

The information contained in this report 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' as issued by the International Accounting Standards Board (IASB) and adopted in the UK, and the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority (FCA).

This report provides a summary of the unaudited business and financial trends for the three months ended 31 March 2021 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 2020.

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. Appendix 2 contains supplementary consolidated information for Santander UK plc, our principal ring-fenced bank. A list of abbreviations used in this report is included in Appendix 4 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 three months ended 31 March 2021

Paul Sharratt

Stewart Todd

Adam Williams

For more information:

Head of Investor Relations

Head of External Affairs

Head of Media Relations

[santander.co.uk/about-santander](https://www.santander.co.uk/about-santander)

07715 087 829

07711 776 286

07711 783 118

[ir@santander.co.uk](mailto:ir@santander.co.uk)

**Nathan Bostock, Chief Executive Officer, commented:**

*"This is a strong set of results which demonstrates the progress we are making in transforming the bank for the future and reflects the strategic decisions we have taken. As the UK begins to emerge from the pandemic, our priority continues to be to support customers, colleagues and communities at what remains a difficult time for many."*

*"Thanks to the hard work and dedication of my colleagues, we have delivered growth in net interest income and mortgage lending, at the same time as becoming more efficient and responding to the changing needs of our customers. As a result, we are well placed to support the UK's economic recovery and fulfil our purpose to help people and businesses prosper."*

*"Although the economic outlook is more positive, market conditions will remain uncertain given the low interest rate environment and the lasting impacts of the pandemic. We plan to succeed by continuing to focus on delivering an excellent customer experience, while further simplifying how we operate and improving our digital capability."*

**Strong Q121 results with higher operating income and lower credit charges, partially offset by transformation programme investment**

- PBT up 61% to £184m and adjusted PBT<sup>1</sup> up 154% to £422m. Adjusted RoTE<sup>1</sup> increased to 9.4% (2020: 4.3%).
- Net mortgage growth of £1.5bn, following strong application volumes in late 2020. Customer deposits growth of £1.1bn.
- Operating income up 9% and adjusted operating income<sup>1</sup> up 7% with deposit repricing driving higher net interest income. Adjusted Banking NIM<sup>1</sup> of 1.81% (Q120: 1.55%). Growth in income and lower costs driving improved adjusted CIR.
- Operating expenses up 16% including £142m of transformation programme costs. Adjusted operating expenses<sup>1</sup> down 3% driven by efficiency savings.
- Credit impairment losses of £5m, significantly reduced following considerable Covid-19 related provision build in 2020.
- Provisions for other liabilities and charges increased to £127m including £96m of transformation programme charges.

**Resilient balance sheet with strong capital and liquidity**

- Over 90% of customer balance sheet is secured, majority of which is prime residential mortgages with an average LTV of 42%.
- Low write-offs and no material corporate defaults in Q121, reflecting our prudent approach to risk.
- CET1 capital ratio of 15.3% (2020: 15.2%) and UK leverage ratio of 5.2% (2020: 5.1%) above regulatory requirements.
- Reduced funding gap with TFSME capacity and strong liquidity LCR 137% (2020:150%), provides customer lending growth capacity.

**Acceleration of our multi-year transformation programme**

- Continued strategic focus on becoming more efficient and responding to the changing needs of our customers.
- Accelerated transformation programme driving £238m investment in Q121 including a 40% reduction in head office space.
- Since 2019, £570m of investment has realised £287m of savings.

**Committed to the objectives of the Paris Agreement and to help the UK transition to a low-carbon economy and tackle climate change**

- Helping our mortgage customers improve the energy efficiency of their home with a bespoke Energy Fact Report free of charge.
- Net zero by 2050 ambition for Banco Santander group, a leader in UK renewable energy project financing (Source: Inframation 2020).

Income statement highlights	Q121 £m	Q120 £m
Operating income	1,046	964
Operating expenses before credit impairment losses, provisions and charges	(730)	(631)
Credit impairment losses	(5)	(165)
Provisions for other liabilities and charges	(127)	(54)
<b>Profit before tax</b>	<b>184</b>	<b>114</b>
Adjusted profit before tax <sup>1</sup>	422	166
Balance sheet and capital highlights	31.3.21 £bn	31.12.20 £bn
Customer loans	210.7	210.4
- of which retail mortgages	171.3	169.8
- of which corporates	26.8	27.5
Customer deposits	192.8	191.7
CET1 capital ratio	15.3%	15.2%
UK leverage ratio	5.2%	5.1%

1. Non-IFRS measure. The financial results were impacted by a number of specific income, expenses and charges with an aggregate impact on PBT of £238m in Q121 and £52m in Q120. Adjusted Banking NIM calculated using adjusted net interest income and adjusted RoTE calculated using adjusted profit. See Appendix 1 for details of APMs and reconciliation to the nearest IFRS measure.

**Summarised consolidated income statement Q121 v Q120**

	Q121			Adjusted <sup>2</sup>		
	Q121 £m	Q120 £m	Change %	Q121 £m	Q120 £m	Change %
Net interest income	939	770	22	939	794	18
Non-interest income <sup>1</sup>	107	194	(45)	84	162	(48)
<b>Total operating income</b>	<b>1,046</b>	<b>964</b>	<b>9</b>	<b>1,023</b>	<b>956</b>	<b>7</b>
Operating expenses before credit impairment losses, provisions and charges	(730)	(631)	16	(565)	(584)	(3)
Credit impairment losses	(5)	(165)	(97)	(5)	(165)	(97)
Provisions for other liabilities and charges	(127)	(54)	135	(31)	(41)	(24)
<b>Profit before tax</b>	<b>184</b>	<b>114</b>	<b>61</b>	<b>422</b>	<b>166</b>	<b>154</b>
Tax on profit	(48)	(29)	66			
<b>Profit after tax</b>	<b>136</b>	<b>85</b>	<b>60</b>			
Adjusted Banking NIM	-	-	-	1.81%	1.55%	0.26bps
CIR/Adjusted CIR	70%	65%	5pp	55%	61%	-6pp

- Net interest income up 22%, with 2020 repricing actions on 11213 Current Account and other deposits offsetting base rate cuts and back book mortgage margin pressure, including £0.7bn net attrition on SVR and FoR products (2020: £1.8bn).  
When adjusted for mortgage accounting treatment of £24m in Q120, net interest income increased 18%.
- Non-interest income down 45%, with significantly lower banking and transaction fees in our retail business largely due to the implementation of regulatory changes to overdrafts with some offset through higher net interest income.  
When adjusted for operating lease depreciation of £23m (Q120: £25m) and mortgage accounting treatment of £7m in Q120, non-interest income fell 48%.
- Operating expenses before credit impairment losses, provisions and charges up 16% largely related to the transformation programme, outlined below.  
When adjusted for transformation programme costs of £142m (Q120: £19m) and operating lease depreciation of £23m (Q120: £25m), operating expenses fell 3% with delivery of efficiency savings.
- Credit impairment losses were 97% lower following Covid-19 related provision build in Q120.
- Provisions for other liabilities and charges were up £73m to £127m, largely related to the transformation programme, outlined below.  
When adjusted for transformation programme charges of £96m (Q120: £13m) provisions were £10m lower.
- Profit before tax was up 61% to £184m and adjusted profit before tax was up 154% to £422m.
- Tax on profit increased 66% to £48m. The Q121 ETR of 26.1% was higher (Q120: 25.4%), primarily due to an increase in the relative mix of profits that are subject to the Banking Surcharge offset by the impact of a change in tax rates impacting deferred tax in 2020.

**Transformation programme - Branch and head office site closures**

- In Mar21 we announced the closure of a number of branches and consolidation of our head office sites.
- 111 branches will close this year in response to the ongoing shift by customers towards mobile and online banking, a long-term trend which accelerated during the Covid-19 crisis. A network of 452 branches will remain, providing broad coverage across the UK.
- Four head office sites will also close and other head office sites will be consolidated into five main locations, some with reduced office space. We are investing £150m into a state-of-the-art new campus in Milton Keynes which will become the bank's UK headquarters. The majority of staff based at closing or consolidating sites will be offered a new dual location contract combining working from home with access to local spaces for meetings, coaching and training.
- The costs associated with these changes account for most of the transformation programme adjustments outlined above and include the impacts of closing branches or office sites and other committed costs up until their closure, asset write downs and redundancy costs. Santander UK is currently in dialogue with its parent regarding a potential sale of the UK head office.

1. Comprises 'Net fee and commission income' and 'Other operating income'.

2. Non-IFRS measure. A number of specific income, expenses and charges with an aggregate impact on profit before tax of £238m in Q121 and £52m in Q120 impacted the financial results which are shown excluding these in the adjusted columns. See Appendix 1 for details and reconciliation to the nearest IFRS measure.

**Summarised income statement Q121 v Q420**

	Q121	Q420	Change	Adjusted <sup>2</sup>		
	£m	£m	%	Q121	Q420	Change
				£m	£m	%
Net interest income	939	1,014	(7)	939	928	1
Non-interest income <sup>1</sup>	107	71	51	84	73	15
<b>Total operating income</b>	<b>1,046</b>	<b>1,085</b>	<b>(4)</b>	<b>1,023</b>	<b>1,001</b>	<b>2</b>
Operating expenses before credit impairment losses, provisions and charges	(730)	(619)	18	(565)	(556)	2
Credit impairment losses	(5)	(98)	(95)	(5)	(98)	(95)
Provisions for other liabilities and charges	(127)	(135)	(6)	(31)	(117)	(74)
<b>Profit before tax</b>	<b>184</b>	<b>233</b>	<b>(21)</b>	<b>422</b>	<b>230</b>	<b>83</b>
Tax on profit	(48)	(37)	30			
<b>Profit after tax</b>	<b>136</b>	<b>196</b>	<b>(31)</b>			
Adjusted Banking NIM	-	-	-	1.81%	1.76%	5bps
CIR/Adjusted CIR	70%	57%	13pp	55%	56%	-1pp

Variances largely followed the trends outlined for Q121 versus Q120, except with respect to several year-end items, as outlined below:

- NII down 7% QoQ largely due to the mortgage accounting change in Q420. Adjusted NII increased 1% due to deposit repricing and lower wholesale funding costs partially offset by the effect of two fewer days in Q121 than in Q420.
- Non-interest income increased 51% QoQ largely due to the mortgage accounting change in Q420. Adjusted non-interest income increased 15% mainly due to the timing and effects of wholesale funding liability management exercises.
- Operating expenses before credit impairment losses, provisions and charges up 18%, largely related to the transformation programme. Adjusted operating expenses before credit impairment losses, provisions and charges increased 2%.
- Provisions for other liabilities and charges decreased 6% largely related to the £74m 2020 UK Bank Levy which is charged annually in Q4 and partially offset by the transformation programme. Adjusted provisions for other liabilities and charges decreased 74% largely due to the 2020 UK Bank Levy.

**Summarised balance sheet**

	31.03.21	31.12.20
	£bn	£bn
Customer loans	210.7	210.4
Other assets	83.1	88.7
<b>Total assets</b>	<b>293.8</b>	<b>299.1</b>
Customer deposits	192.8	191.7
Total wholesale funding	62.1	63.2
Other liabilities	22.7	28.0
<b>Total liabilities</b>	<b>277.6</b>	<b>282.9</b>
Shareholders' equity	15.8	15.8
Non-controlling interest	0.4	0.4
<b>Total liabilities and equity</b>	<b>293.8</b>	<b>299.1</b>

- Customer loans increased £0.3bn, with £1.5bn increase in mortgages largely offset by lower retail unsecured, consumer (auto) finance and corporate lending including the effect of a migration of customer loans to SLB in Q121.
- Customer deposits increased £1.1bn, with £2.9bn growth in Retail Banking partially offset by lower corporate deposits.
- Total assets and liabilities fell, as part of liquidity management during Q121.

1. Comprises 'Net fee and commission income' and 'Other operating income'.

2. Non-IFRS measure. The financial results and adjusted CIR were impacted by a number of specific income, expenses and charges with an aggregate impact on profit before tax of £238m in Q121 and £(3)m in Q420. See Appendix 1 for details of APMs and reconciliation to the nearest IFRS measure.

**Capital, funding and liquidity**

	31.03.21	31.12.20
	£bn	£bn
<b>Capital</b>		
CET1 capital	11.1	11.1
Total qualifying regulatory capital	15.2	15.4
CET1 capital ratio	15.3%	15.2%
Total capital ratio	20.9%	21.1%
UK leverage ratio	5.2%	5.1%
RWAs	72.6	72.9
UK leverage exposure	254.7	258.9
<b>Funding</b>		
Total wholesale funding and AT1	64.5	65.7
- of which with a residual maturity of less than one year	22.9	21.1
<b>Liquidity</b>		
RFB DoLSub LCR	137%	150%
RFB DoLSub LCR eligible liquidity pool	50.4	51.5
SFS LCR	191%	165%
SFS LCR eligible liquidity pool	2.4	2.8

- CET1 capital ratio increased 10bps to 15.3%, with capital accretion through retained profits, RWA management and market driven improvements in the Defined Benefit Pensions scheme.
- The UK leverage ratio improved by 10bps from year end through active management of leverage exposures, specifically through the management of the liquid asset buffer.
- CET1 capital ratio includes a benefit of c30bps and UK leverage ratio c8bps from the change in treatment of software assets outlined in the EBA technical standard on the prudential treatment of software assets.
- In Mar21 we refinanced our outstanding £500m 5.33% AT1 securities with a new £450m 4.25% PNC5.5, which was exclusively purchased by our parent.
- Total capital ratio reduced in the quarter by c20bps to 20.9%, reflecting the reduction in AT1 securities in issue and the CRD IV Grandfathering Cap rules that reduces the recognition of grandfathered capital instruments issued by Santander UK plc that increased in January.
- We issued £1.5bn of MREL eligible senior unsecured securities and repaid £1.5bn of TFS, leaving £4.8bn outstanding. There have been no further drawings of TFSME, with £11.7bn outstanding.
- The RFB DoLSub LCR of 137%, reduced from 150% at year end, remains significantly above regulatory requirements. The movement in LCR reflects the reduction in wholesale funding balances within the quarter.

**Corporate & Investment Banking Part VII banking business transfer scheme**

- As we previously announced, substantially all CIB business in the UK is intended to be conducted from the SLB, beginning later this year.
- To undertake this change, Santander UK plc is proposing to transfer substantially all of its CIB business to the SLB in H2 2021 by way of a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (the Scheme). The Scheme is subject to approval by the High Court of England and Wales (the Court).
- On 14 April 2021, the Court gave directions in respect of the Scheme. A subsequent hearing for the sanction of the Scheme by the Court is expected to be held on 23 June 2021.

## Appendix 1 – Additional Performance Measures

In addition to the financial information prepared under IFRS, this Quarterly Management Statement contains 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 and average customer assets

Net interest income, non-interest income, operating expenses before credit impairment losses, provisions and charges, provisions for other liabilities and charges, and profit before tax are all adjusted for items management believe to be significant, to facilitate underlying operating performance comparisons from period to period.

	Ref.	Q121 £m	Q420 £m	Q120 £m
<b>Net interest income</b>				
Reported	(i)	939	1,014	770
Adjust for accounting treatment		-	(86)	24
Adjusted	(ii)	939	928	794
<b>Non-interest income</b>				
Reported	(iii)	107	71	194
Adjust for accounting treatment			20	(7)
Adjust for operating lease depreciation		(23)	(18)	(25)
Adjusted	(iv)	84	73	162
<b>Operating expenses before credit impairment losses, provisions and charges</b>				
Reported	(v)	(730)	(619)	(631)
Adjust for transformation		142	45	19
Adjust for operating lease depreciation		23	18	25
Adjust for higher IT costs, staff expenses and increased site cleaning as a result of Covid-19		-	-	3
Adjusted	(vi)	(565)	(556)	(584)
<b>Provisions for other liabilities and charges</b>				
Reported		(127)	(135)	(54)
Adjust for transformation		96	18	13
Adjusted		(31)	(117)	(41)
<b>Profit before tax</b>				
Reported		184	233	114
Specific income, expenses and charges		238	(3)	52
Adjusted profit before tax		422	230	166
<b>Average customer assets</b>				
	(vii)	210,273	209,958	206,455

Explanations of the above adjustments were disclosed in previous Quarterly Management Statements. The accounting treatment adjustment has changed as outlined below.

### Accounting treatment

During Q420, we revised the accounting treatment for certain items of mortgage income. Mortgage account fees, which are normally paid at the end of the mortgage and were previously recognised as received in fee income, are now recognised in interest income as part of the effective interest rate method throughout the life of the mortgage to better reflect the requirements of IFRS. In addition, we no longer accrue interest income relating to the period after mortgages revert to the standard variable rate (or equivalent) beyond the incentive period. This better aligns our policy to current practice. The impact of these changes was taken in Q420 with no restatement of comparatives. In Q121 comparatives were restated to reallocate the net interest income and fee income changes taken in Q420 to the quarters in 2020 to which they relate.

**b) Adjusted Banking NIM**

In 2020 we introduced this as a new APM to remove the 2020 positive impact of the accounting change in Q420, which is not expected to be repeated. It is calculated as adjusted net interest income as a percentage of average customer assets over the period. We consider this metric useful for management and investors as it removes the 2020 positive impact of the accounting change on net interest income.

	Ref.	Q121	Q420	Q120
Reported net Interest Income	(i)	£939m	£1,014m	£770m
Adjusted net Interest Income	(ii)	£939m	£928m	£794m
Reported net Interest Income – annualised	(viii)	£3,808m	£4,034m	£3,097m
Adjusted net Interest Income – annualised	(ix)	£3,808m	£3,691m	£3,195m
Banking NIM	(viii) divided by (vii)	1.81%	1.92%	1.50%
<b>Adjusted Banking NIM</b>	<b>(ix) divided by (vii)</b>	<b>1.81%</b>	<b>1.76%</b>	<b>1.55%</b>

**c) Adjusted cost-to-income ratio**

Calculated as adjusted total operating expenses before credit impairment losses and provisions for other liabilities and charges as a percentage of the total of adjusted 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.

	Calculation, refers to table a) above	Q121	Q420	Q120
Cost-to-income ratio <sup>1</sup>	(v) divided by the sum of (i) and (iii)	70%	57%	65%
<b>Adjusted cost-to-income ratio</b>	<b>(vi) divided by the sum of (ii) and (iv)</b>	<b>55%</b>	<b>56%</b>	<b>61%</b>

1. Non-IFRS measure.

**d) Adjusted RoTE**

Calculated as adjusted profit before tax, less tax on profit, 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.

	Q121	Specific income, expenses and charges	As adjusted
	£m	£m	£m
Profit after tax	136	174	310
Annualised profit after tax	552		1,256
Phasing adjustments			(71)
Less non-controlling interests of annual profit	(38)		(38)
<b>Profit due to equity holders of the parent (A)</b>	<b>514</b>		<b>1,147</b>

	Q121	Equity adjustments	As adjusted
	£m	£m	£m
Average shareholders' equity	16,238		
Less average Additional Tier 1 (AT1) securities	(2,220)		
Less average non-controlling interests	(402)		
Average ordinary shareholders' equity (B)	13,616		
Average goodwill and intangible assets	(1,637)		
<b>Average tangible equity (C)</b>	<b>11,979</b>	<b>176</b>	<b>12,155</b>
<b>Return on ordinary shareholders' equity (A/B)</b>	<b>3.8%</b>		<b>-</b>
<b>RoTE (A/C)</b>	<b>-</b>		<b>9.4%</b>

	2020	Specific income, expenses and charges	As adjusted
	£m	£m	£m
Profit after tax	438	115	553
Less non-controlling interests of annual profit	(36)		(36)
<b>Profit due to equity holders of the parent (A)</b>	<b>402</b>		<b>517</b>

	2020	Equity adjustments	As adjusted
	£m	£m	£m
Average shareholders' equity	16,293		
Less average Additional Tier 1 (AT1) securities	(2,243)		
Less average non-controlling interests	(398)		
Average ordinary shareholders' equity (B)	13,652		
Average goodwill and intangible assets	(1,713)		
<b>Average tangible equity (C)</b>	<b>11,939</b>	<b>29</b>	<b>11,968</b>
<b>Return on ordinary shareholders' equity (A/B)</b>	<b>2.9%</b>		<b>-</b>
<b>Adjusted RoTE (A/C)</b>	<b>-</b>		<b>4.3%</b>

**Specific income, expenses, charges**

Details of these items are outlined in section a) of Appendix 1, with a total impact on profit before tax of £238m. The impact of these items on the taxation charge was £64m and on profit after tax was £174m.

**Phasing adjustments**

To facilitate comparison with the full year ratio we adjust profit due to equity holders of the parent and average tangible equity for charges, releases or accounting changes which only relate to this period. This includes the UK Bank Levy, which is charged annually on 31 December, as required under IFRS.

**Equity adjustments**

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

**e) Other non-IFRS measures**

A description of the Santander UK group's other non-IFRS measures and their calculation, in addition to the adjusted APMs above, were disclosed previously.



**Appendix 2 - Supplementary consolidated information for Santander UK plc and its controlled entities**

Santander UK plc is the principal subsidiary of Santander UK Group Holdings plc.

<b>Summarised consolidated income statement</b>	<b>Q121</b>	<b>Q120</b>
	<b>£m</b>	<b>£m</b>
Net interest income	927	775
Non-interest income <sup>1</sup>	104	198
<b>Total operating income</b>	<b>1,031</b>	<b>973</b>
Operating expenses before credit impairment losses, provisions and charges	(724)	(624)
Credit impairment losses	(4)	(165)
Provisions for other liabilities and charges	(127)	(54)
Total operating impairment losses, provisions and charges	(131)	(219)
<b>Profit before tax</b>	<b>176</b>	<b>130</b>
Tax on profit	(47)	(35)
<b>Profit after tax for the period</b>	<b>129</b>	<b>95</b>
<b>Summarised balance sheet</b>	<b>31.03.21</b>	<b>31.12.20</b>
	<b>£bn</b>	<b>£bn</b>
Total customer loans	207.4	207.0
Other assets	80.2	85.3
<b>Total assets</b>	<b>287.6</b>	<b>292.3</b>
Total customer deposits	187.2	185.7
Total wholesale funding	62.0	63.1
Other liabilities	22.4	27.5
<b>Total liabilities</b>	<b>271.6</b>	<b>276.3</b>
Shareholders' equity	15.8	15.8
Non-controlling interests	0.2	0.2
<b>Total liabilities and equity</b>	<b>287.6</b>	<b>292.3</b>
<b>Summarised consolidated capital</b>	<b>31.03.21</b>	<b>31.12.20</b>
	<b>£bn</b>	<b>£bn</b>
Total qualifying regulatory capital	14.9	15.2
Risk-weighted assets (RWAs)	71.5	71.9
Total capital ratio	20.8%	21.2%

The information contained in this report 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' as issued by the International Accounting Standards Board (IASB) and adopted in the UK, and the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority (FCA).

1. Comprises 'Net fee and commission income' and 'Other operating income'.

**Appendix 3 – Supporting information**
**Credit performance**

31 March 2021	Customer loans				3-month Gross write-offs £m	Loan loss allowances £m
	Total £bn	Stage 1 £bn	Stage 2 £bn	Stage 3 £bn		
Retail Banking	187.6	172.9	12.7	2.0	35	683
Corporate & Commercial Banking	17.4	11.2	5.2	1.0	3	581
Corporate & Investment Banking	2.5	2.3	0.2	0.0	0	33
Corporate Centre	3.2	3.2	0.0	0.0	0	36
	210.7	189.6	18.1	3.0	38	1,333
Undrawn balances		39.4	1.3	0.1		
<b>Stage 1, Stage 2 and Stage 3<sup>1</sup> ratios %</b>		<b>89.99</b>	<b>8.59</b>	<b>1.46</b>		

31 December 2020	Customer loans				12-month Gross write-offs £m	Loan loss allowances £m
	Total £bn	Stage 1 £bn	Stage 2 £bn	Stage 3 £bn		
Retail Banking	186.5	173.2	11.4	1.9	180	706
Corporate & Commercial Banking	17.6	11.1	5.5	1.0	51	603
Corporate & Investment Banking	2.8	2.6	0.2	-	22	33
Corporate Centre	3.5	3.5	-	-	-	35
	210.4	190.4	17.1	2.9	253	1,377
Undrawn balances		41.8	1.3	0.1		
<b>Stage 1, Stage 2 and Stage 3<sup>1</sup> ratios %</b>		<b>90.49</b>	<b>8.12</b>	<b>1.42</b>		

1. Stage3 ratio is the sum of Stage3 drawn and Stage3 undrawn assets divided by the sum of total drawn assets and Stage3 undrawn assets.

**Payment holidays**

31 March 2021	Customers supported	Total loans for which PH granted <sup>1</sup>	Breakdown of total PH granted				Outstanding PH
			Up to date after PH	Ongoing PH	New to arrears after PH ends	In arrears before PH	
Mortgages	255,000	£36.4bn	92%	4%	2%	2%	£1.4bn
Consumer (auto) finance <sup>2</sup>	57,000	£0.5bn	79%	14%	4%	3%	£0.1bn
UPL	36,000	£0.2bn	80%	9%	6%	5%	<£0.1bn
Credit cards	34,000	£0.1bn	97%	2%	1%	0%	<£0.1bn
Businesses and corporates	3,000	£2.5bn	99%	1%	0%	0%	<£0.1bn

1. Retail balances are stock positions for customers supported and loans at 31 March that had, or currently have, payment holidays granted.

2. Includes customers supported by PSA Finance UK Limited

**Government lending schemes (applications drawn to 31 March 2021)**

	Number of customers	Loan balance	% of relevant loan book
BBLS (100% government guaranteed)	156,000	£4.2bn	19
CBILS	2,000	£0.6bn	3
CLBILS	35	£0.1bn	3

**Economic scenarios<sup>1</sup>**

At 31 March 2021		Upside 1	Base case	Downside 1	Downside 2	Downside 3
		%	%	%	%	%
GDP (annual growth rate)	2020	-9.9	-9.9	-9.9	-9.9	-9.9
	2021	6.3	4.5	5.7	1.3	-6.4
	2022	4.2	6.1	2.9	1.2	1.1
	2023	2.5	1.6	1.0	2.2	1.7
Base rate	2020	0.10	0.10	0.10	0.10	0.10
	2021	0.25	0.10	0.10	0.25	-0.50
	2022	0.50	0.10	0.10	1.25	0.00
	2023	1.00	0.10	0.10	2.50	0.00
HPI (Q4 annual growth rate)	2020	7.0	7.0	7.0	7.0	7.0
	2021	2.4	2.0	1.7	-11.1	-18.0
	2022	-6.9	1.5	-9.7	-16.4	-12.8
	2023	-2.9	2.0	-9.2	-8.9	0.6
	5yr CAGR	0.2	1.9	-5.2	-5.5	-5.2
Unemployment	2020	5.1	5.1	5.1	5.1	5.1
	2021	5.9	6.9	6.2	8.3	11.9
	2022	5.3	6.2	6.2	9.6	8.9
	2023	4.8	5.6	6.5	9.4	8.1
	5yr Peak	5.9	6.9	7.2	9.7	11.9
<b>Scenario weights</b>						
31 March 2021 scenarios		5%	50%	15%	25%	5%
31 December 2020 scenarios <sup>2</sup>		5%	45%	15%	25%	10%

- GDP is calendar year average growth rate, HPI is Q4 annual growth rate and all other data points are at 31 December in the year indicated.
- For 31 December 2020 scenarios see QMS for three months ended 31 December 2020.

## Appendix 4 – Abbreviations

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
CAGR	Compound Annual Growth Rate
CBILS	Coronavirus Business Interruption Loan Scheme
CCB	Corporate & Commercial Banking
CET1	Common Equity Tier 1
CIB	Corporate & Investment Banking
CIR	Cost-To-Income Ratio
CLBILS	Coronavirus Large Business Interruption Loan Scheme
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECL	Expected Credit Losses
ESMA	European Securities and Markets Authority
ETR	Effective Tax Rate
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 Standard
IRD	Interest Rate Derivatives
LCR	Liquidity Coverage Ratio
LTV	Loan-To-Value
MDA	Maximum Distributable Amount
MREL	Minimum Requirement for own funds and Eligible Liabilities
NII	Net interest income
PBT	Profit Before Tax
PH	Payment Holiday
PRA	Prudential Regulation Authority
QMS	Quarterly Management Statement
QoQ	Quarter-on-Quarter
RFB	Ring-Fenced Bank
RFB DoLSub	Santander UK plc Domestic Liquidity Sub-group
RoTE	Return on Tangible Equity
RWA	Risk-Weighted Assets
Santander UK	Santander UK Group Holdings plc
SFS	Santander Financial Services plc
SLB	Santander London Branch
SME	Small and Medium-Sized Enterprise
SVR	Standard Variable Rate
TFS	Term Funding Scheme
TFSME	Term Funding scheme with additional incentives for SMEs
UK	United Kingdom
UPL	Unsecured Personal Lending
YoY	Year-On-Year

**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 31 March 2021, the bank had around 21,600 employees and serves around 14 million active customers, via a nationwide 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. It has a meaningful presence in 10 core markets in Europe and the Americas, and is one of the largest banks in the world by market capitalization. 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 the end of 2020, Banco Santander had more than a trillion euros in total funds, 148 million customers, of which 22.8 million are loyal and 42.4 million are digital, 11,000 branches and 191,000 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 both Santander UK and Banco Santander caution that these statements are not guarantees of future performance. We also caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. We have identified certain of these factors in the forward-looking statements on page 278 of the Santander UK Group Holdings plc 2020 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.