

# Santander UK Group Holdings plc

## Investor Update Q2 2015 Results

July 2015

Simple  
Personal  
Fair

What a bank should be



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# Increased profits and a strong commercial momentum

- Profit before tax of £928m, up strongly on H1'14
- 660,000 new 11213 World customers and net lending to UK companies of £1.8bn in H1'15
- Retail current account balances of £47.7bn; Gross mortgage lending of £11.9bn in H1'15
- Significantly improved retail customer satisfaction since Jun'12; with continued focus on further improvement
- Improved Banking NIM of 1.86% up 6bps, and RoTE of 12.8% up 110bps, since H1'14
- Operational efficiency well managed, absorbing ongoing investment
- Robust retail and corporate credit quality; NPL ratio improved from 1.96% in H1'14 to 1.68%
- CET 1 capital ratio of 11.7%; impacted by the commencement of the PSA cooperation
- Strengthened leverage ratio of 4.1%, benefiting from £750m of AT1 issuance in Jun'15

# Delivering on our strategic commitments

1

**Loyal and satisfied retail customers**

**11213 World customers**

**4.3 million**

Increasing customer loyalty

**Current account balances**

**£47.7bn**

Up an average £1bn per month since end 2012

**Guaranteed 7-day switch service<sup>1</sup>**

**1 in 4**

Gaining more switchers than any other UK bank

**Retail customer satisfaction (FRS)<sup>2</sup>**

**61.7%**

Gap to average of 3 highest performing peers closed

2

**'Bank of Choice' for UK companies**

**Lending to corporates<sup>3</sup>**

**£25.7bn**

Up 11% since Jun'14, in a subdued market

**Corporate bank account openings**

**Up 15%**

Leveraging the roll out of new systems

**Corporate loan loss rate<sup>3</sup>**

**0.13%**

Improved from 0.38% in Dec'14

**Corporate customer satisfaction<sup>4</sup>**

**Improved 9pp in two years**

Further improvement is at the heart of our plans

3

**Consistent profitability and a strong balance sheet**

**RoTE<sup>5</sup>**

**12.8%**

Driven by continued net interest income growth

**Banking NIM**

**1.86%**

Driven by reduced cost of retail liabilities

**CET1 capital ratio<sup>6</sup>**

**11.7%**

Strong capital position maintained

**NPL ratio**

**1.68%**

Retail and corporate loans performing well

1. Source: Santander UK management information and Payments Council monthly data (on a banking group basis). Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 2. Source: Financial Research Survey (FRS) run by GfK NOP. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 3. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition of total lending to corporates | 4. Source: Charterhouse Business Banking Survey. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 5. RoTE of 12.8% is annualised and adjusted for the UK Bank Levy and FSCS phasing. Statutory RoTE was 13.2% definition | 6. CET 1 capital ratio of 11.7%, from 11.9% in Dec'14, impacted by the commencement of the PSA cooperation. Excluding this impact, the CET 1 capital ratio would have been 12.0%

# Strong commercial momentum in H1'15 results

	Retail Banking		Commercial Banking		Corporate & Institutional Banking	
	H1'15	vs H1'14	H1'15	vs H1'14	H1'15	vs H1'14
	£m	%	£m	%	£m	%
Operating income	1,852	5	293	29	190	4
Operating expenses	(890)	3	(179)	13	(131)	16
Impairment/provisions	(180)	(51)	(22)	(54)	21	n.m.
PBT	782	45	92	360	80	19
	Jun'15	vs Dec'14	Jun'15	vs Dec'14	Jun'15	vs Dec'14
	£bn	%	£bn	%	£bn	%
Customer assets	162.6	3	20.0	7	5.7	10
Customer deposits	134.1	3	16.6	8	2.2	(4)

- Net interest income growth in all customer business segments
- Fee income growth in Commercial Banking and Corporate & Institutional Banking
- Robust retail and corporate credit quality

# 2015 outlook

- Well placed to benefit from the positive economic outlook
- Increased liquidity and competitive pressures in many business, may impact new asset margins
- Implementation costs of regulatory reform to increase significantly in the months ahead
- Ongoing digitalisation will lead to further improvements in customer experience and operational efficiencies
- Banking NIM to remain broadly unchanged from 1.82%, as reported for end of 2014
- Net mortgage lending growth in line with the market; decline in SVR mortgage balances to continue
- Update to medium-term KPI and targets at the Banco Santander Investor Day in September 2015
- Bank Levy and bank corporation tax surcharge announced will have a material impact on future earnings

# Our strategic priorities

1

Loyal and satisfied retail customers

2

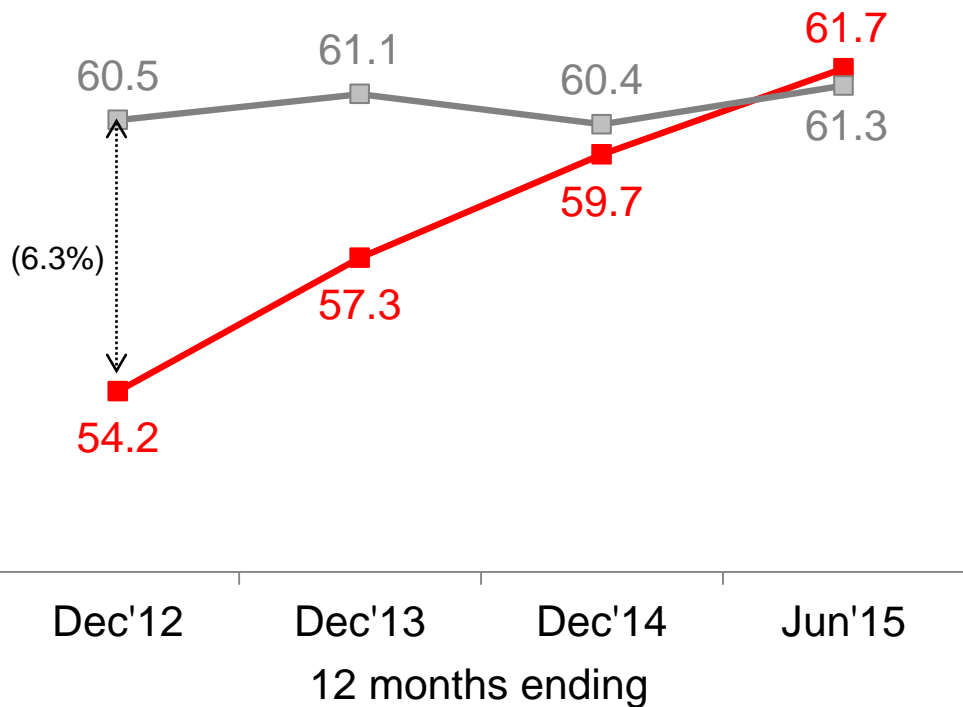
'Bank of Choice' for UK companies

3

Consistent profitability and a strong balance sheet

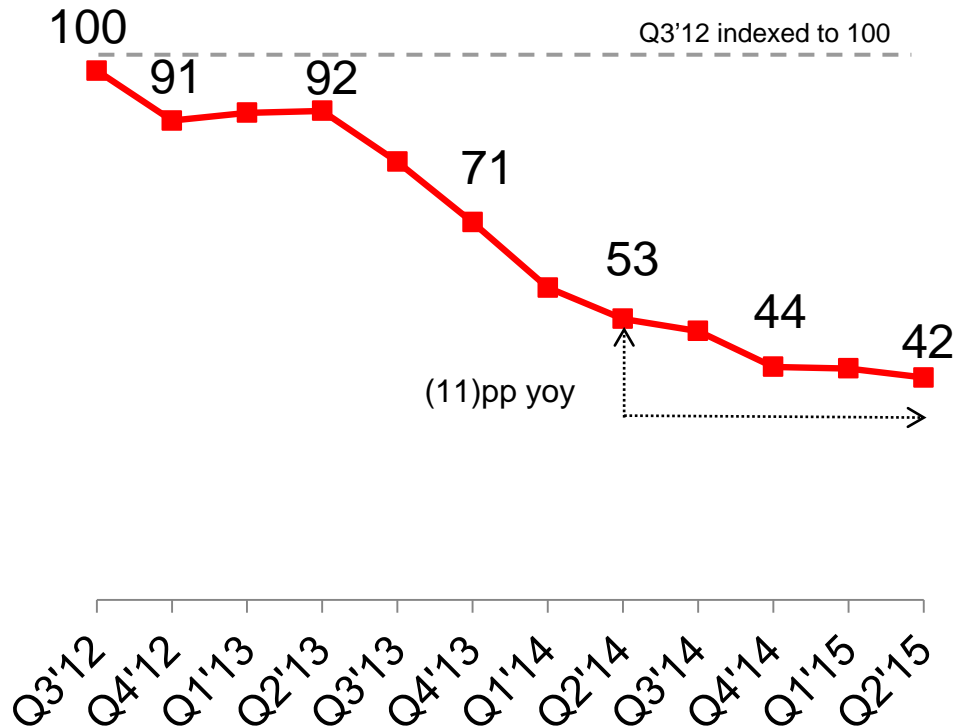
# Significant improvement in retail customer experience

Retail customer satisfaction (%)<sup>1</sup>



■ Santander UK   ■ Average of 3 highest performing peers

Retail complaints received (indexed)<sup>2</sup>



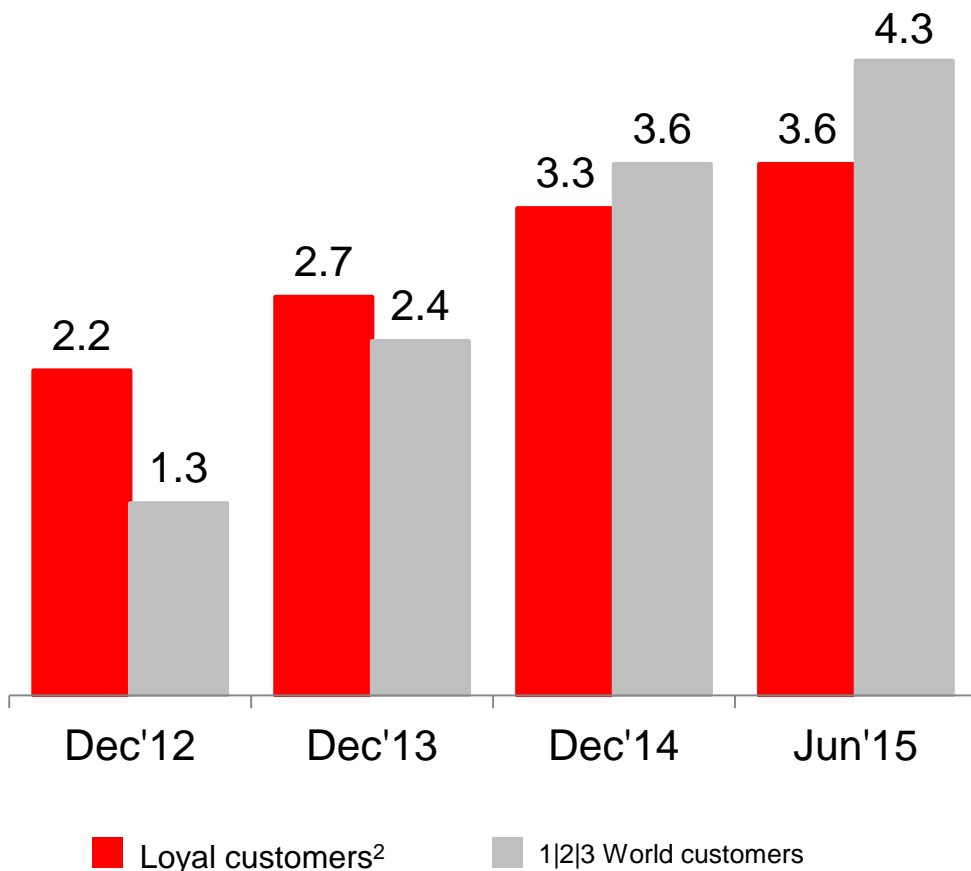
1. As measured by FRS. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 2. Source: Santander UK management information. All unique complaints received from retail and customer banking activities included except those relating to legacy issues e.g. PPI



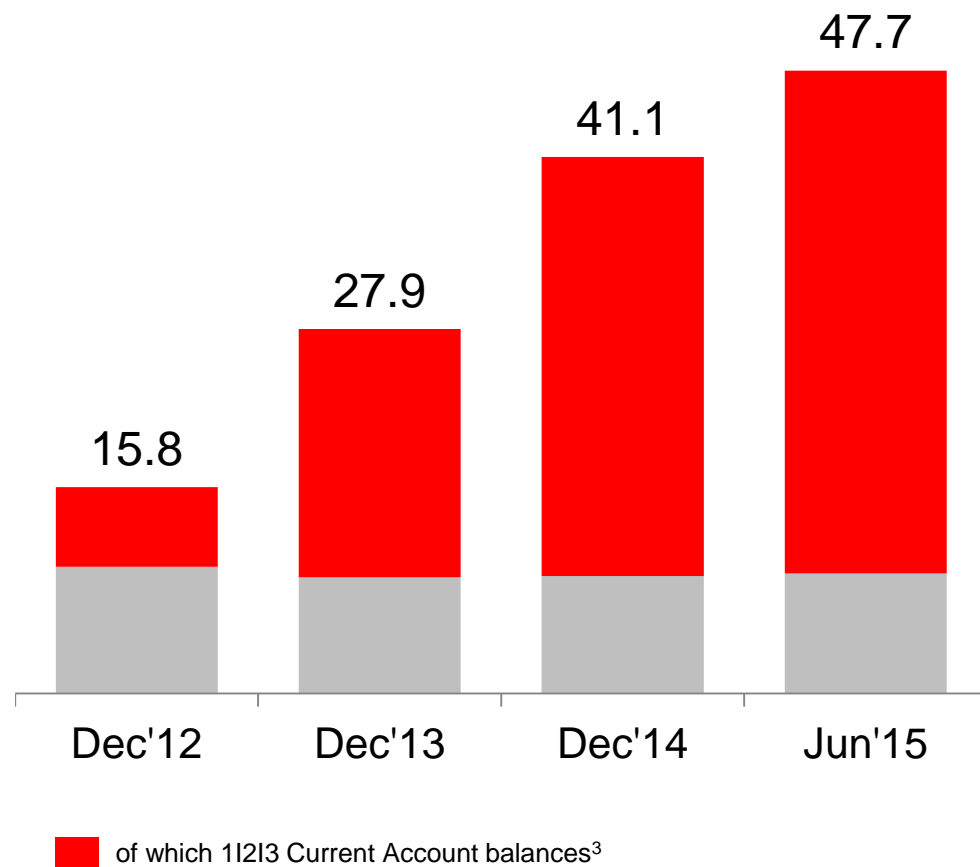


# 660,000 new 1|2|3 World customers in H1'15

1|2|3 World and loyal customers<sup>1</sup> (million)



Retail Banking current account balances (£bn)



1. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 2. '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 | 3. Includes adult accounts only

# 11213 World is transforming our customer profile

Non 11213  
Current Account

11213 Current  
Account<sup>1</sup>

Other benefits of 11213 Current Account

Select and Affluent<sup>2</sup>

7%	37%
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Primary banking<sup>2</sup>

47%	95%
-----	-----

Products per customer

1.5	2.3
-----	-----

Ave. account balance<sup>3</sup>

1.0x	5.2x
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4+ direct debits

31%	78%
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- Fee paying current account and credit card
- Reduced acquisition costs
- Lower rate of account churn
- Increased account transactions
- Improved customer insight
- Better risk profile and performance
- Improving liability spreads

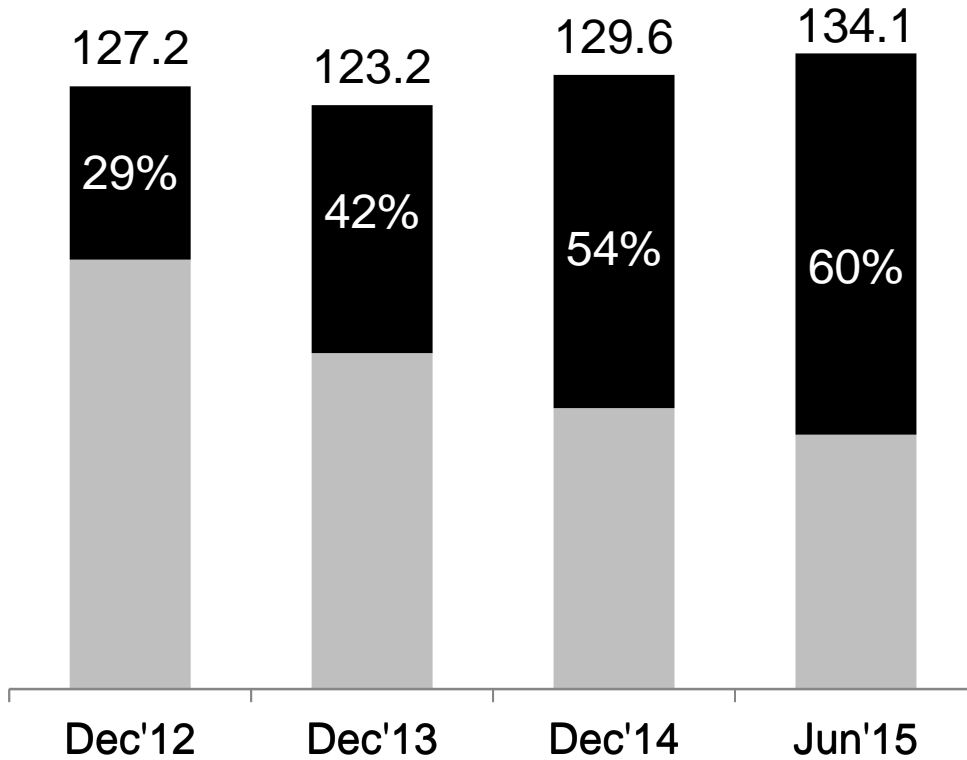


MoneySuperMarket, the UK's number one comparison website, ranked Santander UK winner of the Best Overall Provider<sup>4</sup>

1. Adult accounts only | 2. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 3. Average account balances are combined savings and banking liability balances | 4. Source: MoneySuperMarket.com, 2015 'Supers' awards. Santander was the most popular provider for a range of products according to the survey of over 2,000 customers, January 2015

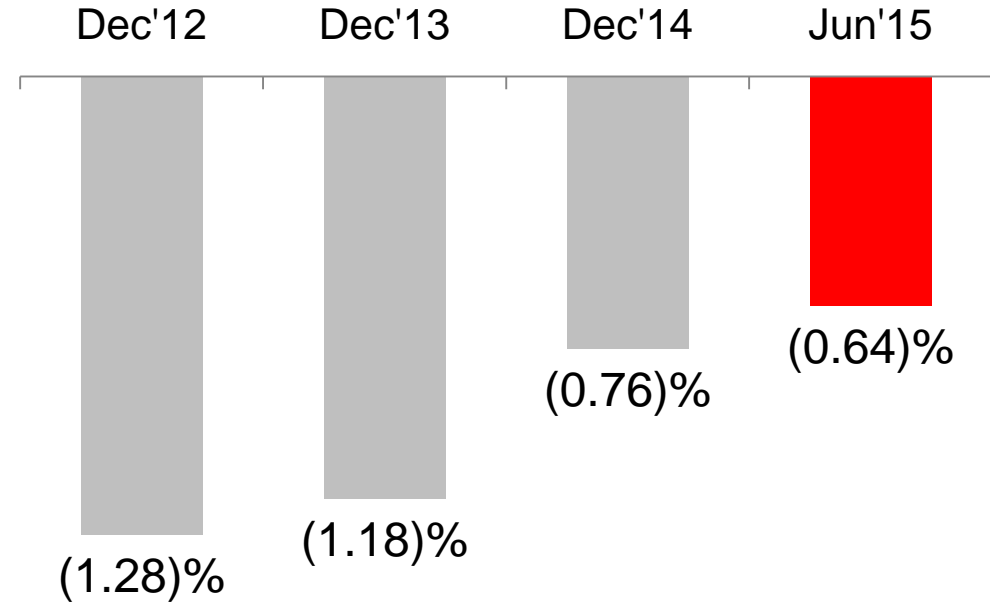
# Improved customer primacy and liability spreads

Retail Banking deposits (£bn)



■ Banking and savings balances of customers with a primary 11213 Current Account or other primary current account

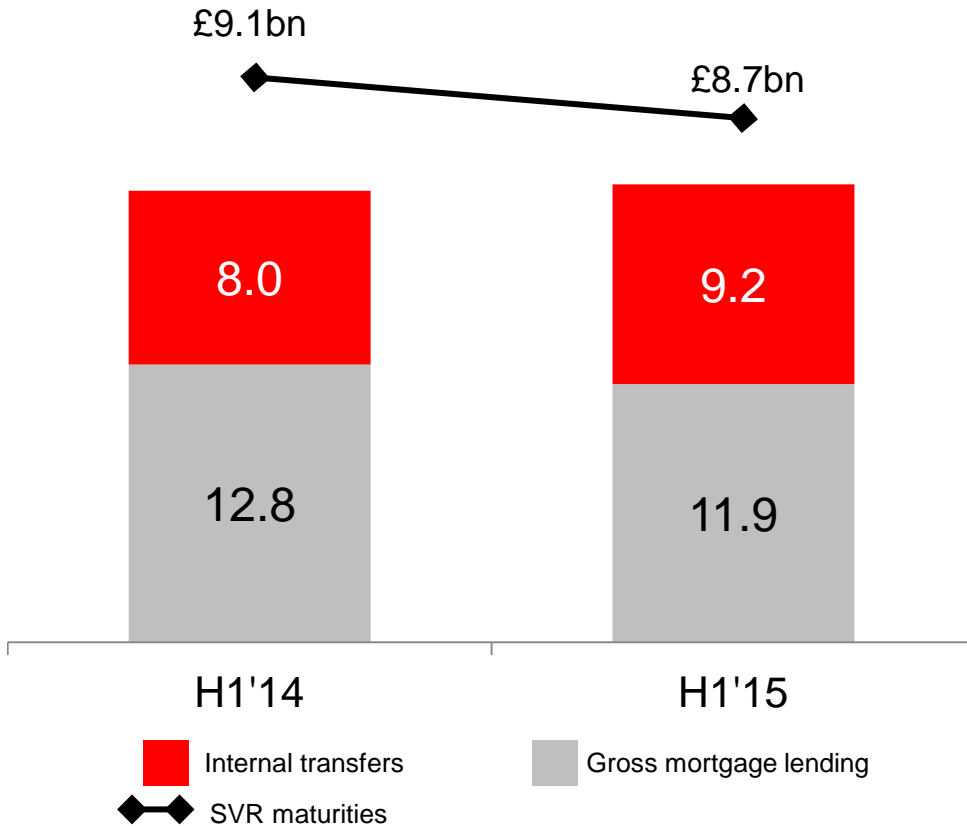
Annualised Retail Banking deposits spread (%)<sup>1</sup>



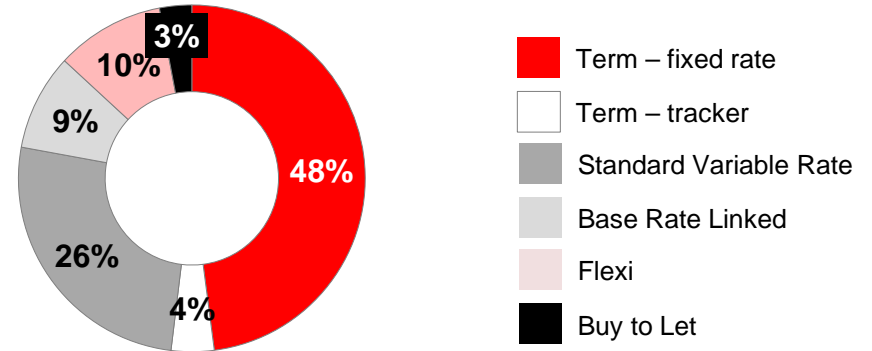
1. YTD annualised Retail Banking customer deposit spreads against the relevant swap rate or LIBOR. Retail Banking customer deposits include savings and bank accounts for personal and business banking customers

# Strong mortgage lending and retention levels

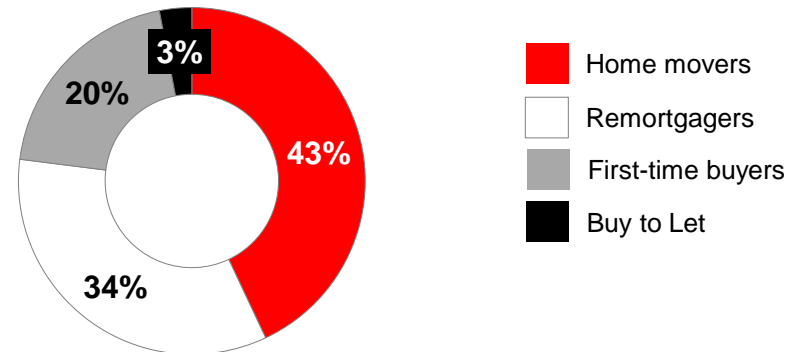
## Mortgage lending (£bn)



## Mortgage product profile (stock, Jun'15)



## Mortgage borrower profile (stock, Jun'15)



70,200 (c. 80%) of refinancing customers retained<sup>1</sup>

Interest only mortgages 37%<sup>2</sup> (Jun'15)

1. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 2. Full interest only loans and the element of part-and-part attribution to interest only balances

# Low risk, prime mortgage book of £150.7bn

## Mortgage loan distribution

Dec'14

Jun'15

### Loan size distribution (stock)

Loan size	Dec'14	Jun'15
Less than £0.25m	78.1%	76.9%
£0.25m - £0.5m	17.1%	17.9%
£0.5m - £1m	4.1%	4.5%
£1m - £2m	0.6%	0.6%
Over £2m	0.1%	0.1%

### Average loan size distribution (new business)

Region	Dec'14	Jun'15
London and South East	£229k	£243k
Rest of UK	£125k	£132k
All UK	£169k	£180k

Loan-to-income multiple<sup>1</sup>                      3.11                      3.09

## Loan to value ('LTV')

Dec'14

Jun'15

### Simple average LTV<sup>2</sup>

Category	Dec'14	Jun'15
new lending	65%	65%
- excluding H2B	64%	64%
stock	47%	47%

### Indexed LTV distribution

Category	Dec'14	Jun'15
> 85% - 100%	6%	6%
> 100%	3%	2%

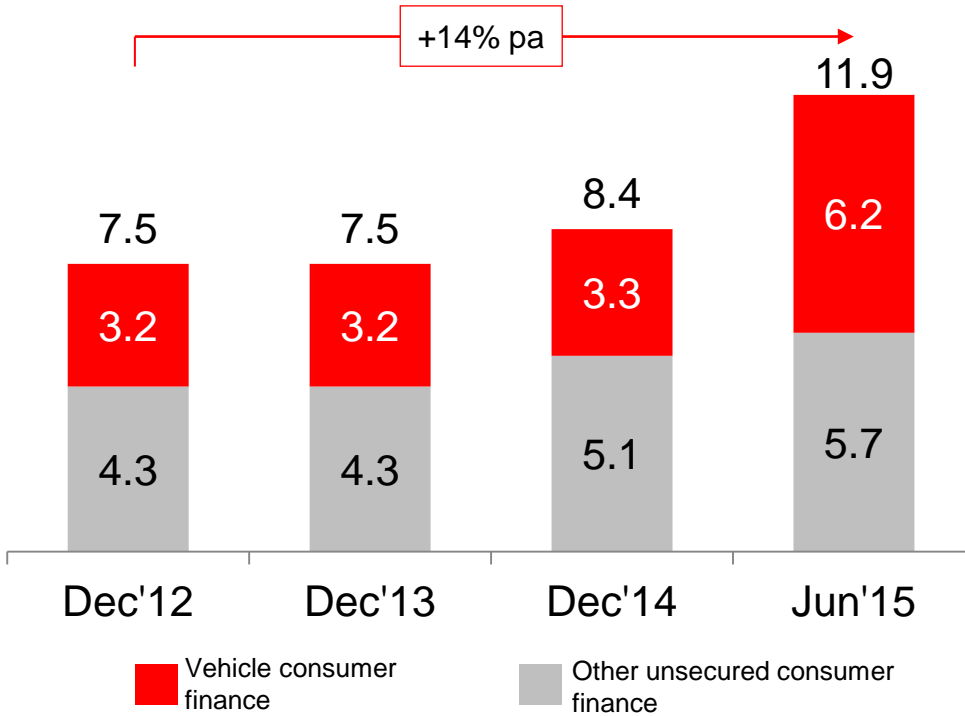
Category	Dec'14	Jun'15
New lending % with LTV > 85%	17%	16%
- excluding H2B	13%	13%

15,800 first-time buyers (£2.3bn gross lending)  
2,800 Help to Buy customers (£395m gross lending)

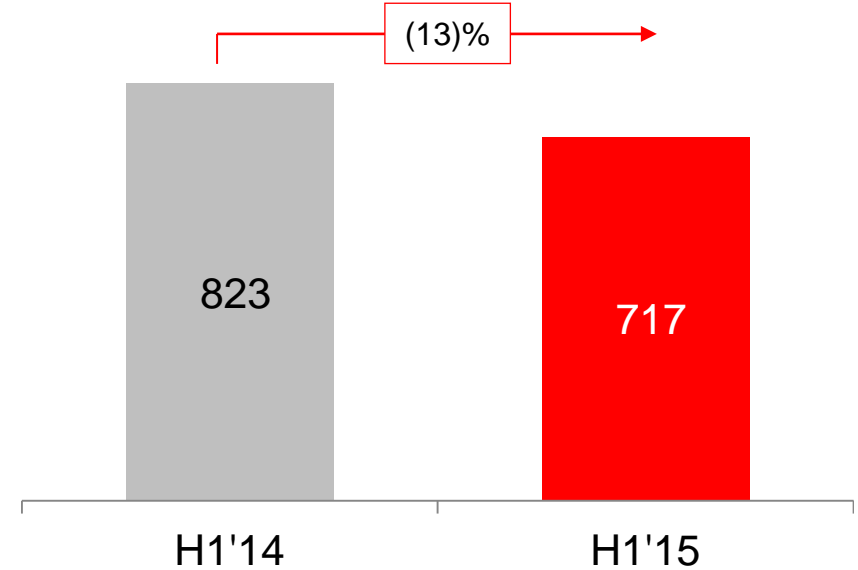
1. Average earnings multiple of new business at inception in the periods ending 31 December 2014 and 30 June 2015 | 2. Unweighted average loan-to-value of all accounts

# Growing vehicle and unsecured consumer finance

Banking and consumer credit customer loans (£bn)<sup>1</sup>



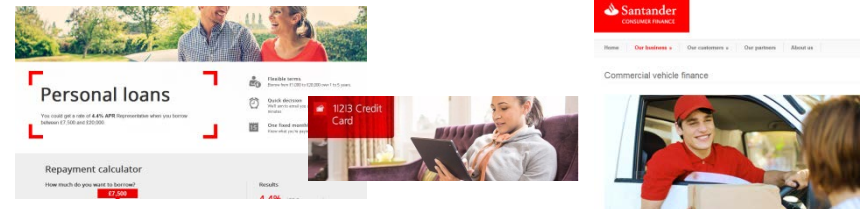
UPL gross lending (£m)



83% of new loans made to existing customers<sup>2</sup>

## Focus on growth while maintaining lending quality

- Developing multi-channel offering
- Differential pricing for loyal customers
- Growing market for new car sales
- PSA Finance UK Limited cooperation

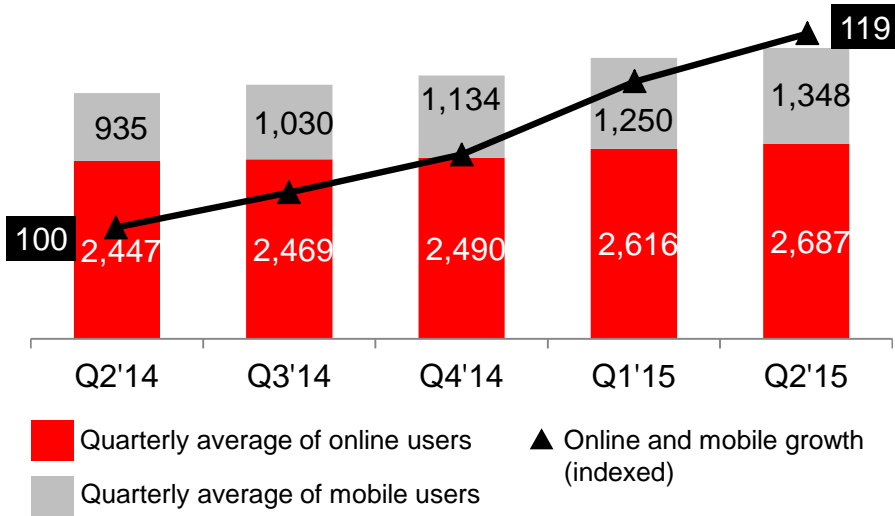


1. Includes vehicle finance (UK arm of Santander Consumer Finance), unsecured personal loans ('UPLs'), credit cards and bank overdrafts | 2. Based on volume of UPL openings to existing Santander UK customers in H1'15

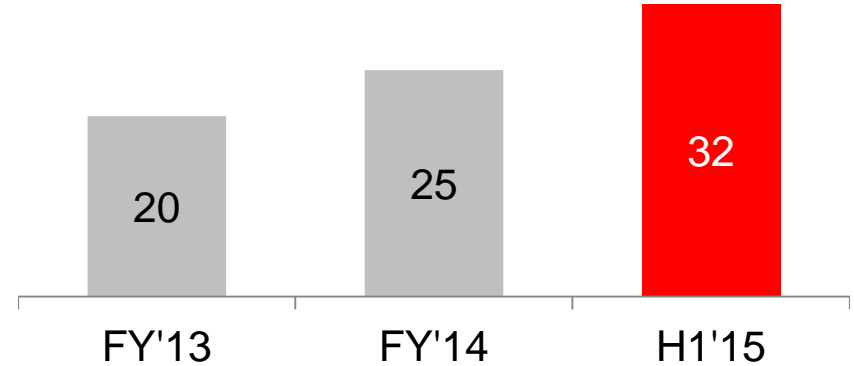
Loyal and satisfied retail customers

# Accelerating our digital transformation plan

## Growing our digital presence (000s)<sup>1</sup>



## Digital openings (% of total openings)



## Impact of new digital functionality<sup>2</sup>

- 1,400 new active mobile users every day
- +45% mobile users; +11% online users
- Almost 1-in-4 mortgages retained online
- +48% credit card online sales
- +53% business bank account online sales
- 3% in digital complaints



1. Mobile users for June complete up to 27th June | 2. Digital volumes growth rates H1'15 vs H1'14, Digital complaints monthly average for H1'15 vs H1'14

# Key digital developments in 2015

Delivered in 2015

## Credentials



- Single multi channel credentials model
- Simple and faster access to digital channels and services
- Simple and easier process for existing customers to get back online



## See



- Customers able to see detailed information on all their products within online and mobile banking



## Service



- Improvements in existing services and new servicing options for existing products
- New Wealth Management platform
- WiFi, tablets and smart phones rolled out in branches



## Buy



- New CRM functionality within online bank to improve existing customer experience
- New online account opening process for current accounts
- Launch of new application process for mortgages



## Mobile



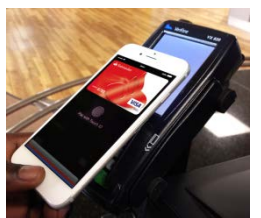
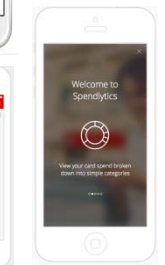
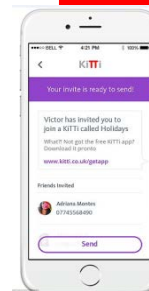
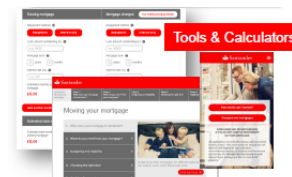
- Increased functionality and services to meet the needs and expectations of our mobile only customers
- Launch of Apple Pay, Spendlytics, KiTTi and an ISA App



## Analytics



- Comprehensive analytics suite, capability to analyse and monitor performance across all platforms via Website, Online bank, Mobile apps, Application forms, Landing pages<sup>1</sup>



1. Landing pages and UPL forms only



# Our strategic priorities

1

Loyal and satisfied retail customers

2

'Bank of Choice' for UK companies

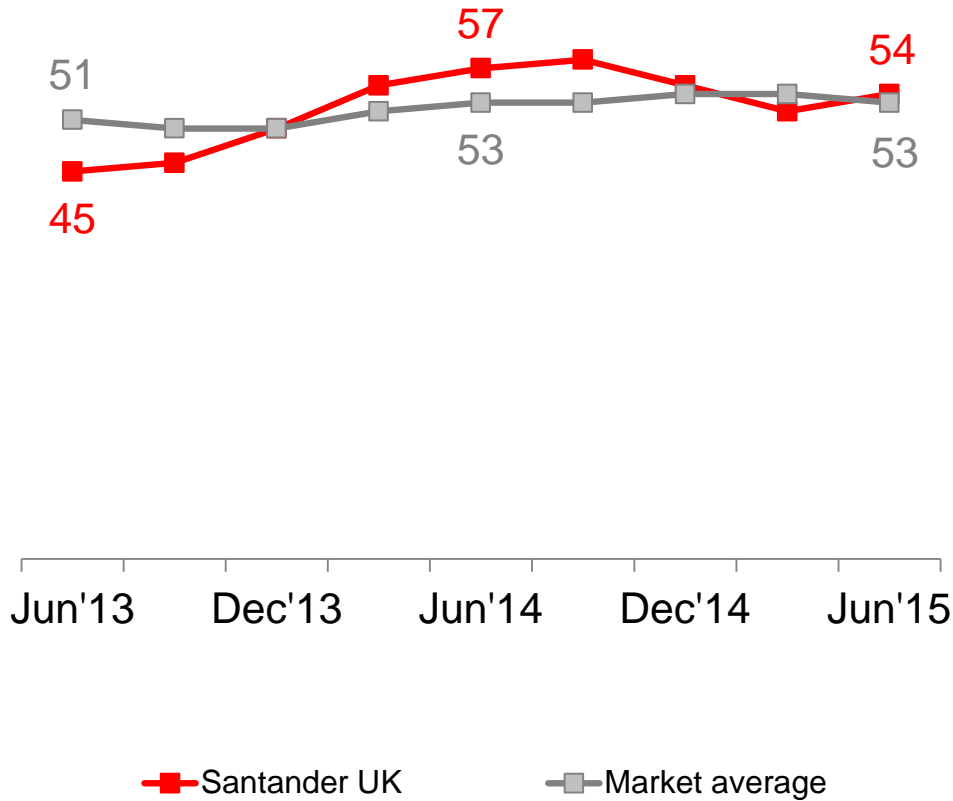
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Consistent profitability and a strong balance sheet

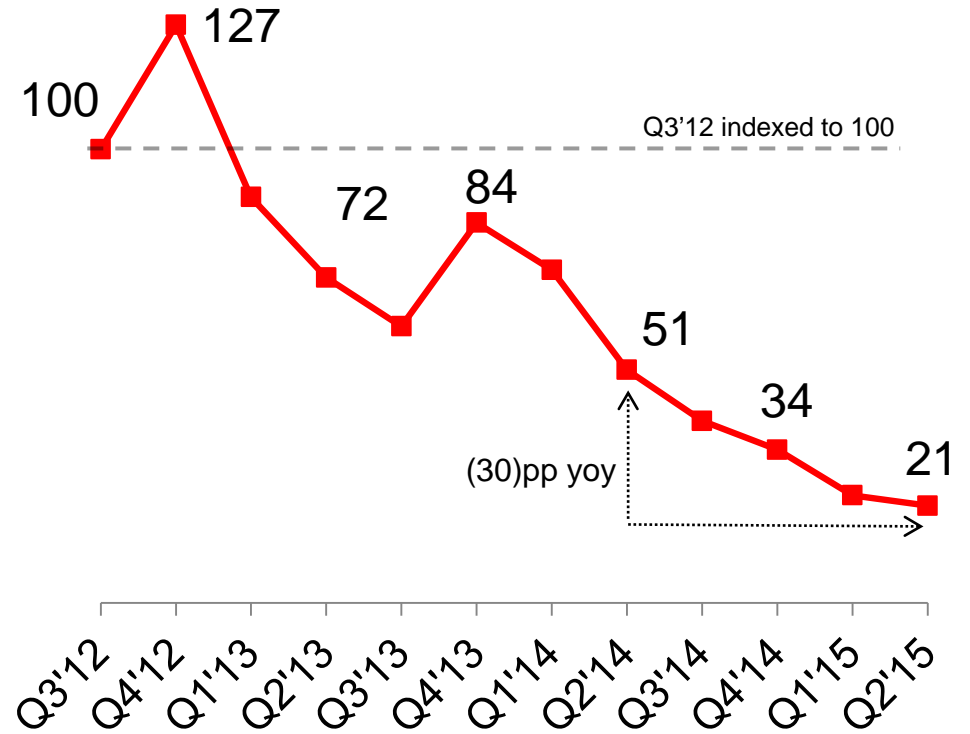
'Bank of Choice' for UK companies

# Improved corporate customer experience

Corporate customer satisfaction (%)<sup>1</sup>



Corporate complaints received (indexed)<sup>2</sup>



1. Source: Charterhouse Business Banking Survey. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for a full definition | 2. Source: Santander UK management information. Complaints relate to our commercial and corporate banking businesses

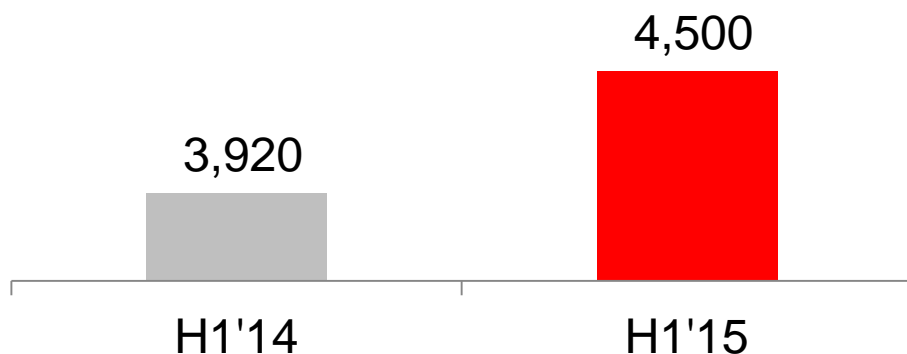


# Utilising expanded capability and full service offering

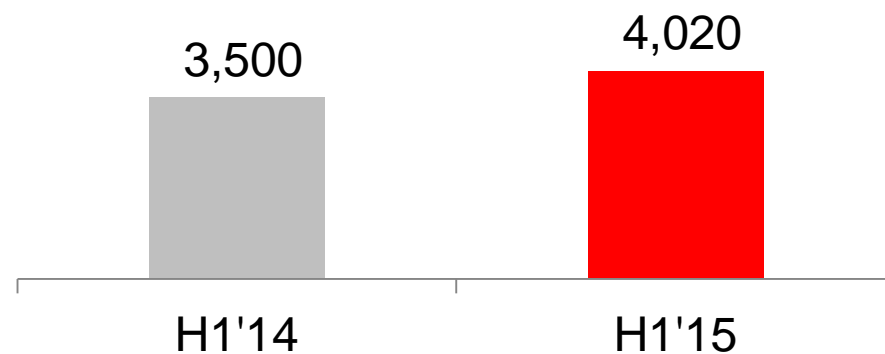
	Customers	Customer loans
SME > £250k - £50m	72,100	£13.1bn
Mid corporates > £50m - £500m	1,480	£6.9bn
Large corporates <sup>1</sup> > £500m	280	£5.7bn

Growing our footprint to be closer to our customers			
	2012	H1'15	2015 target
Relationship Managers	503	729	750
Corporate Business Centres	34	68	70

Commercial Banking new facilities (£m)



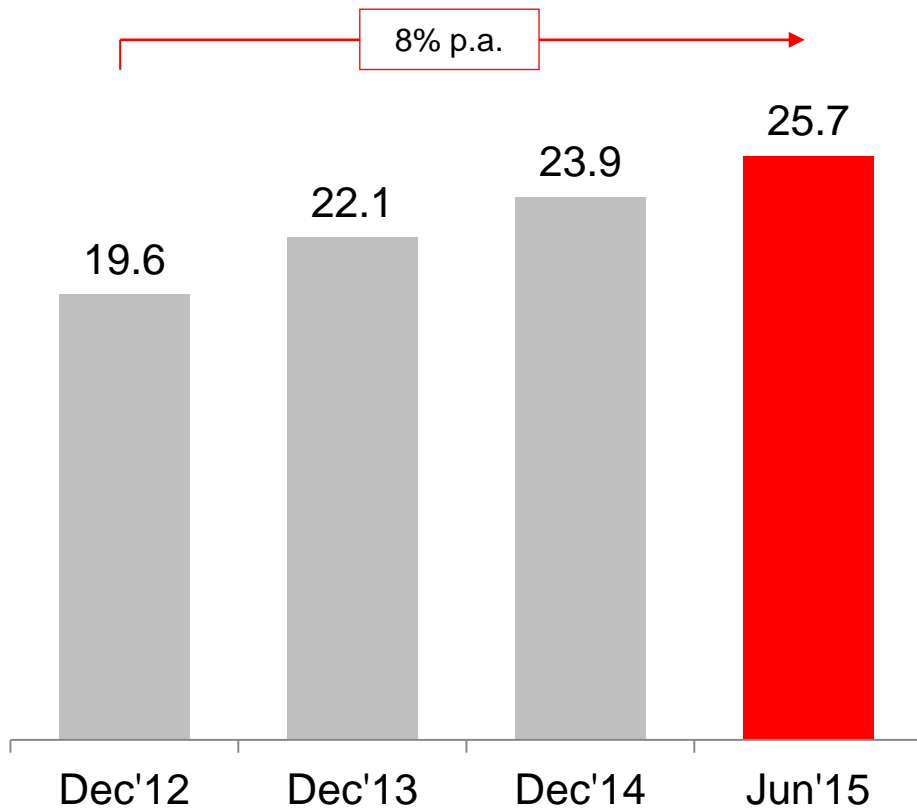
Commercial Banking bank account openings



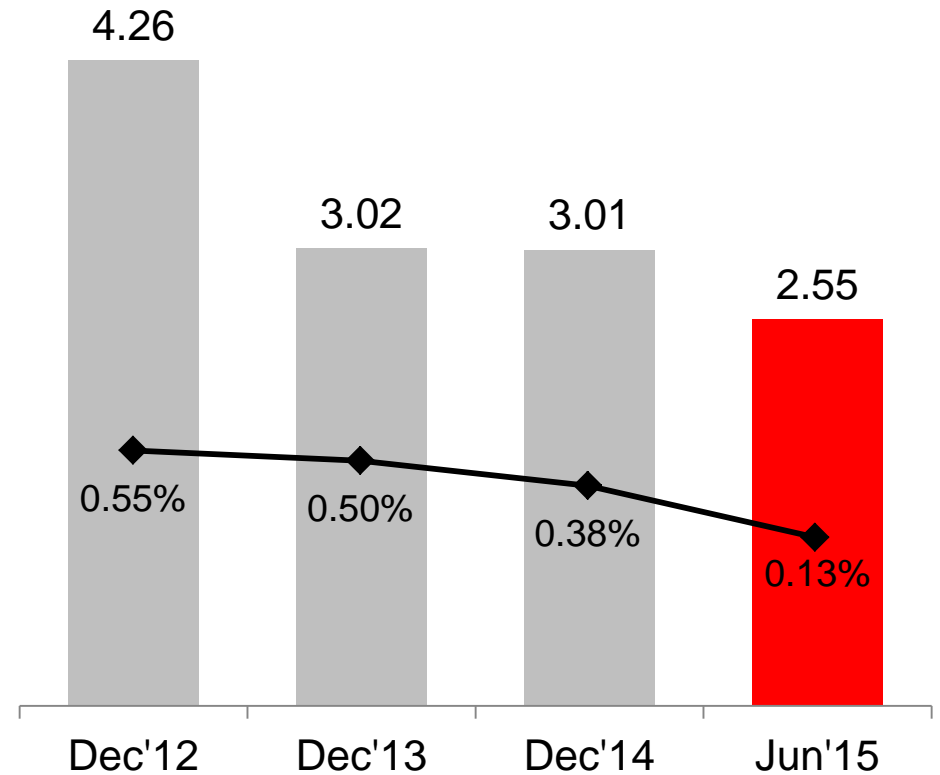
1. Reported in Corporate & Institutional Banking customer business segment

# Sustained growth with prudent risk approach

Corporate loans (£bn)<sup>1</sup>



Corporate loans NPL ratio (%)<sup>1</sup>



◆ Loan loss rate



1. As reported in the combined Commercial Banking and Corporate & Institutional Banking business segments

# Path to double digit returns in Commercial Banking

	H1'15 £m	vs H1'14 %	
Net interest income	221	28	Continued <b>volume growth</b> with improving <b>margins</b>
Non-interest income	72	31	Leveraging <b>ancillary service offering</b> to grow fees
Operating expenses	(179)	13	Investment in business largely complete - focus on <b>improving cost efficiency</b>
Operating provisions and charges	(22)	n.m.	<b>Continued prudent risk management</b> and strong asset quality
PBT	92	360	
	Jun'15 £bn	vs Dec'14 %	
Customer assets	20.0	7	Utilising <b>optimised footprint</b> to deepen relationships and widen sector coverage
Customer deposits	16.6	9	
RWAs	19.4	(3)	Active pursuit of <b>capital saving initiatives</b>
<b>RoE</b>	<b>7%</b>		<b>→ double digit returns</b>

'Bank of Choice' for UK companies

# Developing larger corporate and institutional client franchise

## Our value proposition and strategy

- **Servicing predominantly large UK corporates and selected European financial institutions** with an annual turnover above £500m
- **Global Banco Santander network** provides unique benefits for clients
- From a solid base, building capability in key business lines which are **complimentary to the needs of our commercial clients**, including:
  - Global Transaction Banking, Debt Capital Markets ('DCM'), supply chain finance, cash management and private placements
- **Investment in coming years** to support enhanced capability, focused on:
  - business mix that favours traditional banking activities
  - providing capital market solutions for clients

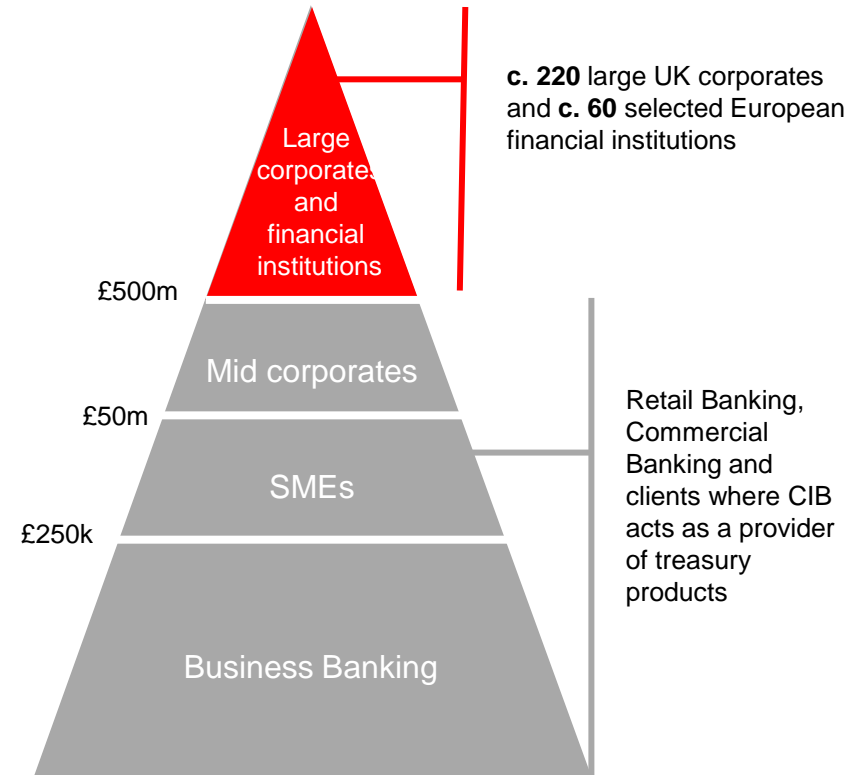
## Solid credentials in chosen client businesses

UK Corporate DCM (£ and €)<sup>1</sup> #6

UK Housing Associations<sup>1</sup> #2

UK Syndicated Loans Bookrunner<sup>1</sup> #4

Arranger of UK Renewable Loans<sup>2</sup> #2



We anticipate a further two years of investment in order to complete a service offering complimentary to the one we now have in place for our smaller corporate customers

# Our strategic priorities

1

Loyal and satisfied retail customers

2

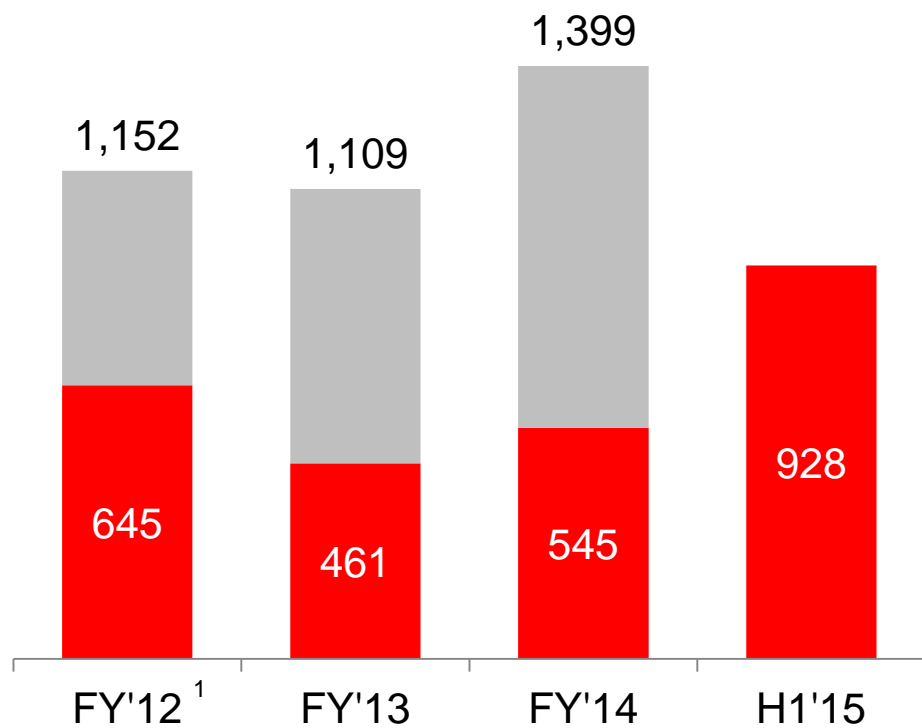
'Bank of Choice' for UK companies

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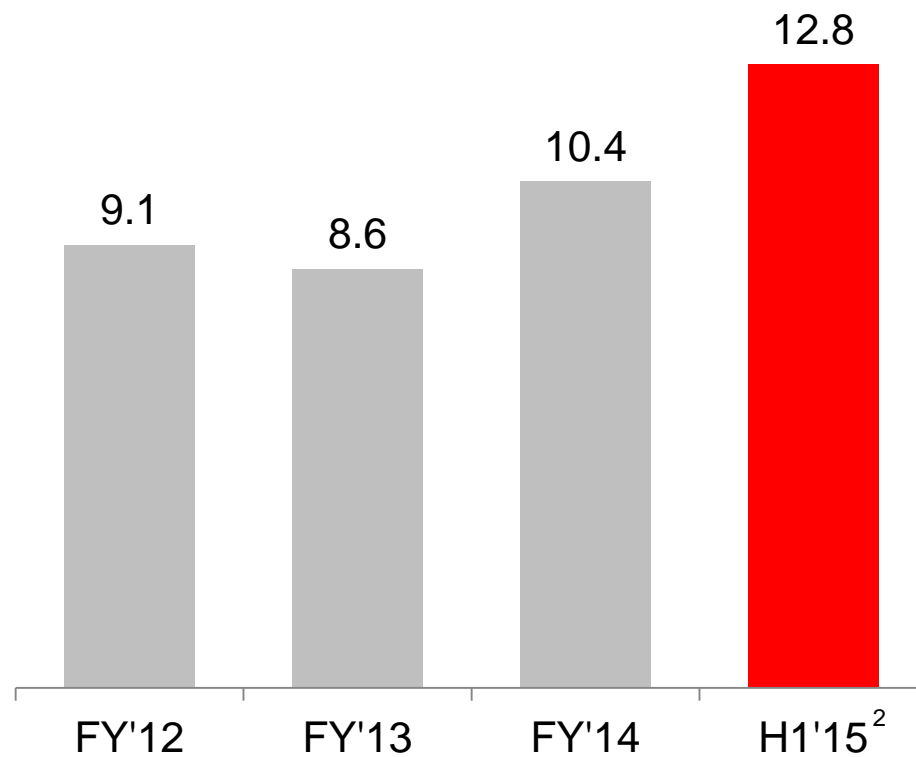
Consistent profitability and a strong balance sheet


# Consistently profitable, sustainable business

Profit before tax (£m)



Return on tangible equity (%)



 First half of the year

1. Excludes discontinued operations | 2. RoTE of 12.8% is annualised and adjusted for the UK Bank Levy and FSCS phasing. Statutory RoTE was 13.2%



# Strategic transformation driving margin improvement

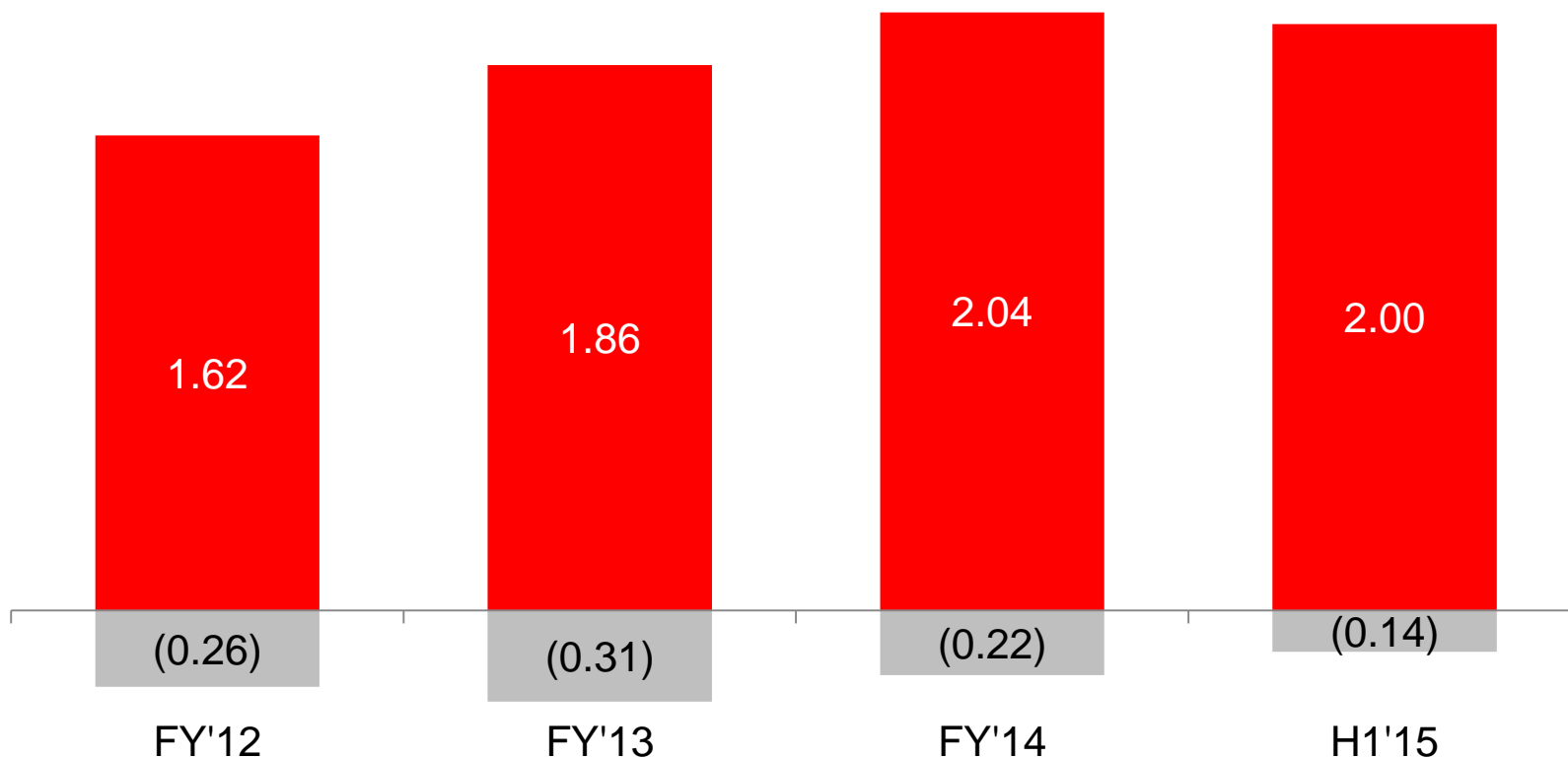
Banking NIM<sup>1</sup>


1.36


1.55

1.82

1.86



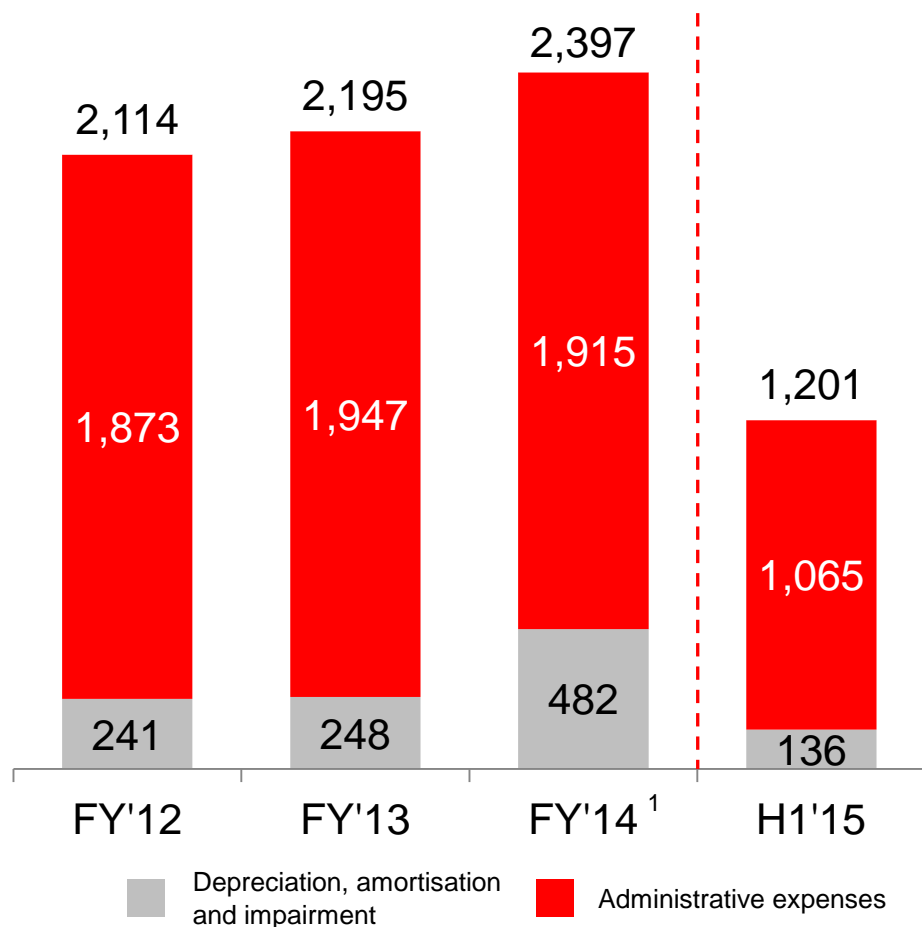
 Customer interest margin

 Structural hedge, wholesale funding and liquidity balances

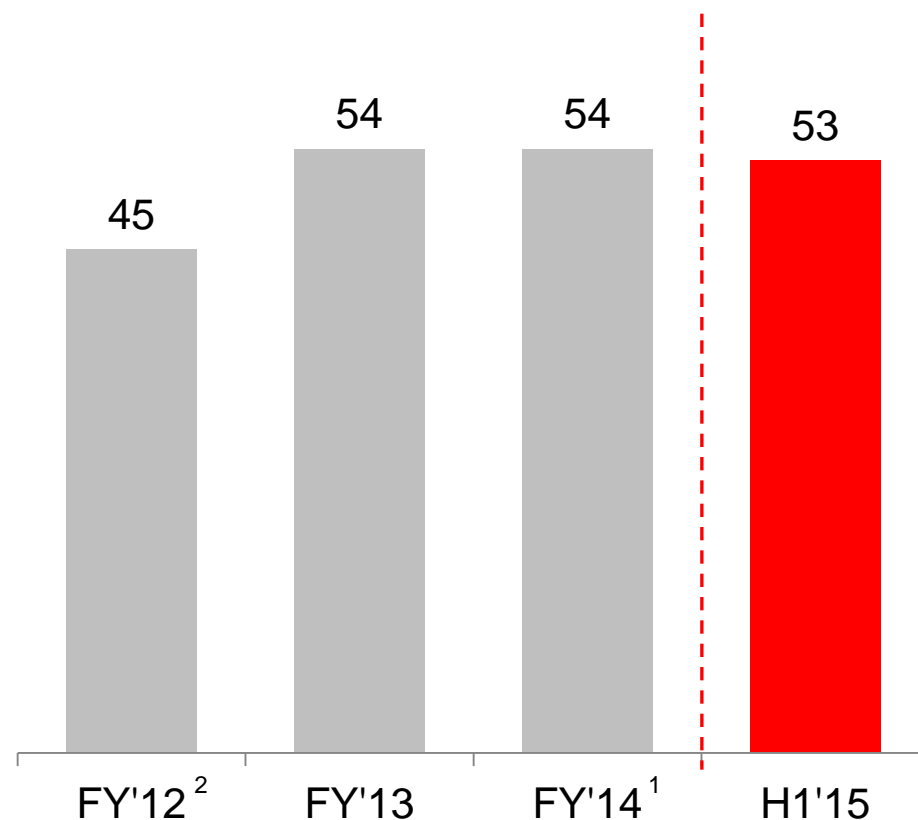
1. Banking NIM is calculated as annualised net interest income divided by average customer loans

# Operational efficiency absorbing ongoing investment

Operating expenses (£m)



Cost-to-income ratio (%)

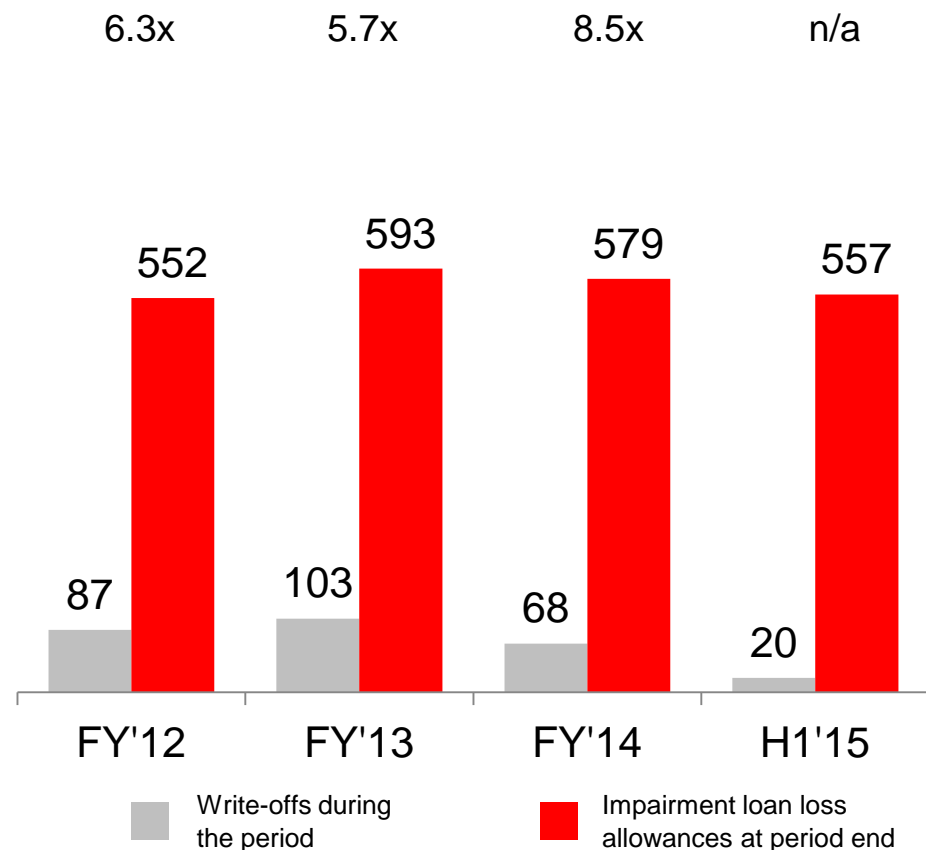


1. Refer to Appendix 1 in the Q2'15 Quarterly Management Statement for details of specific gains, expenses and charges in 2014. Excluding the £86m of specific gains and expenses incurred in H1'14 the cost-to-income ratio would have been 52% | 2. FY'12 total income includes a gain of £705m from the capital management exercise. The cost-to-income ratio excluding this gain would have been 53%

# Strong residential mortgage credit performance

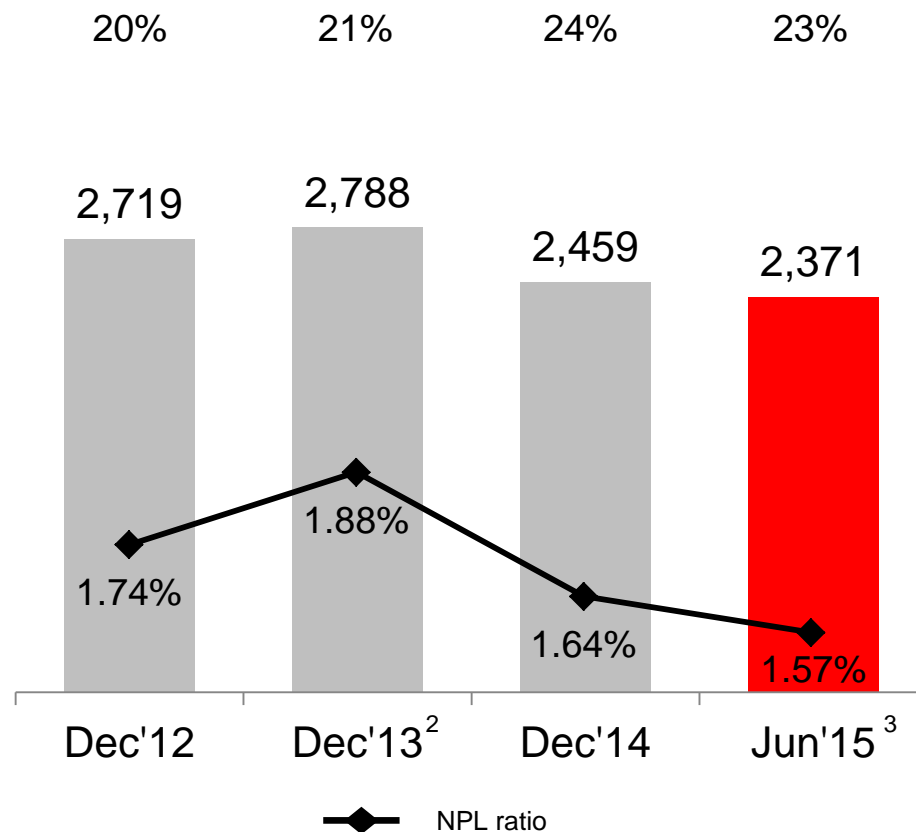
## Mortgage impairment loan loss allowances and write-offs (£m)

Write-offs coverage<sup>1</sup>



## Mortgage NPLs (%)

NPL coverage

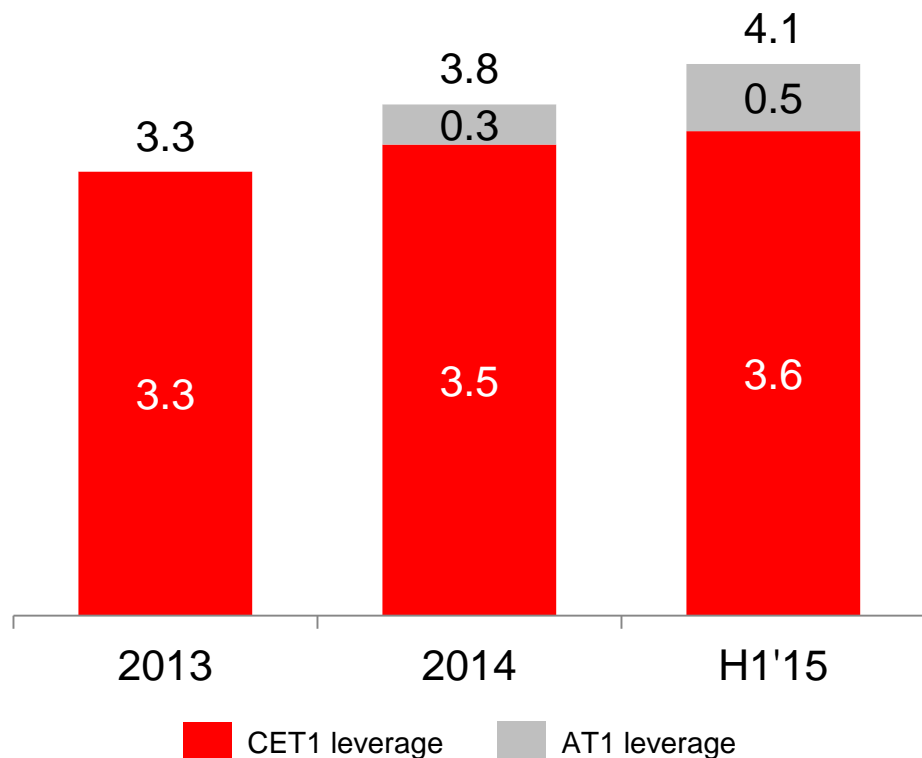


1. Calculated as impairment loan loss allowance at year end divided by write-offs during the year | 2. The increase in the mortgage NPL ratio during 2012 and 2013 was largely due to regulatory-driven policy and collections changes introduced in early 2012 and the impact of the managed reduction in the mortgage portfolio 2012-13 | 3. The mortgage NPL ratio now includes Properties In Possession ('PIPs'). Excluding PIPs the NPL ratio was 1.54%

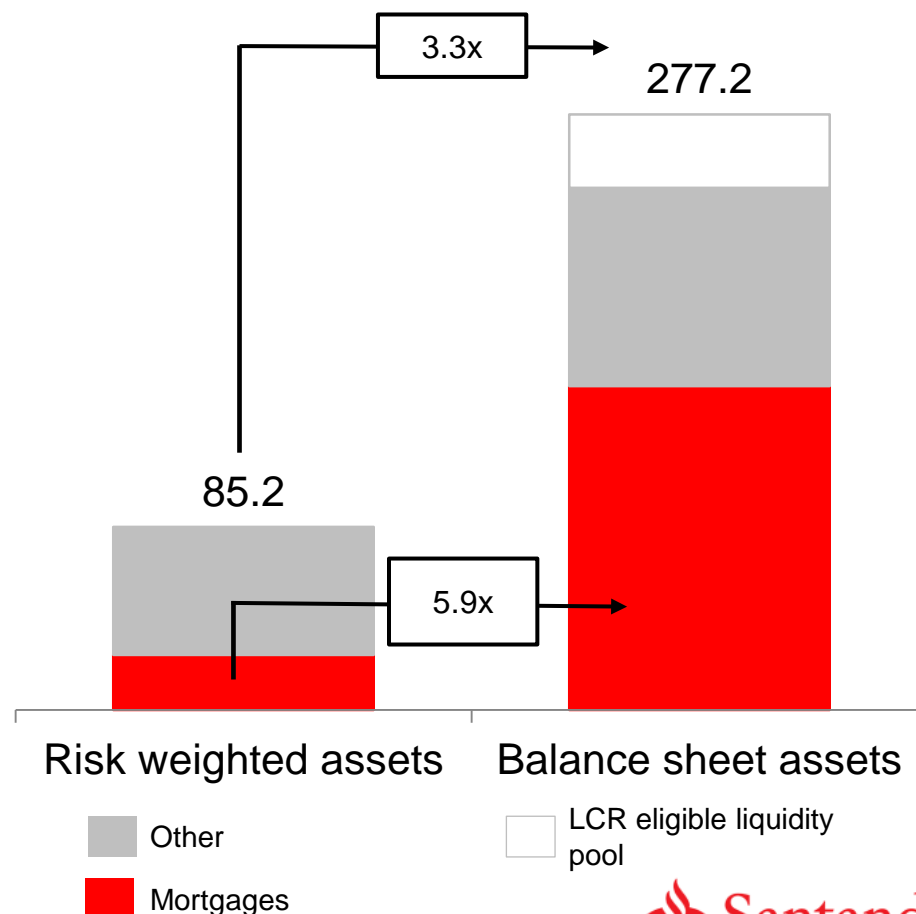
# Profit retentions and AT1 strengthening leverage

## PRA end point T1 leverage ratio<sup>1</sup> (%)

- Our total AT1 capital issuance to date stands at £1.6bn. Based on 0.75% of leverage assets, issuance to full leverage eligible capacity of c.£2.1bn would give a ratio of 4.2%.



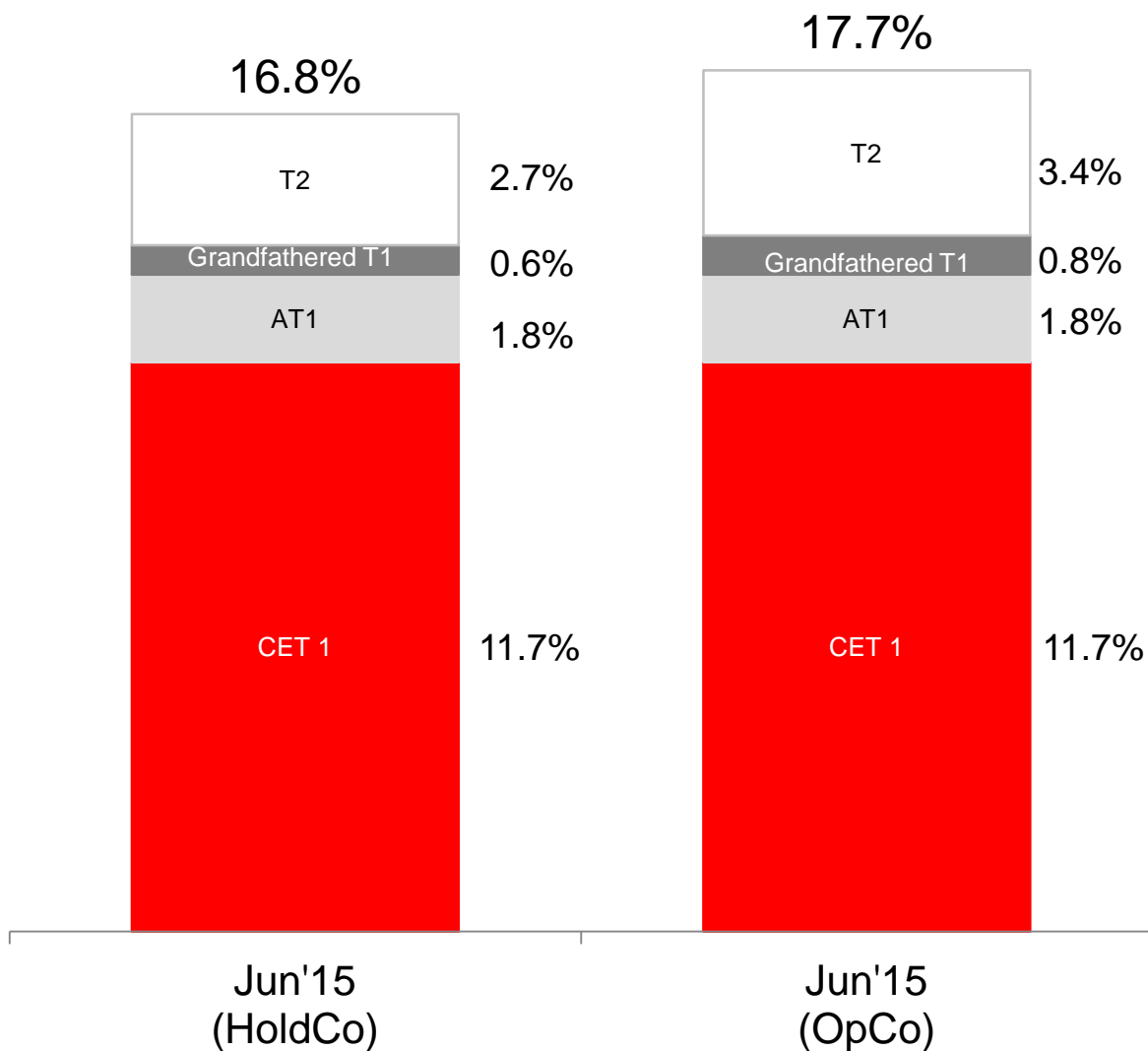
## Risk weighted assets and balance sheet assets (£bn)



1. Calculated as CRD IV end point Tier 1 capital divided by adjusted exposures as defined by the Basel Committee January 2014 Leverage Ratio Framework



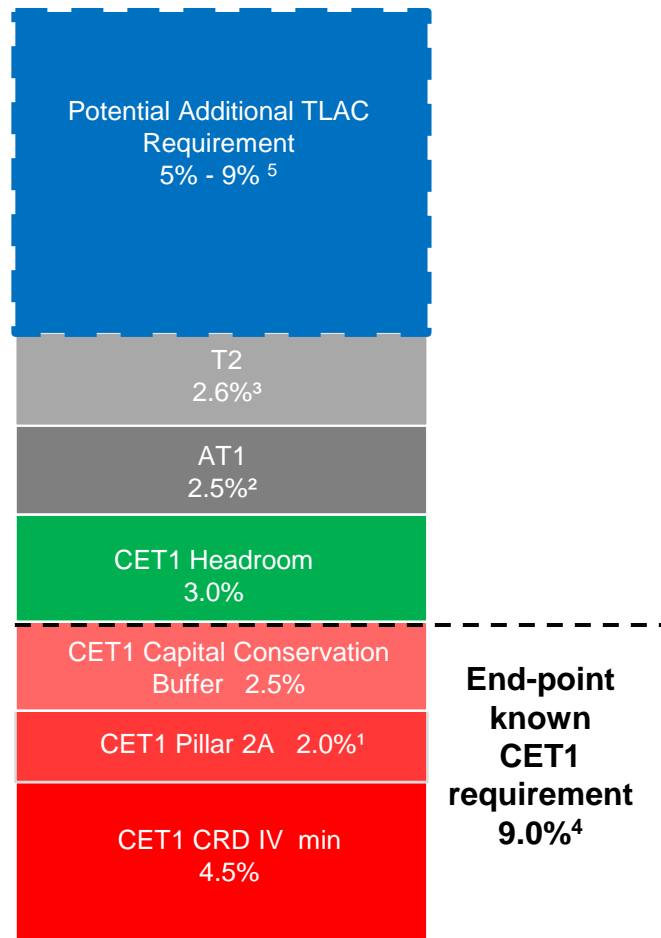
# Managing capital from a strong position



- HoldCo and OpCo total capital difference is due to the recognition of minority interests
- 17.7% of RWAs is the total subordination available to senior OpCo bondholders
- Santander UK (OpCo) senior unsecured debt with an outstanding maturity > 1 year at 30 Jun'15 was £15.2bn, 17.9% of RWAs

# Estimated end-point capital and LAC landscape

**Estimated total capital & LAC requirements 22.1% to 26.1%**



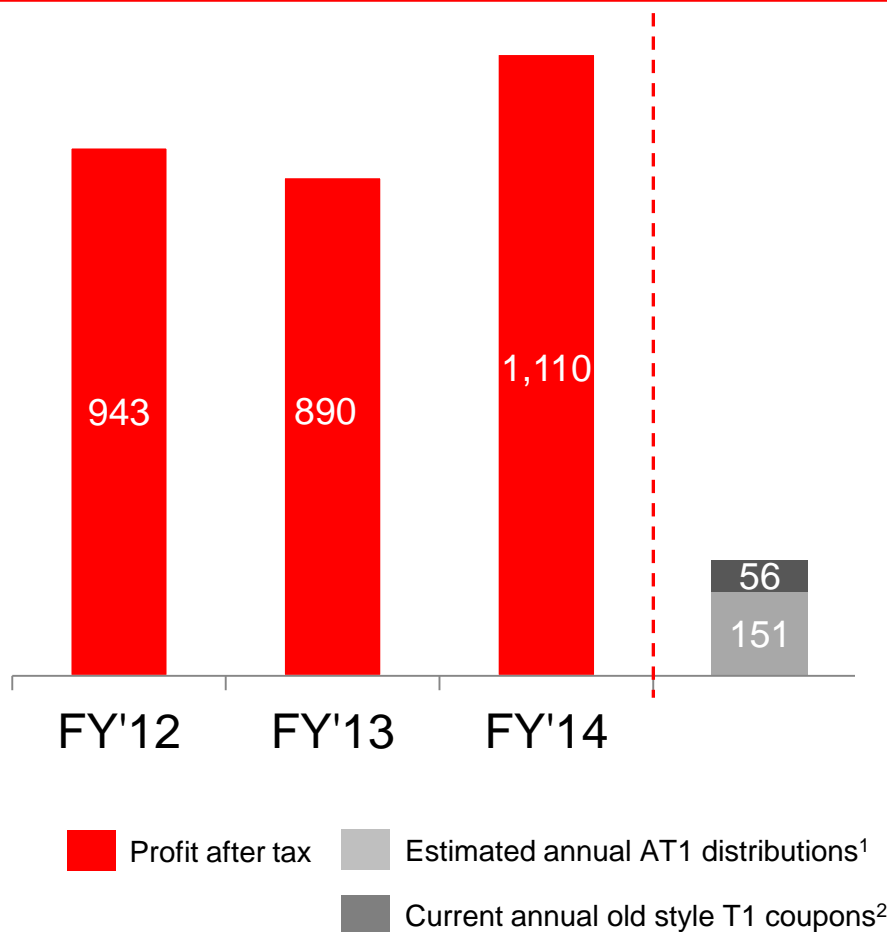
**Target 2019 end-point**

- Santander UK is well positioned to meet the evolving capital and loss absorbing capacity (LAC) landscape<sup>5</sup>
- Santander UK Group Holdings plc has a capital ratio of 16.8%, and a LAC ratio which includes capital instruments that are outstanding but no longer eligible for regulatory capital at a Santander UK level of 17.7%
- It is Santander UK's current intention to meet a portion of any regulatory LAC requirement through issuance of senior unsecured debt from Santander UK which is downstreamed in a regulatory LAC compliant form. Santander UK will be transparent around any downstreamed funding from Santander UK Group Holdings plc to Santander UK plc

1. Santander UK's Pillar 2A requirement was 3.6% as at 31 December 2014, Pillar 2A guidance is a point in time assessment | 2. Current minimum AT1 regulatory requirement is Pillar 1 1.5% and Pillar 2A 0.7%, however Santander UK expects to issue up to its leverage ratio eligible amount which is currently equal to 2.5% of RWA | 3. Current minimum T2 requirement is Pillar 1 2.0% and Pillar 2A 0.9%, however 0.3% of the T2 requirement will be satisfied from 0.3% of the 2.5% AT1 issuance | 4. In addition to the known requirements additional capital buffers applicable to Santander UK in the future may also include a Countercyclical Buffer (currently set at 0% in the UK) and a ring-fencing buffer (subject to detailed requirements being finalised and published, and not expected to be applicable until at least 2019) | 5. Based on current interpretation of proposals

# Profit coverage of estimated AT1 distributions

Potential AT1 distributions relative to profit (£m)



- As at 30 June 2015 Santander UK Group Holdings plc had distributable items of £4.2bn<sup>3</sup>
- Through the financial crisis Santander UK demonstrated a track record of making discretionary interest payments on old style Tier 1 instruments, as well as making dividend payments on ordinary shares
- 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

1. Estimated AT1 distributions based upon total leverage eligible capacity of £2.1bn at a weighted average coupon of 7.18% (equal to the existing £1.6bn of AT1 in issue)

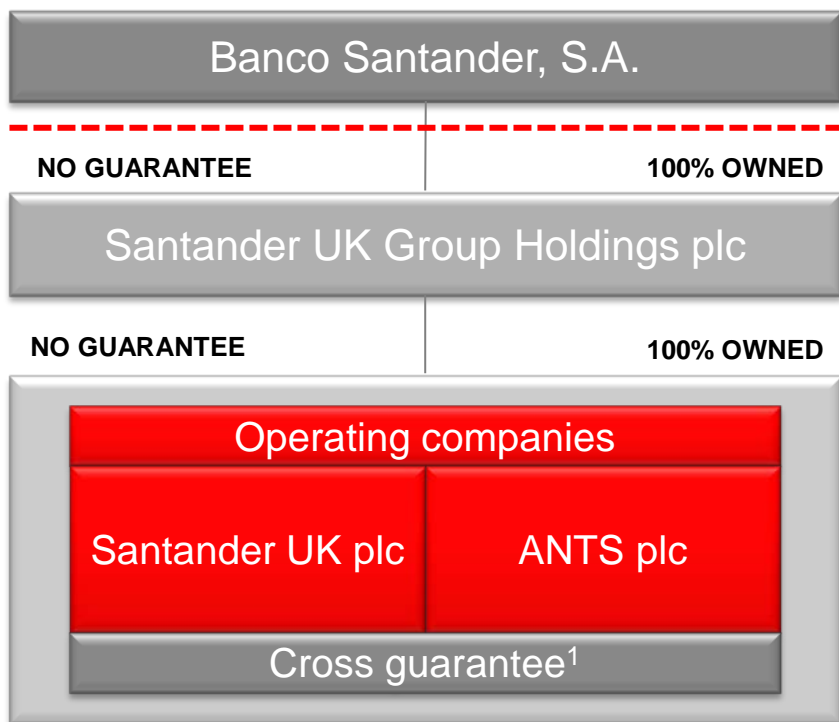
2. Annual coupon calculated on current notionals and coupon rate of old style T1 instruments outstanding

3. Distributable items are equivalent to Distributable profits under the UK Companies Act 2006. Refer to 2015 Santander UK Group Holdings plc Half Yearly Financial Report (to be published in mid-August 2015)

# Wholesale funding and future issuance model

Banco Santander – multiple point of entry resolution group  
Santander UK Group Holdings plc – single point of entry resolution group

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

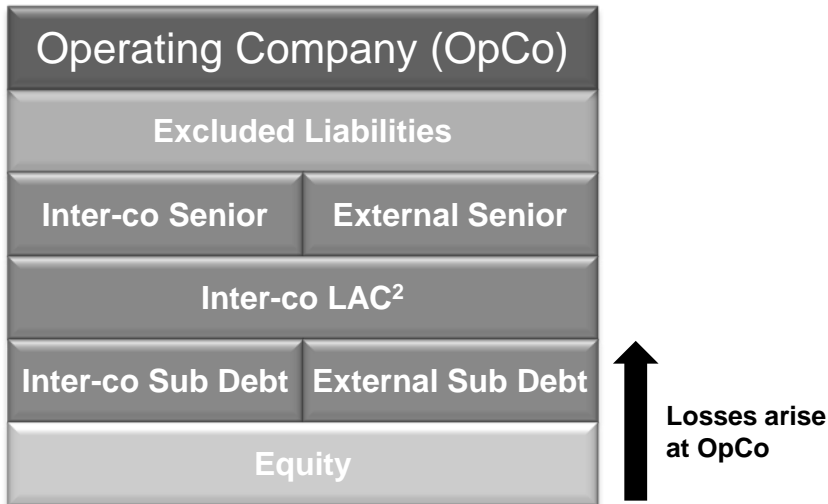
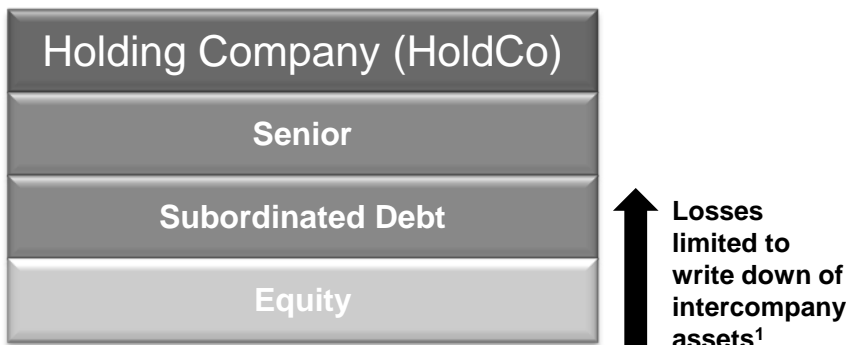


- Senior unsecured from 2015
- Subordinated debt (T2 from 2015 and AT1 from 2014)
- Covered bonds
- Mortgages for RMBS vehicles
- Senior unsecured
- Short term funding e.g. ECP, French CD, etc.

1. The cross guarantees have the effect of aligning the interests of the class of creditors covered by the cross guarantees across the operating companies



# Prospective implementation of UK resolution regime



## Key highlights - UK

- Losses at HoldCo can only apply to the extent of any write-down of its intercompany assets
- Losses will naturally arise first at OpCo
- ‘No creditor worse off’ principle enshrined in the UK resolution regime – respecting the creditor hierarchy regardless of whether the liability is internally or externally issued. PONV<sup>3</sup> will occur first at the sub debt layer

## Key highlights – SanUK

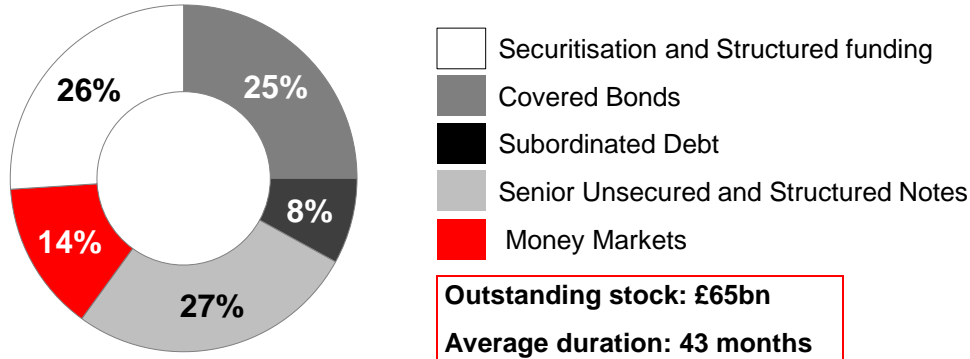
- Santander UK Group Holdings plc has to date only issued AT1, which was downstreamed as AT1 to Santander UK plc
- During the transitional period senior unsecured debt issued from HoldCo will either be downstreamed as senior debt to the OpCo or if required for LAC purposes, it will be downstreamed in a form that is subordinated to OpCo senior and thus complying with any TLAC / MREL requirement .

1. The write-down of the intercompany assets will be determined by the relevant authority following valuations conducted per BRRD Art 36 | 2. Inter-co Loss Absorbing Capacity ('LAC') may require terms to be included in the intercompany trade to make it subordinated to non LAC senior liabilities | 3. PONV – Point of non viability

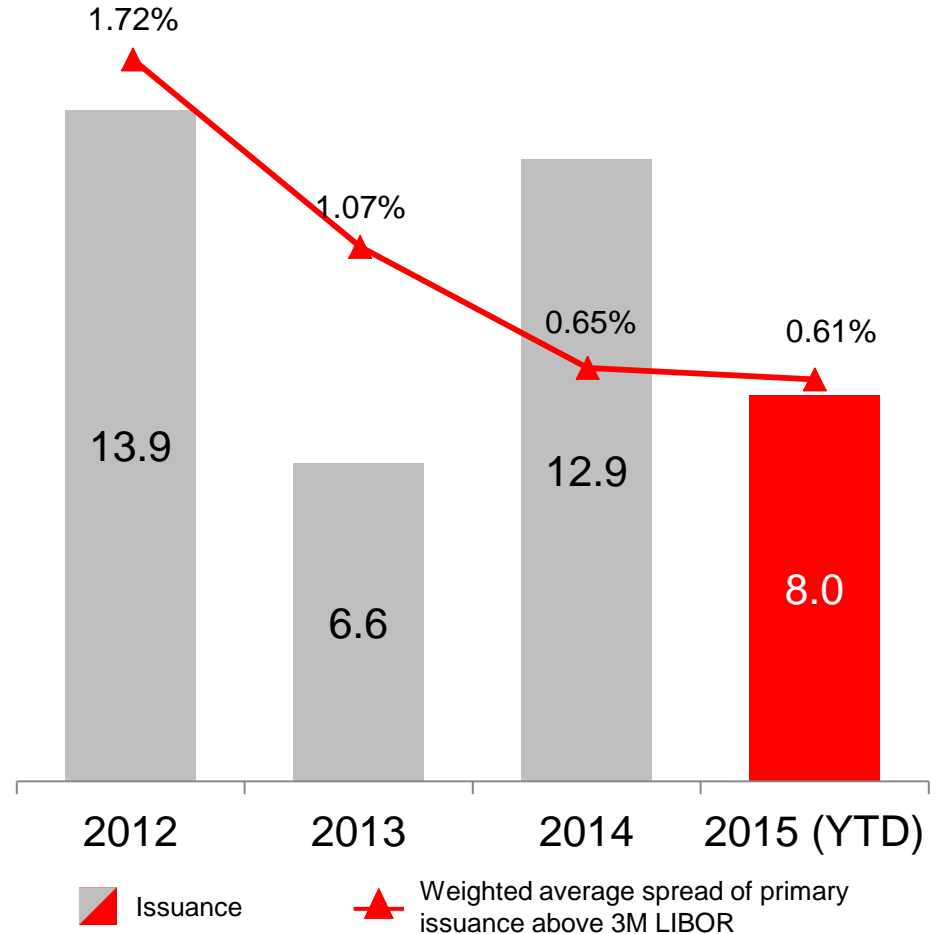
Consistent profitability and a strong balance sheet

# Improved funding profile with lower spread

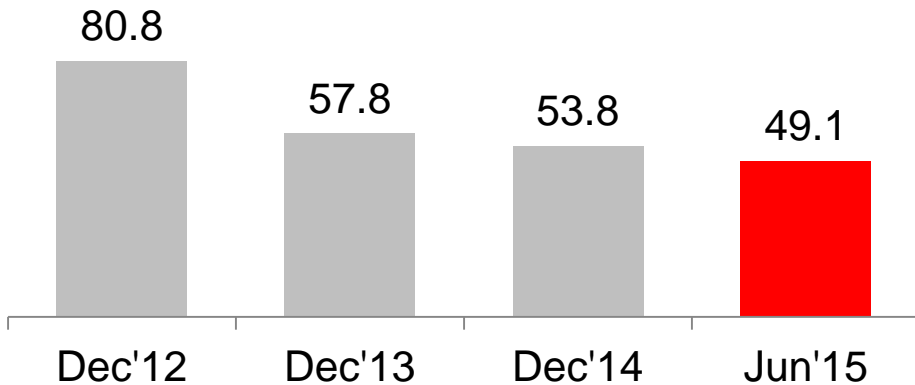
## Wholesale funding stock (Jun'15)



## MTF issuance (£bn) and spread<sup>1</sup>



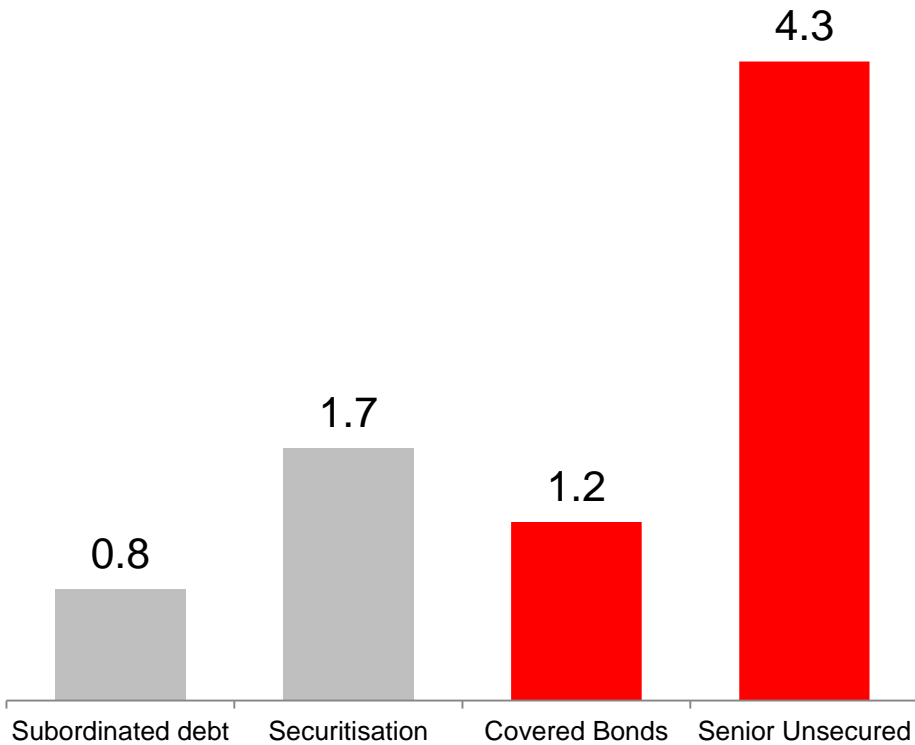
## Medium term funding encumbrance<sup>2</sup> (£bn)



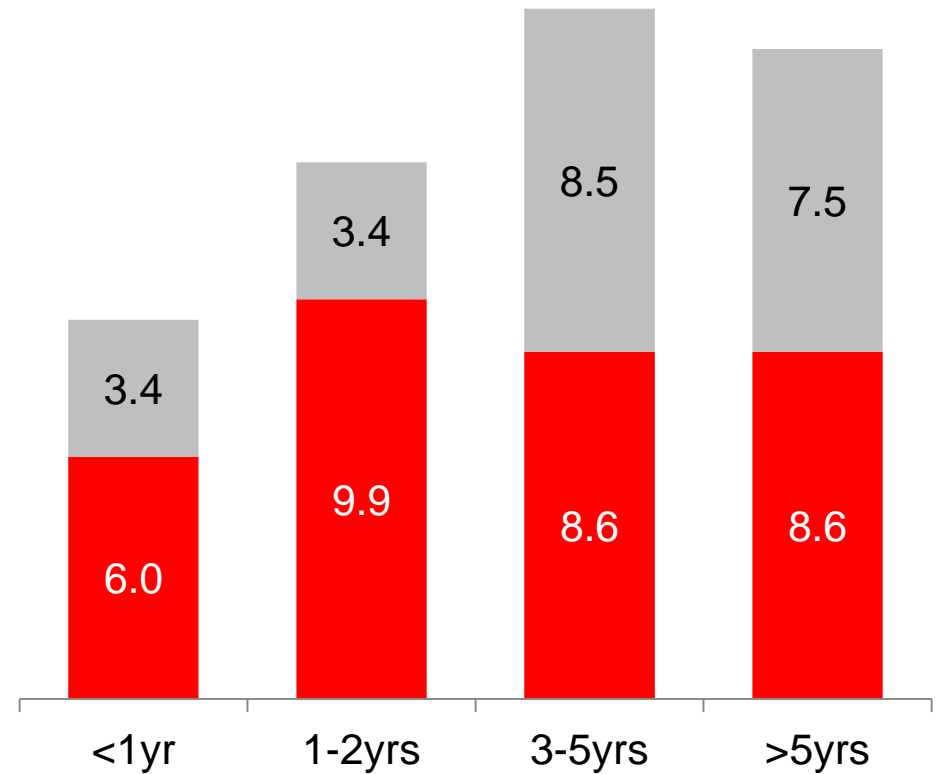
1. Weighted average spread at time of issuance above GBP 3M LIBOR. Average spread excludes AT1 issuances assigned to Fosse, Holmes, Langton and ANTS covered bond programmes | 2. Mortgage encumbrance includes all mortgages

# £8.0bn of MTF issuance H1'15

MTF issuance H1'15 (£bn)



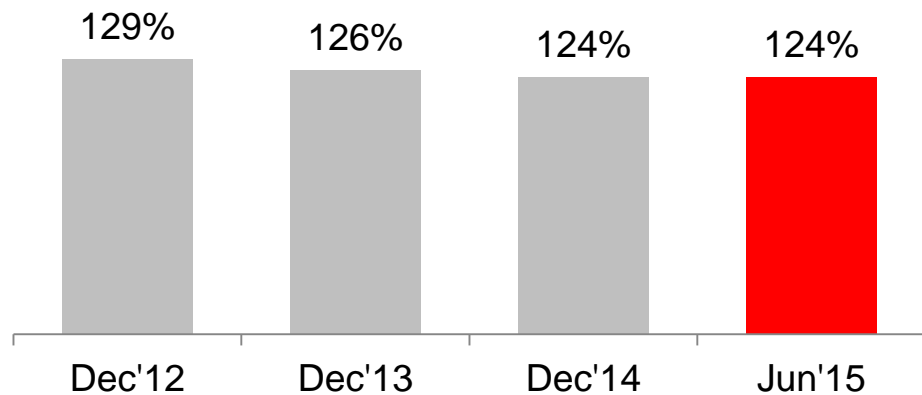
MTF maturities (£bn, Jun'15)



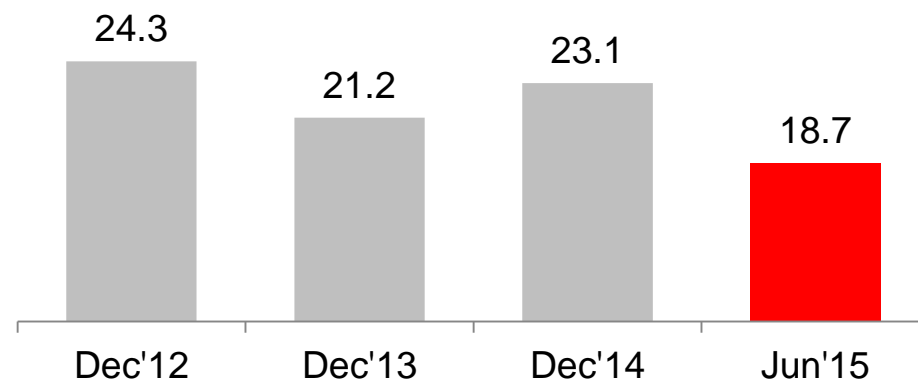
■ Secured funding    ■ Unsecured funding

# Improved liquidity position

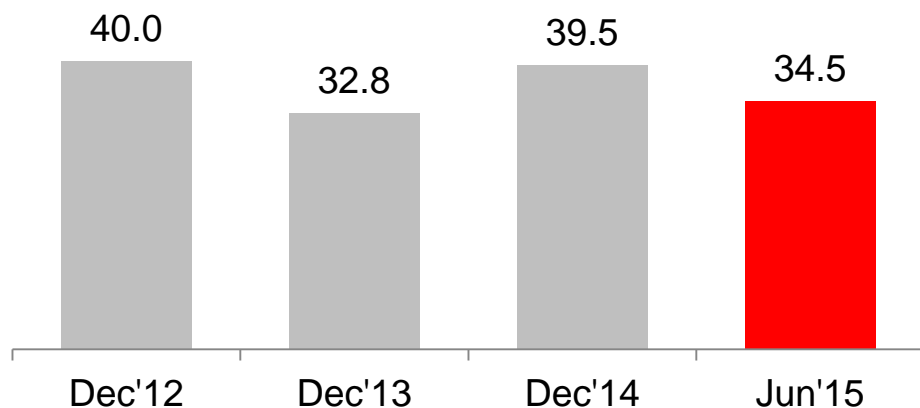
Loan-to-deposit ratio



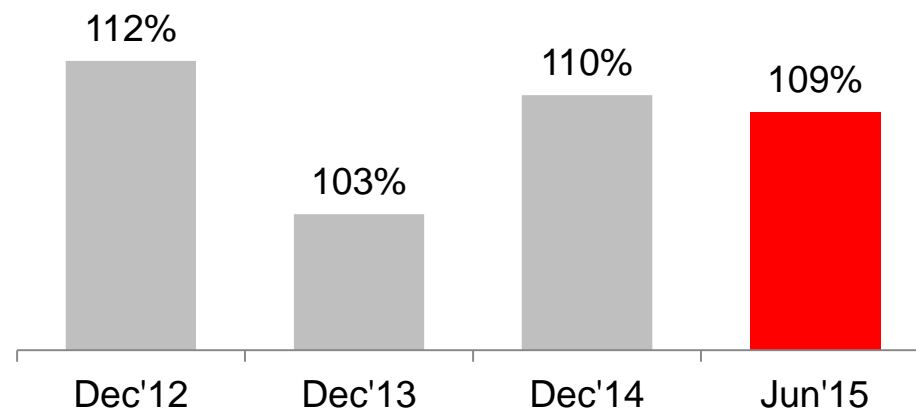
Wholesale funding with a residual maturity of less than 1 year (£bn)



LCR eligible liquidity pool (£bn)



Liquidity coverage ratio ('LCR')



# Delivering on our commitments

	31.12.2014	30.06.2015	2015 target	
<b>1</b> <b>Loyal and satisfied retail customers</b>	<b>Loyal customers</b>	3.3 million	3.6 million	4 million
	<b>11213 World customers</b>	3.6 million	4.3 million	4 million
	<b>Customer satisfaction ('FRS')</b> (average of 3 highest performing peers)	59.7% (60.4%)	61.7% (61.3%)	Top 3
<b>2</b> <b>'Bank of Choice' for UK companies</b>	<b>Corporate loans percentage of total customer loans</b>	13%	13%	20%
	(Total lending to corporates) <sup>1</sup>	(£23.9bn)	(£25.7bn)	
<b>3</b> <b>Consistent profitability and a strong balance sheet</b>	<b>Return on tangible equity ('RoTE')</b>	10.4%	12.8% <sup>2</sup>	13% – 15%
	<b>Cost-to-income ratio</b>	54%	53%	< 50%
	<b>CET 1 capital ratio</b>	11.9%	11.7% <sup>3</sup>	> 10.5% <sup>4</sup>
	<b>Loan-to-deposit ratio</b>	124%	124%	< 125%
	<b>Non performing loan ratio</b>	1.80%	1.68%	ratio maintained
	<b>Dividend payout ratio</b>	46%	N/A	50%

For notes and definitions see Appendix 1 to the Santander UK Group Holdings plc Quarterly Management Statement for six months ended 30 June 2015

1. Total lending to corporates. See Appendix 1 for definitions of Commercial Banking and Corporate & Institutional Banking ('CIB') customer segments | 2. RoTE of 12.8% is annualised and adjusted for the UK Bank Levy and FSCS phasing. Statutory RoTE was 13.2% | 3. CET 1 capital ratio and was impacted by the commencement of the PSA cooperation in our consumer finance business. Excluding this impact, the CET 1 capital ratio would have been 12.0% | 4. Target recalibrated to c.12% by 2019 in June 2015, based on the current known end-point CET1 regulatory requirements

## Appendix

# Demanding regulatory agenda

High degree of oversight...

## Prudential



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



## Conduct



## Competition



... mature regulatory regime, with increasing market focus on customer experience and further competition

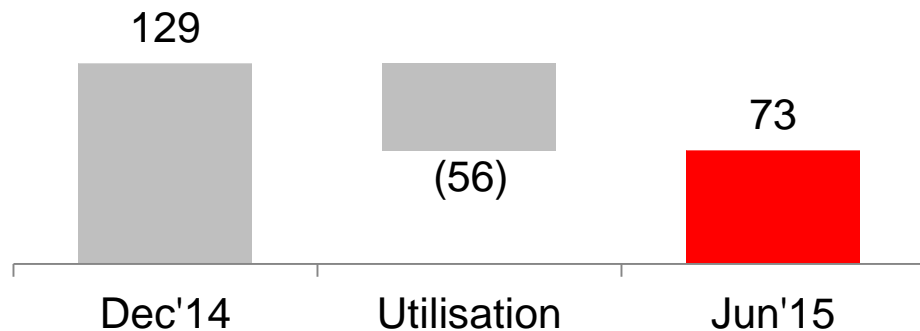


Implementation of  
EU directives

- Banking Reform
- Recovery & Resolution
- Capital, stress testing and leverage
- Liquidity Coverage Ratio
- New (Senior) Accountability Regimes
- Fair and Effective Markets Review
- IT resilience and cyber-risk
- Market studies; cards, savings, etc.
- Intensive conduct regulation
  
- CMA Review; Personal Current Accounts and SME Lending
- Payment Systems Regulator

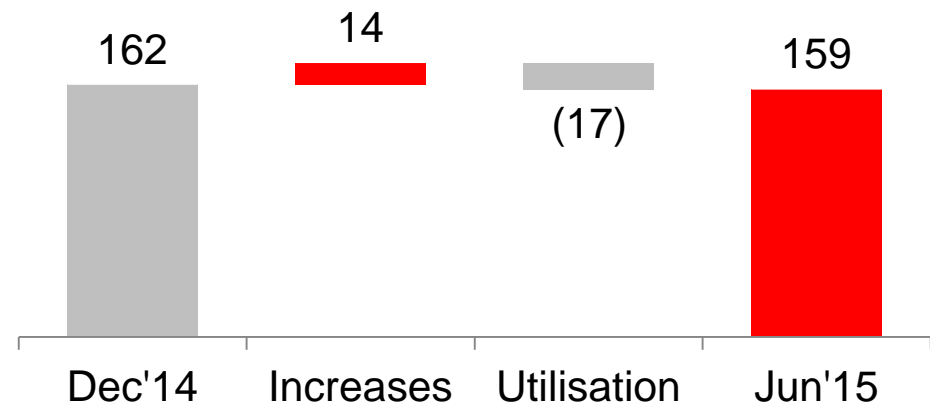
# Provided for PPI and other conduct issues

## PPI provision balance<sup>1</sup> (£m)



- Including pro-active customer contact, £9m/month utilisation in H1'15 (2014: £11m/month)
- Excluding pro-active customer contact, average redress costs in H1'15 of £6m/month
- The high proportion of invalid complaints also continued

## Other products provision balance<sup>1</sup> (£m)



- Outstanding provisions relate predominantly to wealth and investment products



# Santander UK credit ratings

	Long Term		Outlook		Short Term	
	HoldCo	OpCo	HoldCo	OpCo	HoldCo	OpCo
S&P	BBB	A	stable	negative	A-2	A-1
Fitch	A	A	positive	positive	F-1	F-1
Moody's	Baa2	A2	Rating under Review up	Rating under Review up	n/a	P-1

The annual review of Santander UK plc's (OpCo) credit ratings was completed by Moody's, S&P and Fitch:

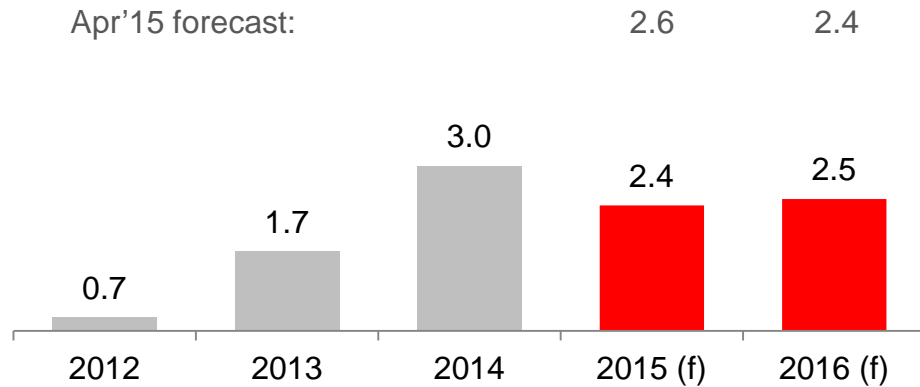
- Moody's affirmed long-term senior unsecured rating of A2, with a review for upgrade, and short-term rating of P-1
- S&P affirmed long-term rating of A, with a negative outlook, and short-term rating of A-1
- Fitch affirmed long-term rating of A, with outlook improved to positive, and short-term rating of F1

Santander UK Group Holdings plc's (HoldCo) was also assigned credit ratings from all three credit ratings agencies.

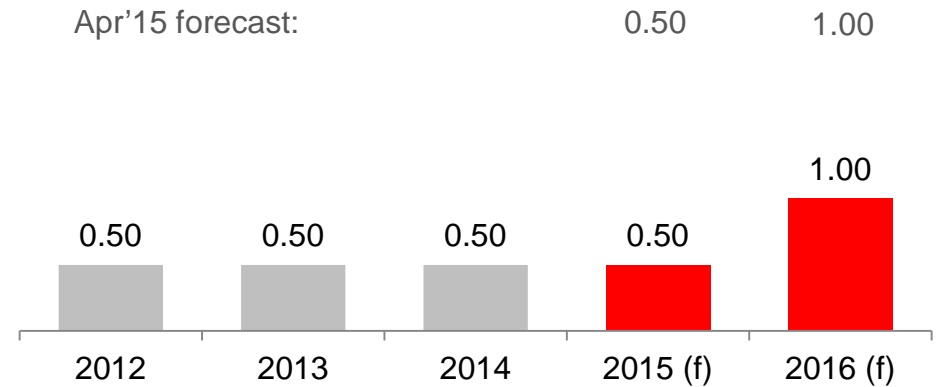
OpCo Standalone ratings are bbb+ (S&P), a (Fitch) and baa1 (Moody's)

# Relatively strong growth of UK economy

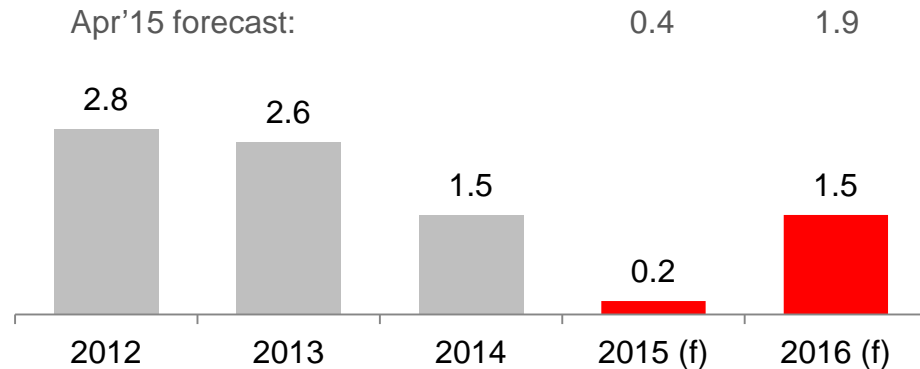
## Annual GDP<sup>1</sup> growth (% , annual average)



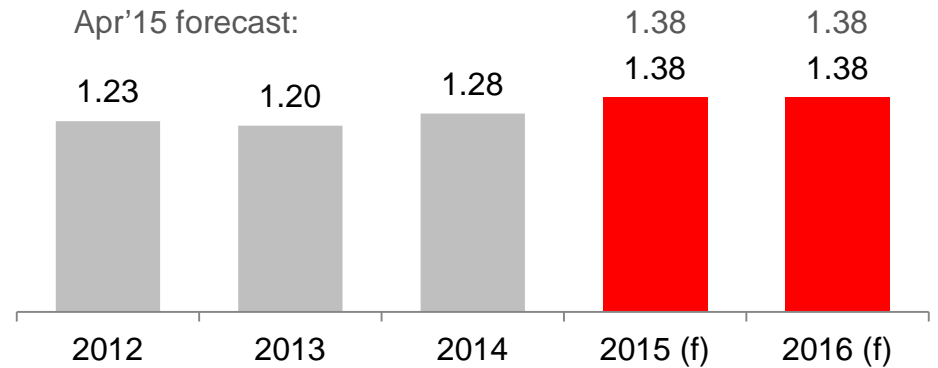
## Bank of England base rate (%)



## Annual CPI<sup>2</sup> inflation rate (% , annual average)

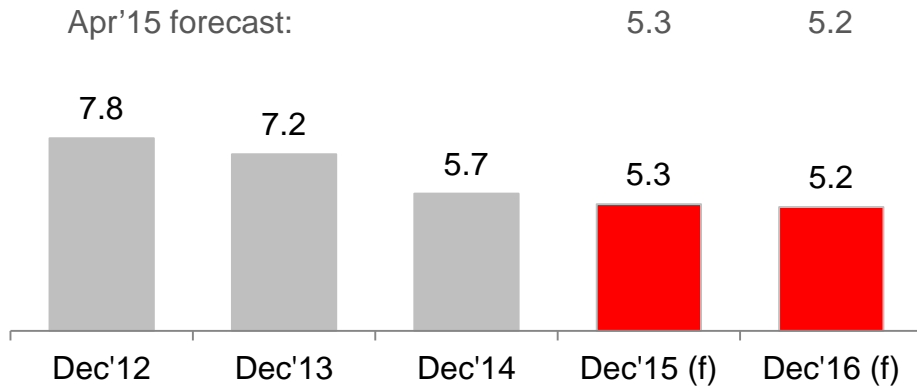


## GBP/Euro exchange rates (year end)

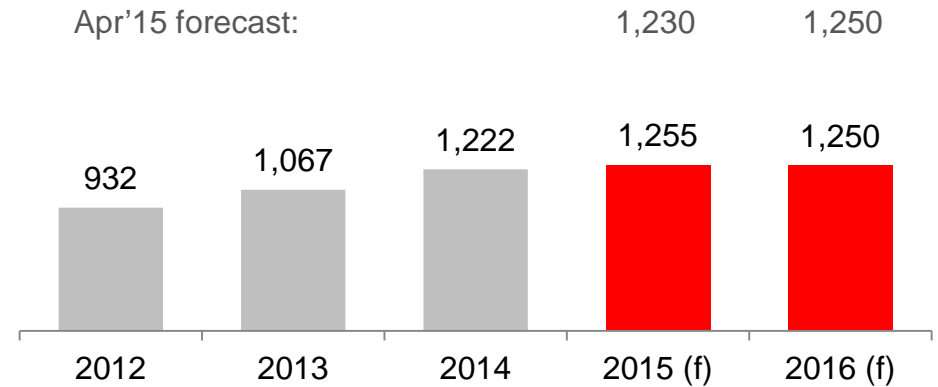


# Favourable UK market conditions continue

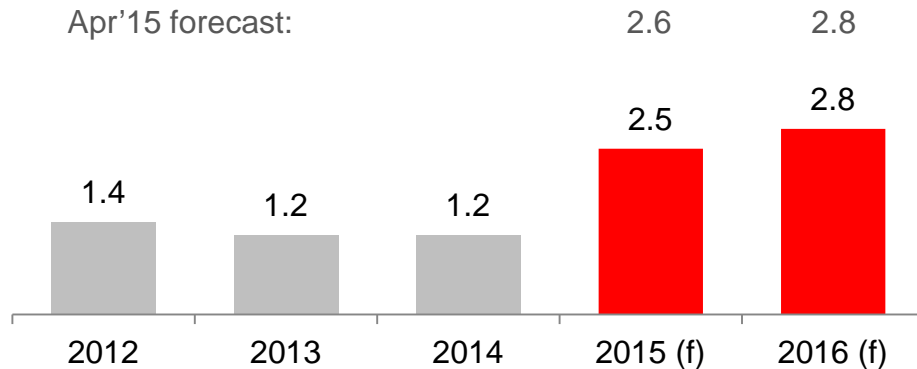
## Unemployment rate (ILO<sup>1</sup>)



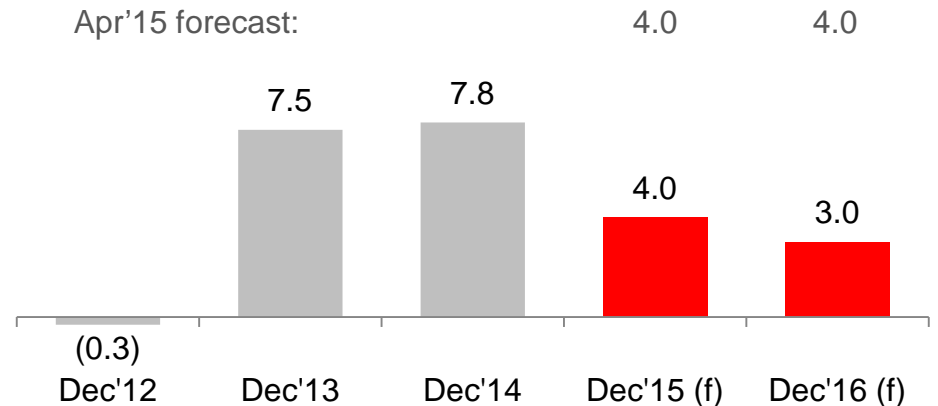
## Property transactions (sa<sup>2</sup>, 000s)



## Average weekly earnings (annual, % inc. bonuses)

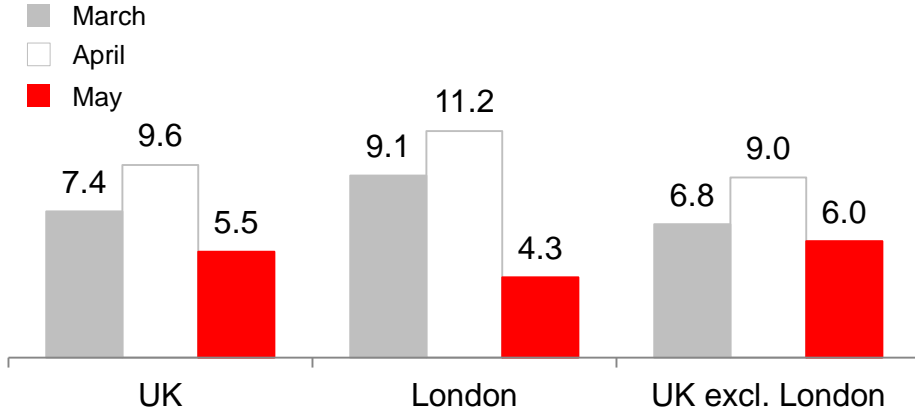


## House prices<sup>3</sup> (%)

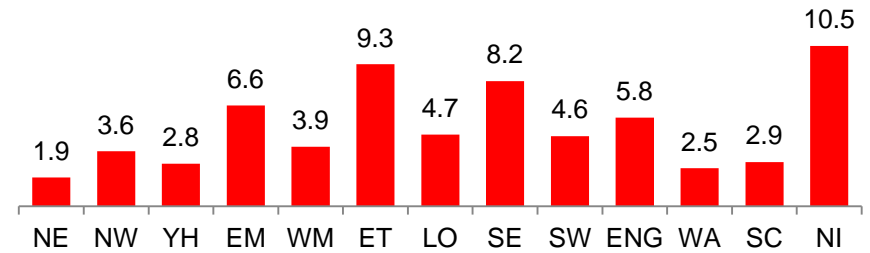


# Signs of a slowing housing market

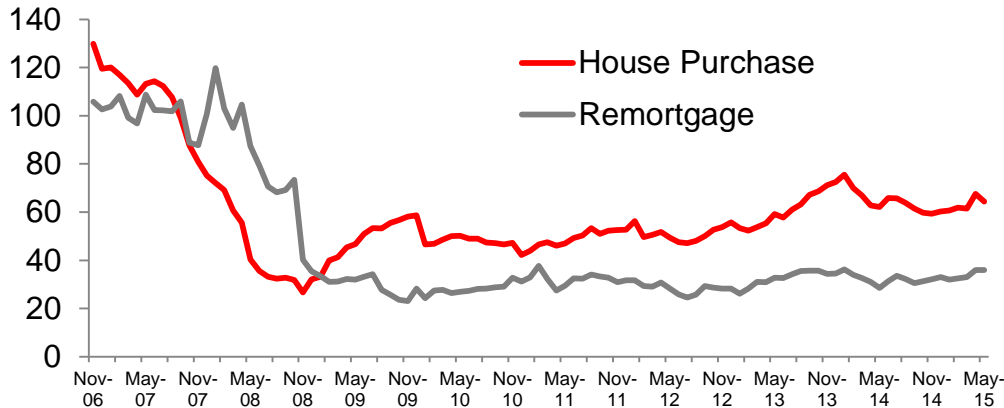
House price change  
(annual %, nsa<sup>1</sup>)



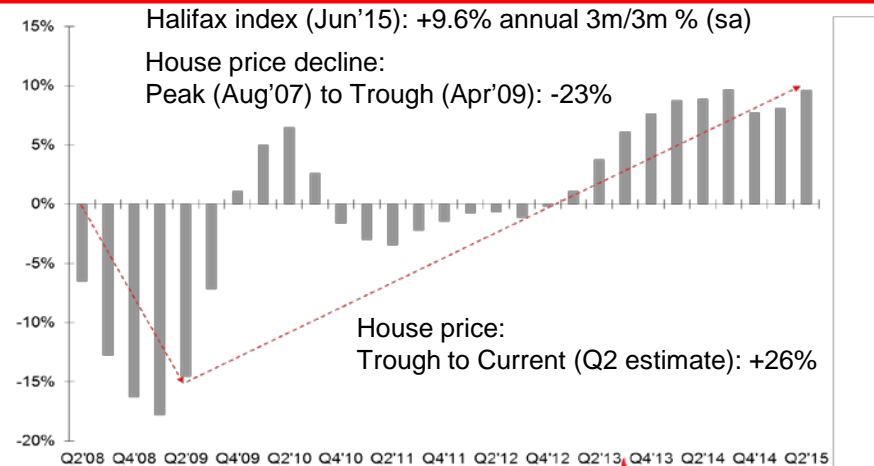
House price change by region  
May'15 (annual %, nsa<sup>1</sup>)



House purchase and remortgage approvals  
(000s, sa<sup>2</sup>)



House price inflation  
(annual %, sa<sup>2</sup>)



Sources: House price change and House price change by region Apr'15 (annual %, nsa): Office for National Statistics. House purchase and remortgage approvals to May'15 (000s, sa): Bank of England. House price inflation (annual %, sa): Lloyds Banking Group  
1. nsa: not seasonally adjusted, sa: seasonally adjusted | 2. sa: seasonally adjusted

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▪ **Results and Presentations**

Quarterly, half yearly and annual financial results and presentations

▪ **Debt Investors**

Funding information and details of the covered bond, securitisation and other debt issuance programmes

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