

# Santander on Track to Meet Targets Despite Geopolitical Uncertainty

## Credit Comment

Banco Santander's results were solid in 1Q26, with the operating profit/risk-weighted assets (RWAs) ratio at 3.3% (2025: 2.9%). Fitch Ratings expects the bank's performance to remain in line with strategic targets despite economic uncertainty, due to Santander's strong franchise, international diversification and operational efficiency.

Net interest income increased by 5% in 1Q26 (excluding the effects of foreign exchange) after a moderate decline last year. It was supported by loan growth in retail, digital consumer bank and corporate and investment banking (CIB), which benefitted from strong global markets activity. Net fee income again grew at healthy levels (7%), driven by retail customer growth and stronger contribution from the digital consumer bank, wealth management and payments.

We expect the revenue growth and continued reduction in expenses (down by 1% year on year in 1Q26) from Santander's automation, simplification and AI initiatives to further reduce the cost/income ratio (1Q26: 43%). In addition, the bank will benefit from significant synergies from the integration of TSB Banking Group plc in the UK (closed at end-April) and Webster Financial Corporation in the US.

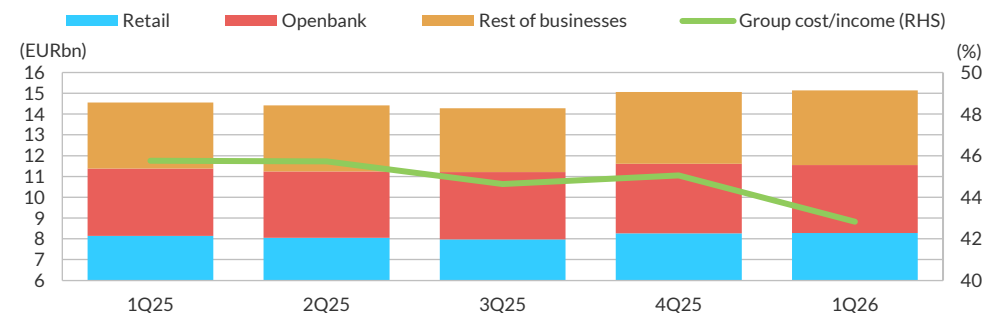
Asset-quality metrics were affected by a worse-than-expected economic evolution in Argentina. The impaired loans ratio marginally rose in 1Q26 to 3%, while LICs remained stable at 114bp of gross loans. LICs also reflect CIB single-name provisions, pressures in retail lending in Brazil and Mexico, and some model adjustments to reflect global macroeconomic uncertainty.

Fitch expects the LICs/gross loans ratio to remain generally stable this year, with improvements in emerging markets contingent on a further reduction of interest rates. Non-credit provisions were affected in 1Q26 by additional motor finance provisions in the UK.

### Sound Organic Capital Generation in 1Q26; Excepted Decline Towards Target

The common equity Tier 1 (CET1) ratio increased notably to 14.4% at end-March 2026 (end-2025: 13.5%), reflecting the positive impact of the disposal of the Polish business. Excluding this, the organic capital generation was solid, underpinned by earnings generation and limited growth in RWAs due to recurring risk-transfer deals. We expect the CET1 ratio to fall to 12.8%–13% at end-2026, in line with the bank's guidance after the recent acquisitions.

### Revenue Contribution by Business



Source: Fitch Ratings, Fitch Solutions, Santander

## Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)

Viability Rating	a
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Government Support Rating	ns
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### Sovereign Risk (Spain)

Long-Term Foreign-Currency IDR	A
Long-Term Local-Currency IDR	A
Country Ceiling	AAA

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

## Related Research

- [Santander's New Plan Could Gradually Strengthen Credit Profile \(March 2026\)](#)
- [Large European Banks Quarterly Credit Monitor - March 2026](#)
- [Global Economic Outlook - March 2026](#)
- [Spanish Major Bank Profitability to Stay Strong in 2026 \(February 2026\)](#)
- [Santander's M&A to Support Medium-Term Performance Following Solid 2025 \(February 2026\)](#)
- [Developed Markets 100 Largest Banks Monitor \(February 2026\)](#)
- [Fitch Affirms Santander at 'A'; Outlook Stable \(January 2026\)](#)

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