

**Santander UK plc**

**Results for the quarter ended 31 March 2014**

## Quarterly data series

29 April 2014

**Santander UK plc**

**Results for the quarter ended 31 March 2014**

<b>Income statement</b>	<b>Q1'14</b>	<b>Q4'13</b>	<b>Q3'13</b>	<b>Q2'13</b>	<b>Q1'13</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net interest income	825	812	760	699	692
Non-interest income	269	259	237	291	279
<b>Total operating income</b>	<b>1,094</b>	<b>1,071</b>	<b>997</b>	<b>990</b>	<b>971</b>
Administrative expenses	(497)	(477)	(478)	(499)	(493)
Depreciation, amortisation and impairment	(73)	(68)	(59)	(61)	(60)
<b>Total operating expenses excl. provisions and charges</b>	<b>(570)</b>	<b>(545)</b>	<b>(537)</b>	<b>(560)</b>	<b>(553)</b>
Impairment losses on loans and advances	(97)	(115)	(125)	(105)	(130)
Provisions for other liabilities and charges	(11)	(163)	7	(58)	(6)
<b>Total operating provisions and charges</b>	<b>(108)</b>	<b>(278)</b>	<b>(118)</b>	<b>(163)</b>	<b>(136)</b>
<b>Profit before tax from continuing operations</b>	<b>416</b>	<b>248</b>	<b>342</b>	<b>267</b>	<b>282</b>
Taxation charge on continuing operations	(81)	(44)	(65)	(52)	(57)
<b>Profit from continuing operations</b>	<b>335</b>	<b>204</b>	<b>277</b>	<b>215</b>	<b>225</b>
Discontinued operations	-	4	-	(12)	-
<b>Profit for the period</b>	<b>335</b>	<b>208</b>	<b>277</b>	<b>203</b>	<b>225</b>
<i>Banking NIM</i>	1.79%	1.71%	1.59%	1.46%	1.45%
<i>Cost-to-income ratio*</i>	52%	51%	54%	57%	57%

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Summary balance sheet analysis	31.03.14	31.12.13	30.09.13	30.6.13	31.03.13
	£bn	£bn	£bn	£bn	£bn
Retail Banking	155.2	155.6	157.3	159.6	161.4
Commercial Banking	22.9	22.1	21.5	21.0	20.4
<b>UK Banking</b>	<b>178.1</b>	<b>177.7</b>	<b>178.8</b>	<b>180.6</b>	<b>181.8</b>
Corporate Centre	8.9	9.4	9.9	10.4	10.6
<b>Customer loans</b>	<b>187.0</b>	<b>187.1</b>	<b>188.7</b>	<b>191.0</b>	<b>192.4</b>
Other assets	93.5	83.2	105.9	106.9	108.1
<b>Total assets</b>	<b>280.5</b>	<b>270.3</b>	<b>294.6</b>	<b>297.9</b>	<b>300.5</b>
<b>Liabilities</b>					
Retail Banking	124.7	123.2	123.7	126.7	127.0
Commercial Banking <sup>1</sup>	13.4	12.6	14.1	13.8	13.9
<b>UK Banking</b>	<b>138.1</b>	<b>135.8</b>	<b>137.8</b>	<b>140.5</b>	<b>140.9</b>
Corporate Centre <sup>1</sup>	9.5	10.6	10.7	10.0	10.1
<b>Customer deposits</b>	<b>147.6</b>	<b>146.4</b>	<b>148.5</b>	<b>150.5</b>	<b>151.0</b>
Medium-term funding	58.5	57.5	59.2	60.6	64.7
Other liabilities and equity	74.4	66.3	86.9	86.8	84.8
<b>Total liabilities and equity</b>	<b>280.5</b>	<b>270.3</b>	<b>294.6</b>	<b>297.9</b>	<b>300.5</b>
<b>Ratios</b>					
<i>Loan-to-deposit ratio</i>	125%	126%	126%	125%	126%
<i>Customer deposits and MTF to customer loans</i>	112%	111%	112%	112%	114%

1. In Q4'13, the management of a number of customer accounts, with deposits of £2.1bn, was transferred from Commercial Banking to Corporate Centre. Prior periods have not been restated.

**Santander UK plc****Results for the quarter ended 31 March 2014**

<b>Summary capital, liquidity and funding</b>	<b>31.03.14</b>	<b>31.12.13</b>	<b>30.09.13</b>	<b>30.6.13</b>	<b>31.03.13</b>
	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>
<b>Capital – Basel III</b>					
<i>CRD IV CET 1 Capital ratio</i>	11.6%	11.6%	11.6%	11.4%	11.5%
<b>Liquidity</b>					
Eligible liquid assets (BIPRU 12.7)	32.4	29.5	33.1	35.0	38.0
Total liquid assets	75.3	73.0	79.6	78.4	77.4
<b>Funding</b>					
Total wholesale funding	68.8	65.7	69.8	70.4	73.9
- of which wholesale funding of less than one year	24.1	21.2	24.7	21.1	21.8
<i>Liquid assets coverage of wholesale funding with a residual maturity of less than one year</i>	134%	139%	134%	166%	175%

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### Results for the quarter ended 31 March 2014

<b>Segmental credit quality analysis</b>	<b>31.03.14</b>	<b>31.12.13</b>	<b>30.09.13</b>	<b>30.6.13</b>	<b>31.03.13</b>
	%	%	%	%	%
<i>Retail Banking NPL ratio</i>	1.85	1.89	1.90	1.88	1.85
<i>Retail Banking NPL coverage</i>	32	31	32	31	31
<i>Commercial Banking NPL ratio</i>	2.71	3.02	3.40	3.58	3.96
<i>Commercial Banking NPL coverage</i>	57	53	55	54	52
<i>Corporate Centre NPL ratio</i>	1.83	2.36	2.58	3.75	3.83
<i>Corporate Centre NPL coverage</i>	158	125	112	101	99
<i>Santander UK NPL ratio</i>	1.95	2.04	2.11	2.17	2.18
<i>Santander UK NPL coverage</i>	42	41	41	42	42

<b>Mortgages credit quality</b>	<b>31.03.14</b>	<b>31.12.13</b>	<b>30.09.13</b>	<b>30.06.13</b>	<b>31.03.13</b>
Mortgage non performing loans	£2,734m	£2,788m	£2,841m	£2,849m	£2,821m
Mortgage loans and advances to customers	£147.6bn	£148.1bn	£149.9bn	£152.3bn	£154.1bn
Mortgage impairment loan loss allowances	£594m	£593m	£589m	£579m	£570m
<i>Mortgage NPL ratio</i>	1.85%	1.88%	1.89%	1.87%	1.83%
<i>Mortgage NPL coverage</i>	22%	21%	21%	20%	20%

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Results for the quarter ended 31 March 2014

### Retail Banking

Summarised income statement	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m
Net interest income	828	847	793	708	674
Non-interest income	158	152	171	166	162
<b>Operating income</b>	<b>986</b>	<b>999</b>	<b>964</b>	<b>874</b>	<b>836</b>
Operating expenses	(410)	(416)	(433)	(435)	(432)
Operating provisions and charges	(59)	(70)	(99)	(91)	(99)
<b>Profit before tax</b>	<b>517</b>	<b>513</b>	<b>432</b>	<b>348</b>	<b>305</b>

### Commercial Banking and Markets segments

Summarised income statement	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m
Net interest income	124	112	107	100	98
Non-interest income	94	105	114	66	111
<b>Operating income</b>	<b>218</b>	<b>217</b>	<b>221</b>	<b>166</b>	<b>209</b>
Operating expenses	(128)	(109)	(104)	(106)	(99)
Operating provisions and charges	(29)	(37)	(30)	(17)	(34)
<b>Profit before tax</b>	<b>61</b>	<b>71</b>	<b>87</b>	<b>43</b>	<b>76</b>

### Corporate Centre

Summarised income statement	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m
Net interest expense	(127)	(147)	(140)	(109)	(80)
Non-interest income	17	2	(48)	59	6
<b>Operating income</b>	<b>(110)</b>	<b>(145)</b>	<b>(188)</b>	<b>(50)</b>	<b>(74)</b>
Operating expenses	(32)	(20)	-	(19)	(22)
Operating provisions and charges	(20)	(171)	11	(55)	(3)
<b>Profit before tax</b>	<b>(162)</b>	<b>(336)</b>	<b>(177)</b>	<b>(124)</b>	<b>(99)</b>

**Santander UK plc****Results for the quarter ended 31 March 2014****Retail Banking**

<b>Balances</b>	<b>31.03.14</b>	<b>31.12.13</b>	<b>30.09.13</b>	<b>30.6.13</b>	<b>31.03.13</b>
	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>
Customer loans	155.2	155.6	157.3	159.6	161.4
- of which mortgages	147.6	148.1	149.9	152.3	154.1
RWAs <sup>1</sup>	36.7	36.3	36.8	37.1	37.0
Customer deposits <sup>2</sup>	124.7	123.2	123.7	126.7	127.0
- of which current accounts	31.7	27.9	24.6	21.3	18.7

**Commercial Banking and Markets segments**

<b>Balances</b>	<b>31.03.14</b>	<b>31.12.13</b>	<b>30.09.13</b>	<b>30.6.13</b>	<b>31.03.13</b>
	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>
Customer loans	22.9	22.1	21.5	21.0	20.4
- of which SMEs <sup>2</sup>	11.6	11.7	11.2	10.9	10.7
- of which larger corporates <sup>2</sup>	11.3	10.4	10.3	10.1	9.7
RWAs <sup>1</sup>	35.4	33.5	31.2	29.9	29.1
- of which Commercial Banking	28.4	26.8	25.9	25.4	24.4
Customer deposits	13.4	12.6	14.1	13.8	13.9

**Corporate Centre**

<b>Balances and ratios</b>	<b>31.03.14</b>	<b>31.12.13</b>	<b>30.09.13</b>	<b>30.6.13</b>	<b>31.03.13</b>
	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>
Customer loans	8.9	9.4	9.9	10.4	10.6
RWAs <sup>1</sup>	8.4	7.9	8.4	8.4	9.7
Customer deposits	9.5	10.6	10.7	10.0	10.1

1. RWAs at 31 March 2014 and 31 December 2013 are now stated on a CRD IV basis, previous periods stated under Basel 2.5

2. Following annual reviews in Q1'13 and Q1'14, a number of customers were transferred from the SME segment to the

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### Results for the quarter ended 31 March 2014

Santander UK and Banco Santander both caution that this announcement may contain forward-looking statements. Such forward-looking statements are found in various places throughout this press release. Words such as “believes”, “anticipates”, “expects”, “intends”, “aims” and “plans” and other similar expressions are intended to identify forward-looking statements, but they are not the exclusive means of identifying such statements. Forward-looking statements include, without limitation, statements concerning our future business development and economic performance. These forward-looking statements are based on management’s current expectations, estimates and projections and both Santander UK and Banco Santander caution that these statements are not guarantees of future performance. We also caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. We have identified certain of these factors on pages 317 to 334 of the Santander UK plc 2013 Annual Report. Investors and others should carefully consider the foregoing factors and other uncertainties and events. Undue reliance should not be placed on forward-looking statements when making decisions with respect to Santander UK and/or its securities. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, future share price or future earnings for any period will necessarily match or exceed those of any prior quarter.