

UNITED KINGDOM

January – September 2016

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Source: Santander UK Group Holdings Q3 2016 results “Quarterly Management Statement for the nine months ended 30 September 2016” or Santander UK Group Holdings Management (“MI”), unless otherwise stated. Santander has a standard listing of its ordinary shares on the London Stock Exchange and Santander UK continues to have its preference shares listed on the London Stock Exchange. Further information in relation to Santander UK can be found at: www.santander.co.uk/uk/about-santander-uk. Neither the content of Santander UK’s website nor any website accessible by hyperlinks on Santander UK’s website is incorporated in, or forms part of, this presentation.

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Agenda

- **Macro-economic environment and financial system**

- Strategy and business

- Results

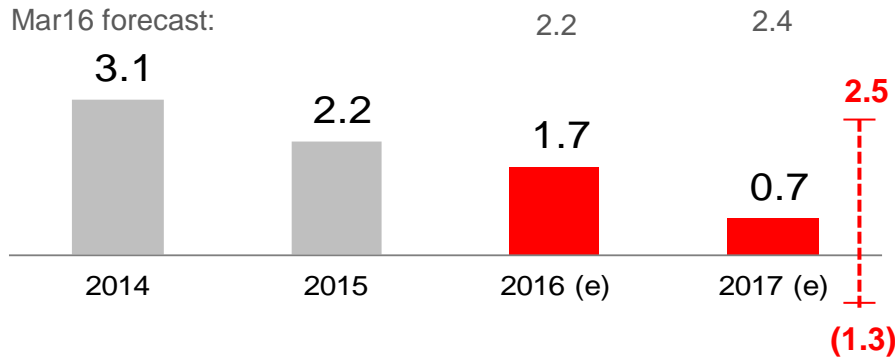
- Appendix



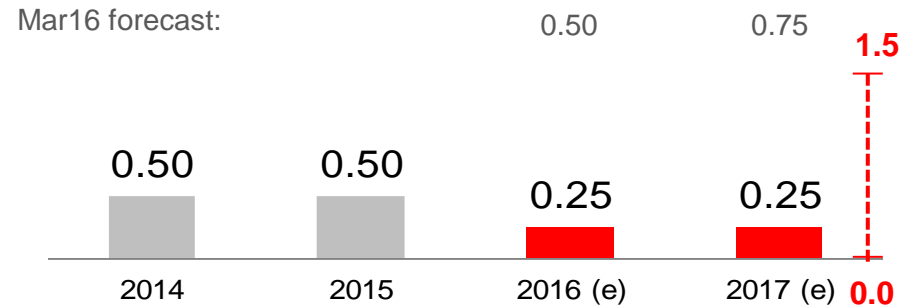
Macro-economic environment

Uncertain UK economic outlook

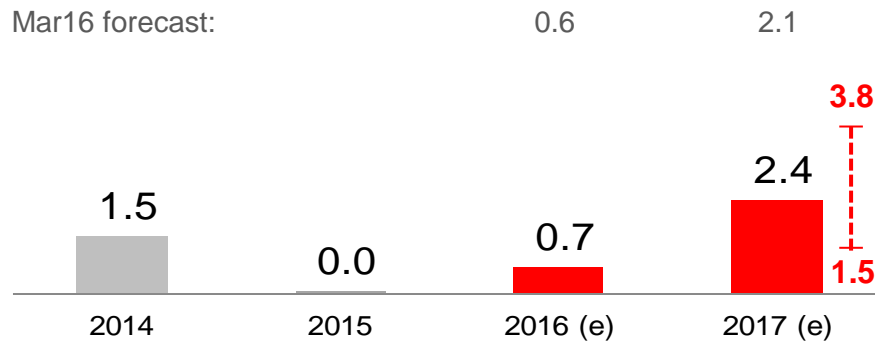
Annual GDP Growth (% , real) ¹



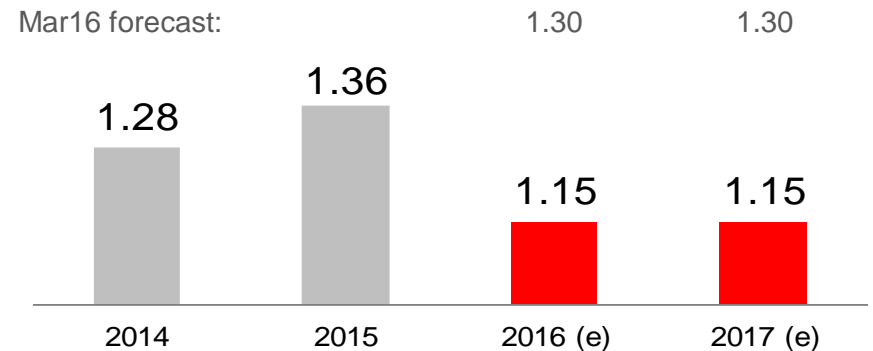
Interest rates (% , year end) ²



Annual CPI Inflation (% annual average) ³



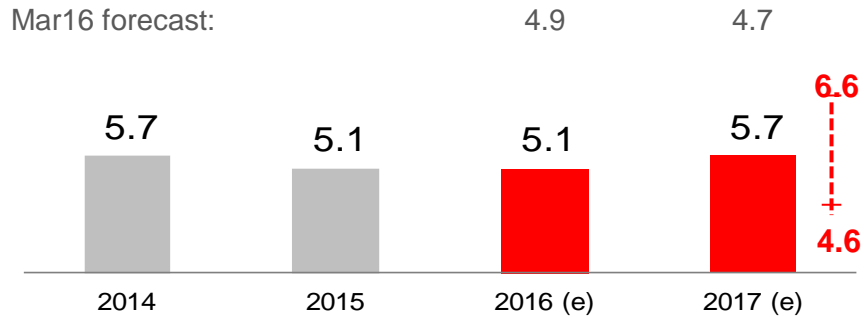
GBP / EUR exchange rates (year end)



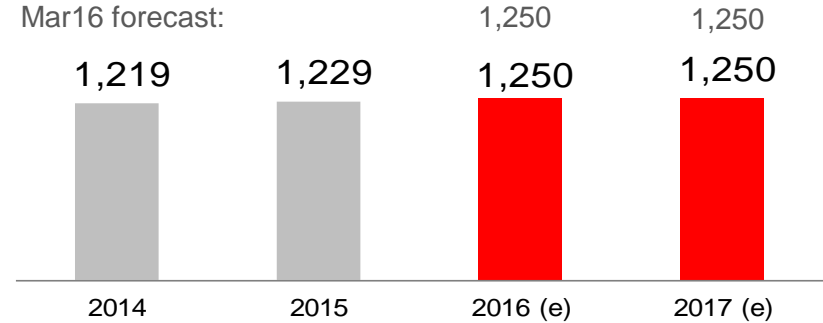
Macro-economic environment

Housing price growth showing signs of slowing and labour markets could come under pressure

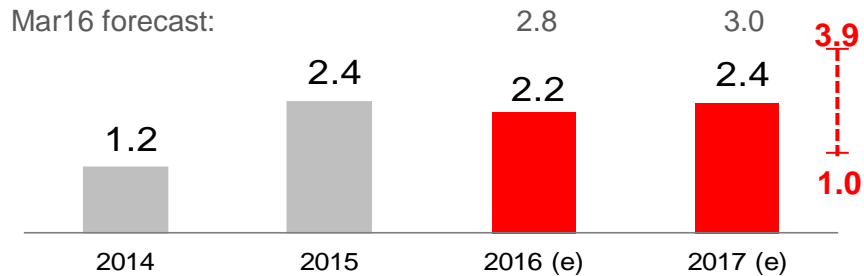
Unemployment rate (ILO, year end) ¹



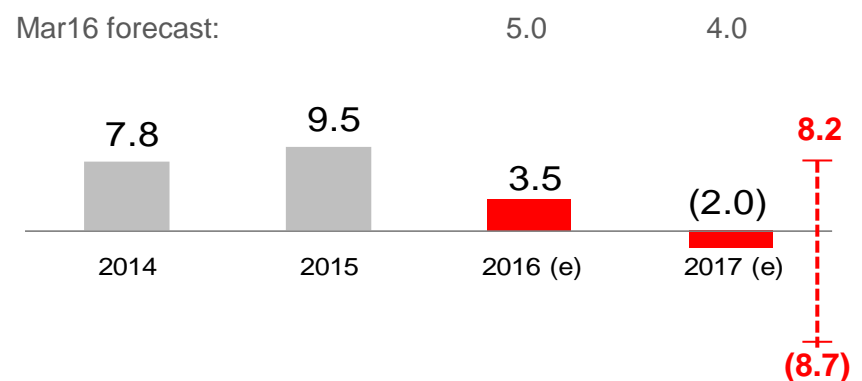
Property transactions (sa²,000's)



Average weekly earnings (annual, % inc bonuses)



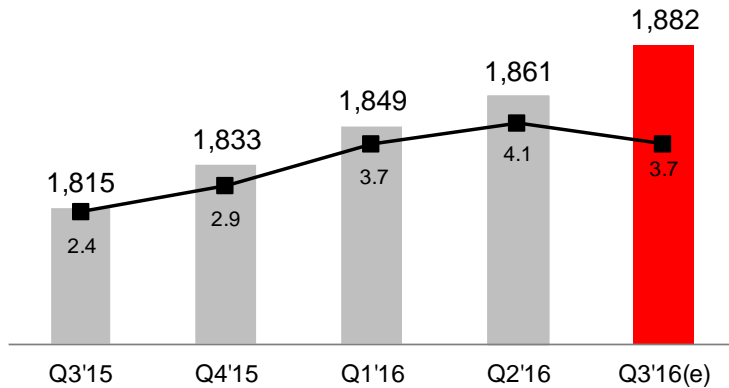
House prices³ (% , year end)



Financial system: Loan and deposit growth

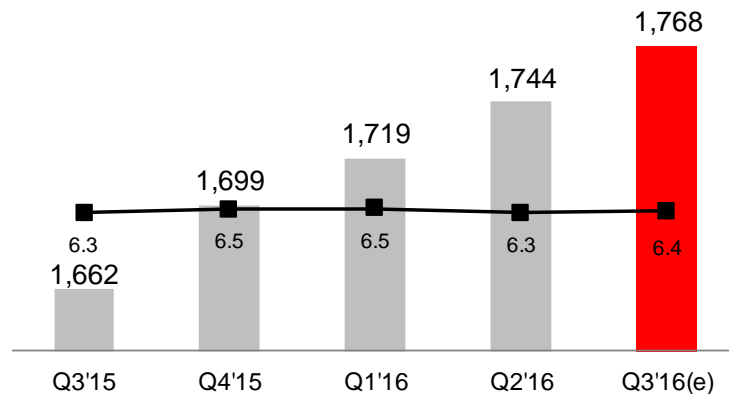
Loan growth has slowed slightly; deposit growth remains steady.

Total loans (GBP bn)¹



- Total loan growth expected to slow down slightly to 3.7% in Q3'16.
- Mortgage growth of 3.0% projected for 2016, close to 2.7% at end 2015.
- Corporate sterling loan growth expected to continue in 2016, but at a lower rate of c.2%.

Total deposits (GBP bn)²



- Steady deposit growth reflecting continued balance sheet adjustments.
- Some indication that the personal savings ratio has moderated.
- Corporate deposit growth has remained strong.

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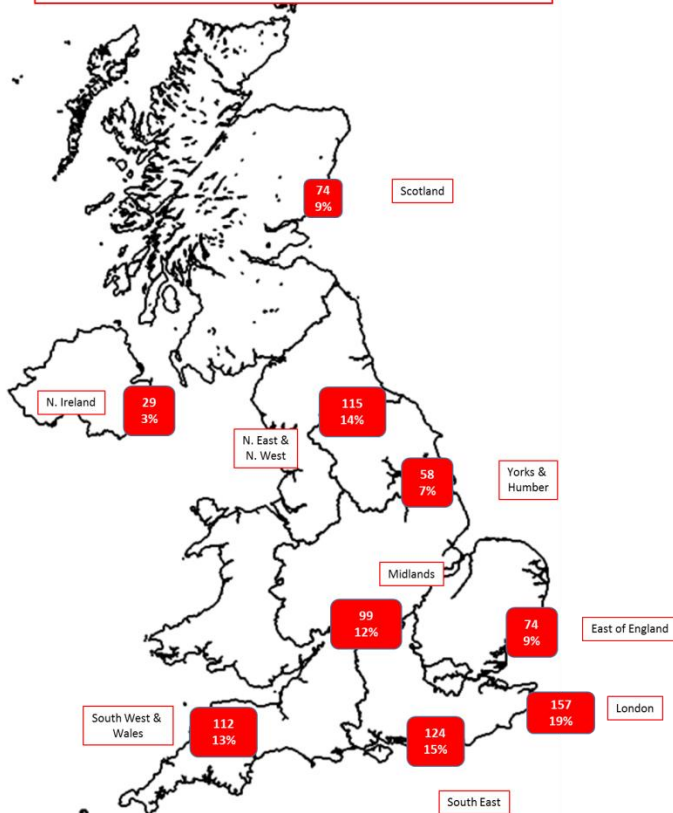
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Our franchise

Santander UK is well positioned as the only full-service scale challenger in the UK.

Santander UK Branch Distribution



Business and Results

	Sep'16	Var. YoY
Customer Loans	£201.2 bn.	2%
Customer Deposits	£169.5 bn.	6%
Total customer funds	£175.9 bn.	6%
PBT	£1,421 mn.	0%
Attributable profit	£967 mn.	(11%)

Network and Customers

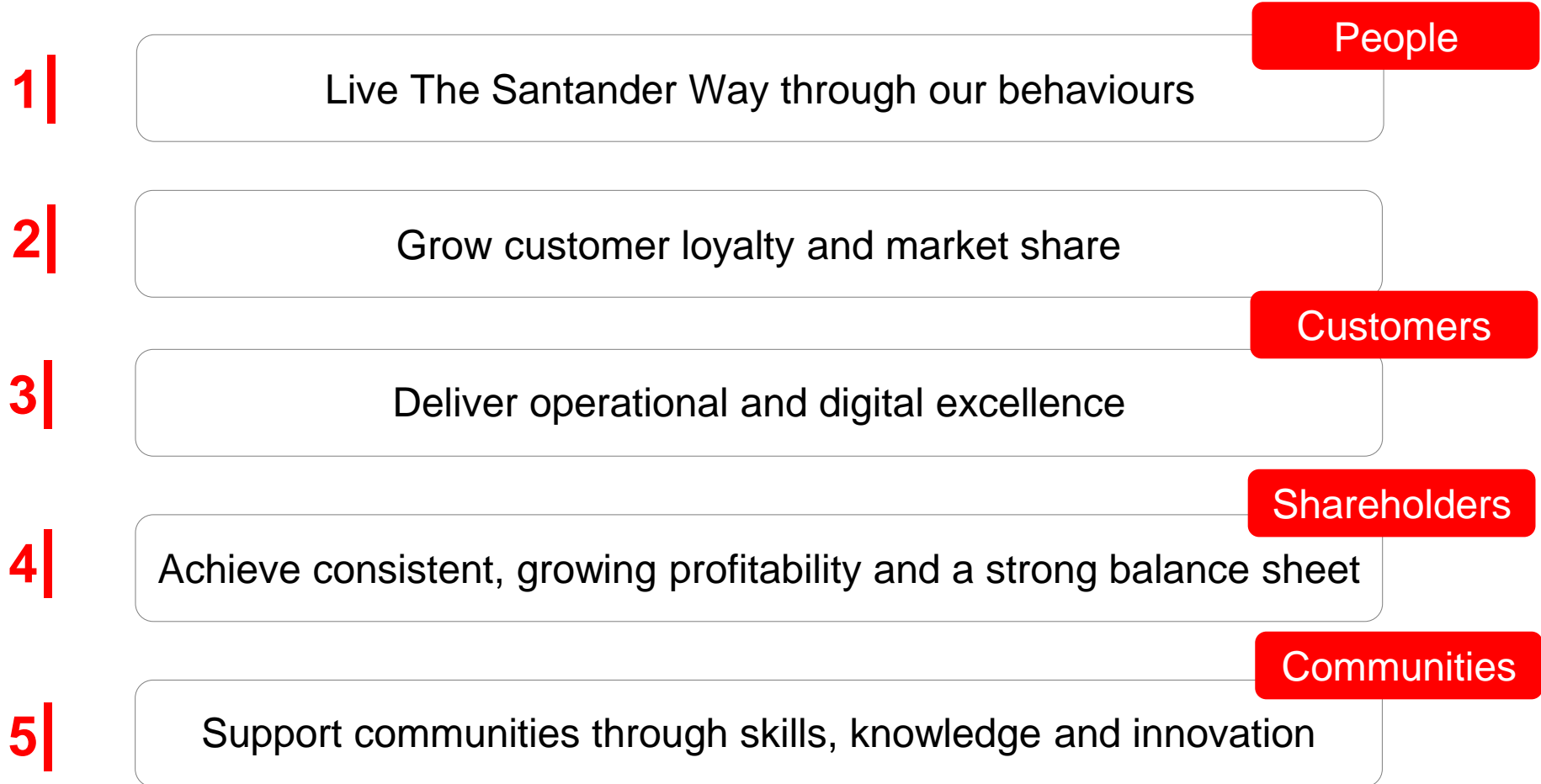
Clients - active customers ¹	14 mn.	0%
Branches ²	842	(4%)
ATMs	2,832	21%

Other Key Metrics

Loan-to-Deposit ratio (LDR) ³	123%	-2 p.p.
Return on Risk Weighted Assets (RoRWA)	1.45%	-28 b.p.s.
Return on Tangible Equity (RoTE) ⁴	11.0%	-1 p.p.

Our 2016 - 2018 Strategy

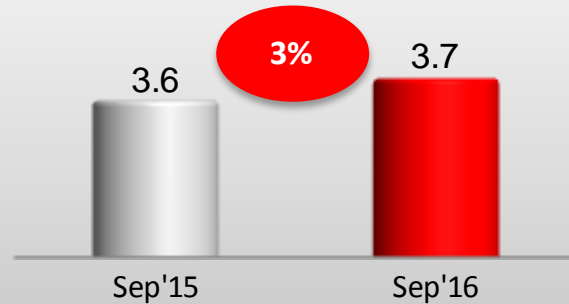
Creating value for all our stakeholders.



Our 2016 - 2018 Strategy

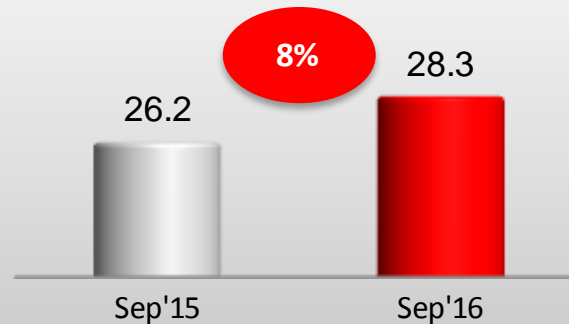
Deeper customer relationships are supporting business momentum.

Loyal retail customers (mn)



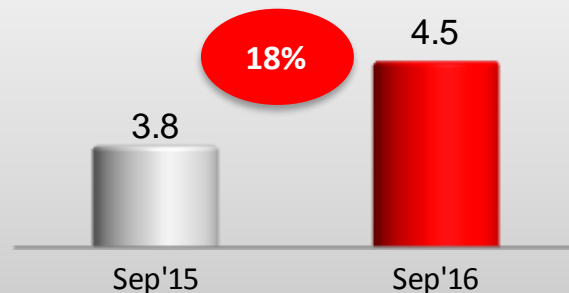
We continue to drive loyalty through a differentiated product proposition that offers significant value to our customers.

Lending to corporates and SMEs (GBP bn)



We continue to grow strongly ahead of the market, without compromising our risk profile.

Digital customers ¹ (mn)

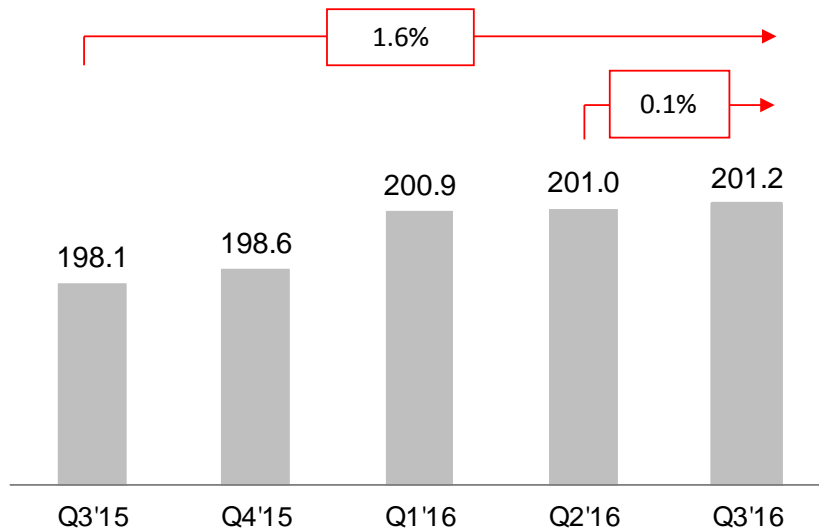


We are increasing the number of our digital customers and launching innovative enhancements to our offering.

Total loans performance

Mortgage growth broadly in-line with market. Corporate loan growth outpaces market.

Total loans (GBP bn)

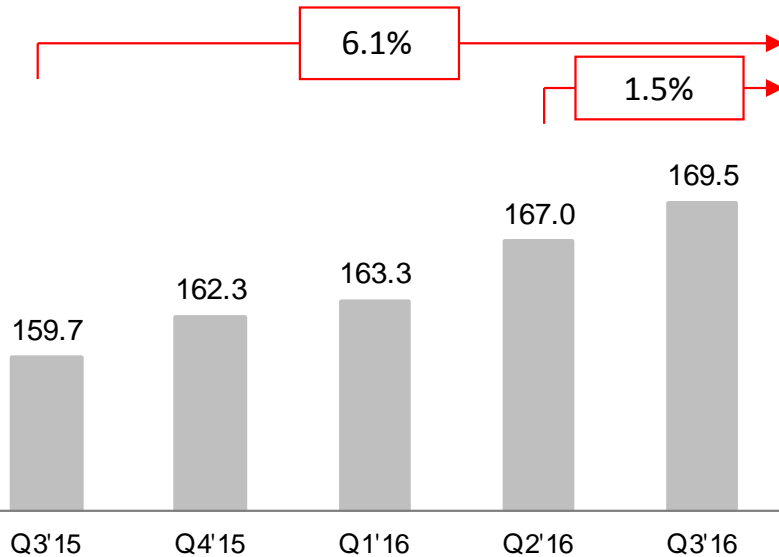


	Sep'16	YoY (%)	QoQ (%)
Individuals	165.8	1	0
Mortgages ¹	153.8	1	0
Consumer credit	12.0	1	(0)
Companies	28.3	8	(0)
SMEs	13.4	1	0
Mid corporates	8.4	18	2
Large corporates	6.5	14	(4)
Total	194.1	2	0
Non core	7.1	(8)	(1)
Total Loans	201.2	2	0

Total customer funds performance

Retail balances continued to grow, driven by 11213 Current Account inflows.

Total deposits (GBP bn)



	Sep'16	YoY (%)	QoQ (%)
Demand	76.5	24	5
Savings	66.5	5	(1)
Time	26.5	(24)	(3)
Total	169.5	6	1
Funds distributed ¹	6.5	4	6
Total Customer Funds	175.9	6	2

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■ Results

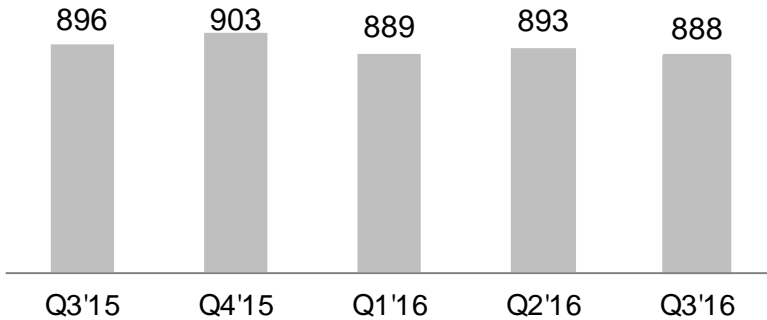
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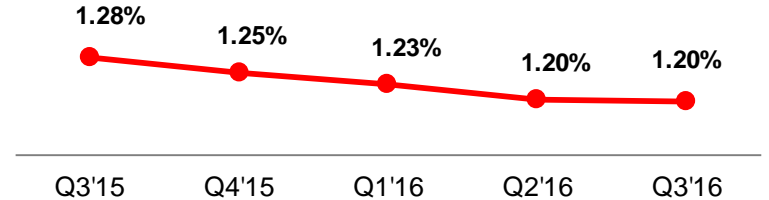
Net interest income and spreads

NII impacted by SVR mortgage attrition and lower new asset margins.

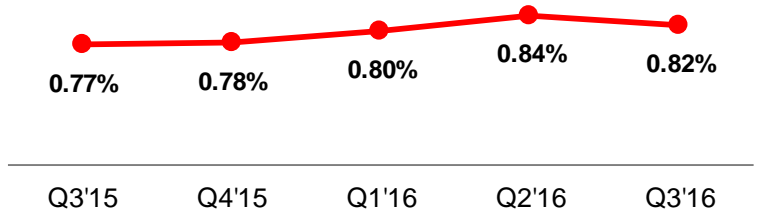
Net Interest Income (GBP mn.)



Loan spread (%)



Deposit spread (%)



Banking NIM ¹

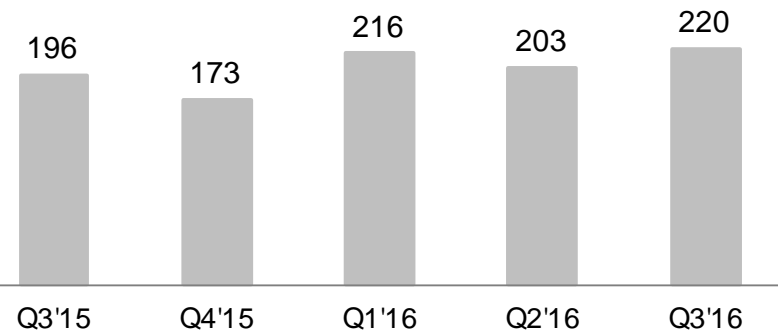
1.80% 1.80% 1.78% 1.78% 1.75%

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

Net fees

Banking net fee income growth driven by 112I3 Current Accounts, partially offset by lower credit card income from interchange and reduced investment fees.

Net fees (GBP mn)

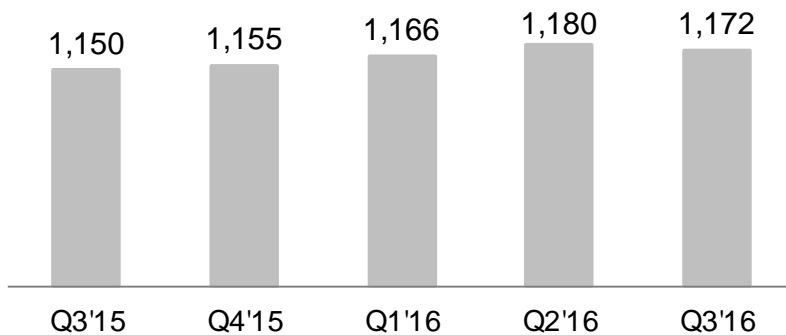


	9M'16	9M'15	YoY (%)	QoQ (%)
Banking	296	211	40	11
Credit Cards	22	51	(56)	(5)
Investments	5	47	(89)	7
Mortgages	31	26	19	3
GCB	142	138	3	(4)
Other	142	147	(3)	21
Total	638	619	3	9

Gross income

Gross income flat despite continuing NII and some fee income pressures.

Gross income (GBP mn)

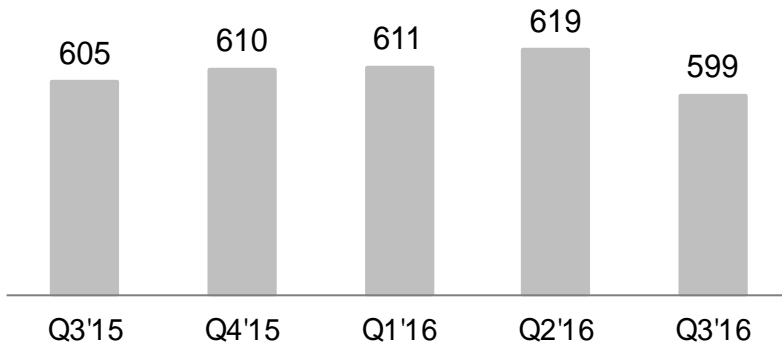


	9M'16	9M'15	YoY (%)	QoQ (%)
Net Interest Income	2,671	2,682	(0)	(1)
Net Fees	638	619	3	9
Subtotal	3,309	3,301	0	1
Other ¹	210	174	21	(24)
Gross income	3,519	3,475	1	(1)

Operating expenses

Operational efficiency well managed, despite investment in business growth, digital and Banking Reform costs.

Operating expenses (GBP mn)



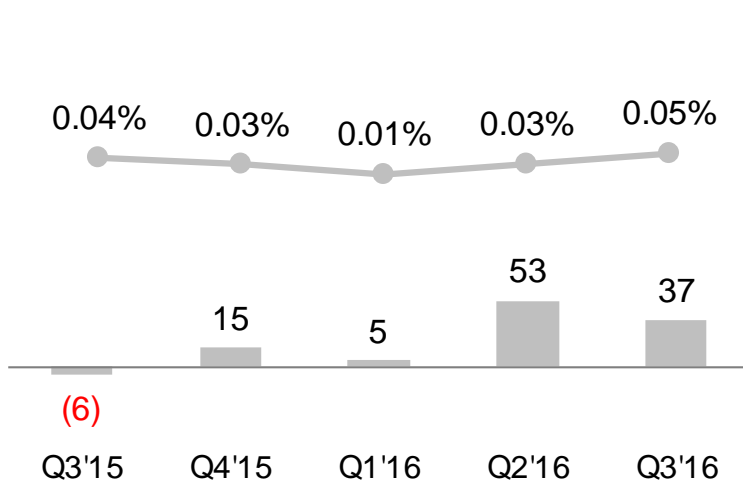
	9M'16	9M'15	YoY (%)	QoQ (%)
General and admin. expenses	1,645	1,648	(0)	(3)
Depreciation and amortisation	185	177	5	(5)
Operating expenses	1,830	1,824	0	(3)

Efficiency ratio (including depreciation)	52.0%	52.5%
Number of branches	842	880
Number of employees	25,840	26,154

Net operating income after loan-loss provisions (LLPs)

Strong credit quality in all our loan books, with an improved NPL ratio of 1.47%.

LLPs and Cost of credit¹ (GBP mn)

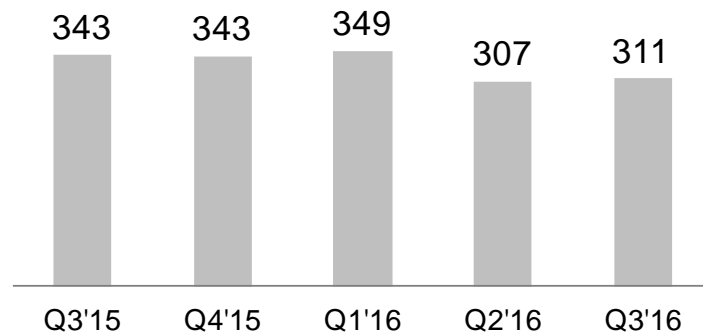


	9M'16	9M'15	YoY (%)	QoQ (%)
Net operating income	1,689	1,650	2	2
LLPs	(95)	(63)	52	(30)
Net op. income after LLPs	1,593	1,587	0	6
NPL Coverage Ratio	36%	40%		
NPL Ratio	1.47%	1.51%		

Attributable profit

Attributable profit impacted by bank corporation tax surcharge.

Attributable profit (GBP mn)



	9M'16	9M'15	YoY (%)	QoQ (%)
Profit before taxes	1,421	1,416	0	3
Tax on profit	(433)	(309)	40	9
Attributable profit	967	1,087	(11)	1

Effective tax rate ¹	30%	22%
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Solid start to the year, despite deterioration in the operating environment.

Market Environment & Financial System

- Significant uncertainty about UK economic outlook following the EU referendum.
- Housing price growth showing signs of slowing and labour markets could come under pressure.
- Some downside risks are being mitigated by the monetary policy actions of the Bank of England and by the capital and liquidity strength of the banking sector.

Strategy & Business

- 11213 World, with 5.1 million customers, continues to transform the quality of our customer base while reducing funding costs.
- Ongoing improvement in customer experience continues to deepen customer relationships.
- Loyal corporate and SME customers continue to increase, attracted by new platforms and services that enabled lending to UK companies to grow 8% YoY.
- Digital customer numbers increased strongly in the period, as we continue to improve our digital proposition and enhance our customer experience.

Results

- PBT was down slightly, with pressure on NII and fee income partially offset by cost discipline and good credit performance.
- Attributable profit impacted by the introduction of the 8% bank corporation surcharge in 2016, partially offset by improvement in other income.
- Cost efficiency maintained, as we continue to absorb investment in business growth and benefit from operational and digital efficiencies. Excluding Banking Reform costs, operating expenses were 3% down in the period and CIR was 50.5%.

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Balance sheet

	30.09.16	30.09.15	Variance	
			Amount	%
Customer loans ¹	215.5	209.7	5.8	2.8
Financial assets held for trading (w/o loans)	31.2	29.8	1.4	4.6
Available-for-sale financial assets	10.4	9.6	0.9	9.2
Central banks and credit institutions ¹	14.4	10.6	3.8	35.6
Tangible and intangible assets	2.2	2.2	(0.1)	(2.8)
Other assets	30.8	21.1	9.8	46.4
Total assets/liabilities & shareholders' equity	304.6	283.1	21.5	7.6
Customer deposits ¹	175.5	167.8	7.7	4.6
Debt securities issued ¹	63.0	56.2	6.8	12.1
Central banks and credit institutions ¹	19.3	18.4	0.9	5.1
Other liabilities	33.6	28.4	5.2	18.3
Stockholders' equity ²	13.2	12.3	0.9	7.6
Off-balance-sheet funds	7.4	6.9	0.4	6.2
Mutual funds	7.3	6.8	0.4	6.3
Pension funds	0.0	0.0	0.0	-
Managed portfolios	0.1	0.1	(0.0)	(1.1)
Customer funds under management	245.9	231.0	14.9	6.4
Commercial loans included above	201.2	198.1	3.2	1.6
Commercial deposits included above	169.5	159.7	9.8	6.1

¹ Includes all stock of concept classified in the balance sheet.

² Capital + reserves + retained profit + valuation adjustments.

Income statement

	9M'16	9M'15	Variance	
			Amount	%
Net interest income	2,671	2,682	(12)	(0)
Net Fees	638	619	20	3
Gains (losses) on financial transactions	182	147	36	24
Other operating income ¹	27	27	0	1
Gross income	3,519	3,475	44	1
Operating Expenses	(1,830)	(1,824)	(5)	0
General administrative expenses	(1,645)	(1,648)	3	(0)
Personnel	(862)	(876)	14	(2)
Other general administrative expenses	(783)	(772)	(11)	1
Depreciation and amortisation	(185)	(177)	(9)	5
Net Operating Income	1,689	1,650	38	2
Net loan-loss provisions	(95)	(63)	(32)	52
Other income	(173)	(171)	(1)	1
Profit before taxes	1,421	1,416	5	0
Tax on profit	(433)	(309)	(123)	40
Consolidated profit	988	1,107	(119)	(11)
Minority interests	(21)	(20)	(2)	8
Attributable profit to the Group	967	1,087	(120)	(11)

Quarterly income statements

	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
Net interest income	896	903	889	893	888
Net Fees	196	173	216	203	220
Gains (losses) on financial transactions	42	72	52	75	55
Other operating income ¹	17	7	8	10	9
Gross income	1,150	1,155	1,166	1,180	1,172
Operating Expenses	(605)	(610)	(611)	(619)	(599)
General administrative expenses	(545)	(535)	(553)	(554)	(537)
Personnel	(280)	(279)	(286)	(282)	(294)
Other general administrative expenses	(265)	(256)	(267)	(272)	(243)
Depreciation and amortisation	(60)	(75)	(59)	(65)	(62)
Net Operating Income	545	545	554	561	573
Net loan-loss provisions	6	(15)	(5)	(53)	(37)
Other income	(94)	(85)	(45)	(56)	(71)
Profit before taxes	457	444	504	452	465
Tax on profit	(107)	(94)	(148)	(136)	(149)
Profit from continuing operations	350	350	356	316	316
Net profit from discontinued operations	0	0	0	0	0
Consolidated profit	350	350	356	316	316
Minority interests	(7)	(7)	(7)	(8)	(6)
Attributable profit to the Group	343	343	349	307	311

Thank you

Our purpose is to help people and businesses prosper.

Our culture is based on the belief that everything we do should be

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