The information contained in this report is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

This report provides a summary of the unaudited business and financial trends for the six months ended 30 June 2023 for Santander UK Group Holdings plc and its subsidiaries (Santander UK), including its principal subsidiary Santander UK plc. The unaudited business and financial trends in this statement only pertain to Santander UK on a statutory basis (the statutory perimeter). 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 2022.

This report contains non-IFRS financial measures that are reviewed by management in order to measure our overall performance. These are financial measures which management believe provide useful information to investors regarding our results and are outlined as Alternative Performance Measures in Appendix 1. These measures are not a substitute for IFRS measures. A list of abbreviations is included at the end of this report and a glossary of terms is available at:
https://www.santander.co.uk/about-santander/investor-relations/glossary

Santander UK Group Holdings plc

Quarterly Management Statement for the six months ended 30 June 2023

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Mike Regnier, Chief Executive Officer, commented:

"We maintained our focus on supporting our customers during the first half of the year, working to provide products and services to meet their needs in the current climate. We know that the ongoing volatility in the mortgage market and continuing inflationary pressures are creating challenges, and we encourage anyone facing difficulties to get in touch as soon as possible. We are pleased to be supporting the UK Government's new Mortgage Charter, in addition to the measures we have already put in place.

"While the wider economy has continued to be unsettled we have maintained our prudent approach to risk, while taking a sensible approach to managing our mortgage book. Our Corporate and Commercial Banking business has performed strongly, with our Navigator platform helping to increase the number of customers expanding internationally. Our new Edge Up current account and simplified range of savings products paying up to 5% interest have demonstrated our commitment to providing value and we intend to continue this with the adoption of Consumer Duty.

"These results reflect our prudent approach in an economically uncertain environment which is set to remain for the rest of 2023, impacting consumer spending and the housing market. However, the UK labour market remains strong and our customers have continued to show resilience. We will continue to prioritise providing them with the best support we can."

H1-23 financial and business highlights

We continued to help and support our customers facing the pressures of the current environment

- Built on the range of borrower support we already have in place and signed up to the new Mortgage Charter.
- Proactively contacted 1.8 million customers this year to offer support with the increased cost of living.
- Edge Up current account launched with 3.5% interest rate on deposits and cashback benefits.
- Refurbishment programme across our branch network providing customers with improved facilities and service.
- NPS ranked 5th for Retail and 1st for Business & Corporate. Customer service is integral to our strategy and remains a key area of focus[1].

Good set of results with profit before tax of £1,173m (H1-22: £993m), higher income partially offset by higher costs and provisions

- Banking NIM[2] up 18bps to 2.21% (H1-22: 2.03%) largely driven by base rate increases.
- CIR[2] improved to 46% (H1-22: 49%) as higher income and transformation programme savings more than offset the cost of inflation. Adjusted CIR[2] of 44% (H1-22: 46%).
- Invested £97m in our transformation programme in H1-23 (H1-22: £101m).
- Credit impairment charges down £13m to £105m with cost of risk[2] of 14bps (H1-22: -2bps), no material deterioration in credit quality.
- Profit before tax up 18%, RoTE[2] of 15.3% (2022: 12.0%). Adjusted profit[2] before tax up 16%, adjusted RoTE[2] of 15.8% (2022: 14.1%).

Customer loans and deposits reduced following market trends and our disciplined pricing actions

- With a slower housing market and higher mortgage rates, applications fell in the first half of the year.
- Our decision to optimise the balance sheet given higher funding costs has seen mortgage lending reduce by £8.4bn.
- Customer deposits decreased by £5.8bn to £190.7bn with increased market competition.
- As a result of these changes, our LDR reduced to 112% (Dec-22: 113%).

Our strategy delivers strong liquidity, funding and capital with prudent balance sheet management

- Strong LCR of 160% (2022: 163%) with liquidity pool of £50.2bn (2022: £49.0bn), 81% cash and central bank reserves (2022: 91%).
- Customer deposits mainly retail with low average balances, 85% of these are covered by depositor guarantee scheme (FSCS).
- 85% of lending is prime UK retail mortgages with an average LTV of 51% (2022: 50%). Unsecured retail constitutes 2% of lending.
- Corporate customers are diversified across operating sectors. Stable CRE portfolio: 2% of customer loans and with 48% average LTV.
- Resilient asset quality with low arrears across all portfolios. Stage 3 ratio of 1.38% (2022: 1.24%).
- CET1 capital ratio of 15.4% (2022: 15.2%) and UK leverage ratio of 5.3% (2022: 5.2%), well above regulatory requirements.
- Repaid £4.0bn TFSME in Q2-23 with £21.0bn outstanding. Stable and diversified wholesale funding programmes.
- Passed the Bank of England's 2022/23 ACS Stress Test with no management actions required.

Looking ahead

- The challenges faced by households and businesses are expected to continue.
- Inflation is likely to reduce real consumer spending and we expect further declines in house prices in 2023.
- LDR is expected to trend lower and Banking NIM[2] to be higher than 2022 reflecting base rate increases and disciplined pricing actions.
- Going forward we expect inflationary pressures on operating expenses to be partially offset by transformation programme savings.

1. See page 12 for more on NPS.
2. Non-IFRS measure. See Appendix 1 for details and a reconciliation of APMs to the nearest IFRS measure.

Summarised consolidated income statement H1-23 vs H1-22					Adjusted[2]	
	H1-23	**H1-22**	***Change***	**H1-23**	**H1-22**	***Change***
	£m	**£m**	**%**	**£m**	**£m**	**%**
Net interest income	2,361	2,148	*10*	2,361	2,148	*10*
Non-interest income[1]	297	267	*11*	294	274	*7*
Total operating income	**2,658**	**2,415**	***10***	**2,655**	**2,422**	***10***
Operating expenses before credit impairment (charges) / write-backs, provisions and charges	(1,232)	(1,186)	*4*	(1,167)	(1,103)	*6*
Credit impairment (charges) / write-backs	(105)	(118)	*(11)*	(105)	(118)	*(11)*
Provisions for other liabilities and charges	(148)	(118)	*25*	(113)	(107)	*6*
Profit before tax	**1,173**	**993**	***18***	**1,270**	**1,094**	***16***
Tax on profit	(315)	(233)	*35*			
Profit after tax	**858**	**760**	***13***			
Banking NIM[2]	2.21%	2.03%	18bps			
CIR[2]	46%	49%	-3pp	44%	46%	-2pp

Profit before tax up 18%

- Net interest income up 10% largely due to the impact of higher base rate also increasing Banking NIM[2].
- Non-interest income up 11% largely due to a revaluation gain of £46m of our shares in Euroclear[3].
- Operating expenses[4] up 4% largely due to inflation, partially offset by lower transformation programme spend in the last six months and ongoing efficiency savings.
- Credit impairment charges down 11% with no material deterioration in the credit quality of the portfolios.
- Provisions for other liabilities and charges up 25%, largely due to higher transformation programme charges.
- Tax on profit increased by £82m as a result of both higher profits and an increase in underlying tax rates overall for the period, 2022 was also impacted favourably by a legislative reduction in the bank surcharge rate.

Adjusted profit before tax up 16%[2]

- After transformation related adjustments, variances are explained above or are not material.

Summarised balance sheet	30.06.23	31.12.22
	£bn	£bn
Customer loans	210.8	219.7
Other assets	73.5	72.5
Total assets	**284.3**	**292.2**
Customer deposits	190.7	196.5
Total wholesale funding	59.9	63.0
Other liabilities	18.8	18.0
Total liabilities	**269.4**	**277.5**
Shareholders' equity	14.9	14.7
Total liabilities and equity	**284.3**	**292.2**

1. Comprises 'Net fee and commission income' and 'Other operating income'.
2. Non-IFRS measure. See Appendix 1 for details of APMs, a reconciliation to the nearest IFRS measure and a prior period adjustment for H1-22.
3. Euroclear shares held at fair value were revalued in Q2-23 during negotiations for a sale. We signed an agreement to sell a portion of our shares in Euroclear in July 2023.
4. Operating expenses before credit impairment (charges) / write-backs, provisions and charges.

Customer deposits by segment	**30.06.23**	**31.12.22**
	£bn	**£bn**
Retail Banking	155.7	161.8
- Current accounts	*71.4*	*76.6*
- Savings accounts	*67.4*	*67.0*
- Business banking accounts	*11.2*	*12.2*
- Other retail products	*5.7*	*6.0*
Corporate & Commercial Banking	23.5	24.8
Corporate Centre	11.5	9.9
Total	**190.7**	**196.5**

Prudent approach to risk evident across product portfolios

- Mortgages: average stock LTV of 51% (2022: 50%) and average new loan size of £225k (2022: £237k). c.£60bn of fixed rate and tracker mortgages reach end of incentive period over the next 18 months. Most of the mortgage book was subject to a stressed affordability assessment at origination. Average stress rate used for new mortgage applications prior to Dec-21 was 6.35%[1].
- Credit cards: 57% (2022: 55%) of customers repay full balance each month.
- UPL: Average customer balances £6k (2022: £6k).
- Business Banking: includes £2.0bn (2022: £2.4bn) of BBLS with 100% Government guarantee.
- Consumer Finance: 87% (2022: 84%) of lending is collateralised on the vehicle.

Arrears over 90 days past due	**30 June 2023**	**31 December 2022**
	%	**%**
Mortgages	0.68	0.62
Credit cards	0.48	0.49
UPL	0.64	0.61
Overdrafts	2.26	2.24
Business Banking	2.81	3.47
Consumer Finance	0.38	0.44

- Slight increase in mortgages, UPL and overdraft arrears over 90 days past due. Mortgage arrears remain well below pre-Covid-19 average, 90 days past due arrears was 1.31%[2].

H1-23 ECL provision increased by £12m to £1,019m (Dec-22: £1,007m)

- Modest increases in CCB from the single name cases that emerged in Q4-22.
- Gross write-off utilisation of £97m (H1-22: £71m).

Strong credit performance reflecting our longstanding prudent approach to risk

	30 June 2023				**31 December 2022**			
	Total	**Stage 1**	**Stage 2**	**Stage 3[3]**	**Total**	**Stage 1**	**Stage 2**	**Stage 3[3]**
Customer loans	£bn	%	%	%	£bn	%	%	%
Retail Banking	185.9	*90.8*	*8.0*	1.19	194.6	*91.5*	*7.4*	1.08
- Mortgages	178.7	*91.2*	*7.7*	1.09	187.1	*91.8*	*7.3*	0.99
- Credit Cards	2.6	*84.6*	*14.0*	2.48	2.5	*85.7*	*12.9*	2.53
- UPL	2.0	*84.5*	*14.4*	1.14	2.0	*87.3*	*11.7*	1.07
- Overdrafts	0.4	*29.8*	*64.7*	6.34	0.5	*33.5*	*61.0*	5.93
- Business Banking	2.2	*88.2*	*5.8*	6.14	2.5	*88.3*	*5.3*	6.55
Consumer Finance	5.3	*92.7*	*6.8*	0.49	5.4	*93.0*	*6.5*	0.54
Corporate & Commercial Banking	18.4	*77.9*	*18.6*	3.66	18.5	*78.3*	*18.8*	3.08
Corporate Centre	1.2	*99.7*	*0.2*	0.09	1.2	*99.6*	*0.3*	0.10
Total	**210.8**	***89.8***	***8.9***	**1.38**	**219.7**	***90.4***	***8.4***	**1.24**

1. Only applied to lending with a fixed term below 5-years and also excluded remortgages without additional lending.
2. Average of 9 years to Dec-19.
3. Non-IFRS measure. See Appendix 1 for details and a reconciliation of APMs to the nearest IFRS measure.

Updated economic scenarios

- The economic outlook for 2023 remains uncertain. Inflation is forecast to remain well above the 2% target rate for 2023 putting further pressure on real disposable income.
- The stubborn inflation scenario is based on higher inflation, which is persistently above the Bank of England target, and higher base rate which is expected to peak at 7%. These further add to the cost of living crisis and falling consumer demand.
- The other downside scenarios capture a range of risks, including continuing weaker investment reflecting the unstable environment; a larger negative impact from the EU trade deal and a continuing and significant mismatch between job vacancies and skills, as well as a smaller labour force.
- In Q2-23 we increased the weighting on Upside by 5% with a corresponding decrease in downside 1 scenarios to rebalance the overall weighted ECL and following updated economic data. All other scenario weightings were unchanged from Q1-23.

Economic scenarios 30-Jun-23		Upside %	Base case %	Downside 1 %	Stubborn Inflation %	Downside 2 %	Weighted
GDP (calendar year annual growth rate)	2022	4.1	4.1	4.1	4.1	4.1	4.1
	2023	0.3	0.1	-0.2	-0.5	-1.6	-0.2
	2024	1.1	0.3	-0.4	-1.9	-3.2	-0.5
	2025	2.3	1.3	0.4	0.0	0.1	0.9
	2026	2.4	1.5	0.3	0.4	1.1	1.2
	Peak to trough[1]	-	-0.2	-1.0	-2.8	-5.2	-1.3
Base rate (At 31 December)	2022	3.50	3.50	3.50	3.50	3.50	3.50
	2023	5.00	5.50	6.00	7.00	5.00	5.75
	2024	3.75	4.75	5.25	5.50	3.00	4.68
	2025	2.75	3.75	4.00	4.00	2.50	3.60
	2026	2.50	3.25	3.25	3.25	2.50	3.10
	5 yr Peak	5.00	5.50	6.00	7.00	5.25	5.78
HPI (Q4 annual growth rate)	2022	5.0	5.0	5.0	5.0	5.0	5.0
	2023	-3.6	-7.0	-5.8	-7.5	-11.8	-7.1
	2024	-4.4	-2.0	-7.6	-10.2	-12.9	-5.5
	2025	2.0	2.0	2.0	2.0	2.0	2.0
	2026	3.0	3.0	3.0	3.0	3.0	3.0
	Peak to trough[2]	-10.2	-11.0	-15.0	-19.0	-25.0	-14.3
Unemployment (At 31 December)	2022	3.7	3.7	3.7	3.7	3.7	3.7
	2023	4.2	4.2	4.5	4.5	6.6	4.5
	2024	4.2	4.5	5.0	5.7	8.3	5.1
	2025	3.9	4.4	5.4	6.1	7.7	5.1
	2026	3.8	4.3	5.9	6.5	7.1	5.1
	5yr Peak	4.3	4.5	6.1	6.5	8.5	5.4
Weighting Jun-23:		10%	50%	10%	20%	10%	100%
Weighting Mar-23:		5%	50%	15%	20%	10%	100%

ECL 30-Jun-23 (100% weight to each scenario)	Upside £m	Base case £m	Downside 1 £m	Stubborn Inflation £m	Downside 2 £m	Weighted £m
Retail Banking	451	478	535	606	752	530
Consumer Finance	71	72	71	75	75	73
Corporate & Commercial Banking	382	394	428	458	504	416
Corporate Centre	-	-	-	-	-	-
Total	**904**	**944**	**1,034**	**1,139**	**1,331**	**1,019**

1. Peak is taken from GDP level at Q1-23.
2. Peak is taken from HPI level at Q3-22.

Treasury

Highly liquid balance sheet

- Strong LCR of 160%, (Dec-22: 163%), with £18.6bn LCR eligible liquid assets surplus to minimum requirement.
- LCR eligible liquidity pool of £50.2bn (Dec-22: £49.0bn), includes £40.7bn cash and central bank reserves (Dec-22: £44.5bn). Remaining assets predominantly Sterling and USD denominated government bonds and covered bonds.
- Term duration in the LCR eligible liquidity pool is hedged with swaps to offset mark to market movements from interest rate changes.

Strong and diversified funding across well-established issuance programmes

- LDR reduced to 112% with lower customer lending and deposits after pricing actions in Q4-22 to optimise the customer balance sheet with mortgages down £8.4bn and deposits down £5.8bn.
- Repaid £4.0bn TFSME in Q2-23 with £21.0bn remaining. £17.1bn due for repayment by 2025 and the remaining £3.9bn due for repayment between 2027 and 2031.
- In H1-23 we issued c.£3.8bn Sterling equivalent medium term funding, including c.£1bn of MREL issuance and c.£2.8bn of other secured issuance from Santander UK plc. We also issued £300m Tier 2 which was bought by Banco Santander.
- We expect to issue £1.5bn to £2.0bn of MREL in 2023.

Capital ratios well above regulatory requirements

- In the 2022/23 BoE ACS stress test, our lowest post-stress CET1 capital ratio was modelled to be 11.3% before management actions in excess of the CET1 hurdle rate established by the BoE of 8.1%.
- The CET1 capital ratio increased 20bps to 15.4%. This was largely due to higher profit. We remain strongly capitalised with significant headroom to minimum requirements and MDA.
- UK leverage ratio remained broadly stable at 5.3% (2022: 5.2%). UK leverage exposure reduced slightly to £245.7bn (2022: £248.6bn).
- Total capital ratio remained broadly stable at 20.3% (2022: 20.4%).

Structural hedge evolution

- Our structural hedge position decreased, with c.£100bn at Jun-23 (Dec-22: c.£108bn), and duration of c.2.5 years (Dec-22: c.2.5 years).

Key metrics	**30 June 2023**		**31 December 2022**	
	£bn	**%**	**£bn**	**%**
LCR	50.2	160	49.0	163
CET1 capital	11.1	15.4	10.8	15.2
Total qualifying regulatory capital	14.6	20.3	14.5	20.4
UK leverage	13.1	5.3	12.9	5.2
RWA	72.0	-	71.2	-
LDR	-	112	-	113
Total wholesale funding and AT1	62.1	-	65.2	-
- term funding	54.7	-	57.8	-
- TFSME	21.0	-	25.0	-
- with a residual maturity of less than one year	13.0	-	11.0	-

Summarised changes to CET1 capital ratio	
Profit net of distributions	+0.51pp
Pension	-0.11pp
Expected loss less provisions	-0.06pp
RWA growth and other	-0.19pp

CET1 capital ratio MDA trigger (headroom 4.2%)	**Minimum %**
Pillar 1	4.5
Pillar 2A	3.2
Capital conservation buffer	2.5
Countercyclical capital buffer	1.0
Current MDA trigger	**11.2**

Summary income statement by segment

H1-23	Retail Banking £m	Consumer Finance £m	CCB £m	Corporate Centre £m	Total £m
Net interest income	1,873	79	405	4	2,361
Non-interest income[1]	85	100	67	45	297
Total operating income	**1,958**	**179**	**472**	**49**	**2,658**
Operating expenses before credit impairment (charges) / write-backs, provisions and charges	(912)	(73)	(170)	(77)	(1,232)
Credit impairment (charges) / write-backs	(55)	(14)	(36)	-	(105)
Provisions for other liabilities and charges	(106)	(3)	4	(43)	(148)
Profit / (loss) before tax	**885**	**89**	**270**	**(71)**	**1,173**

H1-22[2]	Retail Banking £m	Consumer Finance £m	CCB £m	Corporate Centre £m	Total £m
Net interest income	1,792	92	241	23	2,148
Non-interest income[1]	107	101	70	(11)	267
Total operating income	**1,899**	**193**	**311**	**12**	**2,415**
Operating expenses before credit impairment (charges) / write-backs, provisions and charges	(832)	(73)	(181)	(100)	(1,186)
Credit impairment (charges) / write-backs	(126)	(13)	20	1	(118)
Provisions for other liabilities and charges	(101)	-	(2)	(15)	(118)
Profit / (loss) before tax	**840**	**107**	**148**	**(102)**	**993**

RWA by segment	**30.06.23 £bn**	**31.12.22 £bn**
Retail Banking	44.5	44.6
Consumer Finance	7.7	7.3
Corporate & Commercial Banking	14.5	14.0
Corporate Centre	5.3	5.3
Total	72.0	71.2

1. Comprises 'Net fee and commission income' and 'Other operating income'.
2. In December 2022, we transferred social housing loans, and non-core liabilities to our CCB segment from Corporate Centre to reflect the way these assets are managed, and restated comparatives accordingly. This resulted in an increase in H1-22 profit before tax in CCB of £1m and an equal but opposite impact in Corporate Centre.

Appendix 1 – Alternative Performance Measures

In addition to the financial information prepared under IFRS, this Quarterly Management Statement contains non-IFRS financial measures that constitute APMs, as defined in ESMA guidelines. The financial measures contained in this report that qualify as APMs have been calculated using the financial information of the Santander UK group but are not defined or detailed in the applicable financial information framework or under IFRS. We use these APMs when planning, monitoring, and evaluating our performance. We consider these APMs to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. Whilst we believe that these APMs are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for IFRS measures.

a) Adjusted profit metrics

As shown in the table below, profit before tax is adjusted for items management believe to be significant. We adjust for these to facilitate operating performance comparisons from period to period.

	Ref.	H1-23 £m	H1-22 £m
Non-interest income			
Reported	(i)	297	267
Adjust for transformation related net loss / (gain) on sale of property		(3)	7
Adjusted	**(ii)**	**294**	**274**
Operating expenses before credit impairment (charges) / write-backs, provisions and charges			
Reported	(iii)	(1,232)	(1,186)
Adjust for transformation		65	83
Adjusted	**(iv)**	**(1,167)**	**(1,103)**
Provisions for other liabilities and charges			
Reported		(148)	(118)
Adjust for transformation		35	11
Adjusted		**(113)**	**(107)**
Profit before tax			
Reported		1,173	993
Adjust for transformation		97	101
Adjusted		**1,270**	**1,094**

Prior period adjustment: In Q1-23 we removed the operating lease depreciation adjustment to non-interest income and operating expenses to align to Banco Santander's presentation. Prior periods were restated, there was no impact on adjusted profit. In H1-22 adjusted non-interest income and adjusted operating expenses increased by £42m and the adjusted CIR increased by 1p.p. to 46%.

Net loss / (gain) on sale of property: previously named 'net gain on sale of London head office and branch properties', now also includes subsequent sale of property under our transformation programme.

Transformation costs and charges: relate to a multi-year project to deliver on our strategic priorities and enhance efficiency in order for us to better serve our customers and meet our medium-term targets.

Adjusted CIR

Calculated as adjusted total operating expenses before credit impairment (charges) / write-backs, provisions and charges as a percentage of the total of net interest income and adjusted non-interest income. We consider this metric useful for management and investors as an efficiency measure to capture the amount spent to generate income, as we invest in our multi-year transformation programme.

	Ref.	H1-23	H1-22
CIR	(iii) divided by the sum of (i) + net interest income	46%	49%
Adjusted CIR	**(iv) divided by the sum of (ii) + net interest income**	**44%**	**46%**

b) Adjusted RoTE

Calculated as adjusted profit after tax attributable to equity holders of the parent, divided by average shareholders' equity less non-controlling interests, other equity instruments and average goodwill and other intangible assets. We consider this adjusted measure useful for management and investors as a measure of income generation on shareholder investment, as we focus on improving returns through our multi-year transformation programme.

	H1-23	Adjust for transformation	As adjusted
	£m	£m	£m
Profit after tax	858	71	929
Annualised profit after tax	1,730		1,872
Phasing adjustments	(33)		(91)
Profit / adjusted profit due to equity holders of the parent (A)	1,697		1,781
	H1-23	**Equity adjustments**	**As adjusted**
	£m	**£m**	**£m**
Average shareholders' equity	14,812		
Less average Additional Tier 1 (AT1) securities	(2,196)		
Average ordinary shareholders' equity (B)	12,616		
Average goodwill and intangible assets	(1,550)		
Average tangible equity (C)	11,066	223	11,289
Return on ordinary shareholders' equity (A/B)	13.5%		-
RoTE (A/C)	**15.3%**		**15.8%**

	2022	Adjust for transformation	As adjusted
	£m	£m	£m
Profit after tax	1,423	254	1,677
Less non-controlling interests of annual profit	(17)		(17)
Profit / adjusted profit due to equity holders of the parent (A)	1,406		1,660
	2022	**Equity adjustments**	**As adjusted**
	£m	**£m**	**£m**
Average shareholders' equity	15,545		
Less average Additional Tier 1 (AT1) securities	(2,194)		
Less average non-controlling interests	(118)		
Average ordinary shareholders' equity (B)	13,233		
Average goodwill and intangible assets	(1,548)		
Average tangible equity (C)	11,685	63	11,748
Return on ordinary shareholders' equity (A/B)	10.6%		-
RoTE (A/C)	**12.0%**		**14.1%**

Adjustment for transformation

Details of these items are outlined in section a) of Appendix 1, with a total impact on profit before tax of £97m. The impact of these items on the taxation charge was £26m and on profit after tax was £71m. Tax is calculated at the standard rate of corporation tax including the bank surcharge, except for items such as conduct provisions which are not tax deductible.

Equity adjustments

These adjustments are made to reflect the impact of adjustments to profit on average tangible equity.

c) Other non-IFRS measures and their calculations

- Banking NIM: Annualised net interest income divided by average customer loans for the period. (H1-23: £215,299m; H1-22: £213,881m).
- Cost of risk: Credit impairment (charges) divided by write-backs for the 12-month period as a percentage of average customer loans for the last 12 months. (H1-23: £217,241m; H1-22: £211,748m).
- Cost-to-income ratio: Total operating expenses before credit impairment (charges) divided by write-backs, provisions and charges as a percentage of the total of net interest income and non-interest income.
- RoTE: Profit after tax attributable to equity holders of the parent, divided by average shareholders' equity less non-controlling interests, other equity instruments and average goodwill and other intangible assets.
- Non-interest income: Net fee and commission income plus other operating income.
- Stage 3 ratio: The sum of Stage 3 drawn and Stage 3 undrawn assets divided by the sum of total drawn assets and Stage 3 undrawn assets.

Appendix 2 – Additional information

Mortgage metrics	30.06.23	31.12.22
Stock average LTV[1]	51%	50%
New business average LTV[1]	65%	69%
London lending new business average LTV[1]	63%	66%
BTL proportion of loan book	9%	9%
Fixed rate proportion of loan book	89%	89%
Variable rate proportion of loan book	7%	7%
SVR proportion of loan book	3%	3%
FoR proportion of loan book	1%	1%
Proportion of customers with a maturing mortgage retained[2]	79%	81%
Average loan size (stock)	£185k	£184k
Average loan size (new business)	£225k	£237k

Customer loans by segment	30.06.23 £bn	31.12.22 £bn
Retail Banking	185.9	194.6
- Mortgages	*178.7*	*187.1*
- Other (Business Banking and unsecured lending)	*7.2*	*7.5*
Consumer Finance	5.3	5.4
Corporate & Commercial Banking	18.4	18.5
Corporate Centre	1.2	1.2
Total	**210.8**	**219.7**

Interest rate risk

NII sensitivity[3]	H1-23 £m	2022 £m
+100bps	211	238
-100bps	(215)	(194)

Well positioned in a rising interest rate environment

- The table above shows how our net interest income would be affected by a 100bps parallel shift (both up and down) applied instantaneously to the yield curve. Sensitivity to parallel shifts represents the amount of risk in a way that we think is both simple and scalable.

1. Balance weighted LTV.
2. Applied to mortgages four months post maturity and is calculated as a 12-month average of retention rates to Mar-23 and Dec-22 respectively.
3. Based on modelling assumptions of repricing behaviour.

List of abbreviations

ACS	Annual Cyclical Scenario
APM	Alternative Performance Measure
AT1	Additional Tier 1
BBLS	Bounce Back Loan Scheme
Banco Santander	Banco Santander S.A.
Banking NIM	Banking Net Interest Margin
BTL	Buy-To-Let
CCB	Corporate & Commercial Banking
CET1	Common Equity Tier 1
CIB	Corporate & Investment Banking
CIR	Cost-To-Income Ratio
CRE	Commercial Real Estate
ECL	Expected Credit Losses
ESMA	European Securities and Markets Authority
EU	European Union
FoR	Follow on Rate
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
GDP	Gross Domestic Product
HPI	House Price Index
IFRS	International Financial Reporting Standards
JAs	Judgemental Adjustments
LCR	Liquidity Coverage Ratio
LDR	Loan-to-deposit Ratio
LTV	Loan-To-Value
n.m.	Not meaningful
MDA	Maximum Distributable Amount
MREL	Minimum Requirement for own funds and Eligible Liabilities
NPS	Net Promoter Score
PRA	Prudential Regulation Authority
QMS	Quarterly Management Statement
RFB	Ring-Fenced Bank (Santander UK plc)
RoTE	Return on Tangible Equity
RWA	Risk-Weighted Assets
Santander UK	Santander UK Group Holdings plc
SLB	Santander London Branch
SVR	Standard Variable Rate
TFSME	Term Funding Scheme with additional incentives for SMEs
UK	United Kingdom
UPL	Unsecured personal loans

Retail NPS: Our customer experience research was subject to independent third party review. We measured the main banking NPS of 15,588 consumers on a six month basis using a 11-point scale (%Top 2 – %Bottom 7). The reported data is based on the six months ending 30 June 2023, and the competitor set included in the ranking analysis is Barclays, Halifax, HSBC, Lloyds Bank, Nationwide, NatWest Group and TSB. RBS was amalgamated into NatWest Group from January 2023 resulting in a reduced number of competitors from 9 to 8 (including Santander).
June 2023: NPS ranked 5th for Retail, we note a margin of error which impacts those from 3rd to 7th and makes their rank statistically equivalent.
December 2022: NPS ranked 6th for Retail, we note a margin of error which impacts those from 4th to 6th and makes their rank statistically equivalent.

Business & Corporate NPS: Business and corporate NPS is measured by the MarketVue Business Banking from Savanta. This is an ongoing telephone based survey designed to monitor usage and attitude of UK businesses towards banks. 14,500 structured telephone interviews are conducted each year among businesses of all sizes from new start-ups to large corporates. The data is based upon 8,673 interviews made in twelve months ended 23 June 2023 with businesses turning over from £0 - £500m per annum and are weighted by region and turnover to be representative of businesses in Great Britain. NPS recommendation score is based on an 11-point scale (%Top 2 - %Bottom 7).
The competitor set included in this analysis is Barclays, RBS, HSBC, Lloyds Bank and NatWest.
June 2023: NPS ranked 1st for Business & Corporate.
December 2022: NPS ranked 1st for Business & Corporate.

Additional information about Santander UK and Banco Santander
Santander UK is a financial services provider in the UK that offers a wide range of personal and commercial financial products and services. At 30 June 2023, the bank had around 19,400 employees and serves around 14 million active customers, 7 million digital customers via a nationwide 445 branch network, telephone, mobile and online banking. Santander UK is subject to the full supervision of the FCA and the PRA in the UK. Santander UK plc customers' eligible deposits are protected by the FSCS in the UK.

Banco Santander (SAN SM, STD US, BNC LN) is a leading retail and commercial bank, founded in 1857 and headquartered in Spain and is one of the largest banks in the world by market capitalization. Its primary segments are Europe, North America, South America and Digital Consumer Bank, backed by its secondary segments: Santander Corporate & Investment Banking (Santander CIB), Wealth Management & Insurance (WM&I) and PagoNxt. Its purpose is to help people and businesses prosper in a simple, personal and fair way. Banco Santander is building a more responsible bank and has made a number of commitments to support this objective, including raising over €120 billion in green financing between 2019 and 2025, as well as financially empowering more than 10 million people over the same period.
At 31 March 2023, Banco Santander had more than 1.2 trillion euros in total funds, 161 million customers, of which 27 million are loyal and 52 million are digital, 9,000 branches and over 210,000 employees.

Banco Santander has a standard listing of its ordinary shares on the London Stock Exchange and Santander UK plc has preference shares listed on the London Stock Exchange.

None of the websites referred to in this Quarterly Management Statement, including where a link is provided, nor any of the information contained on such websites is incorporated by reference in this Quarterly Management Statement.

Disclaimer
Santander UK Group Holdings plc (Santander UK), Santander UK plc and Banco Santander caution that this announcement may contain forward-looking statements. Such forward-looking statements are found in various places throughout this announcement. 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 Santander UK, Santander UK plc 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 in the forward-looking statements on page 271 of the Santander UK Group Holdings plc 2022 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, Santander UK plc, Banco Santander and/or their 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.
Santander UK is a frequent issuer in the debt capital markets and regularly meets with investors via formal roadshows and other ad hoc meetings. In line with Santander UK's usual practice, over the coming quarter it expects to meet with investors globally to discuss this Quarterly Management Statement, the results contained herein and other matters relating to Santander UK.

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