
Press release

30 September 2011

HIGHLIGHTS – ANA BOTÍN’S PRESENTATION TO INVESTORS – SEPTEMBER 2011

- **Santander UK will invest c£500 million over next two years to develop products and services for SMEs, improve processes and services, and build a better bank in-line with the Santander Group, customer-service model**

Speaking at Santander Group’s investor presentations on 29 September 2011, UK CEO Ana Botín detailed Santander UK’s three-year plan.

Summary

- Santander UK has a strong franchise, with 25 million customers and 1400 branches. Ninety nine percent of the business' balance sheet consists of loans to UK small and medium-sized businesses, UK individuals and UK corporates.
- Santander UK today has industry-leading financial strength among UK banks with more than 80 percent secured loans, and non performing loans (NPL) ratio of 1.82 per cent and 11 per cent core capital;
- Over the next 2 years, Santander UK will face a combination of strong headwinds due to both a weaker macroeconomic environment with long-term low interest rates and low GDP growth, as well as significant new regulatory costs and increasing competition for retail deposits;
- Santander UK plans to invest around £490m in 2012 and 2013 to improve our customer satisfaction, efficiency and profitability after which we expect Santander UK to be performing better than its peers;
- In the next three years Santander UK will open 3m new current accounts and increase the number of credit card customers from the 1.4m it has now, to 3m;
- In the next three years, Santander UK will have integrated the RBS branches it acquired in 2010 and will have a re-balanced business mix with a greater emphasis on corporate, business and SME banking services;
- After absorbing the costs associated with a difficult market and economic environment and structural reform, and the £490m investment programme in 2012 and 2013, Santander UK expects to achieve a cost-income ratio, NPL and Return on Tangible Equity (ROTE) equal to or better than peers – and to being “best in class” from 2014.

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The detailed points from Ana's presentation:

"The three-year plan starts from a strong position: we have 25 million customers and around 1400 branches, meaning we have one of the largest customer bases and distribution networks in the UK.

"We have reached this position following the transformation from three building societies to one bank, underpinning this with the introduction of Santander's business model, applying our IT excellence and supporting our UK growth with good risk management.

"Santander UK is well funded and capitalised. In the last 12 months we have further improved the strength of our balance sheet, improved our liquidity, capital position and our funding mix. These are all important factors in achieving a strong and stable bank from which we can grow and develop our business, whether in products, the type of business we do and improving our service and customer satisfaction.

"The UK banking industry faces a more challenging economic environment than expected. Santander UK will not be immune to this and the combination of modest GDP growth, lower interest rates for much longer than anyone anticipated and the burden of increased regulatory costs and higher funding costs will have an impact on Santander UK's earnings as we move forward.

"We believe the cumulative effect of liquidity buffer, FSCS and bank levy plus the costs of structural reforms will increase ten-fold from where we were in 2008 to what we expect to see in 2013, impacting our profit before tax.

"That's a challenging backdrop for our business but Santander UK has an enormous opportunity in the UK and we have accomplished a lot so far.

"We have strengthened our management team with world-class additions to our UK Board and Executive Committee from both internal and external backgrounds. This week's announcement of Stephen Jones, who joins from Barclays as Head of Strategy, Corporate Development and Regulatory Affairs, completes the senior team.

"The strategic review is done and is being implemented. This will lead to an integrated Santander model with a more customer-centric and balanced business mix, a desire to be the bank of choice for small and medium-sized businesses (SMEs) and improved customer service.

"Underpinning this will be further investment in our people as Santander UK completes its journey to being one of the best companies to work for with additional investment in training and career opportunities."

The commercial turn-around of Santander UK will:

- Build on the core franchise to be a better bank for customers – improving further Santander UK's primary relationships with existing customers and adding more

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current accounts, credit cards and investments to its strong mortgage and savings performance by rewarding loyalty and building customer satisfaction;

- Deliver simple and value-added products for its customers new and existing;
- Improve its customer service significantly;
- Add three million new current accounts and increase the number of credit card customers from the 1.4 million it has now, to 3 million in the next 3 years;
- Grow the SME, business and corporate banking franchise, building on Santander UK's excellent Relationship Management model to grow organically but also through the integration of the RBS branches and banking centres in 2012 to become the SME bank of choice with a strong primary customer franchise;
- Will fully deploy and leverage the IT expertise from its global Partenon platform. While partially established in the UK business, there is much more it can do and the bank will invest around £490m over the next three years leveraging the competitive advantage Partenon can give Santander versus its UK peers. This will enable Santander to deliver leading multi-channel capabilities which are increasingly important in today's banking market.

The significant investment Santander is making over the next two years – combined with its clear strategic commercial goals to improve both the retail and commercial businesses for its customers – will drive a more balanced, sustainable and stronger business.

CEO Ana Botín concluded her presentation of the Santander UK three year plan by committing that Santander UK will emerge as a better bank for its people, its customers and its shareholders in the long term.

- Ends -

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Notes to Editors

About Us

Santander UK plc is a full-service retail and commercial bank providing services to 25 million customers, with more than 1,400 branches and around 4,200 cash machines. It is a wholly owned subsidiary of Banco Santander. Santander UK plc is autonomous from its parent in terms of capital and liquidity, raising its own funds to run its business.

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Over 95% of the assets on Santander UK plc's balance sheet are UK based, and it is subject to full supervision of the Financial Services Authority (FSA) in the UK. Santander UK plc customers are protected by the Financial Services Compensation Scheme (FSCS) in the UK.

Banco Santander (SAN.MC, STD.N, BNC.LN) is a retail and commercial bank, based in Spain, with a presence in 10 main markets. Santander is the largest bank in the euro zone and tenth in the world by market capitalization. Founded in 1857, Santander had EUR 1,374 billion in managed funds, more than 100 million customers, 14,679 branches – more than any other international bank – and 190,000 employees at the close of June 2011. It is the largest financial group in Spain and Latin America. Furthermore, it has significant positions in the United Kingdom, Portugal, Germany, Poland and the U.S. northeast. Santander Consumer Finance operates in the Group's core markets as well as in the Nordic region. In the first half of 2011, Grupo Santander registered €3,501 million in net attributable profit.

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