Santander On Track for Profitability Targets; Webster Acquisition Completed

Credit Comment

Banco Santander S.A.'s operating profit/risk-weighted assets ratio was a solid 3.1% in 9M26, broadly in line with Fitch Ratings' expectations and the bank's 2026 target. Santander is aiming to significantly improve profitability over 2027–2028, which we view as achievable. However, this is contingent on sustained revenue growth and further cost reductions, including synergies from recent acquisitions. Containing asset-quality risks, despite pressures in emerging markets, and management of capital, interest-rate sensitivities and deposit costs will also be key.

The completion of Santander's acquisition of Webster in 3Q26 should enhance its US franchise, where it remains a challenger, and funding profile and provide significant synergy potential. The transaction lowered Santander's CET1 ratio by 130bp to 12.7% in 3Q26. We expect the ratio to increase slightly towards the upper end of the bank's guidance range of 12.8%–13.0% by end-2026, supported by earnings generation and capital-optimisation.

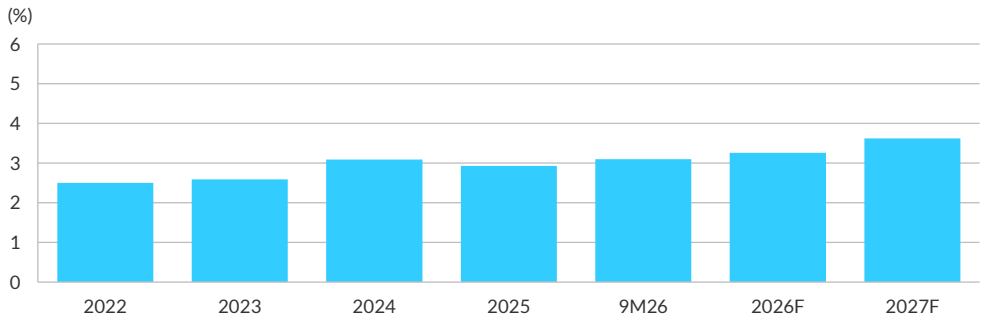
Business Growth, Asset Quality Broadly Stable in 3Q26

Revenue growth of 5% in 9M26 (at constant perimeter and FX) benefitted from net interest income (NII) and higher fee income across global businesses. Sound loan growth and higher interest rates in Spain and the UK offset the negative impact of higher interest rates in Brazil and supported NII in 3Q26. Deposit costs increased moderately across geographies.

The 2% year-on-year fall in operating expenses reflects the sustained focus on efficiency. We expect strong cost discipline control despite inflation, even excluding the contribution from integration synergies. This could help to offset unexpected revenue pressures and support medium-term profitability targets. The underlying return on tangible equity target is well above peer average and greater than 20% for 2028 (9M26: 16%).

The loan impairment charges/gross loans ratio (9M26: 116bp, as reported by the bank) was slightly above our expectations due to continued economic deterioration in Argentina. We expect some improvement from 4Q26, supported by recent acquisitions in developed markets and de-risking in emerging markets. However, this improvement will be more modest than initially anticipated due to the less favourable global macroeconomic outlook and increased affordability pressures.

Operating Profit/Risk-Weighted Assets Gradually Increasing



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
Government Support Rating	ns
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

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Large European Banks Quarterly Credit Monitor - September 2026

Global Economic Outlook - September 2026

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