

Santander's Earnings Resilience to Support Capitalisation on Increased Distributions

Credit Comment

Banco Santander S.A. reported a strong 1H25, which Fitch Ratings views as consistent with its forecasted 2025 operating profit/risk-weighted assets ratio of slightly above 3% (1H25: 2.9%, excluding EUR963 million of pre-tax profit from the Poland business under offer), despite a more challenging macro environment. Fitch expects Santander's diversified business model and its ability to generate earnings through the cycle to continue supporting internal capital generation and its common equity Tier 1 (CET1) ratio at about 13% (end-June 2025: 13%), alongside increased capital distributions and M&A.

The group's exposure to different interest rate cycles supported year-on-year (yoy) net interest income growth in 1H25, despite hyperinflation in Argentina and declining policy rates globally. We expect net interest income growth to continue, aided by margin management and interest rate hedges, with controlled loan growth. Healthy fee income growth (1H25: 3% yoy) should also support Santander's profitability as the group delivers on strategic initiatives in wealth, CIB, and payments.

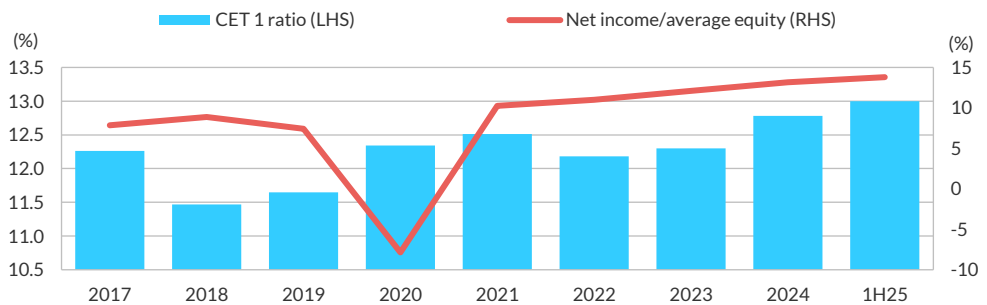
Cost discipline remains evident, with the cost/income ratio reaching the 2025 target of below 42% (1H25: 41.5%, per bank calculation). Santander maintains sound asset quality, with a loan impairment charges/average gross loans ratio of about 130bp as per Fitch's calculation, stable yoy, despite one-off preventive provisioning in Brazil's corporate book. We expect Santander's prudent risk management to continue driving asset-quality stability throughout the year.

The group's resilient earnings generation enabled Santander to raise capital distributions with the approval of a new share buyback programme of up to EUR1.7 billion in 2025. The sale of Santander Bank Polska S.A. will also contribute to meeting the group's buyback target, which was upgraded to at least EUR10 billion in 2025–2026. Asset rotation initiatives, which are likely to accelerate in 2H25, will also continue to support Santander's capitalisation.

M&A Coherent with Long-Term Strategy

Santander's announced acquisition of TSB Banking Group plc from Banco de Sabadell S.A. marks a significant step in its UK transformation strategy. Fitch views this acquisition, alongside the sale of Santander Polska, as consistent with Santander's strategy to consolidate operations in key markets and product segments, particularly retail and consumer banking, where it can leverage its competitive strengths.

Resilient Performance



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	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Related Research

- [Developed Markets 100 Largest Banks Monitor \(July 2025\)](#)
- [Santander's TSB Acquisition to Enhance UK Scale and Profitability \(July 2025\)](#)
- [Global Economic Outlook \(June 2025\)](#)
- [Santander's Polish Divestment Prioritises Growth, Shareholder Returns \(May 2025\)](#)
- [Spanish Banks' Asset Management, Insurance Key as Rates Decline \(May 2025\)](#)
- [Western European Banks Well Placed to Absorb Tariff Uncertainty Fallout \(April 2025\)](#)
- [European Banks' Strong Earnings and Capital Provide Strategic Flexibility for 2025 \(March 2025\)](#)
- [Large European Banks Quarterly Credit Tracker \(March 2025\)](#)
- [Major Spanish Banks Have Good Business Prospects on Stronger Economy \(March 2025\)](#)
- [Major Spanish Banks – Peer Review 2025 \(March 2025\)](#)
- [Fitch Upgrades Santander to 'A'; Outlook Stable \(February 2025\)](#)
- [Business Conditions Support Spanish Banks' Improved Operating Environment \(December 2024\)](#)

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