% as of September 2025 versus the initial 85% goal.

Chart 4

**The profit contribution of matured and emerging countries is more balanced**

Geographical contribution to net attributable profits as of September 2025



DCBE--Digital Consumer Bank Europe. Source: Banks' financial reports.

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- Growing the business, attracting new clients, and further engaging existing clients. Its objective of adding 40 million new clients proved overly ambitious.
- Progressing in the implementation of “One Santander, a common, simpler operating model, centered around the simplification of the product offering, the automatization of processes, reductions in operational burdens at branches, and improved IT architecture (which contemplates the full migration of current core banking systems to a cloud-based platform).

We note, however, constant changes in the leading management team in recent years, suggesting the group has not yet achieved the desired set-up.

Recently, organic rather than inorganic growth has driven the business. But we believe the bank is open to considering inorganic expansion if opportunities were to arise and fit within its financial targets, most likely in businesses and markets where it already operates. This was the case recently with the agreement to acquire U.K.-based TSB from Banco de Sabadell S.A., a bolt-on, non-transformational deal that will likely close in the first quarter of 2026. Equally, the bank is open to reconsidering its presence in existing geographies, as evidenced by the sale of its Polish unit to Austrian Erste Bank, announced shortly before. If we were to see cross-border mergers in Europe, we consider that Santander would be a natural participant given its size and track record of inorganic growth decades ago.

## Capital And Earnings: Strong Profitability, Helping Further Capital Build-Up

Santander continues to gradually strengthen its capitalization as retained earnings more than offset the capital consumption arising from its modest RWA expansion. Easing economic risks in the U.K. in 2025 (about 20% of the group’s total EAD), also provided an uplift to the bank’s RAC, which improved to 8.5% at end-2024 on a pro forma basis. We expect this gradual strengthening to continue, with the bank’s RAC increasing toward 9.5% by 2027, on the back of solid profitability, pay-outs of 50% (evenly split between cash dividends and share buy backs) and the active use of significant risk transfers (SRTs) to keep RWA growth under control. The announced M&A transactions in Poland and the U.K. will together be capital neutral. On a regulatory basis, though, the bank’s capital ratios will likely remain more stable as there are some regulatory impacts yet to come and the bank is already operating at its desired level of capitalization.

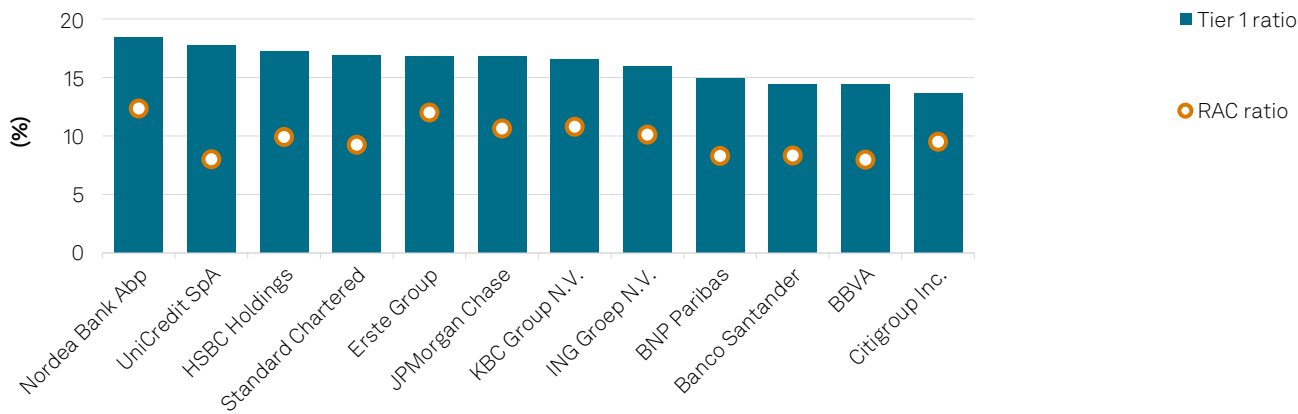
Santander’s capitalization, measured by RAC but also by regulatory capital ratios, is still below most international peers’ (see chart 5), although the gap has reduced over recent years. Its regulatory requirements also tend to be lower than those of peers. That said, it benefits from a track record of stronger, more predictable earnings, which supports capital build-up and enables it to perform well in regulatory stress tests, consistently showing more manageable capital depletion than peers under adverse scenarios.



Chart 5

Santander's regulatory capital and RAC are below peers

Ratio as of Dec. 31, 2024



BBVA--Banco Bilbao Vizcaya Argentaria S.A. RAC--Risk-adjusted capital. Sources: Banks' financial reports and S&P Global Ratings. Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

Furthermore, the bank recently raised its target CET1 fully loaded ratio to 13%--roughly the level at which it stands today, with an operating range of 12%-13%. Quality of capital is sound, with hybrid instruments accounting for less than 10% of total adjusted capital (TAC) over 2022-2024. At end-2024, Santander's hybrid instruments included in TAC comprised nine AT1 instruments issued by the parent, totaling €9.7 billion.

Santander's profitability strengthened significantly with the return of positive rates in Europe, which spurred its net interest income. Bottom-line profits have reached a new high every year recently: €12.6 billion in 2024, €11.1 billion in 2023, and €9.6 billion in 2022, equivalent to RoE of 13%, 11.9%, and 10.7%. Moreover, 2025 will likely mark a new record, despite the impact of lower interest rates and weaker Latin American currencies. In 2026, though, profitability may slightly decline as the bank will lose the income contribution from Poland (which will not be offset by the addition of TSB). Besides this, however, we expect proactive hedging, the resumption of business growth, the cost benefits of One Transformation, and somewhat lower credit impairments will continue supporting a solid performance over 2026-2027, with the bank's RoE at 11.5%-12.0%.

The group's capital is fairly evenly distributed across subsidiaries. From time to time, regulatory restrictions on dividend distributions have temporarily left some subsidiaries with excess capital, but these situations are addressed as soon as feasible with the upstreaming of extraordinary dividends. Indeed, the aggregate payout from subsidiaries to the parent has been close to 100% in recent years, up from the 50%-60% seen pre-pandemic and the 20% recorded in 2020, and in some jurisdictions (Portugal, U.S., UK, Mexico) pay outs have exceeded 100%.

With a phased-in and fully loaded common equity Tier 1 ratio of 12.98% as of June 2025, and phased-in and fully loaded total capital ratios of 17.22%, Santander's capital ratios stand comfortably above its regulatory requirements (9.65% and 13.91% respectively). Requirements will increase in the second half of 2025 and in 2026, as the Bank of Spain has decided to activate the countercyclical buffer. The impact, however, will be manageable for Santander (an additional 12 bps each year) as it will apply only to the domestic business. The bank's AT1 bucket was not fully filled as of June 2025, having a 30 bps shortfall, while it reported an almost similar excess of Tier II capital. That said, the bank's maximum-distributable-amount buffer of 304 bps looked comfortable.

Our capital measure is lower than the regulatory calculation, reflecting the higher risks we see in some of the economies where Santander operates and the still-large balance of deferred tax assets resulting from timing differences outstanding on the bank's balance sheet. Therefore, our calculation of Santander's RWAs is almost 1.8x the regulatory one.

## **Risk Position: Geographic And Risk Diversification, And Good Relative Asset Quality Performance**

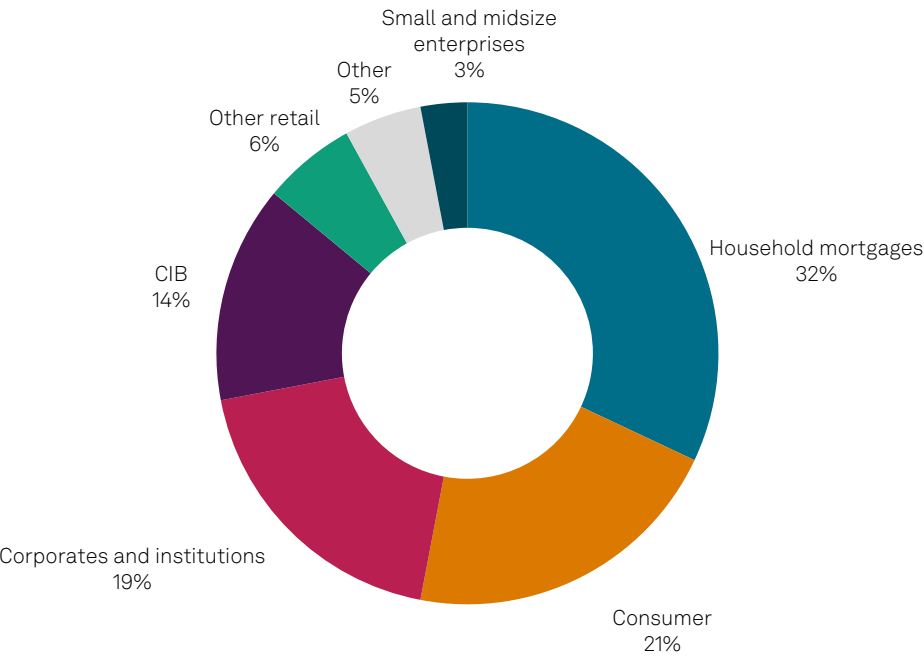
Despite Santander's capital ratios being lower than peers', both by regulatory and S&P Global Ratings' measures, we consider its capitalization solid for the risks it faces, which, given the nature of its business, primarily arise from credit risk. This is mainly due to the benefits it derives from its wide geographic diversification in economies that have historically proven uncorrelated, something our RAC calculation does not fully capture. The diversification benefit we calculate for Santander (24% at end-2024) is one of the highest in our sample of rated global banks.

Equally, the bank has good diversification by risk and client type (see chart 6). Residential mortgages accounted for 32% of loans as of June 2025 and have a low risk profile across geographies, particularly in the U.K. where most of Santander's mortgages originate. The share of consumer lending (27% of the loan book) is higher than peers' given its large auto-lending businesses in Europe and the U.S. (which together account for 21%). But only the U.S. auto loans have a higher risk profile, with about 60% considered subprime. Conversely, the European consumer lending portfolio, mostly originated in Germany, France, Italy, the Nordics, and Spain, has a lower-than-average risk profile. Finally, corporate exposures account for 36% of the total, split between small and midsize enterprises and midsize corporates (22%), and large international corporates (14%) and are distributed across a number of sectors. Single-name concentration is limited, with the 20 largest exposures representing 35% of the bank's 2024 TAC.

Chart 6

Santander's loan book is well diversified by asset class

Data as of September 2025



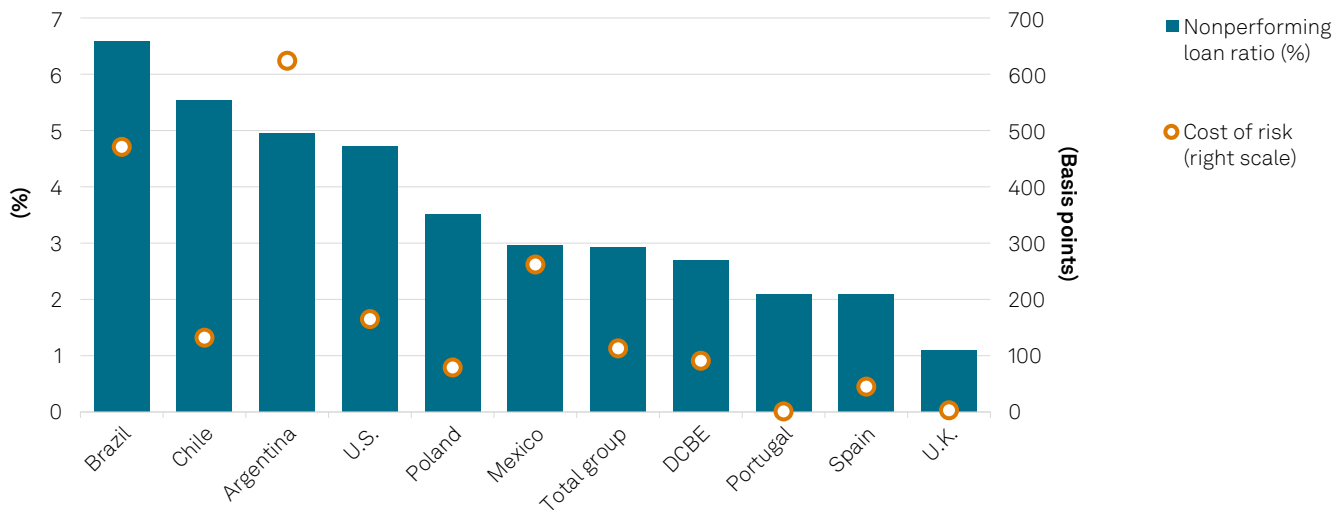
CIB--Large international corporates and institutions. Source: Santander financial reports.

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Compared to global peers, Santander generally reports higher problematic exposures and credit losses. But this is attributable to the riskier nature of the markets where it operates (chart 7), rather than its credit underwriting, which we view as sound. Risks are also closely monitored and, as a result, Santander's asset quality track record is better than average in most markets of operation.

Chart 7

Santander's asset quality metrics are a reflection of its footprint



Data as of Sept 2025. DCBE--Digital Consumer Bank Europe. Source: Bank's financial reporting.

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Over the past two and half years, we have seen asset quality weakening in some markets--namely the Americas--as higher financing costs and slowdowns in activity have taken their toll on more vulnerable borrowers. The group's NPL ratio deteriorated mildly, increasing to 3.5% as of June 2025, from 3.4% as of end-2022, according to our calculations (which exclude Polish operations from the June figures). Credit losses also increased, averaging 130 bps over 2025-2023 versus 111 bps in 2022. From here we expect asset quality performance will marginally improve and credit costs will start to moderately decline toward 120 bps by 2027. Stage 2 credits have slightly declined from the June 2024 peak, to 7.8% as of June 2025.

From time to time Santander has to undertake provisions to cover conduct and legal risk, as has been the case recently with the motor finance case in the U.K., and the Swiss franc-denominated mortgages in Poland.

That said, Santander is also structurally exposed to foreign currency risks from its local currency investments in subsidiaries abroad. The bank's policy is to hedge the risk of adverse foreign currency movements affecting its regulatory capital ratio. Historically, this hedging has proved effective when foreign currencies have suffered large devaluations. The hedging of subsidiaries' profit contributions to the group, though, is more opportunistic and may not cover 100% of expected profits. It depends on the bank's expectations of foreign exchange movements and the pricing of hedges.

The group also actively manages its structural exposures to interest-rate risk through asset-liability committee (ALCO) portfolios and, increasingly, interest-rate swaps and futures across geographies. Indeed, over the past couple of years the bank has increased its hedging to reduce the sensitivity of its net interest margin to potential interest-rate declines given that, structurally, most of its operations (other than Brazil, Chile, and Santander Consumer Finance) and particularly the Spanish one, are asset sensitive. In June 2025 the group's ALCO portfolio amounted to €109 billion, 6% of total assets.

Running such a large business across multiple jurisdictions entails some complexity. But we think Santander has its risks well under control. Its retail business model, consistently replicated across its network, and its organizational structure facilitate its management, in our view. The subsidiaries' self-financing profiles and the parent's less supportive stance (compared to peers) toward subsidiaries in adverse scenarios help limit contagion risks across the group and set a threshold for the parent's risk taking.

## **Funding And Liquidity: Structurally Balanced And Resilient Funding Profile**

Santander has a reasonably balanced funding profile weighted toward sticky retail deposits, mostly provided by households and SMEs. These are largely insured. The group's loan-to-deposit ratio stood at 102% at June 2025 according to our calculations. Santander's reliance on wholesale funding is manageable, and well-diversified by instrument, market, and investors. Exposure to refinancing risk is limited as debt maturities are spread over several years and the share of short-term wholesale debt is modest. Santander has proven it can access market funding even in times of market turbulence.

The bank's stable funding ratio, according to our calculations, stood at a solid 104% at June 2025, with a regulatory net stable funding ratio at 126%.

The bank operates through subsidiaries that are independent from the parent for funding purposes. While the parent subscribes capital instruments from its subsidiaries and channels MREL to those subsidiaries that form part of its resolution perimeter, pure funding channeled to subsidiaries is marginal.

There are no significant differences in the funding profiles of subsidiaries within the group. The group entities with the most excess customer deposits are those in Spain, Poland, Argentina, and Mexico, while the subsidiaries proportionally more dependent on wholesale financing are Santander Consumer Finance, Chile, and SCUSA.

The group's wholesale debt outstanding in the market totaled €210.6 billion as of June 2025, across a wide array of instruments: senior (33%), senior nonpreferred (28%), covered bonds (24%), subordinated debt (10%), and AT1 (5%). If securitizations were added, the group's total wholesale debt would be around €270 billion. Banco Santander S.A. and Santander U.K. are the most active issuers, accounting for the bulk of the group's wholesale debt outstanding. The calendar of debt maturities is well spread and manageable. Furthermore, Santander has easy access to the markets. In the first half of 2025, for example, it had completed most of its funding plan for the whole year.

Recourse to central bank funding is minor, and is currently largely concentrated in the U.K.

Santander also has sound liquidity, largely held in cash (€176 billion) and liquid securities (€143 billion). The securities portfolio is primarily invested in government securities, reasonably split across countries. Almost two thirds of the securities portfolio is accounted as held-to-collect, but carries minimal unrealized losses. Our measure of the group's broad liquid assets to short-term wholesale funding was 1.6x as of June 2025, with broad liquid assets also accounting for a solid 60% of customer deposits at the same date. The group's regulatory liquidity ratio stood at a comfortable 145% as of June 2025 (calculated without taking into account subsidiaries' liquidity surplus above 100%).

## Comparable Ratings Analysis (CRA) Adjustment

In arriving at the ratings on Santander we apply a negative CRA adjustment, which leave its SACP at 'a', matching that of peers like HSBC, BNP, ING, BBVA, KBC, or Erste Bank. In our view, Santander's current 'bbb+' anchor does not fully capture the higher risks of some of the emerging markets where it operates. While exposure to Latin American countries represent a relatively contained share of the group's exposures (20%), their contribution to overall profitability is more significant (35%).

## Support: One Notch Of ALAC Uplift

Our ratings on Santander benefit from one notch of ALAC uplift reflecting its sizeable buffer of subordinated bail-inable instruments, which would be used to recapitalize the bank in a resolution scenario, thereby protecting senior creditors. We estimate Santander's ALAC buffer at end-2024 was over 1,000 bps of S&P Global Ratings RWAs, declining marginally below that (towards 960 bps) by 2027, but in any case comfortably exceeding the 500 bps threshold we require for the bank to benefit from one notch of ratings uplift.

Given the bank's multiple-point-of-entry resolution strategy, our calculation of the ALAC buffer centers on the parent's resolution perimeter, which includes Banco Santander S.A., Santander Consumer Finance, and its Portuguese operations. We only factor in the numerator the subordinated debt and senior nonpreferred instruments issued (or to be issued) by Banco Santander S.A., so not considering those issued by subsidiaries abroad identified as separate points of entry in resolution. And, equally, our RWA calculation only corresponds to the businesses falling under the parent's resolution perimeter, as these would be the only ones the parent would have to recapitalize in resolution.

Santander's threshold for a one-notch ratings uplift, based on ALAC, is 500 bps, which is much higher than the standard 300 bps. This reflects that the parent bank operates with double leverage and, as a result, in a resolution scenario some of its Tier 2 and senior nonpreferred debt would likely need to absorb losses, including those arising from the value lost in its investments in subsidiaries outside the resolution perimeter, not solely to recapitalize the business.

As of June 2025, the bank comfortably complied with its MREL requirement (reported MREL at this date was 40.1% including €26.4 billion of senior preferred debt, compared to a requirement of 36% which includes 4.1% related to the combined capital buffer). Over 2025, Santander's MREL requirement increased by 210 bps due to SRB's decision to apply higher deductions for the investments in subsidiaries falling outside the resolution perimeter. The subordinated MREL requirement, however, remained stable at 15.09% of RWAs (including 4.1% of the combined capital buffer). Santander's buffer over its TLAC requirement is also ample, with its total TLAC amounting to 26.8% of RWAs versus the 22.1% required (including the 4.1% combined capital buffer).

The sale of the Polish subsidiary may lead to somewhat lower MREL requirements in the future.

Following our September 2025 upgrade of the sovereign credit ratings on Spain, our 'A+' long-term rating on Santander is now, for the first time in years, at the level of the sovereign.

## Environmental, Social, And Governance

ESG factors are not a material, direct influence on our credit ratings on Santander.

Santander's governance, control standards, and transparency are high, necessarily so as its presence in several countries exposes the group to diverse risks. Some years ago, for example, the bank was under the regulatory scrutiny of the U.S. authorities and was required to make meaningful adjustments to its risk management in the country. But major issues have now been addressed. The bank also has large exposures to markets such as those in Latin America, where governance practices may be weaker than in Spain, Santander's domestic market, and therefore require constant monitoring. So far, the bank has managed those risks well. Santander's board of directors is diverse, reasonably international, and includes several independent members. The representation of the founding Botín family appears high compared with the economic interest the family holds. Of the family's two seats, however, one belongs to Ana Botín in her role as executive chairman. In 2018, the decision-making processes at the board level raised some questions after a new CEO was announced, but then reconsidered only three months later, leading to a legal dispute that ended with a significant economic compensation.

Social factors are increasingly relevant for a retail-focused bank like Santander. However, the bank has experienced fewer client claims or conduct issues than some other global banks in the past decade. It was not affected by Spanish customers' claims on mortgage interest rate floors and the bank managed to proactively reduce the risk of claims in other instances (arranging solutions for private banking clients affected by Bernie Madoff's case or for the retail clients of Popular who lost their investments when the bank was resolved). In the U.K., misconduct charges largely originated from payment protection insurance cases at the bank that Santander acquired, but it was also fined in 2018 for failing to effectively process the accounts and investments of deceased customers and more recently it had to undertake provisions for the motor finance case as the bank (like other U.K. lenders) failed to properly inform clients of the commissions it received from dealers when granting auto loans.

Environmental factors do not overly affect the bank's credit quality and related risks are very much in line with those faced by peers. Santander, however, is a large provider of auto loans (about 17% of the group's loan exposure), so it could be indirectly affected by the business and financial challenges that the auto industry is facing. The group is very much committed to facilitate clients' green transitions and indeed has exceeded by a margin its target of raising and facilitating €120 billion of green financing by 2025, reaching €165 billion as of September 2025.

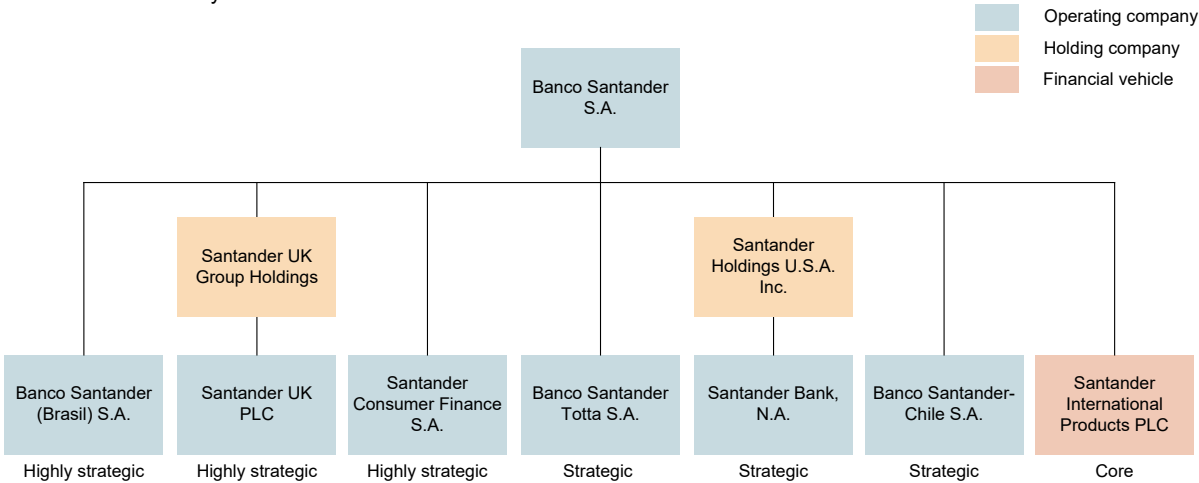
## Group Structure, Rated Subsidiaries, And Hybrids

We rate six of Santander's operating subsidiaries globally (chart 8), some of which also have other rated subsidiaries under them, and a finance vehicle domiciled in Ireland, Santander International Products PLC. The latter is the only one we consider core and has its ratings equalized with those of its parent (Santander International Products PLC Assigned 'A+/A-1' Ratings; Outlook Stable, June 23, 2025). We consider the rest either highly strategically important (Santander Consumer Finance, U.K., Brazil) or strategically important (Portugal, US, Chile). Of those, at present only the ratings on three of them benefit from group support: Santander Consumer Finance S.A. (three notches of uplift), Banco Santander Totta, S.A. in Portugal (two notches), and Banco Santander N.A. in the U.S. (three notches).

We do not incorporate group support into the ratings on the remaining three subsidiaries for various reasons: the sovereign creditworthiness of the host country limits any upside potential (Brazil); the ratings benefit already from ALAC uplift (Santander U.K. PLC); or the stand-alone credit profile (SACP) is already one notch lower than the parent's group SACP of 'a' (Santander Chile).

Chart 8

**Santander’s simplified organizational structure**  
Rated subsidiaries only



Sources: Banco Santander S.A., S&P Global Ratings.  
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## Hybrid Ratings

We consider senior nonpreferred debt, nondeferrable subordinated debt, and AT1 instruments and preference shares as hybrid instruments and arrive at these ratings by notching down from the bank's 'a' SACP.

We therefore rate Banco Santander S.A.'s senior nonpreferred debt at 'A-', one notch below the bank's SACP to reflect subordination versus senior obligations.

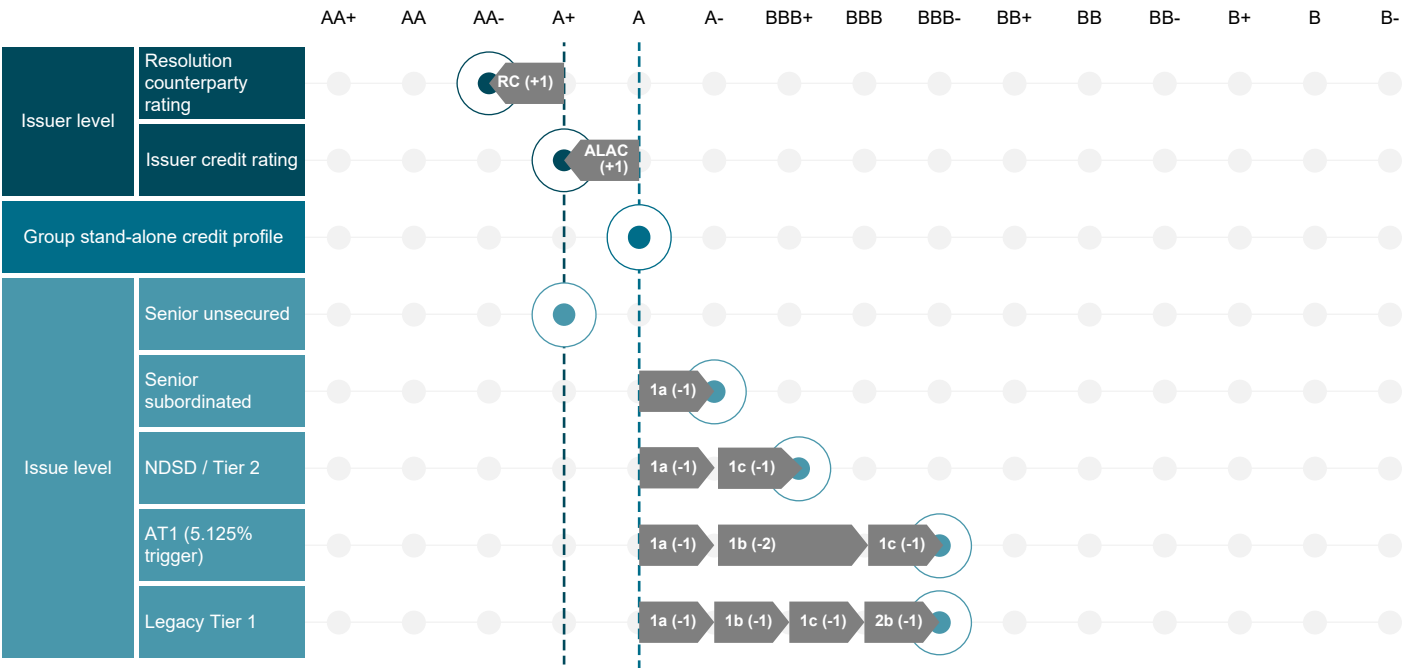
We rate nondeferrable subordinated debt at 'BBB+', two notches below the bank's SACP. In addition to being subordinated, we believe these instruments (capital instruments for regulatory purposes) could be written down to absorb losses ahead of resolution, that is, before the institution reaches the point of nonviability.

We rate the bank's AT1 instruments at 'BBB-', four notches below the bank's SACP. The four notches reflect the instruments' contractual subordination (one notch); the risk of coupon suspension and these instruments computing as a Tier 1 regulatory capital (two notches); and the risk of principal conversion into equity if the bank were in distress (one notch).

Finally, we also rate at 'BBB-' one remaining legacy preference share, with a residual outstanding of €143.5 million. Our ratings take into account that the instrument has a narrower definition of distributable items (linked to the previous year's profits), but we consider the risk of coupon nonpayment lower than that of Tier 1 instruments, because since January 2022 the regulator has considered this legacy preference share to be Tier 2 capital.



Banco Santander S.A.: Notching



Key to notching

- Issuer credit rating
- Group stand-alone credit profile
- RC Resolution counterparty liabilities (senior secured debt)
- ALAC Additional loss-absorbing capacity buffer
- 1a Contractual subordination
- 1b Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
- 1c Mandatory contingent capital clause or equivalent
- 2b Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on Oct. 13, 2025.  
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.  
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Resolution Counterparty Ratings (RCRs)

We set the RCR of Banco Santander at 'AA-'. The RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing entity. We therefore rate them one notch above the long-term ICR on the bank to show their lower relative default risk. Santander's RCR also stands one notch above the long-term sovereign credit rating on Spain, indicating that we see a considerable likelihood that a sovereign default would not immediately trigger a default on the bank's RCR liabilities.

# Key Statistics

## Banco Santander S.A. Key Figures

Mil. EUR	2025*	2024	2023	2022	2021
Adjusted assets	1,797,401	1,816,582	1,775,730	1,714,507	1,577,530
Customer loans (gross)	950,709	1,016,546	1,014,953	1,019,188	962,382
Adjusted common equity	88,321	83,697	79,878	76,952	73,148
Operating revenues	29,181	62,211	57,648	52,117	46,404
Noninterest expenses	13,614	28,007	26,621	24,558	23,151
Core earnings	6,610	15,643	13,497	12,052	10,796

\*2025 data is for the 6 months to end-June. EUR--euro.

## Banco Santander S.A. Business Position

(%)	2025*	2024	2023	2022	2021
Loan market share in country of domicile	17.5	17.5	17.5	17.5	17.4
Deposit market share in country of domicile	20.4	20.4	20.4	19.5	18.4
Total revenues from business line (currency in millions)	29,421	62,578	57,999	52,135	46,457
Return on average common equity	13.8	13.0	12.1	11.0	9.7

\*2025 data is for the 6 months to end-June.

## Banco Santander S.A. Capital And Earnings

(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	14.5	14.4	13.8	13.6	14.2
S&P Global Ratings' RAC ratio before diversification	N/A	8.3	7.9	7.8	8.4
S&P Global Ratings' RAC ratio after diversification	N/A	11.0	10.5	10.2	11.0
Adjusted common equity/total adjusted capital	90.8	89.6	90.4	90.2	88.0
Net interest income/operating revenues	72.7	75.0	75.0	74.1	71.9
Fee income/operating revenues	21.7	20.9	20.9	22.6	22.6
Market-sensitive income/operating revenues	3.5	3.7	4.6	3.2	3.4
Cost to income ratio	46.7	45.0	46.2	47.1	49.9
Preprovision operating income/average assets	1.7	1.9	1.8	1.7	1.5
Core earnings/average managed assets	0.7	0.9	0.8	0.7	0.7

\*2025 data is for the 6 months to end-June. N.M.--Not meaningful.

Table 3

## Banco Santander S.A. Risk-Adjusted Capital Framework as of end Dec-2024

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
<b>Credit risk</b>					
Government & central banks	422,016	30,864	7	68,103	16
Of which regional governments and local authorities	15,885	468	3	2,134	13
Institutions and CCPs	81,222	23,187	29	31,541	39

## Banco Santander S.A. Risk-Adjusted Capital Framework as of end Dec-2024

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Corporate	277,352	178,000	64	307,819	111
Retail	584,926	205,340	35	326,996	56
Of which mortgage	377,256	79,137	21	150,259	40
Securitization§	100,323	15,705	16	35,043	35
Other assets†	90,818	67,902	75	148,044	163
Total credit risk	1,556,656	520,999	33	917,545	59
Credit valuation adjustment					
Total credit valuation adjustment		679		2,652	
Market Risk					
Equity in the banking book	8,170	6,569	80	65,409	801
Trading book market risk		17,938		26,913	
Total market risk		24,507		92,321	
Operational risk					
Total operational risk		72,350		109,296	
(Mil. €)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification		625,984		1,121,814	100
Total Diversification/Concentration Adjustments				(269,055)	(24)
RWA after diversification		625,984		852,760	76
(Mil. €)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio		Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA
Capital ratio before adjustments		90,170	14.4	93,422	8.3
Capital ratio after adjustments‡		90,170	14.4	93,422	11.0

\*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2024', S&P Global Ratings.

## Banco Santander S.A. Risk Position

(%)	2025*	2024	2023	2022	2021
Growth in customer loans	(13.0)	0.2	(0.4)	5.9	6.5
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(24.0)	(24.7)	(23.7)	(23.6)

## Banco Santander S.A.

### Banco Santander S.A. Risk Position

Total managed assets/adjusted common equity (x)	20.6	22.0	22.8	22.8	22.1
New loan loss provisions/average customer loans	1.4	1.3	1.3	1.1	0.8
Net charge-offs/average customer loans	1.2	1.1	1.2	1.1	0.8
Gross nonperforming loans/customer loans	3.5	3.5	3.5	3.4	3.5
Loan loss reserves/gross nonperforming assets	65.2	62.7	64.0	65.4	69.1
*2025 data is for the 6 months to end-June.					

### Banco Santander S.A. Funding And Liquidity

(%)	2025*	2024	2023	2022	2021
Core deposits/funding base	61.2	62.4	63.17	64.8	64.4
Customer loans (net)/customer deposits	102.0	101.7	102.5	103.6	106.5
Long-term funding ratio	78.9	80.3	84.1	86.0	88.9
Stable funding ratio	103.5	109.8	115.0	114.1	117.3
Short-term wholesale funding/funding base	22.5	20.9	16.9	14.8	11.8
Regulatory net stable funding ratio	125.0	126.0	123.0	121.0	126.0
Broad liquid assets/short-term wholesale funding (x)	1.6	1.7	2.1	2.2	2.7
Broad liquid assets/total assets	30.1	30.2	30.6	27.6	27.1
Broad liquid assets/customer deposits	60.1	56.8	56.7	49.8	49.0
Net broad liquid assets/short-term customer deposits	23.9	23.9	30.8	27.9	31.7
Regulatory liquidity coverage ratio (LCR) (x)	159.0	168.0	166.0	152.0	163.0
Short-term wholesale funding/total wholesale funding	57.0	54.8	45.1	41.3	32.6
Narrow liquid assets/3-month wholesale funding (x)	2.4	2.5	3.1	3.3	3.7
*2025 data is for the 6 months to end-June.					

#### Rating Component Scores

Issuer Credit Rating	A+/Stable/A-1
SACP	a
Anchor	bbb+
Business position	Very Strong (2)
Capital and earnings	Adequate (0)
Risk position	Strong (1)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	-1
Support	1
ALAC support	1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.

## Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [Sabadell's Sale Of TSB To Santander Is A Plot Twist In BBVA Takeover, But No Ratings Impact Is Anticipated](#), July 2, 2025

## Banco Santander S.A.

- [Santander International Products PLC Assigned 'A+/A-1' Ratings, Outlook Stable](#), June 23, 2025
- [Bulletin: Santander's Divestment Of Polish Retail Banking Operations Is Neutral for Its Ratings](#), May 7, 2025
- [Three Spanish Banks Upgraded, The Rest Affirmed On Stronger Industry Dynamics](#), March 27, 2025
- [Spanish Banking Outlook 2025: Another Solid Year In Prospect](#), Jan. 22, 2025
- [Banco Santander S.A.'s Additional Tier 1 Instruments Rated 'BBB-', April 30, 2024](#)
- [How We're Refining Our View Of The Strategic Importance Of Certain Spanish Bank Subsidiaries](#), Aug. 2, 2019

### Ratings Detail (as of December 02, 2025)\*

#### **Banco Santander S.A.**

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
<i>Foreign Currency</i>	A-1
Junior Subordinated	BBB-
Preference Stock	BBB-
Senior Subordinated	A-

#### **Issuer Credit Ratings History**

22-Mar-2022	A+/Stable/A-1
16-Dec-2021	A+/Negative/A-1
24-Jun-2021	A/Stable/A-1

#### **Sovereign Rating**

Spain	A+/Stable/A-1
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#### **Related Entities**

##### **Banco Santander (Brasil) S.A.**

Issuer Credit Rating	BB/Stable/B
<i>Brazil National Scale</i>	brAAA/Stable/brA-1+

##### **Banco Santander-Chile S.A.**

Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
<i>Foreign Currency</i>	A-2
Senior Unsecured	A-

##### **Banco Santander SA (London Branch)**

Certificate Of Deposit	
<i>Local Currency</i>	A-1

##### **Banco Santander S.A. (New York Branch)**

Issuer Credit Rating	A+/Stable/A-1
Commercial Paper	
<i>Local Currency</i>	A-1

##### **Banco Santander Totta S.A.**

**Banco Santander S.A.****Ratings Detail (as of December 02, 2025)\***

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Senior Unsecured	A

**Banque Stellantis France**

Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Senior Unsecured	BBB+

**Santander Bank N.A.**

Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB+

**Santander Consumer Bank AG**

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Commercial Paper	A-1
Senior Unsecured	A

**Santander Consumer Finance S.A.**

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Commercial Paper	
Local Currency	A-1
Senior Subordinated	BBB+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BBB

**Santander Financial Services PLC**

Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/-/A-1

**Santander Holdings U.S.A Inc.**

Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured	BBB+

**Santander International Products PLC**

Issuer Credit Rating	A+/Stable/A-1
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**Santander UK Group Holdings PLC**

Issuer Credit Rating	BBB/Stable/A-2
Junior Subordinated	BB
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BBB-

**Santander UK PLC**

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1

Ratings Detail (as of December 02, 2025)\*

Junior Subordinated	BB+
Preference Stock	BB
Senior Secured	AAA/Stable
Senior Unsecured	A-1

Santander US Capital Markets LLC

Issuer Credit Rating	A-/Stable/A-2
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\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.



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