The information contained in this Quarterly Management Statement and in the Appendices is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

This statement provides a summary of the unaudited business and financial trends for the three months ended 31 March 2015 for the Santander UK Group Holdings plc group. Unless otherwise stated, references to Santander UK Group Holdings plc and its subsidiaries ('Santander UK') and other general statements refer to the business results of the same period in 2014. Balance sheet references are compared to the position at 31 December 2014, unless otherwise stated.

Supplementary information for Santander UK Group Holdings plc's principal subsidiary Santander UK plc is included in Appendix 3.

Santander UK Group Holdings plc

Quarterly Management Statement for the three months ended 31 March 2015

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Profit before tax of £470m, up 13% versus Q1'14
370,000 new 1I2I3 World customers and lending to UK companies up £1.1bn in Q1'15

"I am pleased to report a good start to the year. We have seen further improvement in customer satisfaction and a continued increase in profitability. We reached our 4 million 1I2I3 World customer target, and remained first choice for current account switchers. We also grew lending to UK companies by a net £1.1bn, to a total of £25.0bn, maintaining positive momentum in an increasingly competitive market as we continue to utilise our expanded capability, enhanced relationships and full service offering.

The UK economy continues to be supportive of our business in 2015. We await further clarification on the regulatory landscape this year, in relation to capital, leverage, conduct and banking structure. Early completion of these reforms, in a proportionate way, will help us to contribute fully to the UK's ongoing economic recovery.

Our purpose is to help people and businesses prosper as we become the best bank in the UK, for our people, customers, shareholders and communities – a bank that is Simple, Personal and Fair."

Nathan Bostock, Chief Executive Officer

Q1'15 business and financial highlights [1]

- Retail and commercial overall customer satisfaction now in line with the average of highest performing peers, with strong focus on continued improvement. [2]
- Current account balances of £44.3bn, up an average of £1bn per month since end 2012.
- Gross mortgage lending of £5.0bn in the quarter, with 35,000 (c.80%) of refinancing customers retained.
- New facilities in Commercial Banking up 12% to £2.2bn.
- Growth in net interest income in all customer business segments, with Banking NIM up 8bps to 1.87%.
- Operational efficiency well managed, absorbing ongoing investment.
- Robust retail and corporate credit quality, with the NPL ratio falling 2bps to 1.78%.
- Adjusted RoTE improved to 12.1%, CET 1 capital ratio of 11.6% and a leverage ratio of 3.7%. [3]

Income statement highlights	**Q1'15 £m**	**Q4'14 £m**	**Q1'14 £m**
Net interest income	885	890	825
Non-interest income	258	260	269
Operating expenses	(602)	(600)	(570)
Total operating provisions and charges	(71)	(162)	(108)
Profit before tax	470	388	416

Balance sheet highlights	**31.03.15 £bn**	**31.12.14 £bn**	**31.03.14 £bn**
Customer loans	194.2	190.7	187.0
- of which mortgages	149.7	150.1	147.6
- of which corporates	25.0	23.9	22.9
Customer deposits	154.6	152.4	147.6
PRA end point T1 leverage ratio	*3.7%*	*3.8%*	*3.3%*
CET 1 capital ratio	*11.6%*	*11.9%*	*11.6%*

1. See Appendix 1 for notes and definitions.
2. Retail customer satisfaction as measured by the Financial Research Survey ('FRS') run by GfK NOP. See Appendix 1. Corporate customer satisfaction as measured by the Charterhouse UK Business Banking Survey. See Appendix 1.
3. RoTE of 12.1% is annualised and adjusted for the FSCS / UK Bank Levy phasing. Statutory RoTE was 13.7%. CET 1 capital ratio and the PRA end point T1 leverage ratio were impacted by the completion of the consumer finance PSA Finance UK Limited joint venture ('PSA joint venture'). Excluding the impact of the PSA joint venture, the CET 1 capital ratio was 11.8%.

Delivering on our commitments, 2013-15 [1]

1. Loyal and satisfied retail customers	2015 target	31.03.15	31.12.14
Loyal customers	4 million	3.5 million	3.3 million
1I2I3 World customers	4 million	4.0 million	3.6 million
Customer satisfaction, Financial Research Survey ('FRS')	*Top 3*	*60.7%*	*59.7%*
(average of 3 highest performing peers)		*(60.7%)*	*(60.4%)*

- Our loyal customer base growth is supported by the continued success of the 1I2I3 Current Account. There was a 6% increase in total deposits held by primary banking customers, to £74.5bn [2], which enabled us to continue to reduce higher cost, less loyal customer deposits.
- Santander UK remained the first choice for customers switching their current account provider, on a net basis. One-in-four UK current account full 'switchers' have moved to Santander UK since the introduction of the current account switch service ('CASS') in September 2013. [3]
- FRS reported a continued improvement in customer satisfaction in the last year, with the gap to the average of 3 highest performing peers closed (Dec 2014: 0.7pp). Further improvement is at the heart of our plans, as we aim to achieve positive customer outcomes regardless of the channel through which they engage with us.

2. 'Bank of Choice' for UK companies	2015 target	31.03.15	31.12.14
Corporate loans percentage of total customer loans	*20%*	*13%*	*13%*
(Total lending to corporates)		(£25.0bn)	(£23.9bn)

- In Q1'15 we extended £2.2bn of new facilities to SMEs and mid-sized corporates, an increase of 12%. Overall lending to corporates grew 9% year-on-year.
- Commercial banking current account balances grew to £3.0bn, a 24% increase year-on-year, with acceleration in the usage of our corporate banking platform. Bank account openings were 1,900 for the first three months, up 18% year-on-year.
- Charterhouse UK Business Banking Survey continued to report improvement in overall customer satisfaction levels where we had an improvement of 5pp, to 55%, in the last year. We have also significantly improved our rating for overall quality of relationship management compared with a year ago.
- We maintained the share of corporate loans to total customer loans of 13%. However, we will not compromise our prudent risk management and return objectives and do not expect to achieve our 2015 target of 20%.
- With the investment required for our Commercial Banking business largely completed, we continue to build productivity across our platform, with the broader product suite and with the extended footprint we now have in place.

3. Consistent profitability and a strong balance sheet	2015 target	31.03.15	31.12.14
Return on tangible equity ('RoTE')	*13% - 15%*	*12.1%* [4]	*10.4%*
Cost-to-income ratio ('CIR')	*< 50%*	*53%*	*54%*
CET 1 capital ratio	*> 10.5%*	*11.6%*	*11.9%*
Loan-to-deposit ratio ('LDR')	*< 125%*	*124%*	*124%*
Non-performing loan ('NPL') ratio	*ratio maintained*	*1.78%*	*1.80%*
Dividend payout ratio	*50%*	*n/a*	*46%*

- Adjusted RoTE improved to 12.1%, and statutory RoTE to 13.7%, on a higher than targeted capital ratio.
- CIR improved to 53%, with on-going investment in branch network refurbishment and enhancements to our digital channels largely absorbed.
- CET 1 capital ratio of 11.6% and the LDR of 124%, were impacted by the completion of the PSA joint venture in our consumer finance business. Excluding the impact of the PSA joint venture, the CET 1 capital ratio was 11.8% and the LDR 123%.
- The NPL ratio decreased 2bps to 1.78%, with retail and corporate loans performing well in a benign credit environment.

1. See Appendix 1 for notes and definitions. Targets were established on a Santander UK plc basis in 2012.
2. Includes combined banking and savings balances of customers with a primary 1I2I3 Current Account or another primary current account.
3. As measured by the Payments Council. See Appendix 1.
4. Adjusted for the FSCS / UK Bank Levy phasing.

Summary income statement [1]

	Q1'15 £m	Q1'14 £m	Change %	Q4'14 £m	Change %
Net interest income	885	825	*7*	890	*(1)*
Non-interest income	258	269	*(4)*	260	*(1)*
Total operating income	**1,143**	**1,094**	***4***	**1,150**	***(1)***
Administrative expenses	(536)	(497)	*8*	(530)	*1*
Depreciation, amortisation and impairment	(66)	(73)	*(10)*	(70)	*(6)*
Operating expenses	**(602)**	**(570)**	***6***	**(600)**	***-***
Impairment losses on loans and advances	(53)	(97)	*(45)*	(18)	*194*
Provisions for other liabilities and charges	(18)	(11)	*64*	(144)	*(88)*
Total operating provisions and charges	**(71)**	**(108)**	***(34)***	**(162)**	***(56)***
Profit before tax	**470**	**416**	***13***	**388**	***21***
Taxation charge	(93)	(81)	*15*	(85)	*9*
Profit after tax for the period	**377**	**335**	***13***	**303**	***24***
Attributable to:					
Equity holders of the parent	351	314	*12*	303	*16*
Non-controlling interest [2]	26	21	*24*	-	*n.m.*

Q1'15 compared to Q1'14

Operating income

- Net interest income was 7% higher at £885m, driven by margin improvements, increased lending in unsecured retail and to corporates.
- Non-interest income was 4% lower, reflecting lower net banking fees in Retail Banking and inefficiencies in hedge accounting carried out in the Corporate Centre. These were partially offset by higher fees in Commercial Banking and revenues from the short term market client activity.

Operating expenses

- Underlying cost efficiency remained stable as we focused on managing business-as-usual administrative expenses to accommodate investment and an increase in employment costs. The increase in administrative expenses was driven by investment in business growth, regulatory projects including banking reform, and the continued enhancements to our digital channels.

Operating provisions and charges

- Impairment losses on loans and advances were lower at £53m, due to improved economic conditions and lower losses in Commercial Banking and Corporate Centre in Q1'15.
- Provisions for other liabilities and charges increased to £18m, predominantly due to an additional charge of £10m for non-Payment Protection Insurance ('PPI') conduct remediation.

Taxation charge

- The taxation charge increased 15% largely due to higher profits, offset in part by the continued reduction in the main corporation tax rate.

1. See Appendix 1 for notes and definitions.
2. Non-controlling interest refers to distributions on other equity instruments issued by Santander UK plc and the 50% PSA joint venture with Peugeot S.A..

Full Year 2015 outlook

- We anticipate that the UK economy will continue to be supportive of our business. There is evidence of increasing liquidity in the market resulting in competitive pressures in many business lines, which may impact margins and slow the rate of growth. We also expect the implementation costs of regulatory reform to increase in the months ahead.
- We expect the Banking NIM for 2015 to remain broadly unchanged from 1.82% as reported for 2014, predicated on the Bank of England base rate not rising in 2015. Reduced stock margins and new lending margin pressures which started in H2’14, on both mortgages and corporate loans, are likely to be largely offset by improvement in retail deposit margins.
- We expect our net mortgage lending to grow in line with the market for the rest of the year.
- We expect the decline in SVR mortgage balances, which reduced by a net £2.1bn in Q1’15, to continue but at a slightly slower pace during the year.
- The cost-to-income ratio target for 2015 of less than 50% remains a medium term aspiration as we continue to invest and grow the business.
- We will continue to strengthen our leverage ratio through organic capital generation and, where necessary, issuance of Additional Tier 1 (‘AT1’) capital. In relation to our AT1 securities, the current intention of the Board of Directors is to consider the relative ranking of ordinary shares and AT1 securities in the capital structure whenever exercising its discretion whether or not to declare dividends or pay interest. The Board may depart from this approach at its sole discretion.
- Subject to market conditions, we intend to commence public debt issuance out of Santander UK Group Holdings plc as soon as any necessary regulatory approvals and relevant documentation are finalised.
- We expect to confirm our banking reform approach in our half-year results, and the recalibration of the KPI targets over the medium term at the Banco Santander 2015 Investor Day in late September.
- Since 31 March 2015, the trends evident in these operating results have not changed significantly.

Summary quarterly trends [1]	Q1'15 £m	Q4'14 £m	Q3'14 £m	Q2'14 £m	Q1'14 £m
Net interest income	885	890	871	848	825
Non-interest income	258	260	257	250	269
Total operating income	**1,143**	**1,150**	**1,128**	**1,098**	**1,094**
Administrative expenses	(536)	(530)	(509)	(379)	(497)
Depreciation, amortisation and impairment	(66)	(70)	(65)	(274)	(73)
Operating expenses	**(602)**	**(600)**	**(574)**	**(653)**	**(570)**
Impairment losses on loans and advances	(53)	(18)	(68)	(75)	(97)
Provisions for other liabilities and charges	(18)	(144)	(20)	(241)	(11)
Total operating provisions and charges	**(71)**	**(162)**	**(88)**	**(316)**	**(108)**
Profit before tax	**470**	**388**	**466**	**129**	**416**
Taxation charge	(93)	(85)	(97)	(26)	(81)
Profit after tax for the period	**377**	**303**	**369**	**103**	**335**
Attributable to:					
Equity holders of the parent	351	303	369	84	314
Non-controlling interest [2]	26	-	-	19	21

Q1'15 compared to Q4'14

- Net interest income declined to £885m, due to normal seasonality.
- Impairment losses on loans and advances increased to £53m, mainly due to an increase in retail provisions, partially offset by the non-recurrence of the Q4'14 impairment release in the non-core portfolio.
- Provisions for other liabilities and charges fell 88% to £18m, reflecting the timing of charges for FSCS, UK Bank Levy, PPI and conduct.
- The financial results for 2014 included a number of specific gains, expenses and charges that, if separately identified, management believe assist in a better understanding of the underlying operating trends of the business. See Appendix 1.

Reporting as Santander UK Group Holdings plc

- Santander UK Group Holdings Limited was incorporated on 23 September 2013 and on 10 January 2014 became the immediate parent company of Santander UK plc and its controlled entities through an exchange of shares with the shareholders of Santander UK plc.
- On 25 March 2015, Santander UK Group Holdings Limited was re-registered from a private limited company to a public limited company and published its first annual report on 27 March.
- Going forward, Santander UK Group Holdings plc is intended to be the main reporting entity.
- The unaudited summary consolidated income statement, balance sheet and capital for Santander UK plc is included in Appendix 3 of this release.

PSA Finance UK Limited joint venture

- The joint venture between Santander Consumer Finance and PSA Peugeot Citroën consists of a series of vehicle finance local cooperations in 10 European countries, including the UK.
- Santander Consumer Finance and Banque PSA commenced the operation of a UK cooperation under PSA Finance UK Limited on 3 February 2015. This joint venture will offer funding across the Peugeot and Citroen dealer network as well as retail funding options for end customers.
- As at 31 March 2015, this joint venture added a vehicle finance loan book of £2.5bn and contributed a profit after tax of £10.4m since acquisition (before 50% non-controlling interest).
- The agreement strengthens Santander Consumer Finance's leading position in the European vehicle finance market and reinforces its presence in countries, such as the UK, where it already has critical mass.

1. See Appendix 1 for notes and definitions.
2. Non-controlling interest refers to distributions on other equity instruments issued by Santander UK plc and the 50% PSA joint venture with Peugeot S.A..

Summary balance sheet [1]	31.03.15 £bn	31.12.14 £bn
Assets		
Retail Banking	161.0	158.5
Commercial Banking	19.4	18.7
Corporate & Institutional Banking	5.6	5.2
Corporate Centre	8.2	8.3
Customer assets	**194.2**	**190.7**
Other assets	91.5	85.3
Total assets	**285.7**	**276.0**
Liabilities		
Retail Banking	131.0	129.6
Commercial Banking	16.0	15.3
Corporate & Institutional Banking	1.9	2.3
Corporate Centre	5.7	5.2
Customer deposits	**154.6**	**152.4**
Medium term funding ('MTF')	59.3	56.2
Other liabilities	57.2	53.2
Total liabilities	**271.1**	**261.8**
Shareholder's equity	14.1	13.9
Non-controlling interest [2]	0.5	0.3
Total liabilities and equity	**285.7**	**276.0**

Summary capital, leverage, liquidity and funding [1]	31.03.15 £bn	31.12.14 £bn
Capital and leverage – CRD IV		
CET 1 capital	9.8	9.8
Total qualifying regulatory capital	13.8	14.2
Risk Weighted Assets ('RWAs')	84.4	82.3
CET 1 capital ratio	*11.6%* [3]	*11.9%*
Total capital ratio	*16.3%* [4]	*17.3%*
PRA end point T1 leverage ratio	*3.7%* [3]	*3.8%*
Liquidity		
Liquidity Coverage Ratio ('LCR')	*111%*	*110%*
LCR eligible liquidity pool	38.9	39.5
Funding		
Total wholesale funding	69.6	66.2
- of which with a residual maturity of less than one year	23.2	23.1
Liquid assets coverage of wholesale funding with a residual maturity of less than one year	*168%*	*171%*

1. See Appendix 1 for notes and definitions.
2. Non-controlling interest refers to distributions on other equity instruments issued by Santander UK plc and the 50% PSA joint venture with Peugeot S.A..
3. CET 1 capital ratio and the PRA end point T1 leverage ratio were impacted by the completion of the PSA joint venture. Excluding the impact of the PSA joint venture, the CET 1 capital ratio was 11.8%.
4. Total capital ratio of 16.3% was impacted by the transitional treatment of minority interests. If adjusted to Dec'14 basis, the ratio was 16.8%.

Balance sheet analysis

Balances

- Customer assets of £194.2bn grew £3.5bn, driven by an increase in unsecured consumer and vehicle finance lending, following the completion of the PSA joint venture. Despite an increasingly competitive market, net corporate lending balances increased £1.1bn in Q1'15. These increases were partially offset by a small fall in mortgage balances, driven by low approval volumes in Q4'14.
- Other assets consist largely of cash, derivatives, government securities, investment portfolios and joint venture assets. The increase in the quarter was largely driven by the timing of the overnight balances and will reverse out in Q2'15.
- Customer deposits increased £2.2bn to £154.6bn, as we focused on retaining and originating accounts held by more loyal customers. Retail Banking current account balances grew by £3.2bn to a total of £44.3bn, partially offset by lower savings balances due to reduced demand for savings products. Commercial Banking deposits grew £0.7bn, through enhanced capabilities and building upon strong customer relationships.
- The LDR was unchanged at 124%. The impact of the PSA joint venture completion was partially offset by the particularly strong growth in retail current accounts. Excluding the impact of the joint venture, the LDR was 123%.
- The customer funding gap increased £1.3bn to £39.6bn (31 December 2014: £38.3bn), reflecting the completion of the PSA joint venture, partially offset by the strong current account balance growth.

Capital and leverage

- The CET 1 capital ratio of 11.6% (31 December 2014: 11.9%) and the PRA end point T1 leverage ratio of 3.7% (31 December 2014: 3.8%), were impacted by the completion of the PSA joint venture. Excluding the impact, the CET 1 capital ratio was 11.8%.
- The total capital ratio of 16.3%, was impacted by the reduction in the CET 1 ratio and the transitional reduction in the recognition of Tier 1 capital and Tier 2 capital instruments issued from the Santander UK plc subsidiary under the CRD IV Minority Interest rules, which are being phased in at 20% increments over a five year period.
- RWAs were up £2.1bn in Q1'15, to £84.4bn, reflecting the completion of the PSA joint venture, which as mentioned above, resulted in the joint venture RWAs being consolidated under Santander UK.

Liquidity and funding

- The LCR eligible liquidity pool decreased £0.6bn, to £38.9bn. At 31 March 2015 the LCR was 111%.
- Wholesale funding with a residual maturity of less than one year increased £0.1bn, to £23.2bn. The LCR eligible liquidity pool significantly exceeded wholesale funding of less than one year, with a coverage ratio of 168%.
- Q1'15 MTF issuance of c. £6.0bn (sterling equivalent) included £4.3bn of senior unsecured issuance.
- At 31 March 2015 total outstandings of £2.2bn Treasury Bills under the Bank of England and HM Treasury's Funding for Lending Scheme ('FLS') remained constant.

Conduct remediation

- The remaining provision for PPI redress and related costs amounted to £99m. Monthly utilisation, including pro-active customer contact, during Q1'15 decreased to £10m per month, against an average of £11m in 2014. Excluding pro-active customer contact, the average redress costs in Q1'15 were £6m per month. The high proportion of invalid complaints also continued.
- Existing non-PPI related conduct provisions amounted to £165m.

Credit quality [1]

31.03.15	**Assets**	**NPLs**	***NPL ratio***	***NPL coverage***	**3M Gross write-offs**	**Loan loss allowance**
	£bn	**£m**	***%***	***%***	**£m**	**£m**
Retail Banking	161.0	2,608	*1.62*	*34*	56	883
Residential mortgages	149.7	2,482	*1.66*	*23*	11	566
Banking and consumer credit	11.3	126	*1.12*	*252*	45	317
Commercial Banking	19.4	656	*3.38*	*45*	15	297
Corporate & Institutional Banking	5.6	53	*0.95*	*125*	7	66
Corporate Centre	8.2	147	*1.79*	*116*	8	170
	194.2	**3,464**	***1.78***	***41***	**86**	**1,416**

31.12.14	**Assets**	**NPLs**	***NPL ratio***	***NPL coverage***	**12M Gross write-offs**	**Loan loss allowance**
	£bn	**£m**	***%***	***%***	**£m**	**£m**
Retail Banking	158.5	2,573	*1.62*	*34*	273	881
Residential mortgages	150.1	2,459	*1.64*	*24*	68	579
Banking and consumer credit	8.4	114	*1.35*	*265*	205	302
Commercial Banking	18.7	664	*3.56*	*46*	75	305
Corporate & Institutional Banking	5.2	53	*1.01*	*138*	11	73
Corporate Centre	8.3	134	*1.62*	*134*	64	180
	190.7	**3,424**	***1.80***	***42***	**423**	**1,439**

- The total NPL ratio of 1.78% continued to reduce, mainly due to asset growth with retail and corporate loans performing well in a benign credit environment.
- The Retail Banking NPL ratio remained stable at 1.62%.
- The residential mortgage NPL ratio increased to 1.66% as a result of the recent inclusion of Properties in Possession ('PIPs') in NPLs. The residential mortgage NPL ratio excluding PIPs was 1.62% reflecting good performance of the portfolio supported by the benign economic environment for UK households, low interest rates, rising house prices and falling unemployment. We are conscious that these conditions may not continue and our provisions reflect our conservative position on the UK economy and the housing market, notwithstanding current trends. Residential mortgage NPLs remained broadly flat at £2,482m and the NPL coverage decreased 1pp to 23%.
- The banking and consumer credit NPL ratio decreased to 1.12%, mainly as a result of the completion of the PSA joint venture.
- The Commercial Banking NPL ratio decreased to 3.38%, with credit quality remaining strong. We continue to adhere to our prudent lending criteria as we grow lending.
- The Corporate & Institutional Banking NPL ratio decreased to 0.95%, due to asset growth in Q1'15.
- The Corporate Centre NPL ratio increased to 1.79%, due to a single loan of £20m moving into non-performance in Q1'15.

1. See Appendix 1 for notes and definitions.

Mortgage loan-to-value ('LTV')

31.03.15	Simple avg.	up to 50%	>50-75%	>75-85%	>85-100%	>100%
	%	% of total	% of total	% of total	% of total	% of total
New business flow	65	17	41	24	18	-
Stock	47	36	44	11	7	2

31.12.14	Simple avg.	up to 50%	>50-75%	>75-85%	>85-100%	>100%
	%	% of total	% of total	% of total	% of total	% of total
New business flow	65	17	42	24	17	-
Stock	47	36	44	11	6	3

- We maintained our prudent lending criteria, with an average LTV of 65% on new lending, including Help to Buy, and 47% on the stock of mortgages. Help to Buy comprises all of the lending with an LTV over 90%, with demand higher than expected since its inception. Excluding Help to Buy, the average LTV on new lending was 64%, and our lending with an LTV of over 85% accounted for 18% of the new business flow, of which 15% was Help to Buy.
- Stock LTV continued to perform well, supported by house prices increases and the better economic environment facilitating capital repayments by borrowers.

Retail Banking

Retail Banking offers a wide range of products and financial services to individuals and small businesses, through a network of branches and ATMs, as well as through telephony, digital, mobile and intermediary channels. Retail Banking also includes the UK arm of Santander Consumer Finance, predominantly a vehicle finance business.

Summary income statement	**Q1'15**	**Q1'14**	***Change***	**Q4'14**	***Change***
	£m	**£m**	***%***	**£m**	***%***
Net interest income	787	736	*7*	809	*(3)*
Non-interest income	138	145	*(5)*	141	*(2)*
Operating income	**925**	**881**	***5***	**950**	***(3)***
Operating expenses	(447)	(434)	*3*	(457)	*(2)*
Impairment losses on loans and advances	(51)	(60)	*(15)*	(19)	*168*
Provisions for other liabilities and charges	(18)	(9)	*100*	(118)	*(85)*
Profit before tax	**409**	**378**	***8***	**356**	***15***

Income statement analysis (Q1'15 compared to Q1'14)

- Net interest income increased 7%. This was driven by management focus on reducing the cost of retail liabilities and the completion of the PSA joint venture. This was partially offset by reduced mortgage stock margins and new lending margin pressures.
- Non-interest income decreased 5%, reflecting lower net banking fees.
- Operating expenses rose slightly year-on-year with investment in the growth of the business and regulatory compliance costs, partially offset by the strong cost management discipline driven by multi-branch consolidation efficiencies.
- Impairment losses on loans and advances decreased to £51m, mainly driven by lower mortgage impairment supported by the improving economic environment. The loan loss rate for the quarter was broadly stable at 0.11% (Q1'14: 0.21%).
- Provisions for other liabilities and charges increased to £18m, predominantly due to an additional charge of £10m for non-Payment Protection Insurance ('PPI') conduct remediation.

Balances	**31.03.15**	**31.12.14**
	£bn	**£bn**
Customer loans	161.0	158.5
- of which mortgages	149.7	150.1
- of which unsecured consumer finance	5.4	5.1
- of which vehicle finance	5.9	3.3
RWAs	40.5	38.4
Customer deposits	131.0	129.6
- of which current accounts	44.3	41.1

- Residential mortgage gross lending was £5.0bn, with the total slightly down at £149.7bn. The small fall in mortgage balances was the result of weak application volumes in Q4'14.
- SVR mortgage loan balances fell £2.1bn to £41.8bn, although we have been successful in retaining 35,000 customers (c.80%) with maturing products on Santander UK mortgages.
- Unsecured consumer finance balances, which include bank overdrafts, unsecured personal loans, and credit cards, increased 6% and was in line with the planned rollout of the 1I2I3 World loyalty strategy.
- Vehicle finance balances increased 79% to £5.9bn, driven by the PSA joint venture completion.
- The RWA increase mostly reflected the completion of the PSA joint venture.
- Customer deposits increased £1.4bn as current account balances continued to grow strongly, partially offset by lower demand for savings products. Annualised Retail Banking deposit spread was 0.66% (Dec'14: 0.76%). [1]
- The 1I2I3 Current Account remains central to our retail customer relationship model and was the main driver of a net inflow of £3.2bn in current account balances over the last 3 months.

1. YTD annualised Retail Banking customer deposit spreads against the relevant swap rate or LIBOR. Retail Banking customer deposits include savings and bank accounts for personal and business banking customers.

Retail Banking (continued)

Business volumes	Q1'15	Q1'14
Mortgage gross lending	£5.0bn	£5.7bn
Mortgage net lending	£(0.4)bn	£(0.5)bn
UPL gross lending	£0.4bn	£0.4bn
UPL net lending	£0.1bn	£0.1bn
Vehicle finance gross lending	£441m	£421m
Vehicle finance net lending	£63m	£49m
Customer deposit flows	£1.4bn	£(0.5)bn

- Residential mortgage gross lending was in line with market share, at £5.0bn, with applications down 12% on the prior year. We helped 6,900 first-time buyers (£990m of gross lending) and 1,100 Help to Buy customers (£148m) purchase a home.
- UPL gross lending remained flat over the period, with overall positive net lending.

Business development

- 1I2I3 World is transforming our customer profile, building deeper, more durable and more valuable relationships: 94% of 1I2I3 Current Accounts are a primary banking relationship (vs. 47% for our non 1I2I3 World Current Account); on average 1I2I3 customers hold 2.3 products (vs. 1.5); and average 1I2I3 account balances are 5.0x [1] higher than for non-1I2I3 current accounts.
- In Q1'15, 84,800 customers moved their current account to Santander UK from other providers (417,800 from the launch of the CASS in September 2013). This represents one-in-four UK current account 'full switchers' moving to Santander UK since the launch of the CASS.
- We continued to build and enhance our offerings to support our 'Select' range of products for more affluent customers. We now have 610,000 active 'Select' customers in total, up 15% in a year. Alongside this, we continue to develop our Wealth Management proposition, restructuring our businesses and increasing scale through the recruitment of client facing staff.
- We have refined our buy-to-let proposition to appeal to a wider catchment, and are growing our market share with a particular focus on landlords with small portfolios. We have also increased our support for the new build market, leveraging our relationships with brokers, through intermediaries, and developers, through our Commercial Banking business.
- We have continued to strengthen our broad and well diversified vehicle finance franchise through the PSA joint venture completed in Q1'15, referred to on page 6.
- We continued to invest in digital technology and have made a number of improvements in our digital platforms this year. We continued to improve the mobile experience of customers through the launch of our innovative ISA app, ensuring that all of our application forms are mobile friendly and simplified the log on process. We have also redesigned our online banking interface for both retail and business banking customers, and are planning to launch an online mortgage decision in principle tool. We have an average of 1,600 new active mobile users every day, one-in-five of our mortgages are retained online and as of March 2015, 32% of our total sales are made through digital channels. In 2015 we will continue to focus on digital developments, in particular security, new services, increased functionality across platforms and a single consolidated account view for each customer.
- Our three year digital transformation programme, continues to deliver an improvement in customer satisfaction and reduced volume of complaints. The number of unique complaints for retail and customer banking activities fell significantly, by 13pp, in comparison to March 2014. [2]

1. Average account balances are combined savings and banking liability balances.
2. Source: Santander UK.

Commercial Banking

Commercial Banking offers a wide range of products and financial services to customers through a network of regional Corporate Business Centres ('CBCs') and through telephony and digital channels. The management of our customers is organised according to the £250,000 to £50m annual turnover for SMEs, and £50m to £500m for mid corporates, enabling us to offer a differentiated service to SMEs and mid corporate customers.

Summary income statement	**Q1'15**	**Q1'14**	***Change***	**Q4'14**	***Change***
	£m	**£m**	***%***	**£m**	***%***
Net interest income	108	81	*33*	102	*6*
Non-interest income	34	27	*26*	28	*21*
Operating income	**142**	**108**	***31***	**130**	***9***
Operating expenses	(89)	(79)	*13*	(86)	*3*
Impairment losses on loans and advances	(7)	(28)	*(75)*	(30)	*(77)*
Provisions for other liabilities and charges	-	(1)	*(100)*	(17)	*(100)*
Profit before tax	**46**	**-**	***n.m.***	**(3)**	***n.m.***

Income statement analysis (Q1'15 compared to Q1'14)

- Net interest income increased 33%. This was a result of continued growth in customer loans and an improvement in deposit margins. Much of the loan growth was generated through improvements in productivity across our platform.
- Non-interest income increased 26%, to £34m, driven by fees from increased usage of the 'Connect' platform as well as international services rates management products.
- Operating expenses increased 13%, reflecting investment in the new CBCs and recruited new RMs.
- Impairment losses on loans and advances decreased to £7m, with a loan loss rate of 0.38% (Q1'14: 0.61%). Quality in the loan book continued to be good, supported by the improving economic environment and our cautious lending policy.
- No provisions for other liabilities and charges were incurred for the quarter.

Balances	**31.03.15**	**31.12.14**
	£bn	**£bn**
Customer loans	19.4	18.7
- of which SMEs	12.8	12.6
- of which mid corporates	6.6	6.1
RWAs	20.0	19.9
Customer deposits	16.0	15.3

- Customer loans increased 4% in Q1'15, maintaining a positive momentum despite an increasingly competitive and still contracting market.
- RWAs remained broadly flat, as the growth in assets was largely offset by undrawn facilities generating lower RWAs.
- We continued to attract deposit balances, growing 5% in the quarter, where we have a strong customer relationship and to build on our new enhanced corporate cash management and deposit capabilities. Deposit growth fully funded the growth in lending and grew at a faster rate than in recent years.

Business volumes	Q1'15	Q1'14
New facilities	£2,190m	£1,960m
Bank account openings	1,900	1,600
Corporate Business Centres ('CBCs')	66	50
Relationship Managers ('RMs')	733	661
Online banking ('Connect') active users	18,800	14,250

- New facilities increased 12% to £2,190m.
- Bank account openings showed strong growth, increasing 18% to 1,900.
- There was an acceleration in the usage of our corporate banking platform 'Connect', which was completed in 2013, with active users increasing 32% in the last year.

Business development

- With the investment required for our Commercial Banking business slowing and largely completed in 2014, we will look to build productivity, deepen the franchise and continue to improve customer satisfaction in the year ahead.
- We have in place a new platform and are able to deliver a broader product suite with a wider range of ancillary services and we have extended our footprint and our capacity to service mid corporates and SMEs with an increase in the number of RMs in our growing network of 66 regional CBCs. We will continue to grow the number of RMs, towards a planned 750, and CBCs, where our target is 70, by the end of 2015.
- We continued to deliver strong levels of corporate customer satisfaction, reported at 55% in the Q4 2014 Charterhouse UK Business Banking Survey, and have significantly improved our rating for overall quality of relationship management compared with a year ago. There remains no measurable difference between us and the peer average. [1]
- The new platforms developed specifically for corporate customers, building on the expertise and presence of the wider Banco Santander group, allow us to offer an enhanced product suite to customers. Through our 'Connect' platform, Trade Portal and Trade Club and the Santander Passport service, and with the extensive network provided by Banco Santander, we can offer a broad range of international financial services to our customers. These increased capabilities have allowed us to extend and improve our product range.
- We have relaunched our pioneering Breakthrough programme to support SME growth across the UK. We have expanded the range of services we can offer to these businesses and enhanced our workshop and masterclass programmes, to grow company skills and reach new markets. The programme has now supported 44 SMEs with £122m of new Santander debt facilities including £47m of Growth Capital, providing these companies with the opportunity and support to create over 2,300 jobs in the UK economy. The programme is based upon providing SMEs with the knowledge, connections and finance to grow and succeed. The programme has also held 14 Executive Round Table events for more than 160 companies, provided 18 MasterClasses involving over 240 fast-growth SMEs with companies including Google, Saatchi Masius and McLaren, and taken 93 SME businesses on trade missions to major international markets such as Brazil, Mexico, the UAE and the USA.
- As part of the Breakthrough programme, this year we have launched a new £100m scheme targeted at SME housebuilders, to provide much needed support to an area of the market where access to finance is a primary constraint. The flexibility of the arrangements offered, in particular bullet repayment facilities, provide additional benefits to housebuilders at the smaller end of the market.
- The US$100m Santander Innoventures Fund, which was set up in 2014 to support our focus on digital innovation, has made its first investments. The fund invested in MyCheck, a mobile payment and loyalty provider, and Cyanogen, a company that is developing secure and personalised Android based commercial mobile operating systems.

1. See Appendix 1 for details.

Corporate & Institutional Banking

Corporate & Institutional Banking ('CIB') services corporate clients (with a turnover above £500m per annum) and financial institutions that, because of their size, complexity or sophistication, require specially-tailored services, risk management and other value-added wholesale products.

Summary income statement	**Q1'15**	**Q1'14**	***Change***	**Q4'14**	***Change***
	£m	**£m**	***%***	**£m**	***%***
Net interest income	21	15	*40*	20	*5*
Non-interest income	81	74	*9*	69	*17*
Operating income	**102**	**89**	***15***	**89**	***15***
Operating expenses	(66)	(57)	*16*	(57)	*16*
Impairment losses on loans and advances	1	(1)	*n.m.*	6	*(83)*
Provisions for other liabilities and charges	-	-	*-*	(9)	*(100)*
Profit before tax	**37**	**31**	***19***	**29**	***28***

Income statement analysis (Q1'15 compared to Q1'14)

- Net interest income increased 40% to £21m, driven by increased demand for project and acquisition finance transactions, transactional services and factoring products.
- Non-interest income increased 9% to £81m, principally due to increased revenues from our derivative portfolio and an increase in the short term market activity of clients. We are starting to see improvements to revenues from the investment in increased service capability, despite adverse market conditions.
- Operating expenses increased 16% to £66m. This was mainly due to our investment in developing transactional, interest rate and fixed income capabilities, the transfer of a number of sales functions to London from Madrid, as well as the related controls, systems and processes.
- There was a small impairment loss release following the disposal of one large case.
- No provisions for other liabilities and charges were incurred for the quarter.

Balances	**31.03.15**	**31.12.14**
	£bn	**£bn**
Customer loans	5.6	5.2
RWAs	17.1	16.8
Customer deposits	1.9	2.3

- Customer loans increased to £5.6bn, despite volatile market conditions and an acceleration of refinancing activities.
- RWAs increased slightly in the year, broadly in line with customer loan growth.
- Customer deposits decreased 17%, as part of a plan to focus more on the management of our relationship driven deposit base.

Business development

- We continued to develop the client franchise, particularly in the large corporate segment, through a focused client approach, an increase in the number of bankers and an improved product offering. We are also leveraging on the Banco Santander Group's strengths such as strong retail networks, global systems and local and cross border capabilities.
- We are focusing the business mix towards core banking activities, such as global transaction banking, Debt Capital Markets ('DCM') solutions, supply chain finance and cash management, and have recently added private placement capabilities in order to offer a full product suite, with strict levels of risk appetite. Furthermore, in late 2014 we transferred a number of sales functions to London from Madrid.
- We also reinforced systems, controls and processes, with a focus on improved operating models and a strengthened governance framework.

Corporate Centre

Corporate Centre predominantly consists of the non-core corporate and treasury legacy portfolios, mark-to-market gains/losses arising from banking book activities and residual term mismatches. Corporate Centre is responsible for managing capital and funding, balance sheet composition and structure and strategic liquidity risk for Santander UK. The non-core corporate and treasury legacy portfolios are being run-down and/or managed for value.

Summary income statement	**Q1'15**	**Q1'14**	***Change***	**Q4'14**	***Change***
	£m	**£m**	***%***	**£m**	***%***
Net interest expense	(31)	(7)	*343*	(41)	*(24)*
Non-interest income	5	23	*(78)*	22	*(77)*
Operating income	**(26)**	**16**	***n.m.***	**(19)**	***37***
Operating expenses	-	-	*-*	-	*-*
Impairment releases on loans and advances	4	(8)	*n.m.*	25	*(84)*
Provisions for other liabilities and charges	-	(1)	*(100)*	-	*-*
Profit before tax	**(22)**	**7**	***n.m.***	**6**	***n.m.***

Income statement analysis (Q1'15 compared to Q1'14)

- Net interest expense increased to £31m, driven by higher transfer pricing passed on to the businesses, as a result of a stronger growth in longer term liabilities.
- Non-interest income decreased to £5m, reflecting a reduction in mark-to-market gains arising from inefficiencies on hedge accounting.
- Impairment losses on loans and advances decreased due to a provision release in the non-core portfolio as a result of the improving economic conditions.
- No provisions for other liabilities and charges were incurred for the quarter.

Balances	**31.03.15** **£bn**	**31.12.14** **£bn**
Non-core customer loans	8.2	8.3
- of which Social housing	6.8	6.7
RWAs	6.8	7.2
Customer deposits	5.7	5.2

- Customer loans decreased 1% in the year, due to the run-down of the non-core corporate and legacy portfolios as we successfully implemented our on-going exit strategy from individual loans and leases.
- RWAs decreased 6%, in line with the reduction in customer loans and due to decreases on other non-core exposures.
- Customer deposits increased 10% in 2015, reflecting market activity, with balances acquired at attractive margins.

Appendix 1 – Notes

- **Commercial Banking and Corporate & Institutional Banking customer segments**
  The management of Commercial Banking and Corporate & Institutional Banking is organised according to the annual turnover of our customers. The Commercial Banking segment includes SMEs (with an annual turnover between £250,000 and £50m) and mid corporates (between £50m and £500m).

  The Corporate & Institutional Banking segment contains the large corporates business, which includes customers with an annual turnover above £500m and financial institutions. We offer specialist treasury services in fixed income and foreign exchange, lending, transactional banking services, capital markets and money markets to these customers.

- **Corporate customer satisfaction**
  The Charterhouse UK Business Banking Survey is an on-going telephone based survey designed to monitor usage and attitude of UK businesses towards banks. 17,000 structured telephone interviews are conducted each year among businesses of all sizes from new start-ups to large corporates with annual sales of £1bn. Data based on 5,713 interviews in year ending Q4'14 with businesses turning over £250k to £50m per annum and are weighted by region and turnover to be representative of businesses in Great Britain. Satisfaction based on a five point scale (% Excellent / Very good). The competitor set included in this analysis is Barclays, RBS, HSBC, Lloyds, TSB and NatWest.

- **Delivering on our commitments – KPIs and targets**
  All Key Performance Indicators ('KPIs') are presented at 30 March 2015 and 31 December 2014. KPIs are based on spot balances calculated at these dates with the exception of the cost-to-income ratio, RoTE and customer satisfaction which are based on performance in the relevant period or year. Customer satisfaction is based on a rolling 12-month average calculated for the three months ended 31 March 2015 and three months ended 31 March 2014.

  The KPIs were originally established at the end of 2012 on a Santander UK plc basis and set for the period 2013-15, on the forecast and outlook we then had in place.

- **Payments Council – Current Account Switch Service ('CASS') guarantee**
  On 16 September 2013, the Payments Council launched the CASS. The service is free-to-use for consumers, small charities, small businesses and small trusts, and is designed to make switching from one bank or building society to another, simpler, reliable and hassle-free, thus removing customers' perceived barriers to switching. The new service is backed by a customer guarantee and aims to increase competition in the high street, support the entry of new banks in the current account marketplace and give customers greater choice if they want to switch.

  The published Payments Council branded data referenced is for switches completing between 1 January 2014 and 30 September 2014 and shows Santander UK gained 84,800 switchers, with a net gain of 64,900. The branded data is published 6 months in arrears. Payments Council data for the industry shows 1,597,600 full switches were completed between 16 September 2013 and 31 March 2015. Santander UK management information identifies 417,800 full switchers in the same period.

- **Phasing and quantum of specific gains, expenses and charges in 2014**

	Q4'14	Q2'14
Pension gain	-	218
Investment costs	-	(98)
Included in administrative expenses	**-**	**120**
Software write-offs	-	(206)
Included in depreciation, amortisation and impairment	**-**	**(206)**
Property provisions	-	(50)
Conduct remediation provisions	(70)	(70)
Included in provisions for other liabilities and charges	**(70)**	**(120)**

  - As a result of defined benefit pension scheme changes that limit future entitlements and provide for the longer term sustainability of our staff pension arrangements, a net gain of £218m arose in administrative expenses in Q2'14.
  - Also in Q2'14, following the implementation of our new digital platform and the completion of our product simplification programme, we made write-offs for the decommissioning of redundant systems and charged investment costs, totalling £304m. This included software write-offs of £206m charged to depreciation, amortisation and impairment, and investment costs of £98m relating to technology and digital capability build out, which cannot be capitalised and are therefore charged in administrative expenses. The software write-offs will reduce our future depreciation charge.
  - Provisions for other liabilities and charges were impacted by £190m in total across Q2'14 and Q4'14 in both property and conduct provisions. These included a £50m provision relating to the costs for our on-going branch de-duplication programme. A further provision of £140m, including related costs, has been taken for conduct remediation. Of this, £95m related to PPI, which following a recent review of claims activity, indicated that claims are now expected to continue for longer than originally anticipated. There was a net £45m charge related to other products, principally wealth and investments.

The quarterly trends were also impacted by FSCS charges and the UK Bank Levy. Although these represent annual charges, they are required under IFRS to be charged on 1 April and 31 December, respectively, of each year. Therefore, to show the underlying trends, the profit before tax has been further adjusted to spread these costs equally over the quarters. The table below reconciles profit before tax adjusted for the above-mentioned gains, expenses and charges:

	Q1'15	Q4'14	Q3'14	Q2'14	Q1'14
	£m	£m	£m	£m	£m
Profit before tax from continuing operations	**470**	**388**	**466**	**129**	**416**
Adjusting for factors identified above	*-*	*70*	*-*	*206*	*-*
Profit before tax excluding specific factors	**470**	**458**	**466**	**335**	**416**
Adjusting for FSCS/Bank Levy over the year [1]	*(46)*	*24*	*(41)*	*59*	*(41)*
Profit before tax after quarterly pro-rating of FSCS and Bank Levy charges	**429**	**482**	**425**	**394**	**375**

- **Retail customer satisfaction**
  The Financial Research Survey ('FRS') is a monthly personal finance survey of around 5,000 consumers prepared by the independent market research agency, GfK NOP. The 'Overall Satisfaction' score refers to proportion of extremely and very satisfied customers across mortgages, savings, main current accounts, home insurance, UPLs and credit cards, based on a weighting of those products calculated to reflect the average product distribution across Santander UK and competitor brands. Data shown is for the 12 months ending 31 March 2015 and compared against 12 months ending data for the period as indicated. The competitor set included in this analysis is Barclays, Halifax, HSBC, Lloyds Bank, TSB and NatWest. Previously this data was reported on a rolling three month basis.

1. 2014 charges for FSCS and UK Bank Levy were £91m and £74m respectively.

Appendix 1 – Definitions

- '1I2I3 World customer' holds one or more of the following products: 1I2I3 Credit Card, 1I2I3 Current Account, 1I2I3 Graduate Current Account, 1I2I3 Student Current Account, 1I2I3 Postgraduate Current Account, 1I2I3 Mini Current Account and 1I2I3 Mini Account (in Trust). Trustees are not classed as 1I2I3 World customers. Also excludes automatic upgrade of accounts as part of product simplification.
- 'Banking NIM' is calculated as annualised net interest income divided by average customer loans.
- 'CET 1 capital' is the CRD IV end point Common Equity Tier 1 capital and is calculated in accordance with the CRD IV implementation rules as per the PRA Policy Statement PS7/13. The 'CET 1 ratio' is calculated as CET 1 capital divided by RWAs.
- 'Corporates' include SMEs with an annual turnover of between £250,000 and £50m, mid corporate customers between £50m and £500m and large corporate customers above £500m.
- 'Dividend payout ratio' is calculated as equity dividend declared as a percentage of earnings attributable to ordinary shareholders (profit after tax less payment of dividend on preference shares and AT1 dividend). The payment of each dividend is subject to regulatory approval.
- 'Large corporates' are enterprises which have a turnover above £500m per annum.
- The Liquidity Coverage Ratio ('LCR') is designed to ensure that banks maintain adequate levels of high quality assets against net cash outflows over a 30-day significant stress period. Since December 2014, the LCR is calculated on Santander UK's interpretation of the EU Liquidity Coverage Ratio Delegated Act. Under the PRA's regulatory liquidity regime, this is reported on a Defined Liquidity Group ('DLG') basis, which comprises of Santander UK plc and its subsidiaries Abbey National Treasury Services plc and Cater Allen Limited.
- 'LCR eligible liquidity pool' are assets eligible for inclusion in the LCR as high quality liquid assets.
- 'Liquid assets coverage of wholesale funding of less than one year' is calculated as eligible liquidity pool divided by wholesale funding with a residual maturity of less than one year.
- 'Loan loss rate' is impairment charge on loans and advances divided by average loans and advances.
- 'Loan-to-deposit ratio' is calculated as loans and advances to customers (excluding reverse repos) divided by deposits by customers (excluding repos).
- 'Loan-to-income multiple' is an average earnings multiple of new business at inception.
- 'Loyal customers' are primary banking current account customers (those who have a minimum credit turnover of at least £500 per month and at least two direct debits on the account) who hold an additional product.
- 'Mid corporates' are enterprises which have a turnover of between £50m and £500m per annum.
- 'Mortgage' or 'mortgages' refers to residential retail mortgages only and excludes social housing and commercial mortgage assets.
- 'MTF' is medium term funding at a sterling equivalent value. MTF consists of senior debt issuance, asset-backed issuance (including securitisation and covered bond issuance), structured issuance (including firm financing repurchase agreements), subordinated debt and capital issuance. MTF excludes any collateral received as part of the Bank of England and HM Treasury's Funding for Lending Scheme ('FLS').
- 'n.m.' signifies percentage change is not meaningful.
- 'NPL coverage' is calculated as impairment loss allowances divided by non-performing loans and advances.
- 'NPL ratio' is calculated as non-performing loans as a percentage of loans and advances to customers.
- 'PRA end point T1 leverage ratio' is the CRD IV end point Tier 1 capital divided by exposures as defined by the Basel Committee 'Leverage Ratio framework and disclosure requirements' document, published January 2014.
- 'Residential mortgages' includes residential retail mortgages, which are part of Retail Banking, and social housing loans which are in Commercial Banking and in Corporate Centre.
- 'RoTE' is calculated as annualised attributable profit divided by average shareholders' equity, less non-controlling interest, preference shares, and intangible assets (including goodwill).
- 'Santander UK' refers to Santander UK Group Holdings plc and its subsidiaries.
- Select customers have a monthly credit turnover of £5k, savings, banking and investments worth £75k or properties worth a minimum of £500k. Affluent customers have a monthly credit turnover of £4k-5k, savings, banking and investments worth £25k-75k or properties worth £350k-500k.
- 'SME' is small and medium enterprises with a turnover of between £250,000 and £50m per annum.
- SVR mortgage retention is calculated as an average of retention rates between January 2014 and November 2014 and is applied to mortgages 4 months after they default to the SVR.
- 'Total wholesale funding' comprises the sum of all outstanding debt securities, structured issuance (including firm financing repurchase agreements), subordinated debt and capital issuance and non-customer deposits. Total wholesale funding excludes any collateral received as part of the FLS.
- 'Wholesale funding with a residual maturity of less than one year' has a residual maturity of less than one year at the balance sheet date.

Appendix 2 – Income statement and balance sheet

The information contained in this Quarterly Management Statement, and this Appendix, is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The information contained in this Appendix has been prepared in accordance with Santander UK's previously stated accounting policies described in the Annual Report for the year ended 31 December 2014.

Summary consolidated income statement	**Q1'15** **£m**	**Q1'14** **£m**
Net interest income	885	825
Non-interest income	258	269
Total operating income	**1,143**	**1,094**
Administrative expenses	(536)	(497)
Depreciation, amortisation and impairment	(66)	(73)
Operating expenses	**(602)**	**(570)**
Impairment losses on loans and advances	(53)	(97)
Provisions for other liabilities and charges	(18)	(11)
Total operating provisions and charges	**(71)**	**(108)**
Profit before tax	**470**	**416**
Taxation charge	(93)	(81)
Profit after tax for the period	**377**	**335**
Attributable to:		
Equity holders of the parent	351	314
Non-controlling interest	26	21

Summary balance sheet	**31.03.15** **£bn**	**31.12.14** **£bn**
Assets		
Retail Banking	161.0	158.5
Commercial Banking	19.4	18.7
Corporate & Institutional Banking	5.6	5.2
Corporate Centre	8.2	8.3
Customer assets	**194.2**	**190.7**
Other assets	91.5	85.3
Total assets	**285.7**	**276.0**
Liabilities		
Retail Banking	131.0	129.6
Commercial Banking	16.0	15.3
Corporate & Institutional Banking	1.9	2.3
Corporate Centre	5.7	5.2
Customer deposits	**154.6**	**152.4**
Medium term funding	59.3	56.2
Other liabilities	57.2	53.2
Total liabilities	**271.1**	**261.8**
Shareholder's equity	14.1	13.9
Non-controlling interest	0.5	0.3
Total liabilities and equity	**285.7**	**276.0**

Summary capital	**31.03.15** **£bn**	**31.12.14** **£bn**
Capital – CRD IV		
Total qualifying regulatory capital	13.8	14.2
Risk Weighted Assets ('RWAs')	84.4	82.3
Total capital ratio	*16.3%*	*17.3%*

Appendix 3 – Supplementary consolidated information for Santander UK plc and its controlled entities

Santander UK plc is the principal subsidiary of Santander UK Group Holdings plc. The consolidated income statement, balance sheet and capital for Santander UK plc and its controlled entities are shown below.

There are no differences between the consolidated income statement and the consolidated balance sheet of the Santander UK plc and its controlled entities and the Santander UK Group Holdings plc group. However, some securities issued by Santander UK plc are presented as equity in the financial statements of Santander UK plc, but classified as non-controlling interests by the Santander UK Group Holdings plc group. This results in a different treatment by Santander UK plc for regulatory capital purposes.

The information contained in this Appendix is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The information contained in this Appendix has been prepared in accordance with Santander UK plc's previously stated accounting policies described in the Annual Report for the year ended 31 December 2014.

Summary consolidated income statement	**Q1'15** **£m**	**Q1'14** **£m**
Net interest income	885	825
Non-interest income	258	269
Total operating income	**1,143**	**1,094**
Administrative expenses	(536)	(497)
Depreciation, amortisation and impairment	(66)	(73)
Operating expenses	**(602)**	**(570)**
Impairment losses on loans and advances	(53)	(97)
Provisions for other liabilities and charges	(18)	(11)
Total operating provisions and charges	**(71)**	**(108)**
Profit before tax	**470**	**416**
Taxation charge	(93)	(81)
Profit after tax for the period	**377**	**335**
Attributable to:		
Equity holders of the parent	372	335
Non-controlling interest	5	-

Summary balance sheet	**31.03.15** **£bn**	**31.12.14** **£bn**
Assets		
Retail Banking	161.0	158.5
Commercial Banking	19.4	18.7
Corporate & Institutional Banking	5.6	5.2
Corporate Centre	8.2	8.3
Customer assets	**194.2**	**190.7**
Other assets	91.5	85.3
Total assets	**285.7**	**276.0**
Retail Banking	131.0	129.6
Commercial Banking	16.0	15.3
Corporate & Institutional Banking	1.9	2.3
Corporate Centre	5.7	5.2
Customer deposits	**154.6**	**152.4**
Medium term funding	59.3	56.2
Other liabilities	57.2	53.2
Total liabilities	**271.1**	**261.8**
Shareholder's equity	14.5	14.2
Non-controlling interest	0.1	-
Total liabilities, equity and non-controlling interest	**285.7**	**276.0**

Summary capital	**31.03.15** **£bn**	**31.12.14** **£bn**
Capital – CRD IV		
Total qualifying regulatory capital	14.6	14.7
Risk Weighted Assets ('RWAs')	84.4	82.3
Total capital ratio	*17.4%*	*17.9%*

Management Statement for Santander UK Group Holdings plc and Banco Santander, S.A.

The results of Banco Santander, S.A., for the three months ended 31 March 2015 are also released today and can be found at www.santander.com. The results of Santander UK are included within Banco Santander, S.A.'s financial statements on a Banco Santander reporting basis. The results of Santander UK differ to the results of the United Kingdom on a Banco Santander, S.A. reporting basis, due to different accounting treatments, consolidation adjustments and the treatment of the Banco Santander, S.A. London Branch. The Banco Santander, S.A. London Branch is not part of Santander UK but is included in the Banco Santander, S.A. results for the United Kingdom.

Additional information about Santander UK and Banco Santander

Banco Santander (SAN.MC, STD.N, BNC.LN) ('Santander') is a retail and commercial bank, based in Spain, with a presence in 10 main markets. Santander is the largest bank in the eurozone by market capitalisation. Founded in 1857, Santander had EUR 1.43 trillion in managed funds, 117 million customers, 12,951 branches – more than any other international bank – and 185,405 employees at 31 December 2014. It is the largest financial group in Spain and Latin America. It also has significant positions in the United Kingdom, Portugal, Germany, Poland and the northeast United States. In the year ended 2014, Santander registered EUR 5.816 billion in attributable profit, an increase of 39% from the same period of the previous year.

Santander UK is a leading financial services provider in the UK and offers a wide range of personal and commercial financial products and services. As at 31 March 2015, Santander UK serves more than 14 million active customers with c. 20,000 employees and operates through 920 branches and 66 regional Corporate Business Centres.

Banco Santander, S.A. 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.

Nothing in this announcement constitutes or should be construed as constituting a profit forecast.

Further information about Santander UK is available at the group's website: www.aboutsantander.co.uk.