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28 May 2015



Santander UK Group Holdings plc and Santander UK plc announce cash tender offers in respect of certain securities of Santander UK plc

Santander UK Group Holdings plc (the “**Company**”) and Santander UK plc (the “**Bank**”) today announce invitations to holders of the following securities (the “**Securities**”) to tender any or all of their Securities for cash:

£300,002,000 Series A Fixed/Floating Rate Non-Cumulative Callable Preference Shares
(issued on 28 April 2010 in exchange for Alliance & Leicester plc preference shares)
(XS0502105454) (the “**Preference Shares**”)

£300,000,000 7.037 per cent. Step-up Callable Perpetual Reserve Capital Instruments
(originally issued on 14 February 2001 by Abbey National plc)
(XS0124569566) (the “**RCIs**”)

£175,000,000 6.984 per cent. Fixed/Floating Rate Tier One Preferred Income Capital Securities
(originally issued on 9 August 2002 by Abbey National plc)
(XS0152838586) (the “**TOPICS**”)

The invitation in respect of the Preference Shares is being made by the Company and the invitations in respect of the RCIs and the TOPICS are being made by the Bank. Such invitations are made separately (each a “**Tender Offer**” and, together, the “**Tender Offers**”) on the terms and subject to the conditions contained in the tender offer memorandum dated 28 May 2015 (the “**Tender Offer Memorandum**”) prepared by the Company and the Bank, and are subject to the offer restrictions set out below and as more fully described in the Tender Offer Memorandum. Capitalised terms used and not otherwise defined in this announcement have the meaning given thereto in the Tender Offer Memorandum.

Copies of the Tender Offer Memorandum are (subject to distribution restrictions) available from the Tender Agent, the contact details for which are set out below.

Rationale for the Tender Offers

The Tender Offers, to the extent accepted, will enable the Santander UK Group to optimise its regulatory capital structure in line with the evolving regulatory environment.

The Tender Offers

The Company will (subject to satisfaction or waiver of the New Financing Condition described herein) purchase the Preference Shares validly tendered and accepted by it pursuant to the relevant Tender Offer for cash at the Tender Price as set out below, together with an amount equal to accrued and unpaid preference dividends on such Preference Shares from the most recent preference dividend payment date:

Description of the Preference Shares	Issuer	ISIN	Aggregate liquidation preference outstanding	Aggregate liquidation preference held by the Santander Group	Tender Price
£300,002,000 Series A Fixed/Floating Rate Non-Cumulative Callable Preference Shares issued on 28 April 2010	Santander UK plc (issued in exchange for Alliance & Leicester plc preference shares)	XS0502105454	£34,933,000	Nil	106.50% (£1,065 for each £1,000 in liquidation preference)

The Bank will (subject to satisfaction or waiver of the New Financing Condition) purchase the RCIs and the TOPICS (together, the “**Capital Instruments**”) validly tendered and accepted by it pursuant to the relevant Tender Offer, in each case for cash at the relevant Tender Price as set out below, together with an amount equal to accrued and unpaid interest on such Capital Instruments from the most recent interest payment date:

Description of the Capital Instruments	Issuer	ISIN	Aggregate Principal Amount outstanding	Aggregate Principal Amount held by the Santander Group	Tender Price
£300,000,000 7.037 per cent. Step-up Callable Perpetual Reserve Capital Instruments issued on 14 February 2001	Santander UK plc (originally Abbey National plc)	XS0124569566	£300,000,000	£195,223,000	120.00% (£1,200 for each £1,000 in principal amount)
£175,000,000 6.984 per cent. Fixed/Floating Rate Tier One Preferred Income Capital Securities issued on 9 August 2002	Santander UK plc (originally Abbey National plc)	XS0152838586	£175,000,000	£163,021,000	108.00% (£1,080 for each £1,000 in principal amount)

Members of the Santander Group hold £163,021,000 in aggregate principal amount of the TOPICS which they intend to tender pursuant to the Tender Offers. Members of the Santander Group also hold £195,223,000 in aggregate principal amount of the RCIs which they do not intend to tender pursuant to the Tender Offers.

Capital Instruments purchased by the Bank pursuant to the Tender Offers will be cancelled. Preference Shares purchased by the Company pursuant to the Tender Offers will subsequently be purchased by the Bank and cancelled. Securities which have not been validly submitted for tender or which are otherwise not purchased pursuant to the Tender Offers will remain outstanding on their existing terms after the Settlement Date.

If the Company and/or the Bank accepts any Securities, the Company and/or the Bank intends to accept all validly tendered Securities, without any scaling or pro-ration.

Neither the Company nor the Bank is under any obligation to accept for purchase any Securities tendered pursuant to the Tender Offers. The acceptance for purchase by the Company or the Bank of

Securities pursuant to the Tender Offers is at the sole discretion of the Company and the Bank, respectively, and Offers to Sell may be rejected by the Company or the Bank for any reason.

New Financing Condition

On 28 May 2015, the Company announced its intention, subject to market conditions, to issue new sterling-denominated Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (“**New Securities**”). The purchase of any Securities by the Company or the Bank pursuant to the Tender Offers is subject, without limitation, to the successful pricing (in the sole determination of the Company and the Bank) of an issue of New Securities on terms satisfactory to the Company and the Bank in their sole discretion (the “**New Financing Condition**”), unless the Bank and the Company elect to waive such condition.

Participating in the Tender Offers

To tender Securities for purchase pursuant to the Tender Offers, a Securityholder who is eligible to participate in the Tender Offers (each a “**Qualifying Holder**”) should deliver, or arrange to have delivered on its behalf, via Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme* (the “**Clearing Systems**”) and in accordance with the requirements of such Clearing System, a valid Electronic Instruction Notice that is received by the Tender Agent by the Expiration Time. Electronic Instruction Notices must be submitted in respect of a minimum liquidation preference (in the case of Preference Shares) or principal amount (in the case of Capital Instruments) of Securities of the relevant Series of no less than the minimum liquidation preference (£1,000) or minimum denomination (£1,000), as the case may be, for such Series.

The receipt of such Electronic Instruction Notice by the relevant Clearing System will result in the blocking of the relevant Securities in the Securityholder's account with the relevant Clearing System so that no transfers may be effected in relation to such Securities.

Electronic Instruction Notices are irrevocable except in the limited circumstances described in “*Termination and Amendment*” in the Tender Offer Memorandum.

By submitting a valid Electronic Instruction Notice, a Securityholder and any Direct Participant submitting such Electronic Instruction Notice on such Securityholder's behalf shall be deemed to make and give certain agreements, acknowledgements, representations, warranties and undertakings to the Company, the Bank, the Dealer Managers and the Tender Agent – see “*Procedure for submitting Offers to Sell – Agreements, acknowledgements, representations, warranties and undertakings by Securityholders*” in the Tender Offer Memorandum.

For further information with respect to submitting Electronic Instruction Notices, see “*Procedure for submitting Offers to Sell*” in the Tender Offer Memorandum.

Prior to making a decision as to whether to participate in the Tender Offers, Securityholders should carefully consider all of the information in the Tender Offer Memorandum, including the section entitled “*Risk Factors and other Considerations*”.

Indicative Timetable of Events

Please note the following important dates and times relating to the Tender Offers. Each is indicative only and is subject to change as a result of any extension, termination, withdrawal or amendment as set out in the Tender Offer Memorandum.

Events	Times and Dates
Commencement of the Tender Offers Notice of the Tender Offers published through RNS and on a Notifying News Service and distributed via the Clearing Systems. Tender Offer Memorandum made available to Qualifying Holders upon request. Beginning of Tender Offer Period.	28 May 2015
Expiration Time Deadline for receipt by the Tender Agent of Electronic Instruction Notices. End of Tender Offer Period.	4:00 pm London time on 8 June 2015
Announcement of the results of the Tender Offer Details of the final aggregate liquidation preference of Preference Shares and principal amount of Capital Instruments of each Series accepted for purchase pursuant to the Tender Offers (subject to satisfaction or waiver of the New Financing Condition) will be distributed via the Clearing Systems and published by way of announcement on a Notifying News Service and through RNS.	As soon as practicable on 9 June 2015
Settlement Date Settlement of the Tender Offers by payment of Tender Consideration in respect of Securities accepted for purchase (subject to satisfaction or waiver of the New Financing Condition).	11 June 2015

*Qualifying Holders are advised to check with any Intermediary through which they hold their Securities whether such Intermediary would require receiving instructions to participate in, or withdraw their instruction to participate in, the Tender Offers prior to the deadlines set out above. **The deadlines set by each Clearing System for the submission of Electronic Instruction Notices will be earlier than the relevant deadlines above, in which case Qualifying Holders should follow those earlier deadlines.***

Announcements

Announcements with respect to the Tender Offers will be notified by way of announcements on a Notifying News Service, through the Clearing Systems and via RNS. Significant delays may be experienced where notices are delivered through the Clearing Systems, and Qualifying Holders are urged to contact the Dealer Managers or the Tender Agent at the telephone numbers specified in this announcement for the relevant announcements during the Tender Offer Period. All announcements will be made available upon release at the offices of the Tender Agent.

Contact information

Banco Santander, S.A., Barclays Bank PLC, Merrill Lynch International, Morgan Stanley & Co. International plc and UBS Limited are acting as Dealer Managers for the Tender Offers and Lucid Issuer Services Limited is acting as Tender Agent.

Questions and requests for assistance in connection with the Tender Offers may be directed to the Dealer Managers:

THE DEALER MANAGERS

BANCO SANTANDER, S.A.

Avenida de Cantabria, s/n
28660 Boadilla Del Monte
Madrid, Spain

Telephone: + 44 20 7756 6909

Email: tommaso.grospietro@santandergbm.com

Attention: Liability Management

BARCLAYS BANK PLC

5 The North Colonnade
Canary Wharf
London E14 4BB

Telephone: +44 20 3134 8515

Email: eu.lm@barclays.com

Attention: Liability Management Group

MERRILL LYNCH INTERNATIONAL

2 King Edward Street
London EC1A 1HQ

Telephone: +44 207 995 2929

Email: kulwant.bhatti@baml.com

Attention: Liability Management Group

**MORGAN STANLEY & CO.
INTERNATIONAL PLC**

25 Cabot Square
Canary Wharf
London E14 4QA

Telephone: +44 20 7677 5040

Email: liabilitymanagementeuropa@morganstanley.com

Attention: Liability Management Group

UBS LIMITED

1 Finsbury Avenue
London EC2M 2PP

Telephone: +44 20 7567 0525

Email: mark-t.watkins@ubs.com / torstein.berteig@ubs.com

Attention: Liability Management Group

Questions and requests for assistance in connection with the delivery of Offers to Sell may be directed to the Tender Agent:

TENDER AGENT

Lucid Issuer Services Limited

Leroy House
436 Essex Road
London N1 3QP
United Kingdom

Attention: David Shilson

Tel: +44 20 7704 0880

Email: santander@lucid-is.com

DISCLAIMER: This announcement must be read in conjunction with the Tender Offer Memorandum. This announcement and the Tender Offer Memorandum contain important information which should be read carefully before any decision is made with respect to the Offers. If any Securityholder is in any doubt as to the contents of the Tender Offer Memorandum or the action it should take, it is recommended to seek its own financial advice, including in respect of any tax consequences, from its broker, bank manager, solicitor, accountant or other independent financial, tax or legal adviser. Any individual or company whose Securities are held on its behalf by a broker, dealer, bank,

custodian, trust company or other nominee must contact such entity if it wishes to tender such Securities pursuant to the Tender Offers. None of the Company, the Bank, the Dealer Managers or the Tender Agent or any of their respective directors, employees or affiliates makes any recommendation whether Securityholders should tender Securities pursuant to any Tender Offer.

OFFER AND DISTRIBUTION RESTRICTIONS: The distribution of this announcement and the Tender Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement and/or the Tender Offer Memorandum comes are required by each of the Company, the Bank, the Dealer Managers and the Tender Agent to inform themselves about, and to observe, any such restrictions. Neither this announcement nor the Tender Offer Memorandum constitutes an offer to buy or a solicitation of an offer to sell the Securities (and tenders of Securities in any Tender Offer will not be accepted from Securityholders) in any circumstances in which such offer or solicitation is unlawful. In those jurisdictions where the securities, blue sky or other laws require a Tender Offer to be made by a licensed broker or dealer and any Dealer Manager or any of the Dealer Managers' affiliates is such a licensed broker or dealer in any such jurisdiction, such Tender Offer shall be deemed to be made by such Dealer Manager or such affiliate, as the case may be, on behalf of the Company or the Bank (as applicable) in such jurisdiction.

In addition to the representations referred to below in respect of the United States, each holder of Securities participating in a Tender Offer will also be deemed to give certain representations in respect of the other jurisdictions referred to below and generally as set out in the Tender Offer Memorandum. Any tender of Securities for purchase pursuant to a Tender Offer from a holder that is unable to make these representations will not be accepted. Each of the Company, the Bank, the Dealer Managers and the Tender Agent reserves the right, in its absolute discretion, to investigate, in relation to any tender of Securities for purchase pursuant to a Tender Offer, whether any such representation given by a holder is correct and, if such investigation is undertaken and as a result the Company or the Bank determines (for any reason) that such representation is not correct, such tender shall not be accepted.

UNITED STATES: The Tender Offers are not being made, and will not be made, directly or indirectly in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, the United States. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone, the internet and other forms of electronic communication. The Securities may not be tendered in the Tender Offers by any such use, means, instrumentality or facility from or within the United States or by persons located or resident in the United States.

Accordingly, copies of this announcement and the Tender Offer Memorandum and any other documents or materials relating to the Tender Offers are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into the United States or to any persons located or resident in the United States. Eligibility to participate in the Tender Offers is not dependent on whether the Securityholder is a "U.S. person" as defined for purposes of Regulation S under the U.S. Securities Act of 1933, as amended. Any purported tender of Securities in a Tender Offer resulting directly or indirectly from a violation of these restrictions will be invalid and any purported tender of Securities made by a person located or resident in the United States or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States will be invalid and will not be accepted.

Each holder of Securities participating in the Tender Offers will represent that it is not located in the United States and it is not participating in the Tender Offers from the United States or it is acting on a non-discretionary basis for a principal that is located outside the United States and that is not giving an order to participate in the Tender Offers from the United States. For the purposes of this and the above paragraph, "United States" means United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the North Mariana Islands), and state of the United States of America and the District of Columbia.

UNITED KINGDOM: The communication of this announcement and the Tender Offer Memorandum and any other documents or materials relating to the Tender Offer is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21(1) of the Financial Services and Markets Act 2000 (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials is exempt from the restriction on financial promotions under section 21(1) of the FSMA on the basis that it is only directed at and may be communicated to (1) persons who have professional experience in matters relating to investments, being investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO"); (2) persons who are holders of the Securities or who fall within Article 43(2) of the FPO; or (3) any other persons to whom these documents and/or materials may lawfully be communicated. Any investment or investment activity to which the Tender Offer Memorandum relates is available only to such persons or will be engaged only with such persons and other persons should not rely on it.

FRANCE: The Tender Offers are not being made, directly or indirectly, to the public in France. Neither this announcement nor the Tender Offer Memorandum nor any other documents or offering materials relating to the Tender Offers have been or shall be distributed to the public in France and only (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.441-1 to D.441-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*, are eligible to participate in the Tender Offers. This announcement and the Tender Offer Memorandum have not been and will not be submitted for clearance to nor approved by the *Autorité des marchés financiers*.

BELGIUM: Neither this announcement nor the Tender Offer Memorandum nor any other documents or materials relating to the Tender Offers have been submitted to or will be submitted for approval or recognition to the Belgian Financial Services and Markets Authority (*Autorité des services et marchés financiers/Autoriteit voor financiële diensten en markten*) and, accordingly, the Tender Offers may not be made in Belgium by way of a public offering, as defined in Article 3 of the Belgian Law of 1 April 2007 on public takeover bids or as defined in Article 3 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets, each as amended or replaced from time to time. Accordingly, the Tender Offers may not be advertised and the Tender Offers will not be extended, and neither this announcement nor the Tender Offer Memorandum nor any other documents or materials relating to the Tender Offers (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than "qualified investors" in the sense of Article 10 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (as amended from time to time), acting on their own account. Insofar as Belgium is concerned, this announcement and the Tender Offer Memorandum has been issued only for the personal use of the above qualified investors and

exclusively for the purpose of the Tender Offers. Accordingly, the information contained in this announcement and the Tender Offer Memorandum may not be used for any other purpose or disclosed to any other person in Belgium.

ITALY: Neither this announcement nor the Tender Offer Memorandum nor any other documents or material relating to the Tender Offers have been or will be submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”), pursuant to applicable Italian laws and regulations.

In Italy, the Tender Offers on the Securities are being carried out as exempted offers pursuant to article 101-bis, paragraph 3-bis, of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Italian Financial Services Act**”) and article 35-bis paragraph 4 of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Holders or beneficial owners of the Securities that are located in Italy can submit offers to sell the Securities through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of September 1, 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB, the Bank of Italy or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties vis-à-vis its clients in connection with the Securities or the Tender Offers.

SPAIN: Neither the Tender Offers, this announcement nor the Tender Offer Memorandum constitute an offer of securities or the solicitation of an offer of securities to the public in Spain under the Spanish Securities Market Law (*Ley 24/1998, de 28 de Julio, del Mercado de Valores*), Royal Decree 1310/2005, of 4 November 2005 and Royal decree 1066/2007, of 27 July 2007. Accordingly, this announcements and the Tender Offer Memorandum have not been submitted for approval and have not been approved by the Spanish Securities Market Regulator (*Comisión Nacional del Mercado de Valores*).

AUSTRALIA: The Tender Offers are not being made, and will not be made, directly or indirectly in or into, or by use of the mail of, or by any means or instrumentality of interstate or foreign commerce of or of any facilities of a national securities exchange of, Australia. This includes, but is not limited to, facsimile transmission, electronic mail, telex, telephone and the internet. Accordingly, copies of this announcement and the Tender Offer Memorandum and any other documents or materials relating to the Tender Offers are not being, and must not be, directly or indirectly mailed or otherwise transmitted, distributed or forwarded (including, without limitation, by custodians, nominees or trustees) in or into Australia. Any purported tender of Securities in the Tender Offers resulting directly or indirectly from a violation of these restrictions will be invalid and any purported tender of Securities made by a person located or resident in Australia or any agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within Australia will be invalid and will not be accepted.