

27 January 2016

UNITED KINGDOM

January – December 2015

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Source: Santander UK Group Holdings Q4 2015 results “Quarterly Management Statement for the year ended 31 December 2015” 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

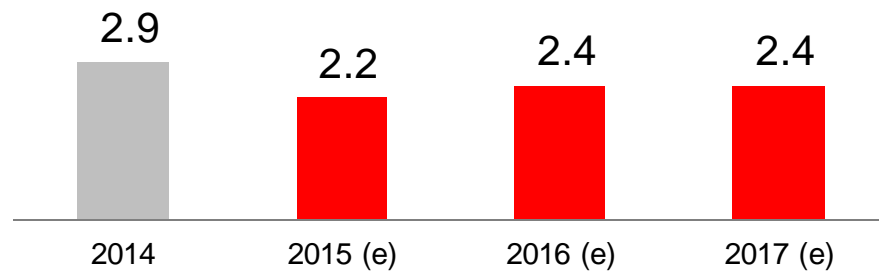
- Results

- Appendix

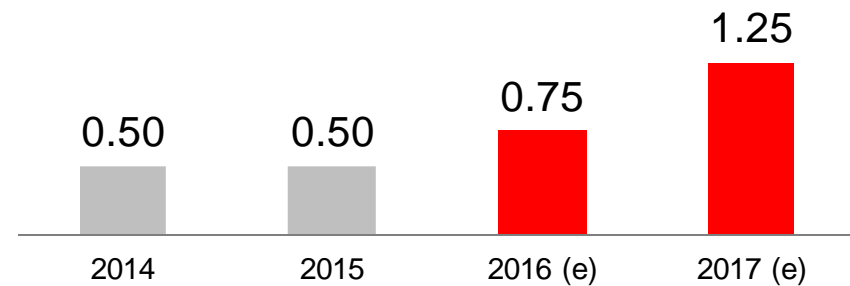
Macro-economic environment

Continued growth of UK economy. Falling oil prices have contributed to lower inflation.

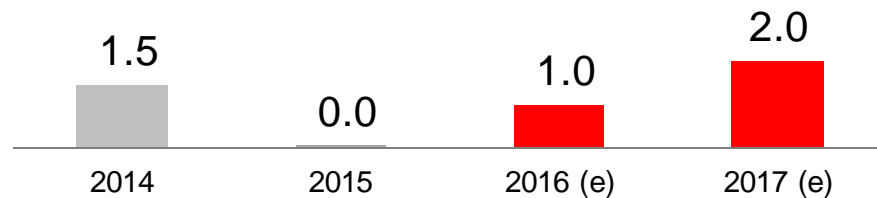
Annual GDP Growth (% , real)¹



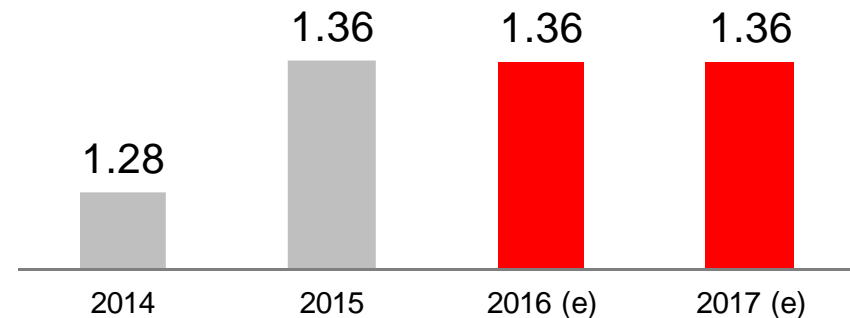
Interest rates (% , year end)²



Annual CPI Inflation (% annual average)³



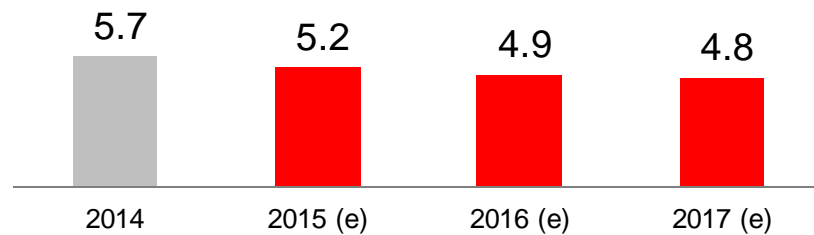
GBP / Euro exchange rates (year end)



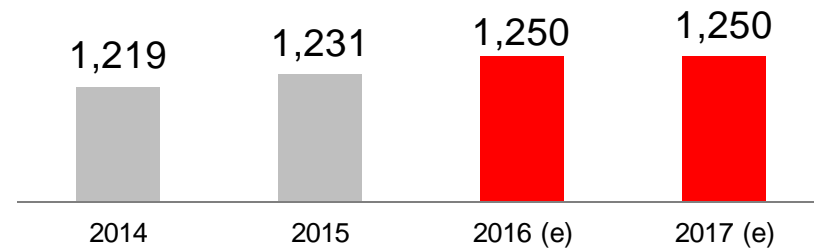
Macro-economic environment

Unemployment to decline further. Housing market continued to strengthen in late 2015.

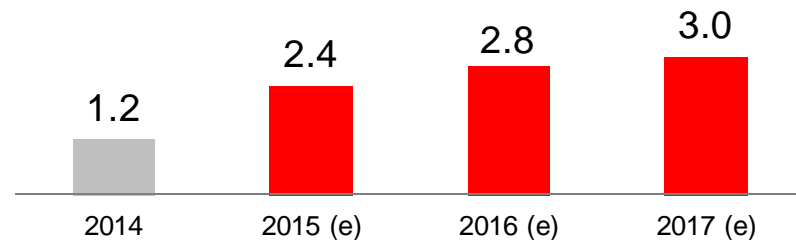
Unemployment rate (ILO, year end) ¹



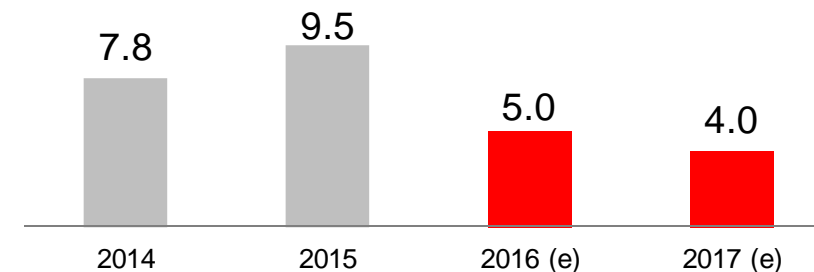
Property transactions (sa,000's)



Average weekly earnings (annual, % inc bonuses)



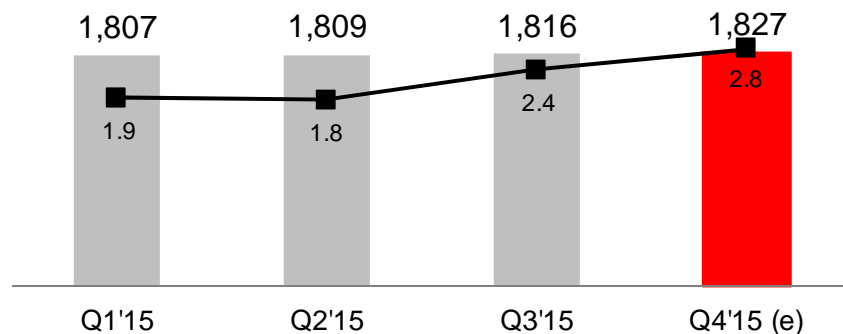
House prices (% , year end)²



Financial system: Loan and deposit growth

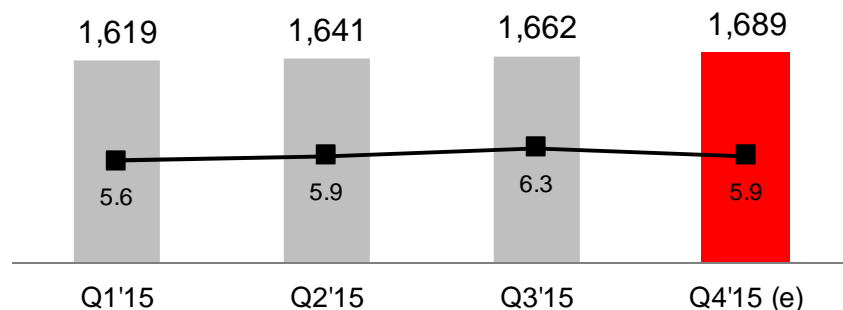
Loan growth has picked up; deposit growth remains steady.

Total loans (GBP bn) ¹



- Total loan growth expected to increase by 2.8% in 2015, up from 1.6% at end 2014.
- Mortgage growth of 2.5% projected for 2015, up from 1.9% at end 2014.
- Corporate sterling loan growth turned positive towards the end of 2015.

Total deposits (GBP bn) ²



- Steady deposit growth reflecting continued balance sheet adjustments.
- Some indication that the personal savings ratio is moderating, compared to 2014.
- Corporate deposit growth remains strong with positive investment intentions.

Agenda

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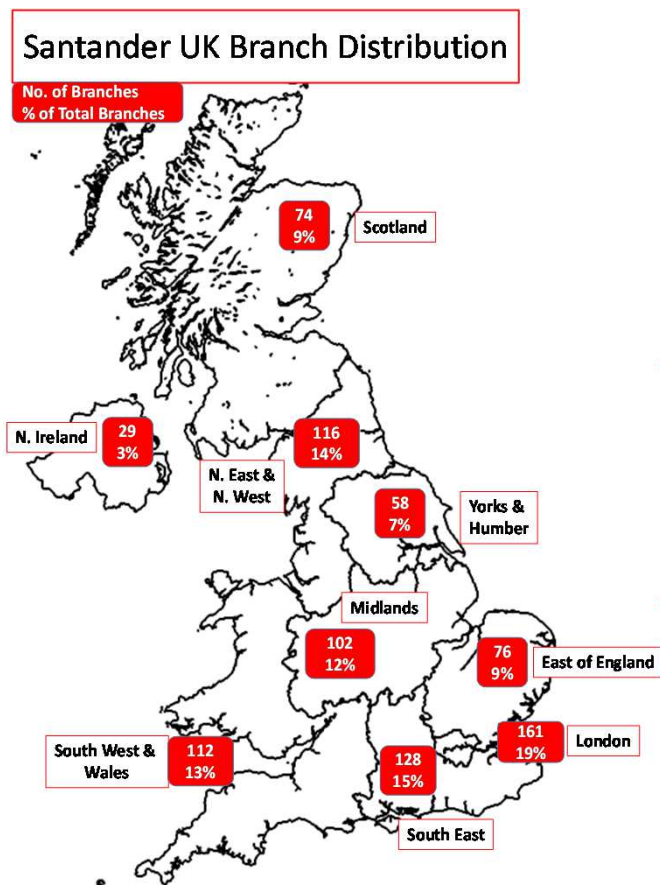
- **Strategy and business**

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Our franchise

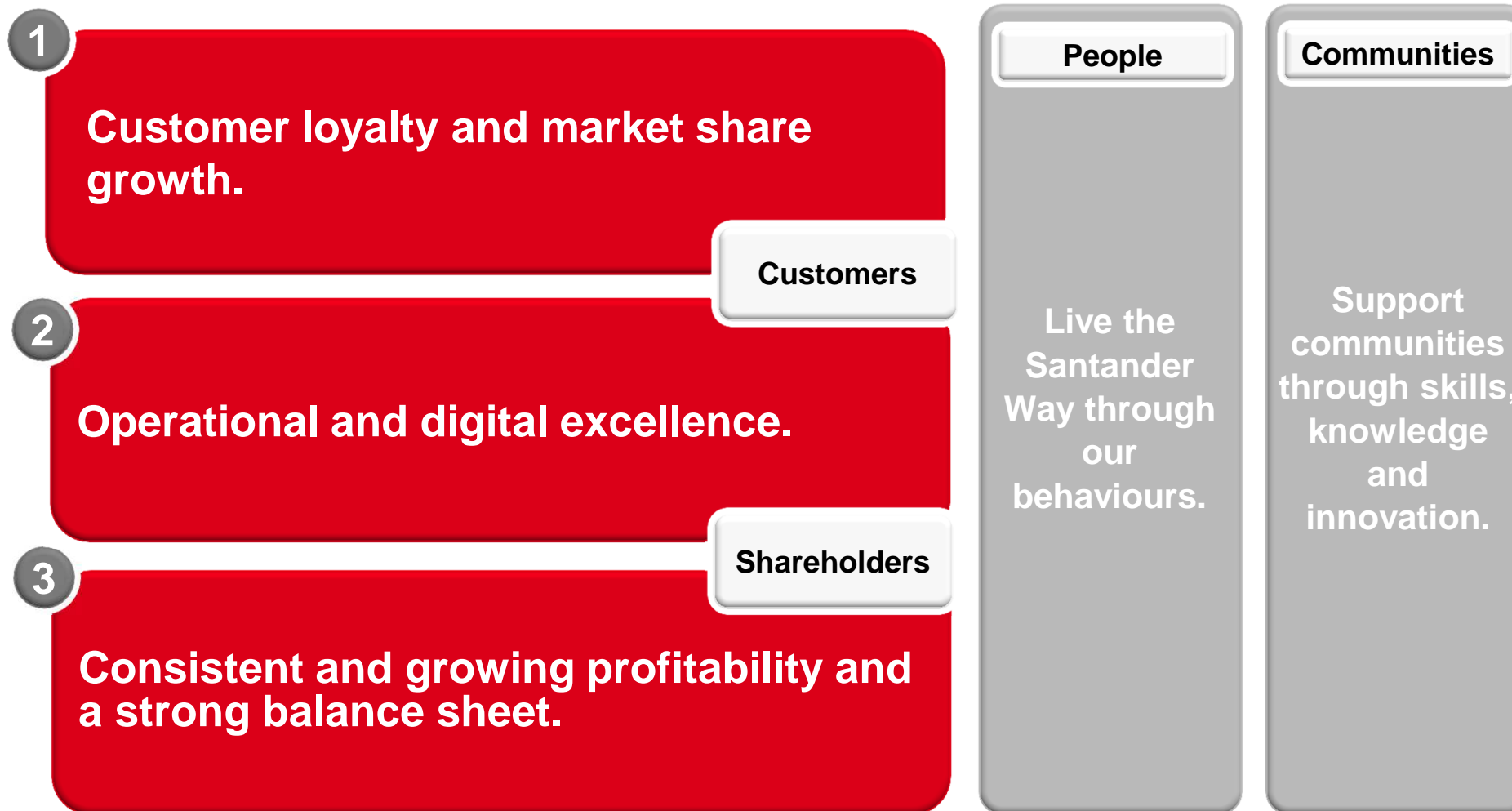
Santander UK is well positioned as the full-service scale challenger in the UK.



	2015	Var. YoY
Business and Results		
Customer Loans	£198.6 bn.	4%
Customer Deposits	£162.3 bn.	6%
Total customer funds	£168.6 bn.	6%
Attributable profit	£1,430 mn.	14%
Network and Customers		
Clients - active customers ¹	14 mn.	n.a.
Branches ²	856	(7%)
ATMs	2,348	1%
Other Key Metrics		
Loan-to-Deposit ratio (LDR) ³	122%	-2 p.p.
Return on Risk Weighted Assets (RoRWA)	1.69%	11 b.p.s.
Return on Tangible Equity (RoTE)	11.8%	63 b.p.s.

Our 2016 - 2018 Strategy

Creating value for all our stakeholders.



Our 2016 - 2018 Strategy

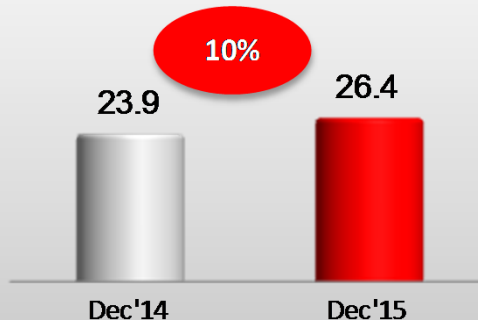
Deeper customer relationships are supporting business momentum.

**Loyal retail
customers
(mn)**



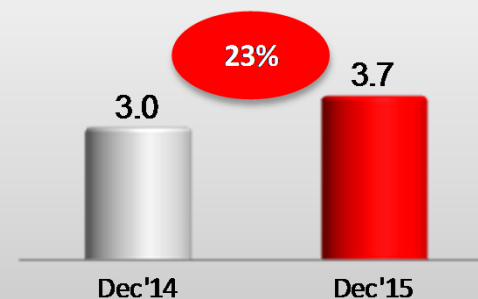
We are growing loyalty through a differentiated product proposition and full service offering in Commercial Banking.

**Lending to
corporates and
SME's
(GBP bn)**



We have delivered double digit growth since 2012, despite a subdued market.

**Digital
customers
(mn)**

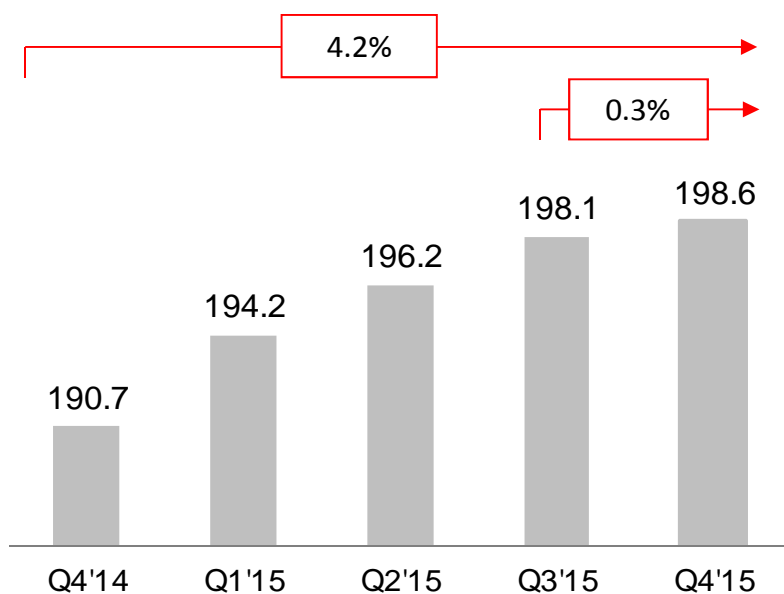


We aim to grow our online and mobile customers to 4.3 million by 2016 with enhancements to our digital platforms.

Total loans performance

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

Total loans (GBP bn)



	Dec'15	YoY (%)	QoQ (%)
Individuals	164.8	4	0
Mortgages ¹	152.8	2	0
Consumer credit ²	12.0	42	1
Companies	26.4	10	1
SMEs	13.6	8	2
Corporates	7.3	22	3
Large corporates	5.5	5	(5)
Non core	7.4	(11)	(4)
Total	198.6	4	0

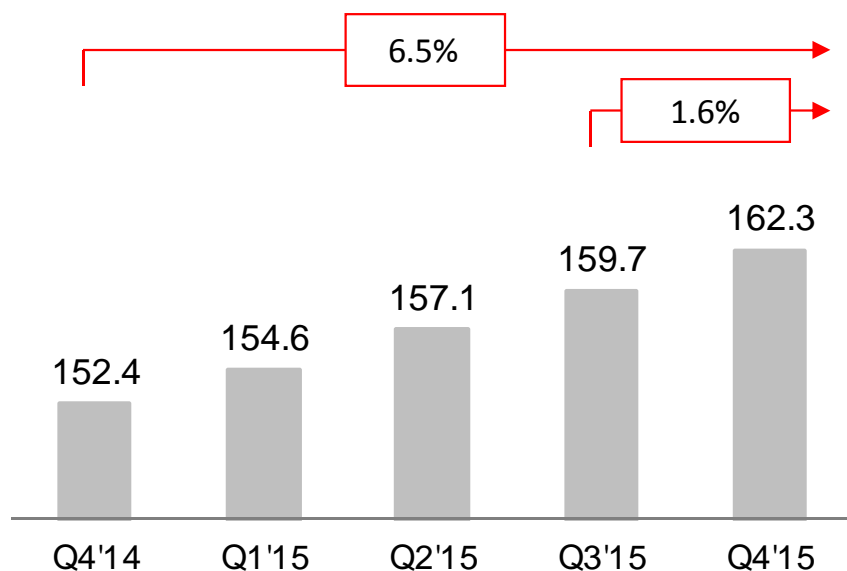
¹ Mortgages refers to residential retail mortgages only and excludes social housing and commercial mortgage assets.

² Consumer credit impacted by the completion of the PSA cooperation in February 2015.

Total customer funds performance

Primary retail balances continue to grow, mostly due to the 1I2I3 account.

Total deposits (GBP bn)



	Dec'15	YoY (%)	QoQ (%)
Demand	64.6	24	5
Savings	65.2	4	3
Time	32.5	(14)	(7)
Total	162.3	6	2
Funds distributed ¹	6.3	(7)	3
Total Customer Funds	168.6	6	2

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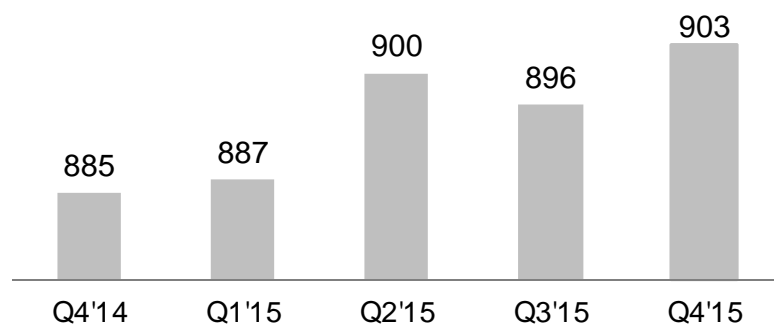
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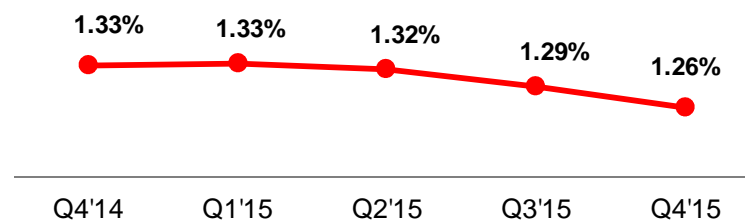
Net interest income and spreads

NII boosted by lending volumes. Banking NIM under pressure from new asset margins and SVR attrition.

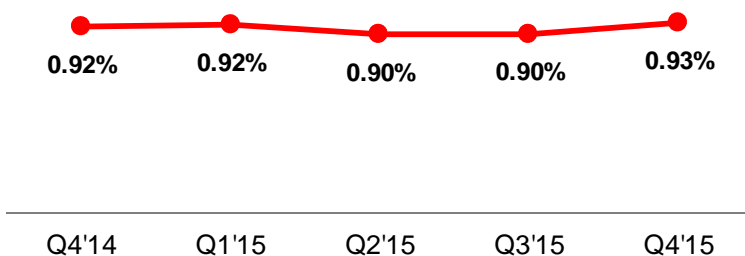
Net Interest Income (GBP mn.)



Loan spread (%)



Deposit spread (%)



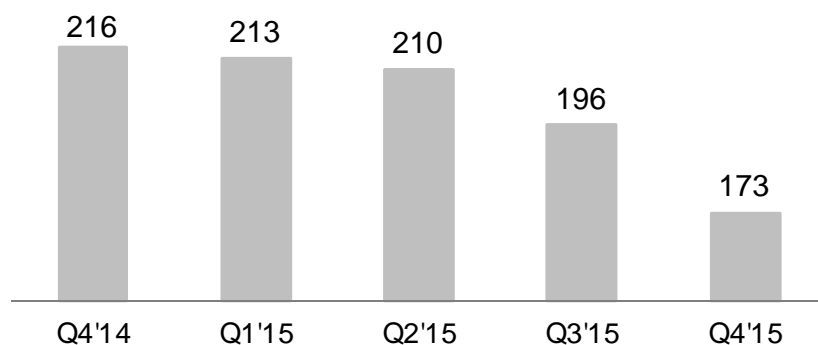
Banking NIM ¹

Quarter	Banking NIM ¹
Q4'14	1.85%
Q1'15	1.87%
Q2'15	1.85%
Q3'15	1.80%
Q4'15	1.80%

Net fees

Net fee income impacted by regulatory pressures and lower overdraft fees.

Net fees (GBP mn)

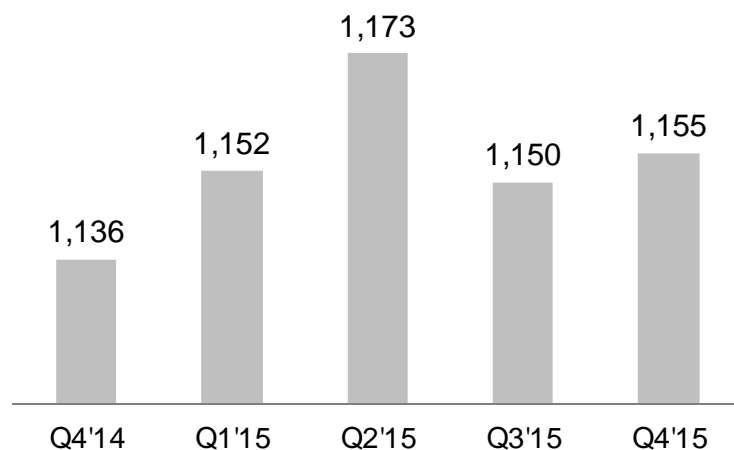


	2015	2014	YoY (%)	QoQ (%)
Banking	271	302	(10)	(11)
Credit Cards	61	72	(16)	(28)
Investments	55	65	(15)	(43)
Mortgages	21	23	(11)	(5)
GCB ¹	175	191	(8)	(5)
Other	209	176	19	(5)
Total	791	828	(4)	(12)

Gross income

Gross income was flat. Net interest income growth was offset by fee income pressure.

Gross income (GBP mn)

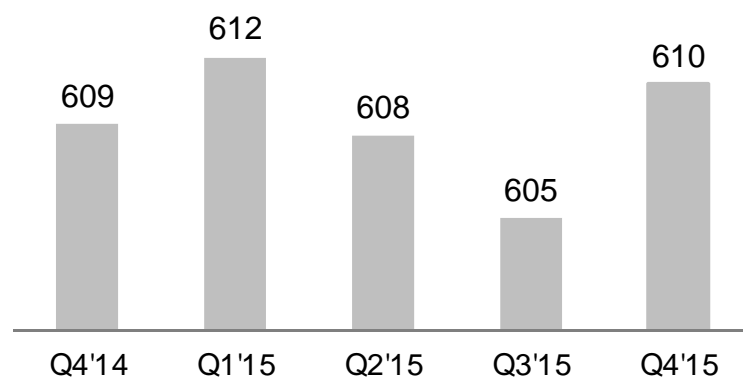


	2015	2014	YoY (%)	QoQ (%)
Net Interest Income	3,585	3,412	5	1
Net Fees	791	828	(4)	(12)
Subtotal	4,377	4,240	3	(1)
Other ¹	253	224	13	36
Gross income	4,630	4,464	4	0

Operating expenses

Operational efficiency continues to absorb on-going investment.

Operating expenses (GBP mn)



	2015	2014	YoY (%)	QoQ (%)
General and admin. expenses	2,183	2,091	4	(2)
Depreciation and amortisation	252	261	(3)	25

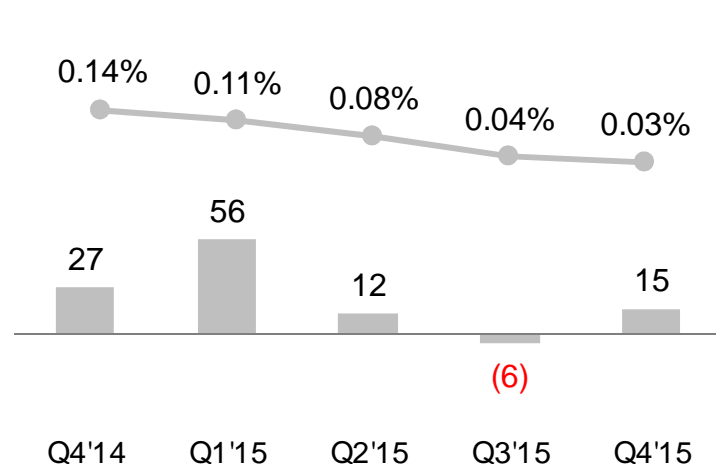
Operating expenses	2,435	2,351	4	1
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Efficiency ratio (including depreciation)	52.6%	52.7%
Number of branches	856	921
Number of employees	25,866	25,678

Net operating income after loan-loss provisions (LLPs)

Loan portfolios performing well in a favourable credit environment.

LLPs and Cost of credit¹ (GBP mn)

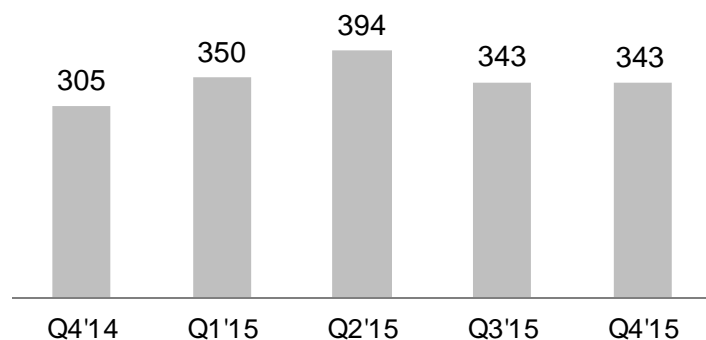


	2015	2014	YoY (%)	QoQ (%)
Net operating income	2,195	2,113	4	(0)
LLPs	(78)	(268)	(71)	n.s.
Net op. income after LLPs	2,117	1,845	15	(4)
NPL Coverage Ratio	38%	42%		
NPL Ratio	1.52%	1.79%		

Attributable profit

Strategic transformation underpinned by strong business momentum.

Attributable profit (GBP mn)



	2015	2014	YoY (%)	QoQ (%)
Profit before taxes	1,860	1,589	17	(3)
Tax on profit	(403)	(335)	20	(12)
Attributable profit ¹	1,430	1,254	14	(0)

Effective tax rate	22%	21%
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Strong business momentum in an increasingly competitive environment.

Market Environment & Financial System

- The UK economy continues to be supportive of our business and credit performance, but we are mindful of the recent market volatility from macro / geopolitical factors. 2015 GDP growth forecast of +2.2%, 2016(e) +2.4%.
- UK housing market remains strong, with higher volumes and house prices in 2015, but with evidence of some slow down. We maintain a conservative risk discipline, with a 65% LTV on new mortgages.
- Market loan growth driven by residential mortgages and unsecured personal lending; Corporate sterling loan stock positive for the first time in late 2015.

Strategy & Business

- 1i2i3 World, with 4.6million customers, continues to transform the quality of our customer base while reducing funding costs.
- Retail customer satisfaction significantly improved in 2015, driving a strong increase in loyal customers.
- Double digit corporate lending growth since 2012, as we capitalise on our expanded footprint, product suite and unique international proposition.

Results

- Attributable profit rose by 14% on the year to £1,430. Banking NIM of 1.83% was underpinned by strong retail and corporate lending.
- Operational efficiency and cost discipline has largely absorbed investments in business growth, with costs remaining flat over the year.
- Lending growth in all customer business segments, with £2.7bn net mortgage lending and £2.5bn to UK companies.

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Balance sheet

	31.12.15	31.12.14	Variance	
			Amount	%
Loans and credits*	207.5	195.7	11.8	6.0
Trading portfolio (w/o loans)	29.5	30.7	(1.2)	(3.9)
Available-for-sale financial assets	9.0	8.7	0.3	3.3
Due from credit institutions*	11.3	11.0	0.4	3.4
Intangible assets and property and equipment	2.2	2.1	0.1	5.6
Other assets	21.7	27.8	(6.1)	(21.9)
Total assets/liabilities & shareholders' equity	281.2	275.9	5.3	1.9
Customer deposits*	170.2	157.6	12.6	8.0
Marketable debt securities*	51.5	54.2	(2.7)	(5.0)
Subordinated debt	3.0	4.2	(1.2)	(27.7)
Insurance liabilities	0.0	0.0	0.0	-
Due to credit institutions*	17.3	20.8	(3.5)	(16.7)
Other liabilities	26.5	27.2	(0.6)	(2.3)
Shareholders' equity**	12.6	12.0	0.6	5.4
Off-balance-sheet funds	7.1	7.5	(0.4)	(5.4)
Mutual funds	7.0	7.4	(0.4)	(5.4)
Pension funds	0.0	0.0	0.0	-
Managed portfolios	0.1	0.1	(0.0)	(8.4)
Customer funds under management	231.9	223.5	8.4	3.7
Commercial loans included above	198.6	190.7	8.0	4.2
Commercial deposits included above	162.3	152.4	9.8	6.5

Income statement

	2015	2014	Variance	
			Amount	%
Net interest income	3,585	3,412	174	5
Net Fees	791	828	(37)	(4)
Gains (losses) on financial transactions	219	194	25	13
Other operating income *	34	30	4	12
Gross income	4,630	4,464	165	4
Operating Expenses	(2,435)	(2,351)	(83)	4
General administrative expenses	(2,183)	(2,091)	(92)	4
Personnel	(1,155)	(1,255)	100	(8)
Other general administrative expenses	(1,028)	(836)	(192)	23
Depreciation and amortisation	(252)	(261)	9	(3)
Net Operating Income	2,195	2,113	82	4
Net loan-loss provisions	(78)	(268)	190	(71)
Other income	(257)	(256)	(1)	0
Profit before taxes	1,860	1,589	271	17
Tax on profit	(403)	(335)	(68)	20
Consolidated profit	1,457	1,254	203	16
Minority interests	(27)	0	(27)	-
Attributable profit to the Group	1,430	1,254	176	14

Quarterly income statements

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Net interest income	819	844	864	885	887	900	896	903
Net Fees	205	201	206	216	213	210	196	173
Gains (losses) on financial transactions	65	56	46	27	45	60	42	72
Other operating income *	12	3	7	7	7	3	17	7
Gross income	1,100	1,105	1,124	1,136	1,152	1,173	1,150	1,155
Operating Expenses	(580)	(578)	(585)	(609)	(612)	(608)	(605)	(610)
General administrative expenses	(508)	(514)	(532)	(537)	(556)	(547)	(545)	(535)
Personnel	(303)	(304)	(326)	(322)	(294)	(302)	(280)	(279)
Other general administrative expenses	(205)	(210)	(206)	(215)	(262)	(245)	(265)	(256)
Depreciation and amortisation	(72)	(64)	(53)	(72)	(56)	(61)	(60)	(75)
Net Operating Income	520	527	539	527	540	565	545	545
Net loan-loss provisions	(99)	(71)	(70)	(27)	(56)	(12)	6	(15)
Other income	(38)	(51)	(58)	(108)	(41)	(36)	(94)	(85)
Profit before taxes	382	405	411	392	443	516	457	444
Tax on profit	(75)	(84)	(89)	(87)	(87)	(115)	(107)	(94)
Consolidated profit	307	321	322	305	356	401	350	350
Minority interests	-	-	-	-	(6)	(7)	(7)	(7)
Attributable profit to the Group	307	321	322	305	350	394	343	343

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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