

**SUPPLEMENT DATED 25 AUGUST 2020
TO THE BASE PROSPECTUS DATED 3 DECEMBER 2019**



Santander UK plc

(incorporated in England and Wales with limited liability, registered number 2294747)

This supplement (the "**Supplement**", which definition shall also include all information incorporated by reference herein) is prepared as a supplement to, and must be read in conjunction with the Base Prospectus dated 3 December 2019, as supplemented by the supplements dated 31 January 2020, 5 March 2020, 1 April 2020, 5 May 2020 and 31 July 2020 relating to the Notes and Certificates Programme (the "**Base Prospectus**").

This Supplement together with the Base Prospectus constitutes a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus prepared by Santander UK plc as issuer under the Notes and Certificates Programme (the "**Issuer**").

This Supplement has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Regulation. The Central Bank only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval relates only to the Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc, trading as Euronext Dublin, or other regulated markets for the purposes of Directive 2014/65/EU, as amended (the "**Markets in Financial Instruments Directive**") or which are to be offered to the public in a Member State of the European Economic Area or in the United Kingdom and should not be considered as an endorsement of the Issuer or of the quality of the securities that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the N&C Securities.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has requested the Central Bank of Ireland, in accordance with Article 25 of the Prospectus Regulation, provide to the United Kingdom Financial Conduct Authority, in its capacity as United Kingdom competent authority, a certificate of approval attesting that this Supplement has been drawn up in accordance with the Prospectus Regulation.

This Supplement has been prepared for the purpose of: (i) incorporating by reference into the Base Prospectus the unaudited consolidated financial information of the Issuer for the six months ended 30 June 2020 (as described in Schedule 1 hereto) and (ii) updating the Risk Factors and General Information sections of the Base Prospectus in light of the recent outbreak of COVID-19 in the UK (as described in Schedule 2 hereto).

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference in the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus prior to the date of this Supplement, the statement referred to in (a) above will prevail.

If any documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement or the Base Prospectus for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus to which this Supplement relates.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

There has been no significant change in the financial position of Santander UK plc and its subsidiaries since 30 June 2020 (being the date to which the most recent financial information was prepared).

In accordance with Article 23(2) of the Prospectus Regulation, investors who have agreed to purchase or subscribe for securities before this Supplement is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances by sending a written notice of withdrawal (which must include the full name and address of the person or entity wishing to exercise such statutory withdrawal right and identify the transferable securities to which that statutory withdrawal right relates) by electronic mail to structurednotesafm@santander.co.uk. The final date for any such withdrawal is 27 August 2020.

SCHEDULE 1

DOCUMENTS INCORPORATED BY REFERENCE

The Issuer has published its unaudited interim financial report for the six months ended 30 June 2020 (the “**2020 Half Yearly Report**”).

The 2020 Half Yearly Report is hereby incorporated in and forms part of the Base Prospectus and are available for viewing at:

https://www.santander.co.uk/assets/s3fs-public/documents/santander_uk_plc_2020_hy_financial_report_0.pdf.

SCHEDULE 2

RISK FACTORS AND GENERAL INFORMATION

- (A) The first Risk Factor that appears on page 3 under part 1 (*Geo-political and Macro-Economic Risks*) of the “Risk Factors relating to the Issuer and the Group” section of the Base Prospectus is deleted and replaced with the following.

“The Group's operations, financial condition and prospects may be materially impacted by economic conditions in the UK and disruptions in the global economy and global financial markets

The Group's business activities are concentrated in the UK, where it offers a range of banking and financial products and services to UK retail and corporate customers. As a consequence, the Group's operations, financial condition and prospects are significantly affected by the general economic conditions in the UK.

In particular, the Group may face, among others, the following risks related to any future economic downturn:

- Reduced demand for the Group's products and services.
- Inability of the Group's borrowers to comply fully or in a timely manner with their existing obligations.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgements and assumptions, including forecasts of economic conditions, if such economic conditions develop more adversely than the Group's estimates it may impair the ability of the Group's borrowers to repay their loans.
- The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Group's loan loss allowances.
- Lower or negative interest rates, reducing the Group's interest margins.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- The recovery of the international financial industry may be delayed and impact the Group's operations, financial condition and prospects.
- Adverse macroeconomic developments may have a negative impact on the household income of the Group's retail customers and the profitability of the Group's business customers, which may adversely affect the recoverability of the Group's loans and other extensions of credit and result in increased credit losses. In particular, the outbreak of Covid-19 and various efforts recommended or put in place for individuals and businesses to contain the spread of the disease in the UK and in other countries, as well as some of the UK government and central bank financial mitigation measures, has had a material adverse effect on the Group's operations and income, as described below under '*The Covid-19 pandemic*'.
- Accommodative monetary policies leading to an extended period of low or lower interest rates, particularly the reduction of interest rates to near zero as a mitigating measure in

response to the recent COVID-19 outbreak, weaker sterling and potentially higher inflation, any of which could have an adverse effect on the Group's profitability.

Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in UK economic conditions could reduce the recoverability and value of the Group's assets and require an increase in its level of provisions for bad and doubtful debts. There can be no assurance that the Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. Material increases in the Group's provisions for loan losses and write-offs or charge-offs could have a material adverse effect on its operations, financial condition and prospects. Any significant related reduction in the demand for its products and services could also have a material adverse effect on the Group's operations, financial condition and prospects. Economic instability and downturns beyond the UK may also impact the UK economy as a whole. Disruption and volatility in the global financial markets could have a material adverse effect on the Group, including the Group's ability to access capital and liquidity on financial terms acceptable to it, which could have a material adverse effect on the Group's operations, financial condition and prospects.

The Covid-19 pandemic

The Covid-19 pandemic has caused, and continues to cause, social disruption and a material economic downturn in the UK and globally, the effects of which continue to unfold and may worsen. This has had a material adverse effect on the Group's operations and income, and could continue to have a material adverse effect on its operations, income, financial condition and prospects depending on a number of factors which remain uncertain at this point (a second wave of infection, the development of a vaccine, further lockdowns and the speed and stability of the economic recovery, amongst others). To the extent the Covid-19 pandemic continues to adversely affect the global economy and/or the Group, it may also have the effect of increasing the likelihood and/or magnitude of other risks described in the 2019 Annual Report, or may pose other risks which are not presently known to Santander UK or not currently expected to be significant to the Group's business, operations or financial performance. For further information on the impact of the Covid-19 pandemic on Santander UK's operating environment, see "*Operating environment and stakeholder update*" and Note 1 to the Condensed Consolidated Interim Financial Statements in the 2020 Half Yearly Report.

The Covid-19 outbreak has caused global disruption, which has impacted the Group's customers, suppliers, staff and operations. In March 2020, the UK, following other jurisdictions in which the Group's customers operate, implemented severe restrictions on the movement of the population, with a resultant significant impact on economic activity, which are being gradually phased out. The restrictions, as well as their lifting and reinstatement, are being determined by the governments of individual jurisdictions (including through the implementation of emergency powers) and impacts (including the timing of implementation and any subsequent lifting or reinstatement of restrictions) may vary from jurisdiction to jurisdiction and, in the case of the UK, from region to region. It remains unclear how this will evolve through 2020 and beyond, and Santander UK continues to monitor the situation closely.

In response to the Covid-19 pandemic, the Group deployed working from home capabilities and adapted some of its key processes and working areas, such as branches and call centres, to the working requirements under lockdown. However, the Group faces operational challenges arising from this deployment, including those presented by the unavailability of personnel and the changes in normal operating procedures, which put pressure on internal controls. The Group has been, and may continue to be, adversely affected by disruptions to its infrastructure, business processes and technology services, including as a result of the temporary freeze on system changes unrelated to Covid-19, which was implemented in the second quarter of 2020 to minimise the impact of the additional pressures on Santander UK's systems. Santander UK may also face increased operational risks due to cyber security threats and fraud as the speed and extent of deployment of government schemes put additional pressure on internal controls. For further information, see "*Operating environment and stakeholder*

update” and *“Risk review - Operational risk”* in the 2020 Half Yearly Report. Working practices are under ongoing review to allow improved controls, better remote working and flexibility, to comply with social distancing measures on-site, and to be able to provide testing, cater for self-isolating needs and to allow a swift response to new lock down measures, all of which may lead to increased costs or further business disruption

Like other jurisdictions, the UK government and central bank have launched measures to provide financial support to parts of the economy most impacted by the Covid-19 pandemic. The success of these measures (for example, lower interest rates, extensive central bank lending, extension of effective dates for regulatory changes, business lending schemes, payment holidays and furlough measures) to reactivate the economy and support households and businesses is still uncertain and may not be able to prevent a prolonged and deep crisis or even a recessionary environment. A significant number of the Group’s customers have made use of these business lending schemes and payment holidays. Several of these measures have had, and are expected to continue to have, a negative impact on the Group’s financial condition and results of operations. For example, the Group’s net interest income for the six months ended 30 June 2020 decreased by 7% compared to the equivalent period in 2019, largely due to an immediate repricing of assets following the cuts in the Bank of England’s base rate from 0.75% (to 0.25% and then to 0.1%, where it currently remains) in successive weeks in March 2020, in response to the Covid-19 pandemic. In addition, the Group’s non-interest income for the six months ended 30 June 2020 decreased by 29% compared to the equivalent period in 2019. This resulted from significantly lower banking and transaction fees in our retail business, which, although largely due to expected reductions following the implementation of regulatory changes to overdraft income, were caused partly by the Covid-19 pandemic. For further details, see *“Operating environment and stakeholder update”* and *“Risk review - Credit risk - Credit risk – Santander UK group level - Santander UK Group level – Credit risk review - Covid-19 Support measures in place at 30 June 2020”* in the 2020 Half Yearly Report.

The impact of the Covid-19 pandemic on the Group’s retail and corporate customers’ income, profitability and prospects could significantly affect their ability to service and repay their loans. The Group’s credit impairment charges have consequently increased as the Group’s new credit scenarios, and the weights applied to those scenarios, under IFRS 9 reflect a range of potential economic outcomes due to the Covid-19 pandemic. These scenarios include a possible second wave of infection and the negative effects on the macroeconomic environment of further lock down measures and other efforts recommended or put in place for individuals and businesses to contain the spread of the disease in the UK and other countries, which are expected to result in higher expected credit losses. In the second quarter of 2020, as a result of these updated scenarios, a staging reclassification under IFRS 9 of certain loans following an in-depth sectoral review and the treatment of payment holidays, Santander UK recognised a £267m provision relating to the Covid-19 pandemic. In the second quarter of 2020, it transferred £1.6bn of mortgage assets (based on a sample mortgage customer contact exercise, as well as additional Stage 1 customer data profiling) from Stage 1 to Stage 2 lifetime ECL. Santander UK has also moved £3.2bn corporate Stage 1 loans into Stage 2 lifetime ECL following contact with customers regarding possible concessions, review of the existing judgment perimeter and categorisation of sectors as “Low, Medium or High Risk” based on the Standard Industrial Classification (SIC) codes for H120 reporting. For further details, see *“Risk review - Credit risk”* in the 2020 Half Yearly Report.

The assumptions and economic forecasts used in these scenarios, and the weights applied to them, may need to be reviewed further if the Covid-19 pandemic worsens again and depending on the effects of further impacts on the global economy, international markets and in relation to specific business sectors, which may suffer worse losses than others or have a much slower recovery. The impact of the outbreak on the long-term prospects of businesses in these sectors is expected to be material and may lead to significant ECL charges on specific exposures, which may not be fully captured by ECL modelling techniques. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the

accuracy of their outputs and/or misused. This may be exacerbated when dealing with unprecedented scenarios, due to the lack of historical reference points and data. In the case of Covid-19, there are no precedents to model and forecast the effects of the pandemic and the related containment measures and financial support schemes in the medium and long term.

A recessionary economic environment could also lead to rating downgrades affecting the UK, Santander UK or its customers, investments and/or instruments, causing capital impacts due to increased RWAs, an increase in the volatility of wholesale markets and the cost of funding.”

- (B) Paragraph 3 (*Significant or Material Change*) of the General Information section on page 191 of the Base Prospectus is deleted and replaced with the following.

“3. Significant or Material Change

There has been no significant change in the financial position or financial performance of the Santander UK Group since 30 June 2020, being the date of the Issuer's last published audited consolidated annual financial statements nor has there been any material adverse change in the prospects of the Issuer since 31 December 2019, being the date of its last published audited consolidated annual financial statements.”