

Santander UK Group Holdings plc

Investor Update

for the three months ended 31 March 2021

April 2021








Becoming a digital bank with a human touch













Strong Q121 results with higher operating income and lower credit charges

Balance sheet highlights Mar21 vs Dec20

Mortgage loans		£171.3bn £1.5bn
Customer deposits		£192.8bn £1.1bn
Adj. Banking NIM		1.81% 5bps
Stage 3 ratio ¹		1.46% 4bps
CET1 capital ratio		15.3% 10bps

Adjusted income statement²

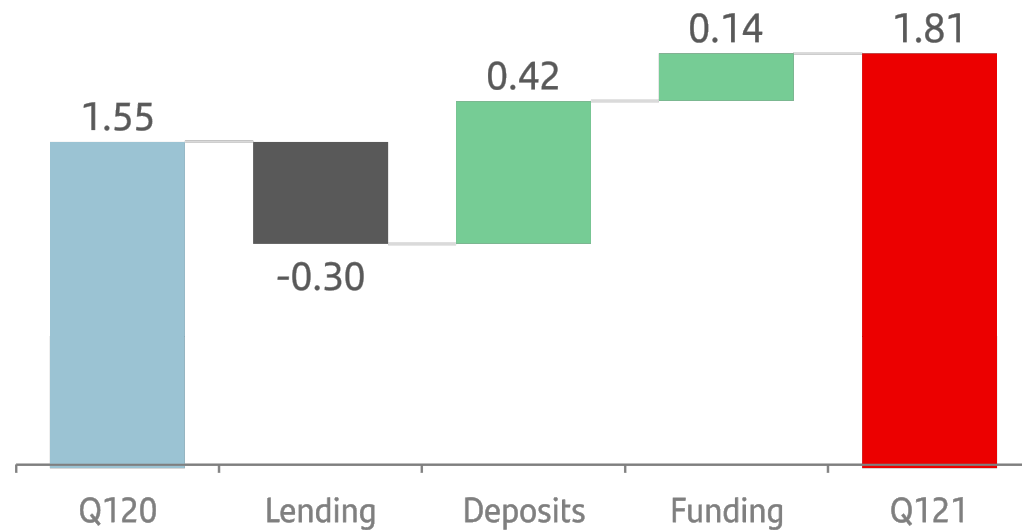
	Q121	vs Q120	vs Q420
Operating income	£1,023m	 7%	 2%
Operating expenses	£565m	 3%	 2%
Credit impairment losses	£5m	 97%	 95%
Provisions	£31m	 24%	 74%
Profit before tax	£422m	 154%	 83%



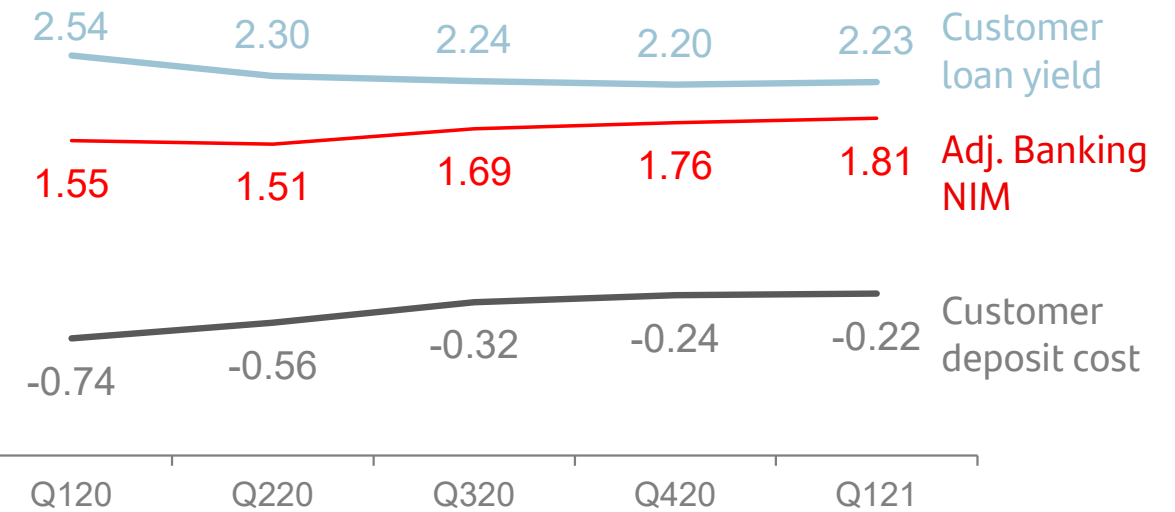
1. Stage 3 ratio is total stage 3 exposure as a percentage of customer loans plus undrawn stage 3 exposures. | 2. The financial results were impacted by a number of specific income, expenses and charges with an aggregate impact on profit before tax of £238m in Q121. See Quarterly Management Statement for the three months ended 31 March 2021 for further details of APMs and a reconciliation to PBT.

Banking NIM improvement driven by deposit repricing

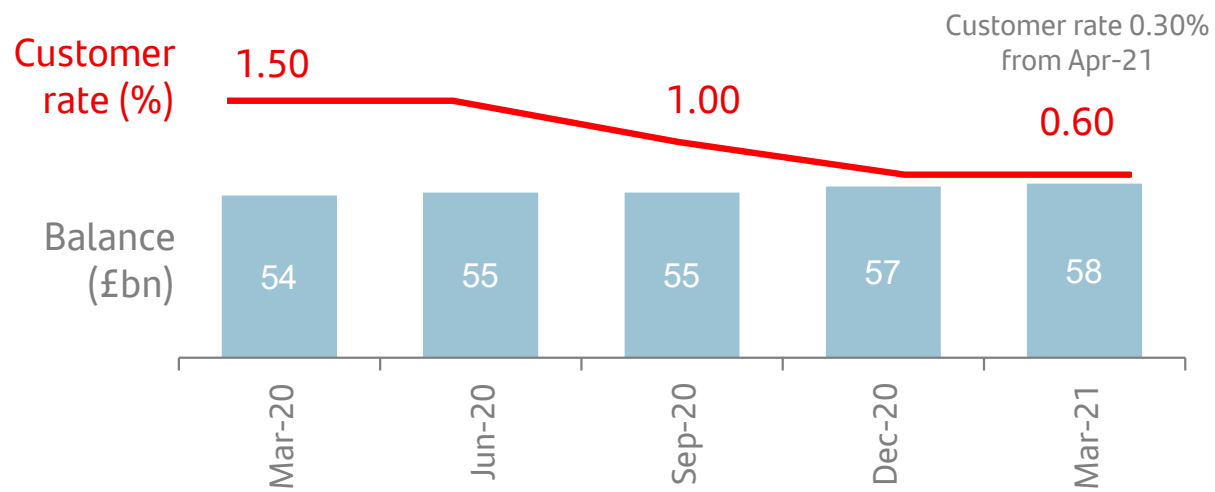
Adjusted Banking NIM¹ (%)



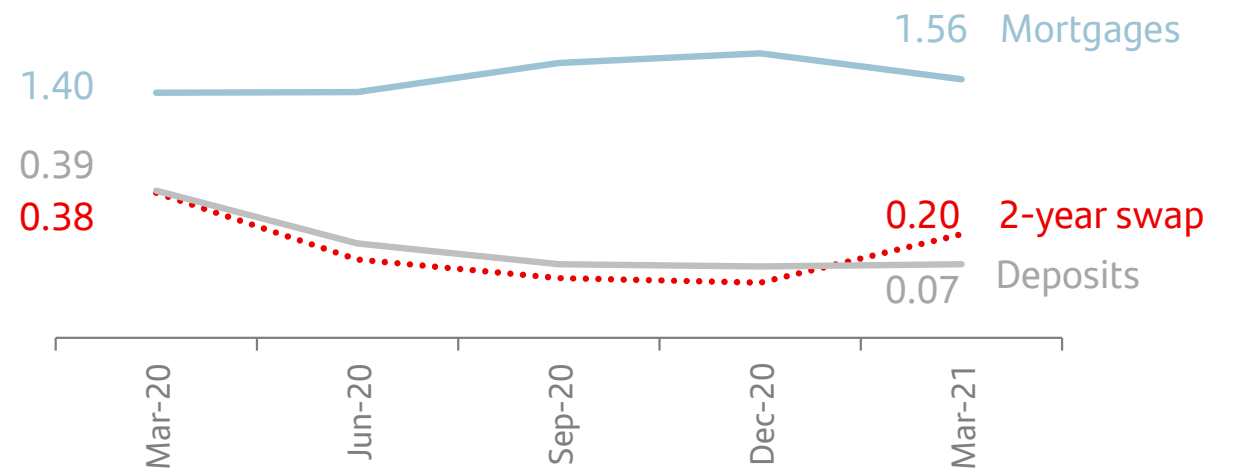
Adjusted Banking NIM, customer loan yield and deposit cost (%)



1|2|3 Current Account²



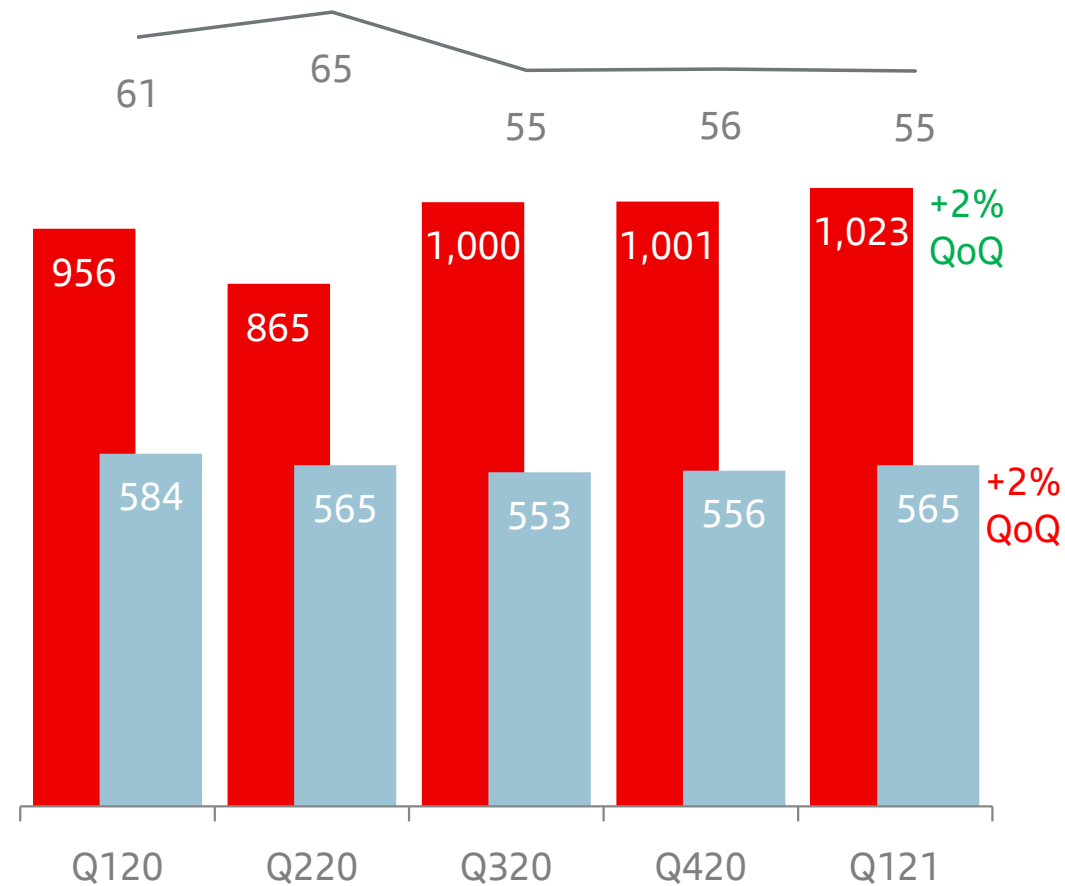
Market customer and swap rates³ (%)



1. Adjusted Banking NIM is calculated as adjusted net interest income divided by average customer assets. | 2. Changes to 1|2|3 current account interest rate and cashback effective in May 2020 (-50bps), August 2020 (-40bps) and April 2021 (-30bps). | 3. Source: Bank of England. Mortgages: 2 Year Fixed Mortgage (75% LTV), Instant Access Deposit incl. unconditional bonus.

Acceleration of our multi-year transformation programme

Adjusted cost-to-income ratio (%)¹



■ Adjusted operating income (£m) ■ Adjusted operating expenses (£m)

Transformation programme investment

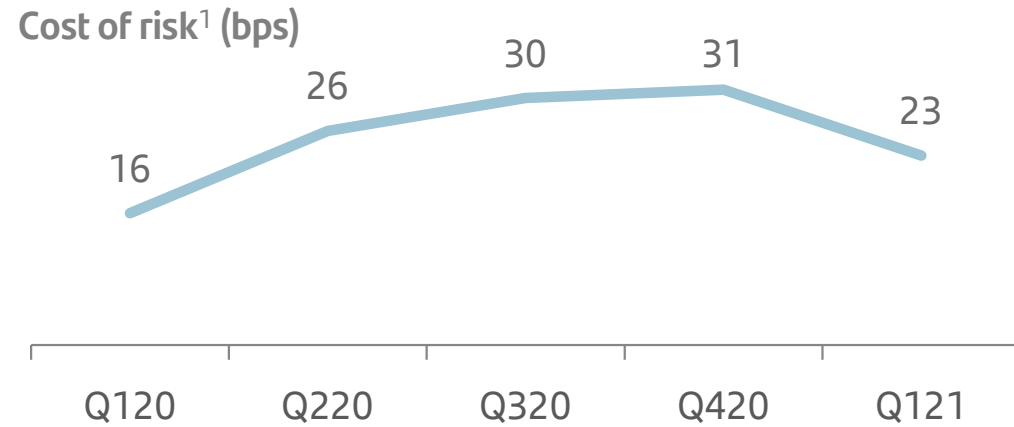
- Strategic focus to become more responsive to the changing needs of our customers while improving efficiency and returns
- Accelerated transformation programme with £238m Q121 investment. Since 2019, £570m invested and £287m of savings realised
- In March 2021, announced 111 branch closures and a 40% reduction in head office space
- £150m to be invested in a state-of-the-art new campus in Milton Keynes which will become the bank's UK headquarters

Underpinned by delivery of *OneEurope* group synergies

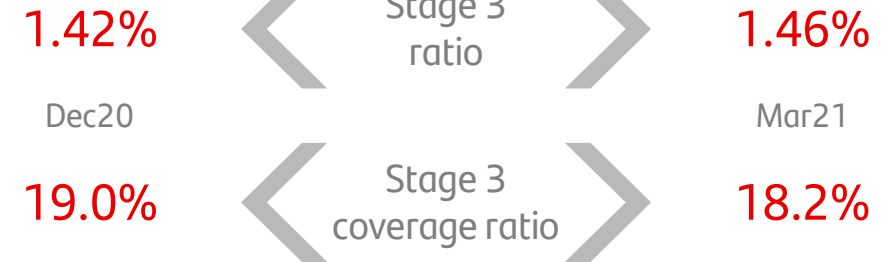


1. See Quarterly Management Statement for the three months ended 31 March 2021 for further details and a reconciliation of adjusting items.

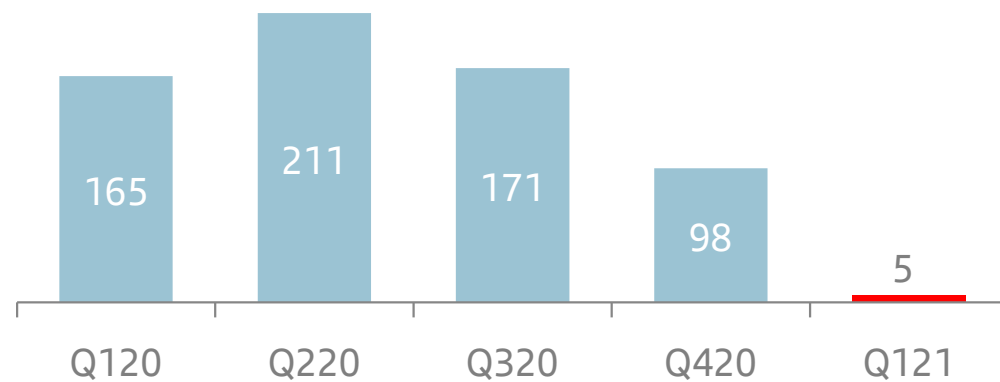
Credit impairment charges decreased following considerable provision build in 2020



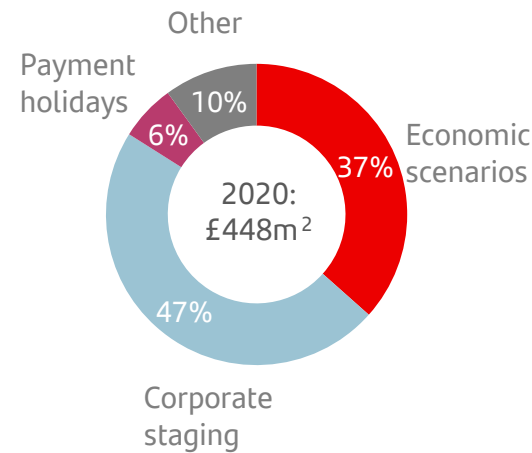
Credit impairments outlook remains highly uncertain



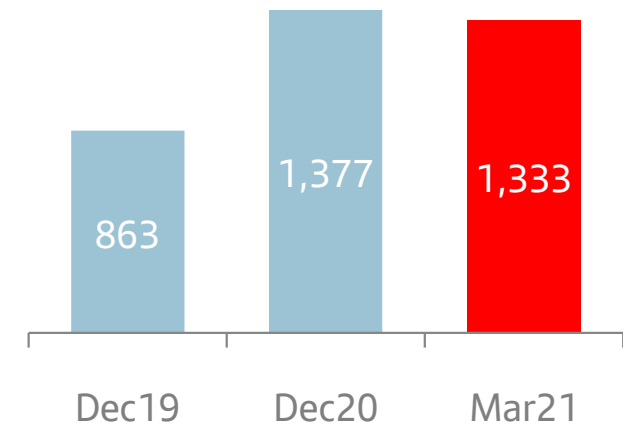
Credit impairment losses (£m)



2020 Covid-19 related credit impairment losses



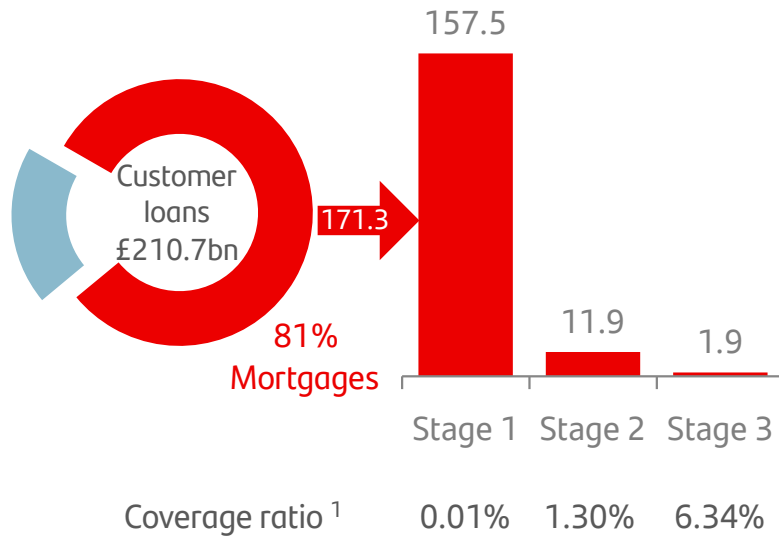
ECL provision build (£m)



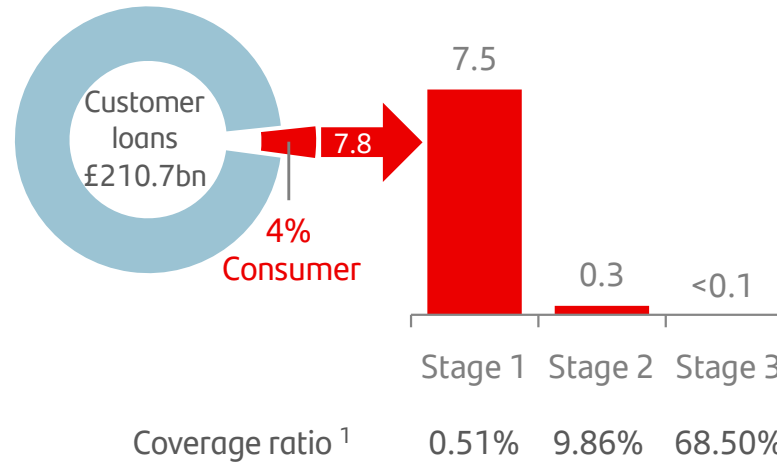
1. Cost of risk (CoR) is rolling 12-month credit impairment losses as a percentage of average customer loans. | 2. Covid-19 credit impairment losses of £448m after the benefit from corporate exposures securitisation.

Resilient balance sheet with limited unsecured retail exposure

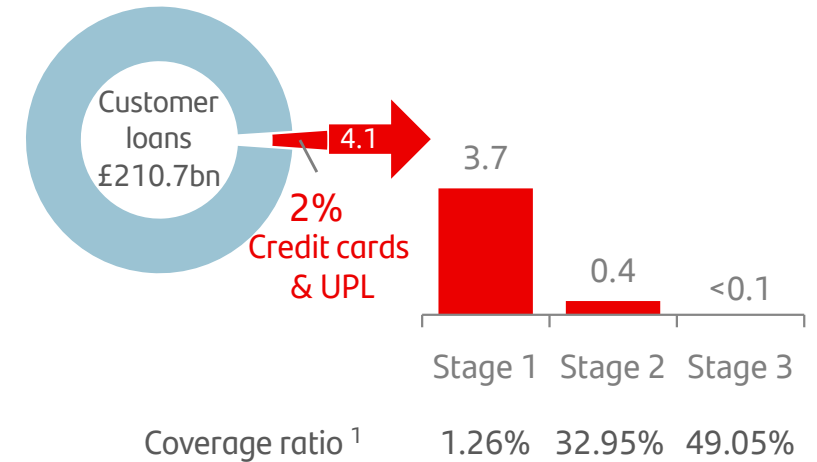
Mortgage lending (£bn)



Consumer (auto) finance lending (£bn)



Credit card & UPL lending (£bn)



- 86% of customers have LTV of <75%
- New business LTV: 63%
 - London lending LTV: 60%
 - Buy-to-let lending LTV : 68%

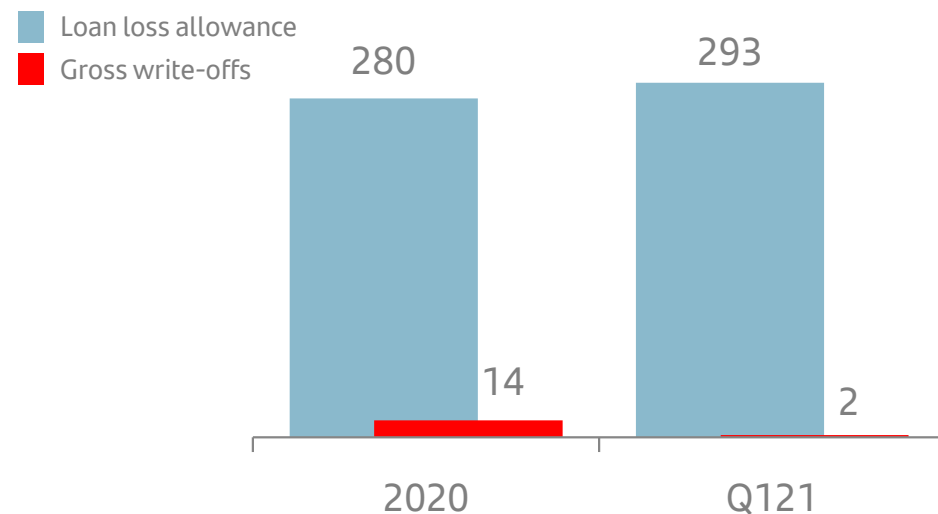
- Prime lending with 80% of the book secured on the vehicle



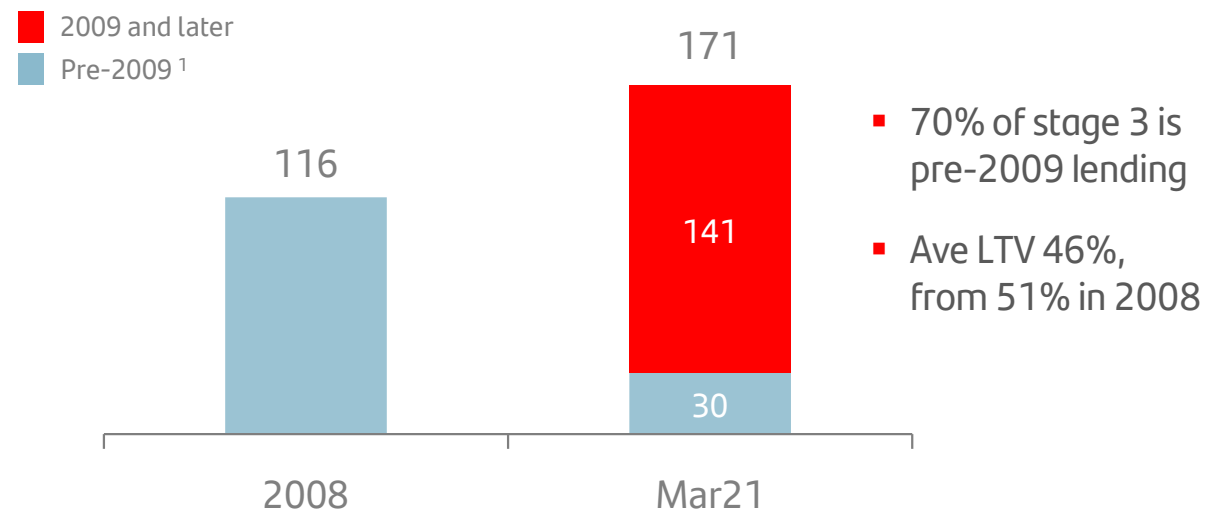
- 54% credit card customers pay-off balance in full each month
- 47% of UPL have average loan balance of <£5k

Prime mortgage portfolio reflects our prudent approach to risk

Loan loss allowance and write-offs (£m)



Mortgage lending origination vintage split (£bn)



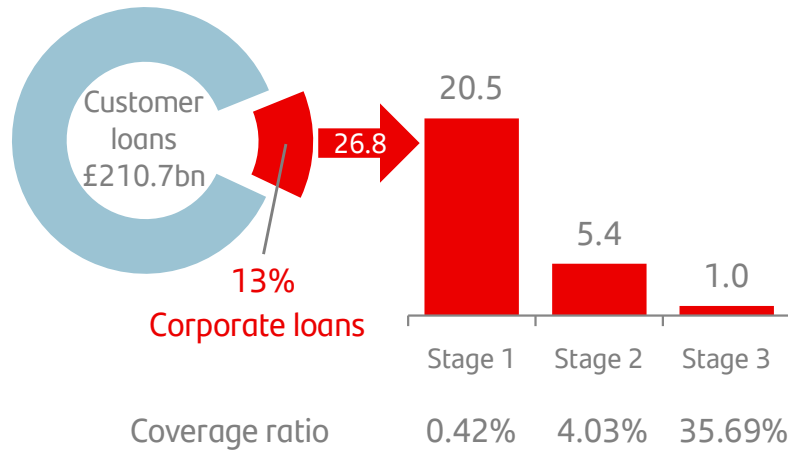
Stock LTV distribution		Mortgage loan size		Borrower profile		Interest rate profile	
>100%	<1%	>£2.0m	<1%	Home movers	43%	Fixed rate	81%
>85-100%	3%	£1.0 to £2.0m	1%	Re-mortgagers	30%	Variable rate	12%
>75-85%	11%	£0.5m to £1.0m	9%	First-time buyers	20%	Standard variable rate ³	7%
>50-75%	42%	£0.25m to £0.5m	29%	BTL	7%		
Up to 50%	44%	<£0.25m	61%				
Average LTV	42%	Ave. loan size (stock)²	£168k	BTL balance	£12.3bn	SVR balance³	£11.9bn



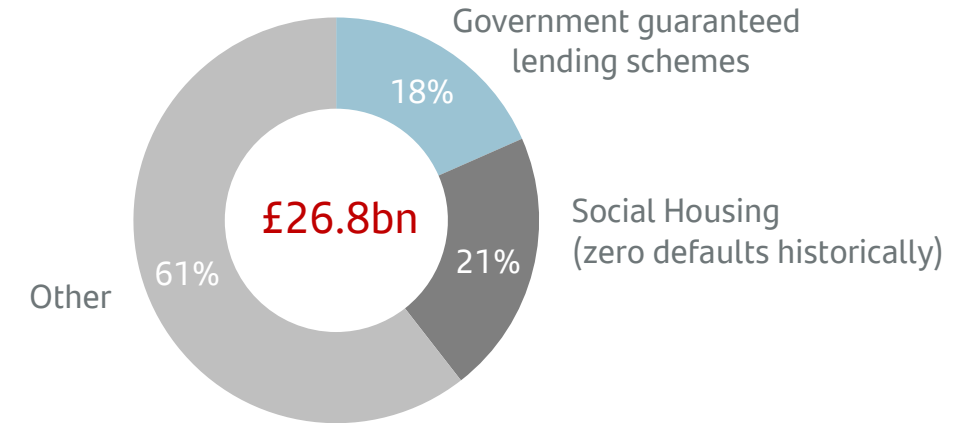
1. Pre-2009 lending in 2008 is Santander UK only. Pre-2009 lending includes all books including those originated by Alliance & Leicester, Santander UK originated <£27bn. |
 2 Average loan size of new business £236k. | 3. Standard variable rate includes follow on rate.

Diversified corporate portfolio with prudent coverage ratio

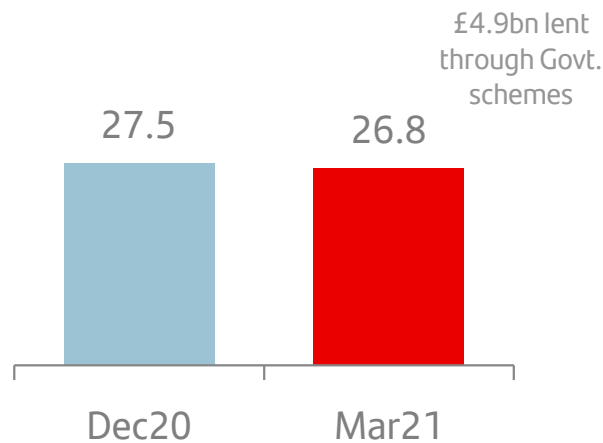
Corporate loans ¹ (£bn)



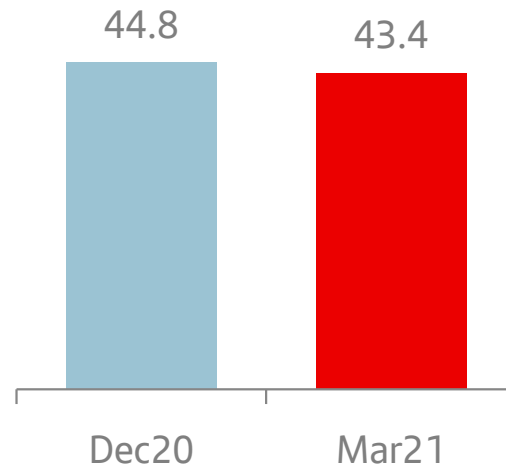
Corporate loans customer sector split



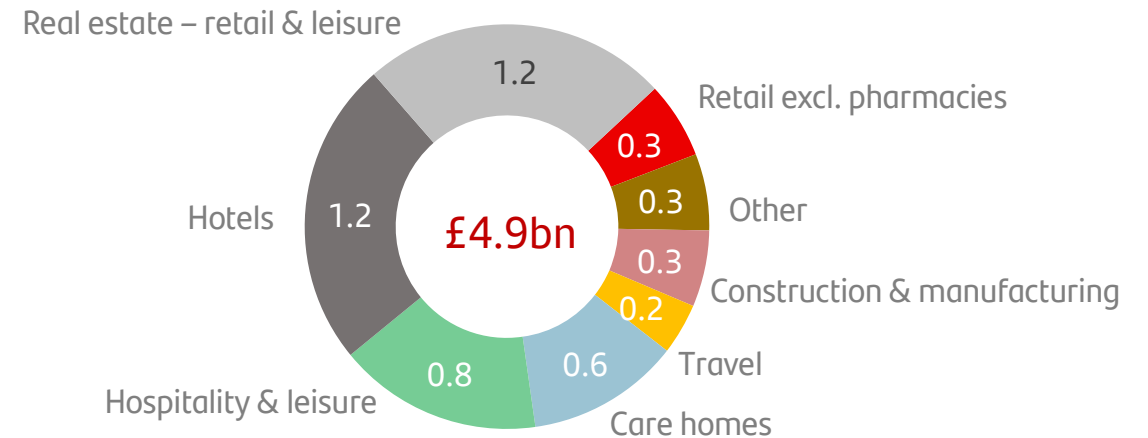
Corporate loans (£bn)



Corporate deposits² (£bn)



Exposure to most-at-risk Covid-19 sectors ³ (£bn)



1. Corporate loans consists of Corporate lending (CCB, CIB and Business Banking) and non-core loans in Corporate Centre (which is mostly Social Housing). |
 2. Corporate deposits includes CCB, CIB and Business Banking. | 3. Exposure includes drawn and undrawn amounts, excludes lending through BBLs and SCIB.

Further embedding ESG to build a more responsible bank



Environmental: supporting the green transition

Helping customers go green¹



£1.27bn
Green Finance
since 2019

1st
Top UK lender for
renewables, 2020

Going green ourselves

99.3%
Waste recycled or
diverted from landfill

Carbon Neutral in
our own operations

Aligning to Paris targets

95%² mortgage lending at
negligible or very low
flooding risk

2nd TCFD³
disclosure



Social: building a more inclusive society

Talented & diverse team

Top Employer in UK and Europe, Top Employers Institute⁴

31.7% women in leadership positions

Financially empowering people

>500,000 people⁵ since 2019

>120,000 Participants in our 2020 numeracy initiative

Supporting society

26,350 people helped in 2020

10,250 scholarships granted in 2020



Governance: doing business the right way

A strong culture

Simple, Personal, Fair

82%

employees proud to work for Santander

Taking ESG criteria into account when determining **remuneration**

Enhanced ESG governance

21 Sustainability Business Partners embedding ESG across the bank

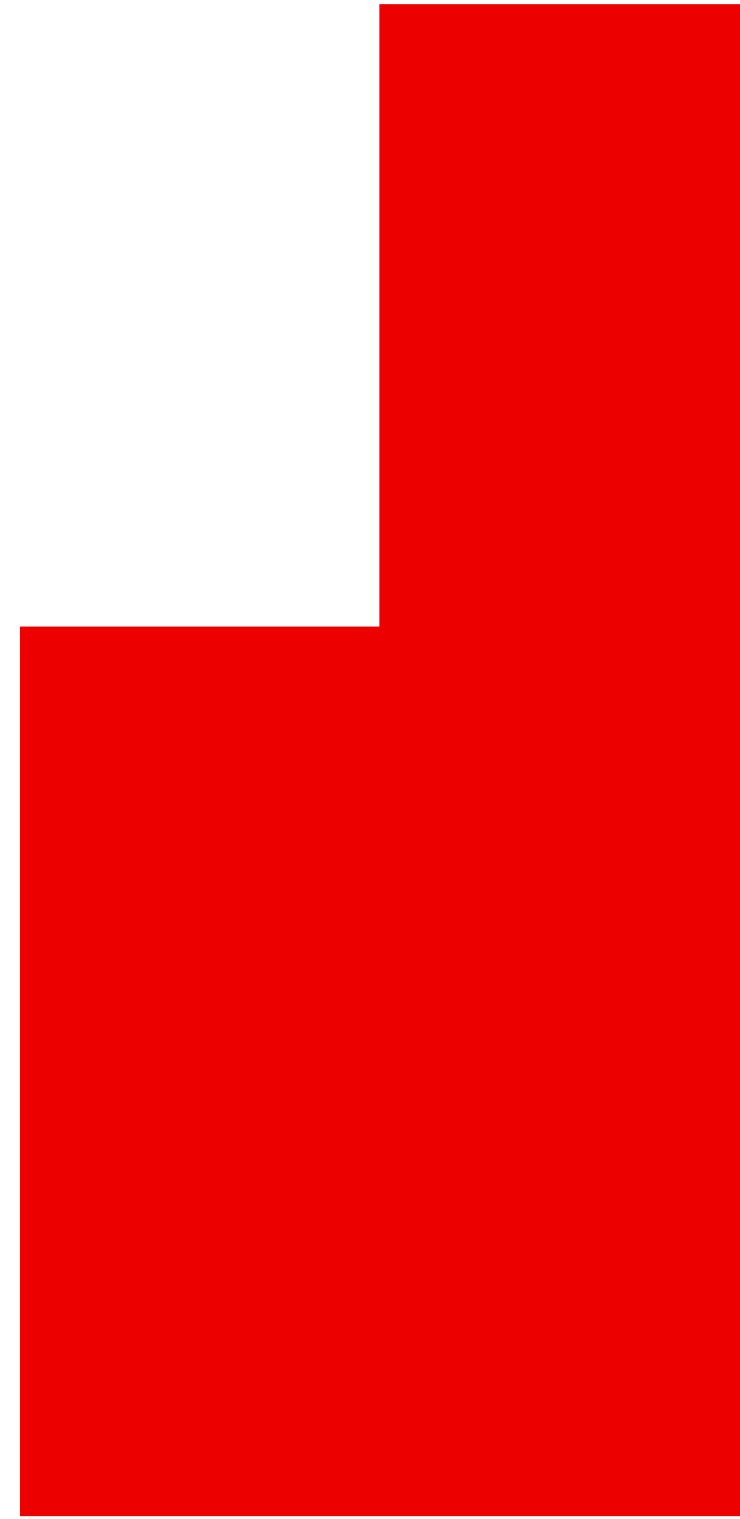
2 in-depth Board trainings in 2020 on sustainability and climate



Banco Santander United Kingdom

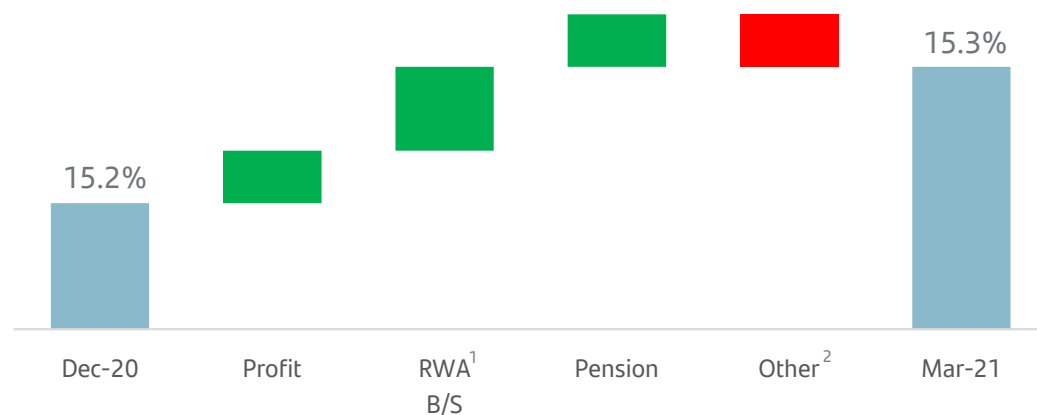
Note: Data at 31 December 2020. 1. Banco Santander United Kingdom metrics. Renewables rank - Inframation League Tables | 2. 2020 assessment of our UK mortgage portfolio, see page 26, 2020 Santander UK Strategic Report | 3. Task Force on Financial Climate Disclosure | 4. Top 10 company to work for | 5. People financially empowered through Santander initiatives.

Fixed Income Appendix



Continued resilience through strong capital position and active RWA management

CET1 ratio



- CET1 capital ratio increased 10bps to 15.3%, with capital accretion through retained profits, RWA management and market driven improvements in the Defined Benefit Pensions Scheme
- The UK leverage ratio improved by 10bps from year end through active management of leverage exposures, specifically through the management of the liquid asset buffer
- CET1 capital ratio includes a benefit of c30bps and UK leverage ratio c8bps from the change in treatment of software assets outlined in the EBA technical standard on the prudential treatment of software assets
- In Mar21 we refinanced our outstanding £500m 5.33% AT1 securities with a new £450m 4.25% PNC5.5, which was exclusively purchased by our parent
- Total capital reduced in the quarter by c20bps to 20.9%, reflecting the reduction in AT1 securities in issue and the CRD IV Grandfathering Cap rules that reduces the recognition of grandfathered capital instruments issued by Santander UK plc that increased in January

Capital and leverage

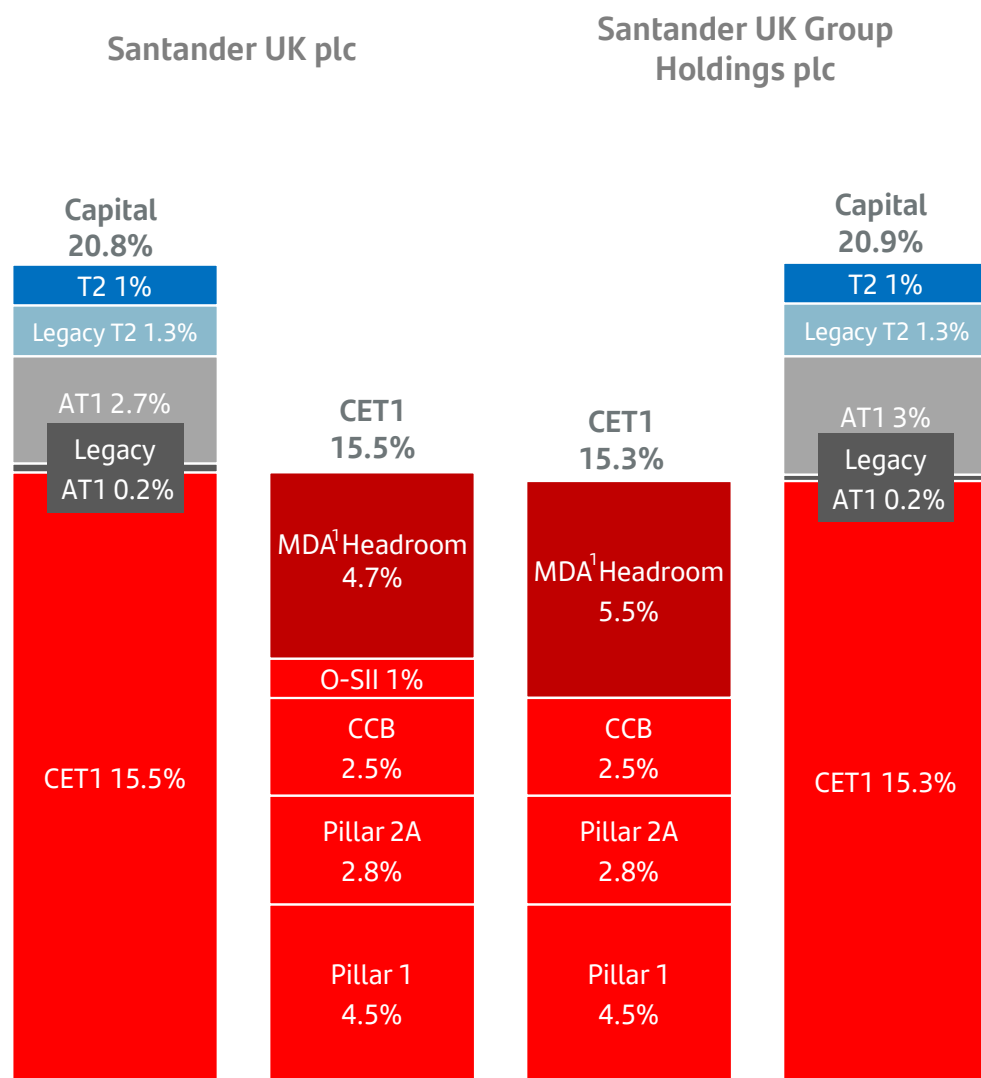
	Dec18	Dec19	Dec20	Mar21
CET1 ratio (%)	13.2	14.3	15.2	15.3
Leverage exposure (£bn)	275.6	269.2	258.9	254.7
UK leverage ratio (%)	4.5	4.7	5.1	5.2
RWAs (£bn)	78.8	73.2	72.9 ³	72.6 ³
HoldCo total capital (%)	19.1	21.6	21.1	20.9
OpCo total capital (%)	20.3	21.7	21.2	20.8



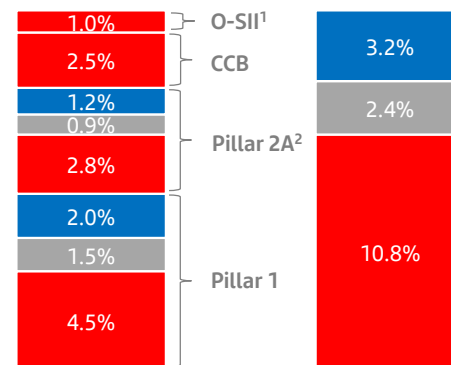
1. Net Balance sheet growth across Retail, Corporate and CIB. | 2. IFRS adjustment, intangible assets and other CET1. | 3. RWA includes c£250m of change in treatment of software assets.

Maintaining resilient capital position in a changing regulatory environment

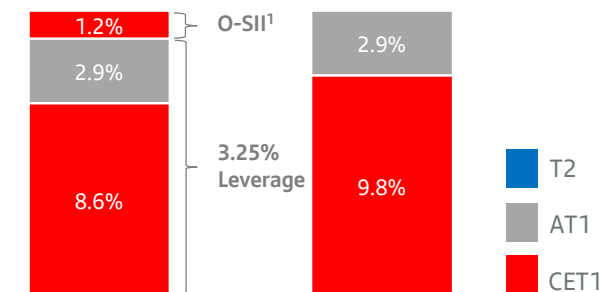
Total capital ratios - RWA



RWA Capital Req. – RWA Basis



Leverage Capital Req. – RWA Basis



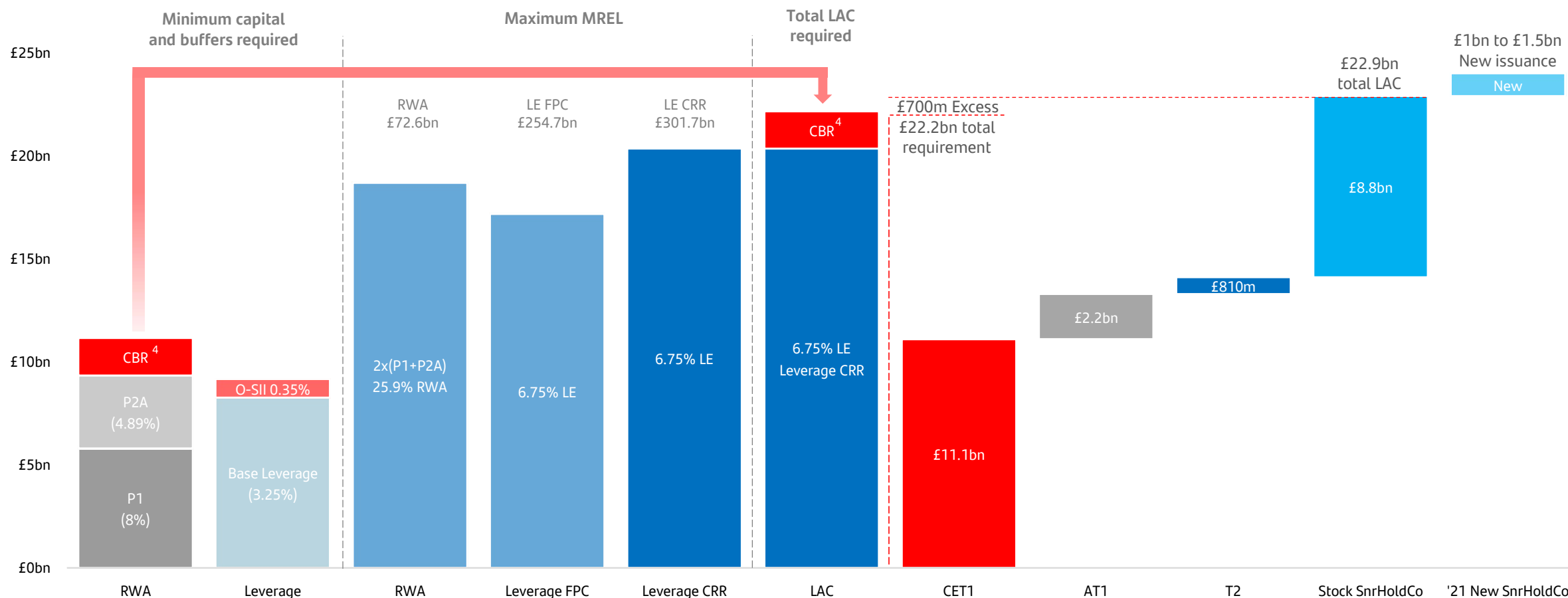
- Buffer to MDA showed a small increase of 0.1% to 5.5%, driven primarily by management of risk weighted assets
- At 31st March SanUK's P2A capital requirement remained with an RWA percentage based element
- Our AT1 outstanding is sized on leverage ratio requirements
- In the 2019 ACS test, Santander UK had the lowest CET1 drawdown across UK banks



1. Distribution restrictions expected to apply if Santander UK's CET1 ratio fell between current Regulatory Minimum Capital level, equal to CRD IV 4.5% minimum plus Pillar 2A and the CRD IV buffers | 2. At 31 Mar 2021, Santander UK Group Holdings plc and Santander UK plc Pillar 2A requirements were 4.89% (2.8% CET1).

End state Loss Absorbing Capacity HoldCo requirements^{1,2,3}

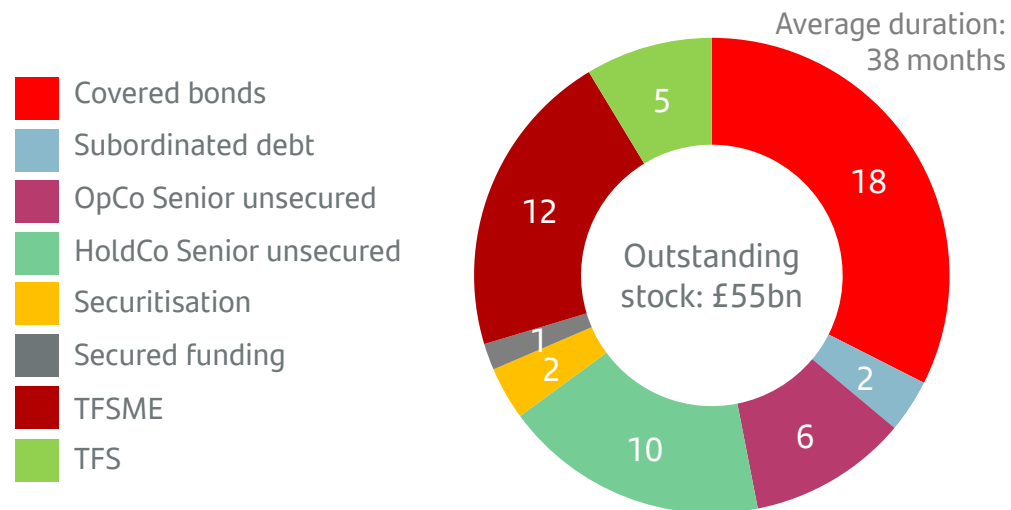
- Santander UK end state MREL is forecast to be driven by CRR leverage
- Combined Buffer Requirement (CBR) will always be fulfilled from CET1
- MREL recapitalisation management buffer size will be driven by the value of HoldCo senior unsecured securities due to become MREL ineligible during the preceding 6 months



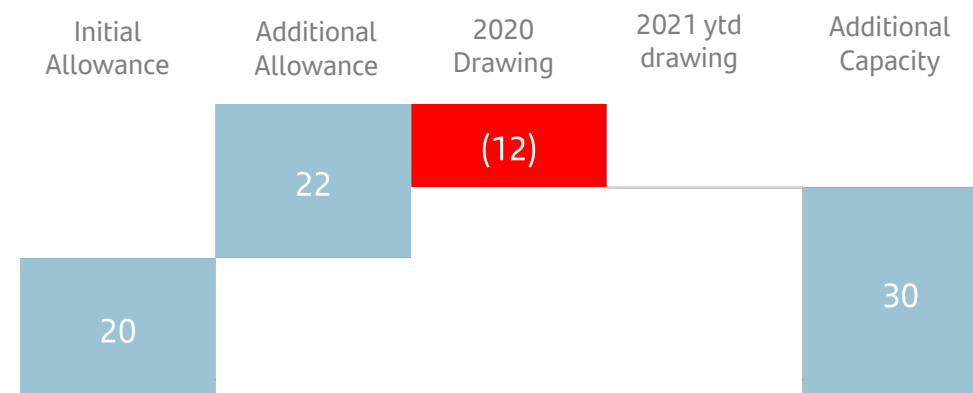
1. Assumes RWA and Leverage Exposure are as of Q1 2021 | 2. At March 2021, Santander UK Group Holdings Pillar 2A requirements was 4.89%. | 3. End state requirements as of Jan 2022 | 4. Combined Buffer Requirement includes CCB 2.5% & CCyB 0% and will be met exclusively with CET1

Strong funding position across a diverse range of products

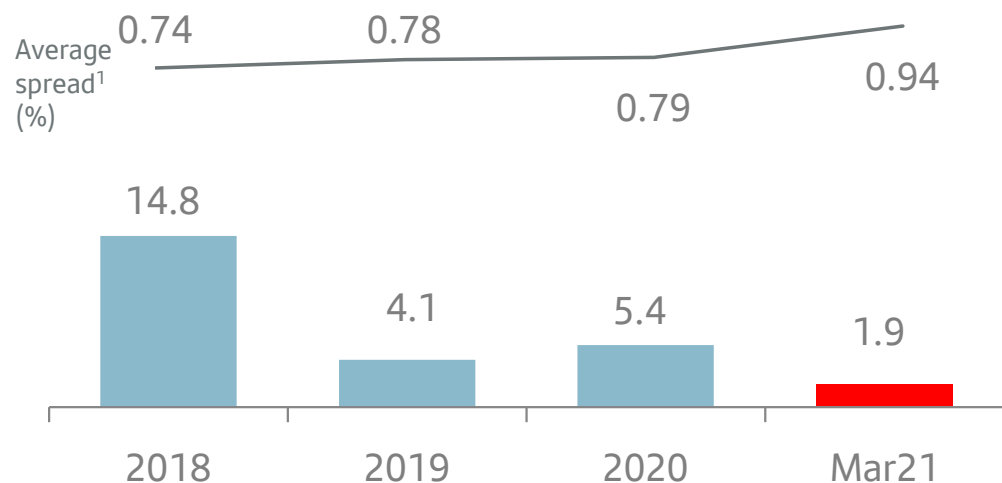
Term funding stock (£bn, Mar21)



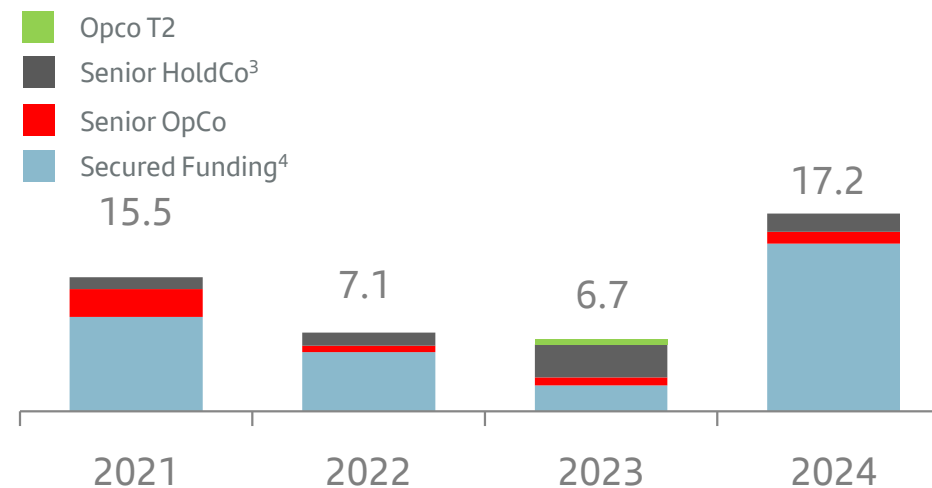
TFSME impact to funding



MTF issuance (£bn)



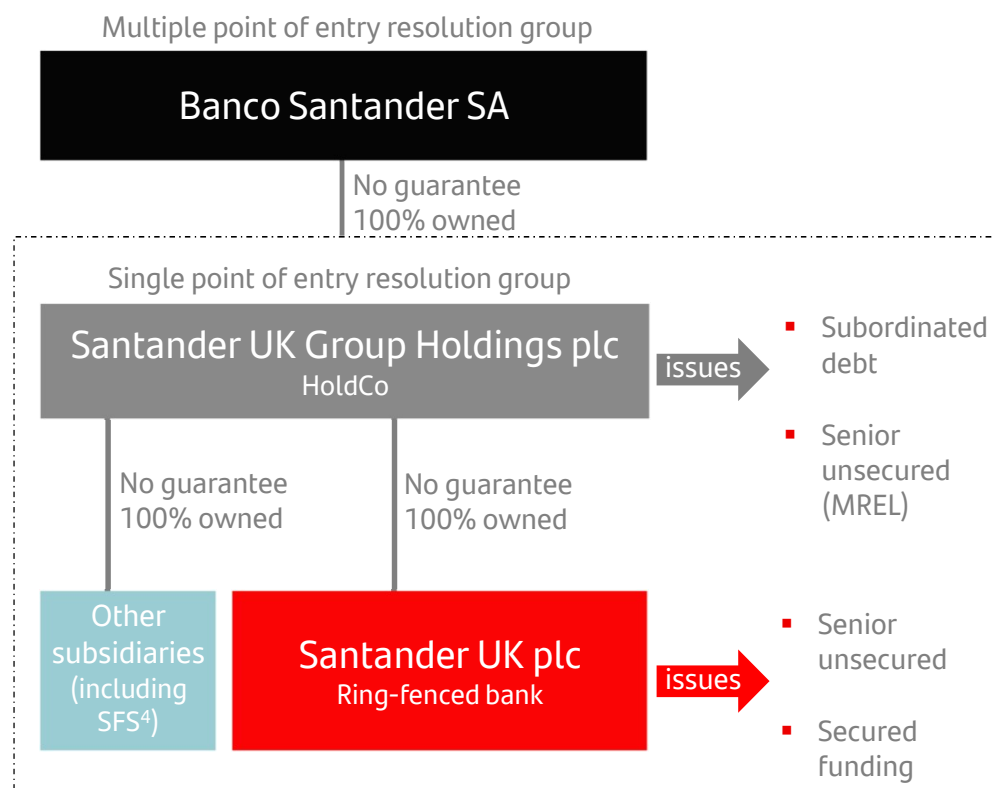
MTF maturities (£bn, Mar21)²



1. Average spread is the weighted margin above SONIA for issuance in that calendar year | 2. Includes issuances from Santander Consumer Finance UK and associated joint ventures and TFS. | 3. Earliest between first call date and maturity date. | 4. Including TFS and TFSME.

Santander UK group down-streaming model

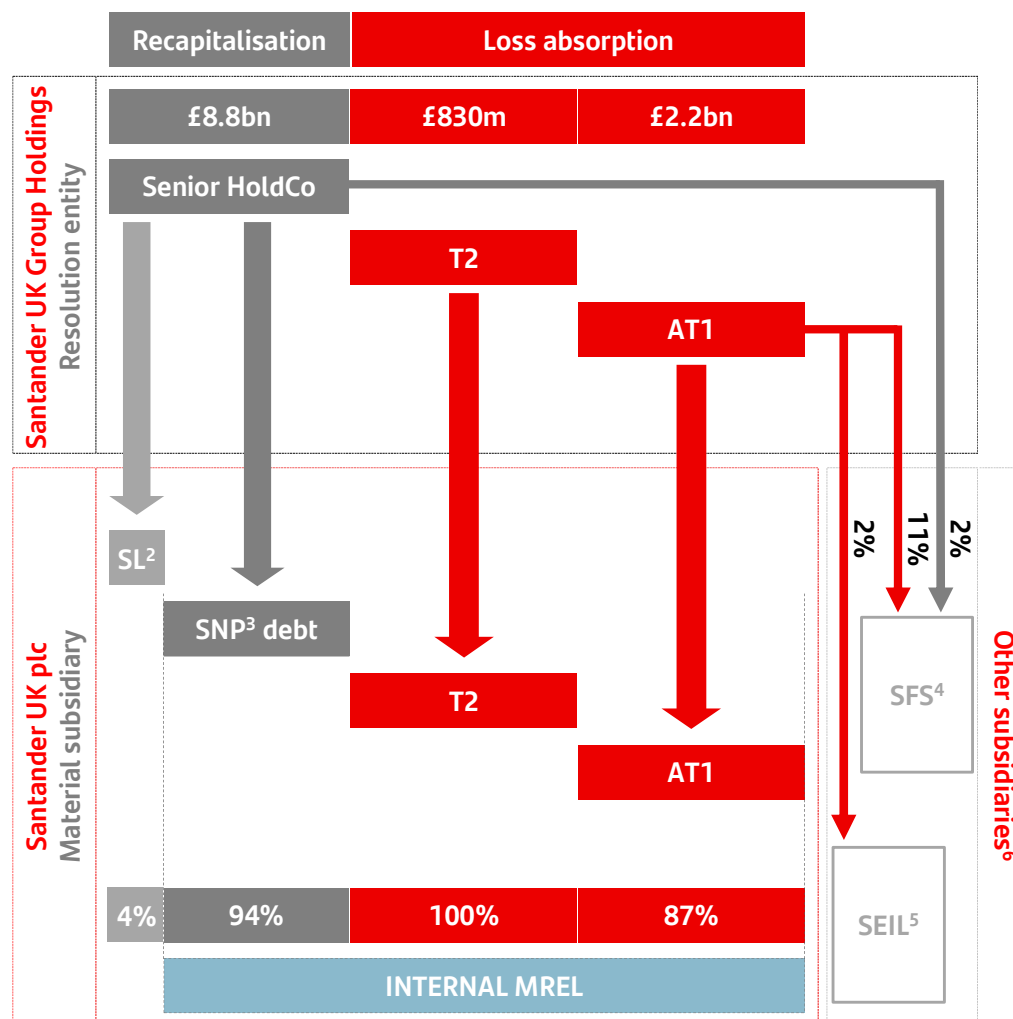
Wholesale funding model



- The PRA regulates capital, liquidity (including dividends) and large exposures
- Requirement to satisfy the PRA that we can withstand capital and liquidity stresses on a standalone basis



Current down-streaming of HoldCo issuance¹



1. Meeting MREL eligibility criteria and exchange rates at 31 March 2021. | 2. Senior loan. | 3. Secondary non-preferential. | 4. Santander Financial Services formerly ANTS. | 5. Santander Equity Investments Limited. | 6. Santander UK other subsidiaries will have limited on-going funding requirements.

Credit ratings – April 2021

S&P	A / A-1 / Negative	
AAA	Opco	Covered Bond
AA+		
AA		
AA-		
A+		
A	Opco	Senior Unsecured
A-		
BBB+		
BBB	Holdco	Senior Unsecured
BBB-		
BB+	Holdco	Tier 2
BB		
BB-		
B+	Holdco	AT1

Moody's	A1 / P-1 / Negative	
Aaa	Opco	Covered Bond
Aa1		
Aa2		
Aa3		
A1	Opco	Senior Unsecured
A2		
A3		
Baa1	Holdco	Senior Unsecured Tier 2
Baa2		
Baa3		
Ba1	Holdco	AT1
Ba2		
Ba3		
B1		

Fitch	A+ / F1 / Negative	
AAA	Opco	Covered Bond
AA+		
AA		
AA-		
A+	Opco	Senior Unsecured
A	Holdco	Senior Unsecured
A-		
BBB+	Holdco	Tier 2
BBB		
BBB-	Holdco	AT1
BB+		
BB		
BB-		
B+		

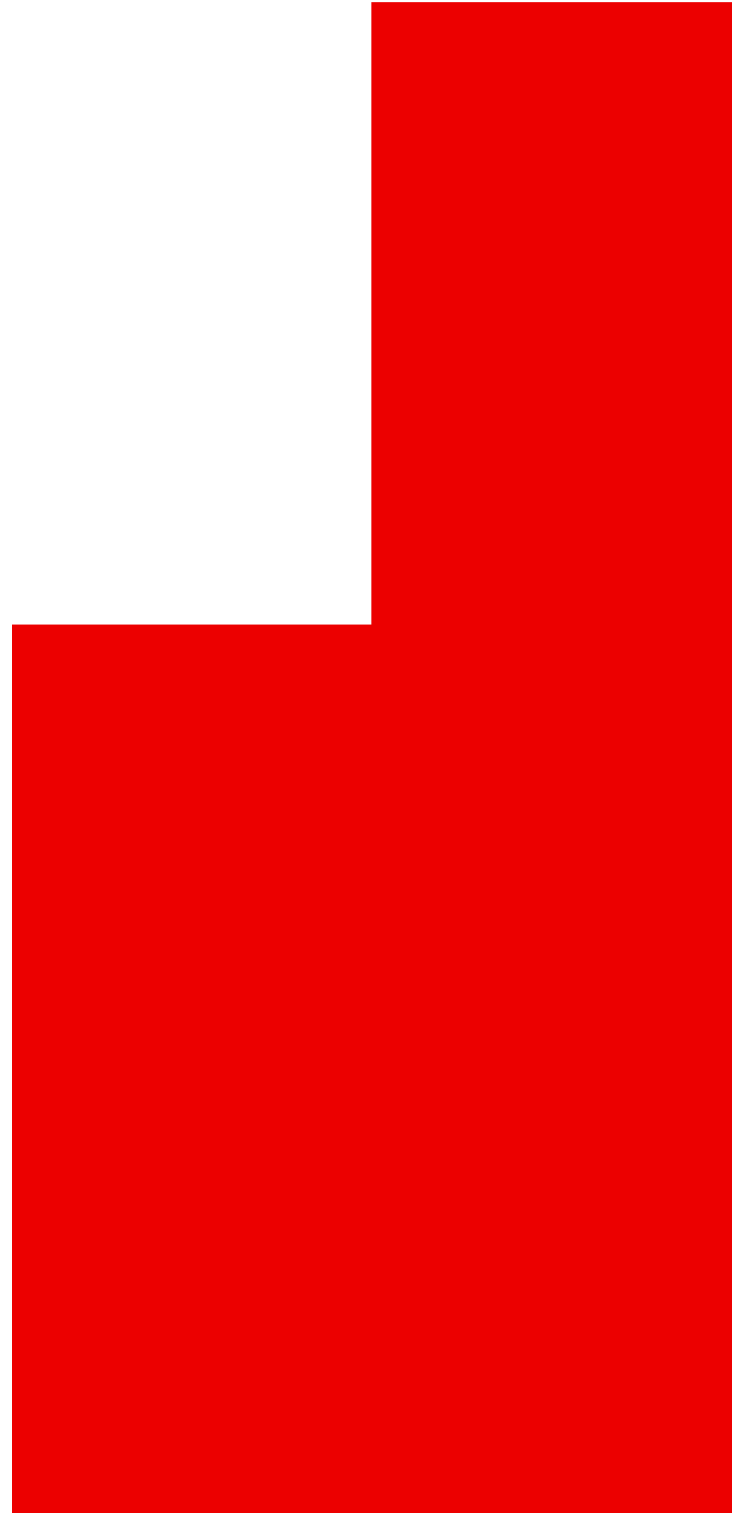


Opco - Santander UK plc

Holdco - Santander UK Group Holdings plc

Note: unchanged from 31 December 2020

Appendix

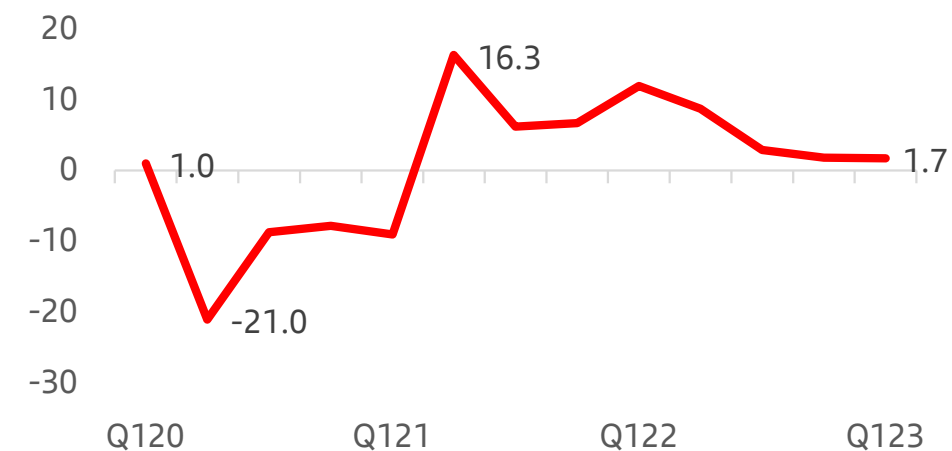


Wide range of potential outcomes for the UK economy

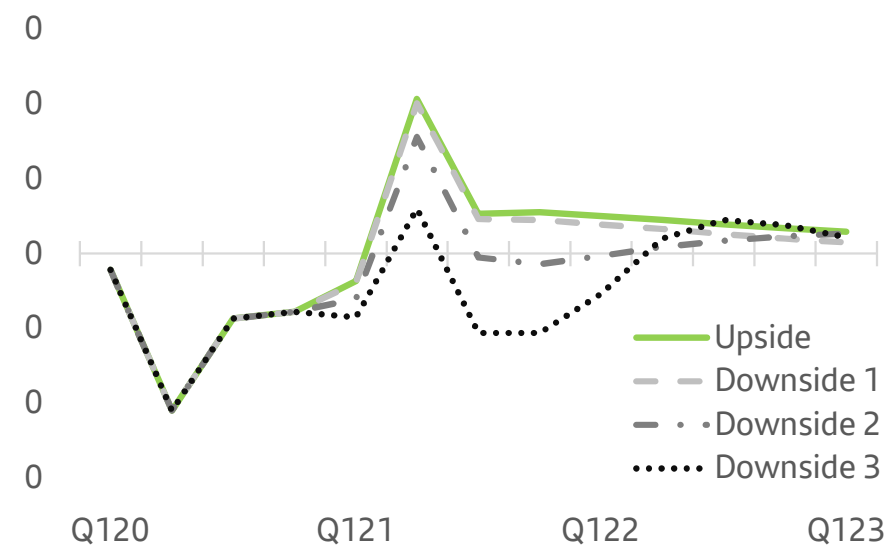
Economic scenarios (%)

		Downside 3	Downside 2	Downside 1	Base case	Upside
GDP	2020	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)
	2021	(6.4)	1.3	5.7	4.5	6.3
	2022	1.1	1.2	2.9	6.1	4.2
Base rate	2020	0.10	0.10	0.10	0.10	0.10
	2021	(0.50)	0.25	0.10	0.10	0.25
	2022	0.0	1.25	0.10	0.10	0.50
House price inflation (HPI)	2020	7.0	7.0	7.0	7.0	7.0
	2021	(18.0)	(11.1)	1.7	2.0	2.4
	5-yr CAGR	(5.2)	(5.5)	(5.2)	1.9	0.2
Unemployment (ILO)	2020	5.1	5.1	5.1	5.1	5.1
	2021	11.9	8.3	6.2	6.9	5.9
	5-yr peak	11.9	9.7	7.2	6.9	5.9
Weighting		5	25	15	50	5

Base case GDP (%)



GDP scenarios (%)



GDP: Calendar year growth rate. HPI: Annual growth rate, Q4.

Disclaimer

Santander UK Group Holdings plc (Santander UK) is a subsidiary of Banco Santander SA (Santander).

This presentation provides a summary of the unaudited business and financial trends for the three months ended 31 March 2021 for Santander UK Group Holdings plc and its subsidiaries (Santander UK), including its principal subsidiary, Santander UK plc. Unless otherwise stated, references to results in previous periods and other general statements regarding past performance refer to the business results for the same period in 2020.

Alternative Performance Measures (APMs)

In addition to the financial information prepared under IFRS, this presentation includes financial measures that constitute APMs, as defined in European Securities and Markets Authority (ESMA) guidelines. These measures are defined and reconciliations to the nearest IFRS measures are available in the appendix to the Santander UK Group Holdings plc Quarterly Management Statement for the three months ended 31 March 2021.

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Source: Santander UK Q1 2021 results 'Quarterly Management Statement for the three months ended 31 March 2021' or Santander UK Group Holdings Management Information (MI), unless otherwise stated. Santander has a standard listing of its ordinary shares on the London Stock Exchange and Santander UK plc continues to have its preference shares listed on the London Stock Exchange. Further information in relation to Santander UK can be found at: www.santander.co.uk/uk/about-santander-uk. Neither the content of Santander UK's website nor any website accessible by hyperlinks on Santander UK's website is incorporated in, or forms part of, this presentation.



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Key dates

Q2'21 results: 28 July 2021

Q3'21 results: 27 October 2021

www.aboutsantander.co.uk

