

ISSUER COMMENT

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Banco Santander, S.A. (Spain)

Santander seeks to improve medium-term profitability with Webster acquisition

On 3 February, Spain-based [Banco Santander S.A](#) (A1/A1 stable, baa1¹) announced that it had agreed to acquire [Webster Financial Corporation](#), the parent company of [Webster Bank, N.A.](#) (A2 stable/Baa2 review for upgrade, baa1), for a total consideration of \$12.2 billion. The acquisition will be paid 65% in cash and 35% in newly issued Santander shares, and Santander expects it to close in the second half of 2026, pending all customary and regulatory approvals. Following completion, Webster will be fully integrated into Santander's US banking operations, [Santander Bank, N.A.](#) (A2/Baa1 stable, baa2 review for upgrade).

The acquisition will accelerate Santander's expansion in the US retail and commercial banking markets, supporting efforts to enhance its medium-term profitability and broaden its footprint in core markets. The combination of Santander's existing US businesses and Webster's commercial and retail banking platform materially increases scale and enhances its asset diversification in the US. However, the deal is less significant at a consolidated level as Webster's assets amounted to approximately 4% of Santander's total assets (€1.9 trillion) as of year-end 2025.

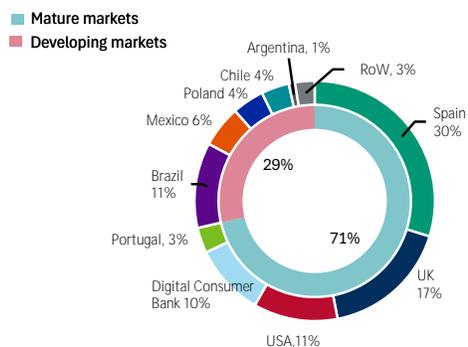
The acquisition of Webster, along with that of [TSB Banking Group](#) (Baa2 review for upgrade), announced in July 2025, aligns with Santander's strategy of inorganic growth through bolt-on acquisitions in core markets, and follows the capital gain from the [majority stake sale in Santander Bank Polska S.A.](#) announced in May 2025.

At closing, the transaction will affect Santander's capital by around 140 basis points (bp). However, the group expects to close 2026 with a Common Equity Tier 1 (CET1) ratio of around 12.8%, inclusive of the Webster deal, which will place its capital at the upper end of its operating target range of 12%-13%. Moreover, Santander has confirmed that the acquisition will not change its capital distribution plan, keeping its dividend policy at 50% and distributing at least €10 billion in share buybacks for 2025-26. Santander has guided to a CET1 ratio above 13% in 2027, supported by sustained organic profit generation.

As of year-end 2025, Santander reported a record-high attributable profit of €14.1 billion and confirmed it had met all the financial and strategic objectives of its 2022-25 plan. However, despite this improved performance, its profitability metrics continue to lag those of its domestic peers. Net income over tangible assets – our core profitability metric – stood at 0.9% at year-end 2025, compared with the Spanish banking sector average of 1%² and only slightly above the EU average of 0.75%, despite its larger exposure to more profitable emerging markets. The recent acquisitions of Webster in the US and TSB in the UK are intended to enhance operational efficiency through economies of scale and substantial cost synergies. If successfully completed and integrated, we believe they could strengthen the profitability of both subsidiaries and ultimately improve the group's consolidated performance metrics.

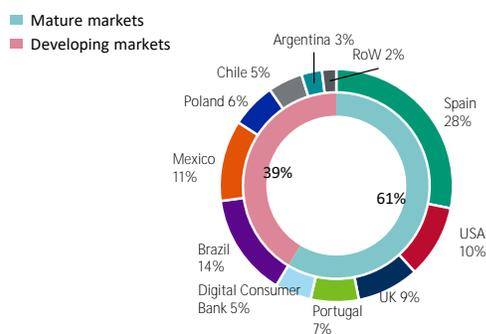
Santander has guided to mid-single-digit revenue growth, lower costs and higher profit for 2026, alongside achieving its CET1 target. Delivery of these objectives will coincide with the integration of Webster and TSB, which introduces some execution risks; any delays or unexpected integration costs could weigh on the group's cost-efficiency trajectory and earnings momentum. However, we view these risks as manageable given Santander's strong track record in executing bolt-on acquisitions, proven progress in its One Transformation programme and solid starting position, including strong earnings and a 13.5% CET1 ratio at year-end 2025. The group has also stated that it does not plan to pursue further bolt-on acquisitions over the next three years, which should support management focus during this integration phase.

Exhibit 1
As of Q4 2025, US accounted for 11% of Santander's total assets...



Source: Santander quarterly report

Exhibit 2
...and contributed around 10% of the group's net income



Source: Santander quarterly report

Endnotes

- 1 The ratings shown in this report are the bank's deposit rating, senior unsecured debt rating (where available) and Baseline Credit Assessment.
- 2 Latest data available as of end-September 2025.

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