

## CREDIT OPINION

18 August 2021

### Update

 Rate this Research

#### RATINGS

##### Santander UK Group Holdings plc

|                   |                             |
|-------------------|-----------------------------|
| Domicile          | London, United Kingdom      |
| Long Term CRR     | Not Assigned                |
| Long Term Debt    | Baa1                        |
| Type              | Senior Unsecured - Fgn Curr |
| Outlook           | Stable                      |
| Long Term Deposit | Not Assigned                |

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Santander UK Group Holdings plc

Update following rating action and publication of new Banks Methodology

### Summary

The A1 long-term deposit and senior debt ratings of [Santander UK plc](#) (Santander UK) incorporate: (1) the bank's standalone creditworthiness, reflected in its baa1 Baseline Credit Assessment (BCA); (2) limited financial and operational connections to its parent, [Banco Santander S.A.](#) (Banco Santander, A2/A2 stable, baa1), which shields Santander UK from a potential deterioration in its parent's creditworthiness; (3) very low loss-given-failure, which provides two notches of uplift under our Advanced Loss Given Failure (LGF) analysis; and (4) our assessment of a moderate probability of support from the [Government of United Kingdom](#) (Aa3 stable), which provides one additional notch to the ratings.

The Baa1 senior unsecured debt ratings of the group holding company [Santander UK Group Holdings plc](#) (Santander UK Group) incorporate: 1) its notional BCA of baa1 2) the instrument's high loss-given-failure, resulting in a rating one notch below the BCA; and 3) low probability of government support, which does not provide any uplift.

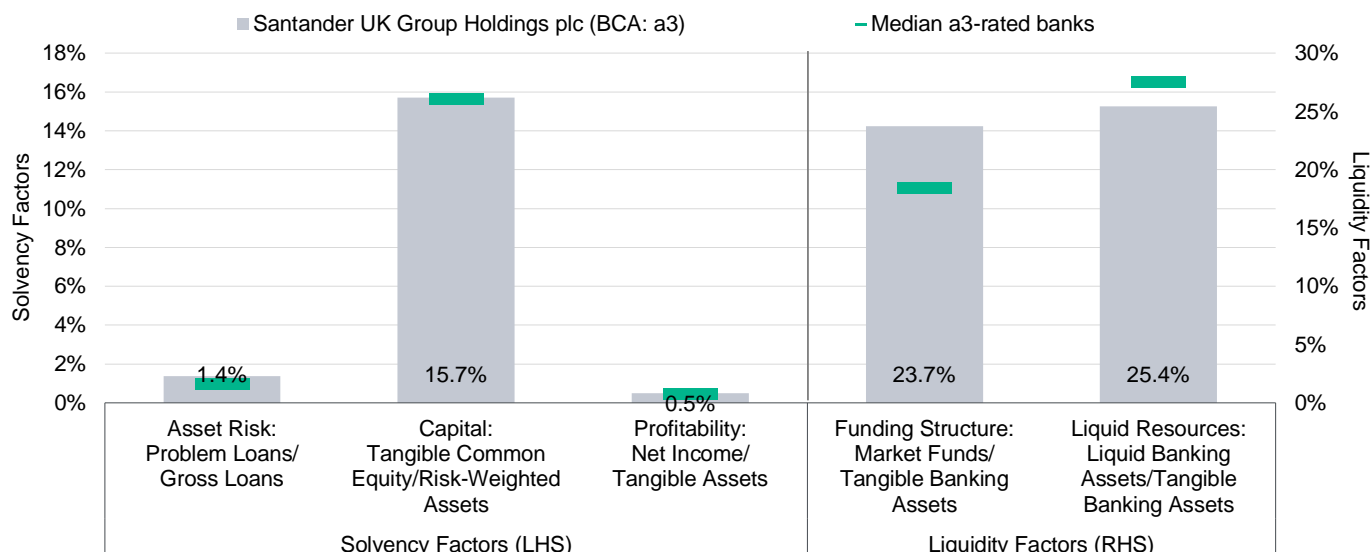
We align the ratings of the group's non-ring-fenced bank [Santander Financial Services plc](#) (SFS) with those of Santander UK, reflecting the predominance of Santander UK.

On 13 July, we downgraded Santander UK's junior subordinate debt ratings to Baa3(hyb) from Baa2(hyb), its preference stock cumulative ratings to Baa3(hyb) from Baa2(hyb) and its preference stock non-cumulative ratings to Ba1(hyb) from Baa3(hyb), following the downgrade of the BCAs and the Adjusted BCAs of Santander UK, Santander UK Group and SFS to baa1 from a3. The other ratings and assessments were affirmed. We changed the outlook of Santander UK Group senior ratings to stable from negative and maintained the stable outlook for Santander UK and SFS senior ratings.

Santander UK's a3 BCA reflects: 1) low stock of problem loans; 2) good risk-weighted capitalisation; 3) low earnings volatility, which mitigates medium-term pressures on profitability; 4) a lower than peers leverage ratio, and 5) modest business diversification in line with mortgage-focused peers, reflected in one notch negative qualitative adjustment in our scorecard.

Exhibit 1

## Rating Scorecard - Key financial ratios



We assign a BCA to Santander UK based on the consolidated financials of Santander UK Group. The chart above shows the financial ratios of Santander UK Group.

Source: Moody's Investors Service

## Credit strengths

- » Track record of low stock of problem loans
- » Good risk-weighted capitalisation
- » Low earnings volatility

## Credit challenges

- » Lower than peers leverage ratio
- » Medium-term pressures on profitability due to low interest rates

## Outlook

The outlook on Santander UK's long-term deposit and senior unsecured debt ratings is stable, reflecting our view that the combined solvency and liquidity metrics will on a forward-looking basis remain in line with our assessment, as its asset quality and profitability stabilize.

## Factors that could lead to an upgrade of the ratings

Santander UK's and Santander UK Holdings Group's ratings could be upgraded following an upgrade of Santander UK's BCA, supported by improved profitability, lower level of problem loans and reduced reliance on its moderate market funding. The BCA could also be upgraded if the bank were able to increase the level of diversification of its business.

## Factors that could lead to a downgrade of the ratings

Santander UK's ratings could be downgraded following a downgrade of Santander UK's BCA driven by a significant deterioration in the bank's asset-quality metrics, a material weakening in profitability or a deterioration in the bank's funding and liquidity position, including a further reduction in the quantity or quality of its liquidity buffer. Santander UK Group's senior holdco debt rating could be downgraded following a downgrade of Santander UK's BCA or following a material reduction in the volume of bail-in-able debt.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Santander UK Group Holdings plc (Consolidated Financials) [1]

|  | 12-20 <sup>2</sup> | 12-19 <sup>2</sup> | 12-18 <sup>2</sup> | 12-17 <sup>2</sup> | 12-16 <sup>2</sup> | CAGR/Avg. <sup>3</sup> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
| Total Assets (GBP Billion)                                       | 295.6              | 285.2              | 286.0              | 295.3              | 280.1              | 1.3 <sup>4</sup>       |
| Total Assets (USD Billion)                                       | 404.0              | 377.9              | 364.3              | 399.4              | 346.2              | 3.9 <sup>4</sup>       |
| Tangible Common Equity (GBP Billion)                             | 11.4               | 13.8               | 13.7               | 13.8               | 12.8               | (2.8) <sup>4</sup>     |
| Tangible Common Equity (USD Billion)                             | 15.6               | 18.2               | 17.5               | 18.6               | 15.9               | (0.3) <sup>4</sup>     |
| Problem Loans / Gross Loans (%)                                  | 1.4                | 1.1                | 1.2                | 1.3                | 1.4                | 1.3 <sup>5</sup>       |
| Tangible Common Equity / Risk Weighted Assets (%)                | 15.7               | 18.8               | 17.5               | 15.8               | 14.6               | 16.5 <sup>6</sup>      |
| Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%) | 22.7               | 15.6               | 17.1               | 17.7               | 19.6               | 18.5 <sup>5</sup>      |
| Net Interest Margin (%)  | 1.1                | 1.2                | 1.3                | 1.3                | 1.3                | 1.3 <sup>5</sup>       |
| PPI / Average RWA (%)  | 1.9                | 2.3                | 2.3                | 2.8                | 2.6                | 2.4 <sup>6</sup>       |
| Net Income / Tangible Assets (%)                                 | 0.5                | 0.5                | 0.5                | 0.5                | 0.9                | 0.6 <sup>5</sup>       |
| Cost / Income Ratio (%)  | 64.4               | 59.5               | 56.6               | 50.7               | 50.9               | 56.4 <sup>5</sup>      |
| Market Funds / Tangible Banking Assets (%)                       | 23.7               | 25.6               | 27.8               | 28.7               | 25.9               | 26.4 <sup>5</sup>      |
| Liquid Banking Assets / Tangible Banking Assets (%)              | 25.4               | 24.3               | 24.9               | 28.9               | 24.7               | 25.7 <sup>5</sup>      |
| Gross Loans / Due to Customers (%)                               | 107.8              | 113.4              | 113.3              | 109.4              | 112.2              | 111.2 <sup>5</sup>     |

[...] Further to the publication of our revised methodology in July 2021, for issuers that have "high trigger" additional Tier 1 instruments outstanding, not all ratios included in this report reflect the change in treatment of these instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS.

[3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

## Profile

Santander UK is a retail and commercial bank that operates exclusively in the UK. It is a large subsidiary of Banco Santander, accounting for around 20% of the group's assets at the end of 2020. In the UK, Santander UK is the third-largest residential mortgage provider and is the fourth-largest current account provider.

As part of the implementation of the ring-fencing legislation in the UK, in 2018, Santander UK transferred its small corporate and investment banking division to the London branch of Banco Santander, and its branches in the Crown Dependencies to its sister company SFS, which became the non-ring-fenced bank of Santander UK Group. At present, in addition to the branches in the Crown Dependencies, SFS retains a small portfolio of legacy assets.

## Detailed credit considerations

We assign a BCA to Santander UK based on the consolidated financials of Santander UK Group. The financial data in the following sections are sourced from Santander UK Group's consolidated financial statements, unless otherwise stated.

### Concentration of revenue in UK residential mortgages

We introduced a one-notch negative qualitative adjustment to Santander UK's scorecard to reflect modest business diversification, due to the high proportion of retail loans in Santander UK's loan book: 81% of Santander UK's portfolio consists of residential mortgages (followed by corporate loans, 13%, consumer loans, 4%, credit cards and unsecured personal loans, 2%) at end-2020.

We apply the same one-notch negative qualitative adjustment to other UK banks with similar business models, in particular the building societies.

### Low stock of problem loans

The assigned a1 Asset Risk score reflects our expectation that problem loans will broadly stabilize at current level, due to an improvement of the operating environment in the UK.

Santander UK's loan book has a low risk profile, largely comprising residential mortgages (81% of the total loan book), with a relatively low average loan-to-value ratio of 42% at end of 2020. Buy-to-let mortgages are low, representing just 6% of the loan book. Lending to corporate and small and medium-sized enterprises at 13% of total loans is relatively low compared with that of its peers, although the bank aims to gradually increase its market share. Consumer finance lending is small when compared with other large UK banks, representing 6% of total lending (4% auto finance and 2% unsecured lending). The remainder of Santander UK's loan book (1%) is largely composed of legacy assets and portfolios in run-off booked under the bank's corporate centre.

At the end of June 2021, Stage 3 loans remained in line with year end 2020 at 1.4% while Stage 2 loans decreased to 7.0% of loans from 8.1% at end- 2020. We expect Stage 3 loans to broadly stabilize at current level.

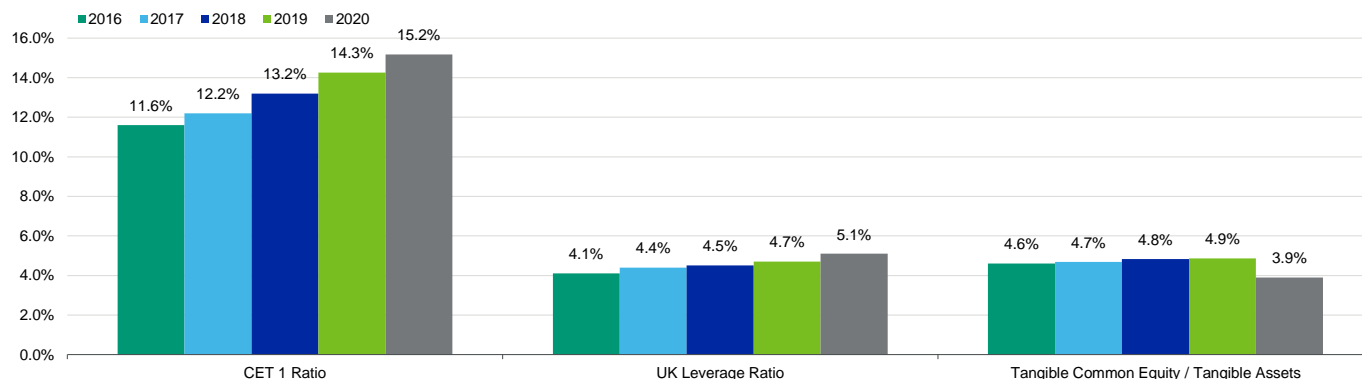
### Good risk-weighted capitalisation, but weaker than peers leverage ratio

The assigned a1 Capital score is one notch below the aa3 Macro-Adjusted score, reflecting an expected decrease of capital levels and its weaker than peers leverage ratio.

Regulatory capital is currently solid: the Common Equity Tier 1 (CET1) capital ratio was 15.5% at end-June 2021 (15.2% at YE 2020), 550 basis points above it's the Maximum Distributable Amount (MDA). The CET1 ratio has been improving in recent years (it was 14.3% at end-2019 and 13.2% at end-2018), reflecting stable retained earnings and a material decrease in risk-weighted assets, driven by a reduction in the exposure towards commercial real estate companies, together with ring-fencing transfers and securitisations. The Tangible Common Equity ratio at year end 2020 was 15.7% and excludes high-trigger AT1 instruments, which previously accounted for around 290 basis points.

The leverage ratio calculated according to the UK Prudential Regulation Authority's recommendations (the so-called UK leverage ratio) was 5.2% at the end of June 2021, above requirements . However, our leverage ratio was 3.9% at end-2020, lower than most peers.

Exhibit 3

**Santander UK's increase in CET1 ratio mainly reflects lower risk-weighted assets****Santander UK's main capital ratios**

Regulatory ratios on a fully loaded basis.

Source: Moody's Investors Service, company reports

**Medium-term pressures on profitability due to low interest rates**

The assigned ba3 Profitability score is two notches below the ba1 Macro-Adjusted score.

Santander UK's profitability has been relatively stable in recent years and before the Coronavirus-led crisis, due to its concentration in residential mortgages and a smaller than-peers impact from legacy issues such as payment protection insurance (PPI) redress.

In 2020, Santander UK reported £438 million profit after tax, a decrease of 38% from the prior year, largely due to higher credit impairment and charges and lower revenue. Net interest income increased 4% during the year, benefiting from the repricing of customer deposits, which offset the negative impact from lower rates. However, fee income dropped 40% during the same period. Operating costs decreased. Higher credit provisions mostly reflected change in macroeconomic scenario assumptions following the coronavirus outbreak. The reduction in retail transaction and banking fees was largely due to the implementation of regulatory changes to overdrafts.

In the first half of 2021, Santander UK reported a profit after tax of £571 million, a 410% increase compared to the same period the prior year. Revenue increased 18% yoy, driven by a 27% increase in net interest income, largely supported by the repricing actions on the deposits to offset the base rate cuts and SVR loan book attrition. Banking net interest margin was 1.87% at the end of June 2021, up from 1.53% at the end of June 2020. The bank released credit provisions of £70 million, compared to £364 million credit provision and impairment charges in the same period the previous year. Operating costs of £1.3 billion were 10% higher yoy, due to transformation programme additional costs.

We expect the recovery in the mortgage market, which continued strongly in 1H 2021, to ease in 2H 2021 and in 2022, affecting pricing on new mortgage lending; the environment of low interest rates will exacerbate pressures on the net interest margin. Further cost savings, driven by the transformation programme will partially mitigate these pressures.

**Stable retail funding profile**

The baa1 Funding Structure score is in line with their respective Macro-Adjusted scores.

Being primarily a retail bank, customer deposits are Santander UK's main source of funding, accounting for about 70% of total funding at end-2020. Santander UK has replaced more price-sensitive deposit customers with current accounts, which are generally more stable and usually have more than one product with the bank. The bank's loan-to-deposit ratio was 108% at the end of June 2021, a level higher than most of its peers.

Wholesale funding reliance is moderate and broadly stable, representing 24% of tangible banking assets at end-2020. We expect the bank will replace its cheap central bank Term Funding Scheme (TFS) facility with the new Term Funding Scheme introduced by the Bank of England in March 2020 (TFSME); additional MREL issuance to meet 2022 requirements are relatively small, likely to be offset by maturing non-MREL funding.

Santander UK has a good stock of liquid assets, representing 25% of the bank's tangible banking assets as of December 2020. The bank reported a strong 150% liquidity coverage ratio as of the end of 2020. The liquidity coverage ratio-eligible liquidity pool was £51.5 billion as of the same date, covering 2.4 times the wholesale funds with a residual maturity of less than one year.

We assign a baa1 liquidity score, one notch lower than the initial score. Santander UK has a good stock of liquid assets, representing 25% of the bank's tangible banking assets at end-2020. The bank reported an 144% liquidity coverage ratio (LCR) at end-June 2021, below the 150% at end 2020. The eligible liquidity pool was £47 billion as of the same date, covering 2.8x wholesale funds with a residual maturity of less than one year.

### ESG Considerations

In line with our general view for the banking sector, Santander UK has a low exposure to Environmental risks and moderate exposure to Social risks. See our [Environmental risks heatmap](#) and [Social risks heatmap](#) for further information.

Our assessment of moderate Social risk for Santander UK also takes into account the bank's exposure to the coronavirus-induced economic shock.

Governance is highly relevant for Santander UK, as it is to all banks. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for Santander UK we do not have any particular governance concern. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

## Support and structural considerations

### Affiliate support

We expect a high probability of support coming from Banco Santander, based on the size of Santander UK within the group and reputational risk to its parent. Our assumptions do not lead to any uplift, because the BCA of Santander UK is in line with that of Banco Santander.

### Loss Given Failure (LGF) analysis

Santander UK is subject to the UK implementation of the EU Bank Recovery and Resolution Directive, which we consider to be an operational resolution regime. Our analysis assumes residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits, and it assigns a 25% probability to deposits being preferred to senior unsecured debt. These assumptions are in line with our standard assumptions. We also assume the proportion of deposits considered junior at 10%, relative to our standard assumption of 26%, because of the more retail, and small and medium-sized enterprise-oriented depositor base.

Our LGF analysis indicates that Santander UK's junior deposits and senior debt are likely to face very low loss-given-failure because of the loss absorption provided by limited subordinated debt and the volume of deposits and senior debt. This results in a two-notch uplift from the bank's BCA. For the senior unsecured debt of the holding company Santander UK Group, our LGF analysis shows moderate loss-given-failure, resulting from the combination of its own limited volume of debt and the amount of debt subordinated to it. This results in ratings in line with Santander UK Group's BCA.

The Additional Tier 1 high-trigger contingent convertible perpetual preferred securities issued by Santander UK Group are rated Ba1 (hyb) following the update of the methodology.

### Government support

We expect a moderate probability of government support for Santander UK's deposits and senior debt, reflecting the bank's high market share for deposits and residential mortgages in the UK. This results in one notch of uplift to the long-term deposit and senior unsecured ratings.

For junior securities, and for the senior debt of the holding company, we believe that potential government support is low, and these ratings do not include any related uplift.

### Counterparty Risk (CR) Assessments and Counterparty Risk Ratings (CRRs)

Santander UK's CR Assessments are Aa3(cr)/Prime-1(cr). The long-term CR Assessments, before government support, are three notches above the bank's standalone BCAs of baa1. The uplift results from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support results in one additional notch of uplift.

Santander UK's CRRs are Aa3/Prime-1. The long-term CRRs, before government support, are three notches above the bank's BCAs of baa1. The uplift derives from the buffer against default provided to the operating obligations by substantial bail-in-able debt and deposits. A moderate probability of government support results in one additional notch of uplift. Although Santander UK is likely to have more than a nominal volume of CRR liabilities at failure, this has no impact on the CRRs because the significant level of subordination below the CRR liabilities at the banks already provides the maximum amount of uplift under our rating methodology.

### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 4

Santander UK Group Holdings plc

|  |                       |                               |                       |                                 |                        |                      |  |
|--|-----------------------|-------------------------------|-----------------------|---------------------------------|------------------------|----------------------|--|
| <b>Macro Factors</b>   |                       |                               |                       |                                 |                        |                      |  |
| <b>Weighted Macro Profile</b>  | <b>Strong +</b>       | <b>100%</b>                   |                       |                                 |                        |                      |  |
| <b>Factor</b>  | <b>Historic Ratio</b> | <b>Initial Score</b>          | <b>Expected Trend</b> | <b>Assigned Score</b>           | <b>Key driver #1</b>   | <b>Key driver #2</b> |  |
| Solvency   |                       |                               |                       |                                 |                        |                      |  |
| Asset Risk   |                       |                               |                       |                                 |                        |                      |  |
| Problem Loans / Gross Loans  | 1.4%                  | aa3                           | ↓                     | a1                              | Expected trend         |                      |  |
| Capital  |                       |                               |                       |                                 |                        |                      |  |
| Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded) | 15.7%                 | aa3                           | ↔                     | a1                              | Nominal leverage       |                      |  |
| Profitability  |                       |                               |                       |                                 |                        |                      |  |
| Net Income / Tangible Assets   | 0.5%                  | ba1                           | ↓↓                    | ba3                             | Earnings quality       |                      |  |
| Combined Solvency Score  |                       | a2                            |                       | a3                              |                        |                      |  |
| Liquidity  |                       |                               |                       |                                 |                        |                      |  |
| Funding Structure  |                       |                               |                       |                                 |                        |                      |  |
| Market Funds / Tangible Banking Assets                                   | 23.7%                 | baa1                          | ↔                     | baa1                            | Market funding quality |                      |  |
| Liquid Resources   |                       |                               |                       |                                 |                        |                      |  |
| Liquid Banking Assets / Tangible Banking Assets                          | 25.4%                 | a3                            | ↔                     | baa1                            | Expected trend         |                      |  |
| Combined Liquidity Score   |                       | baa1                          |                       | baa1                            |                        |                      |  |
| Financial Profile  |                       |                               |                       | a3                              |                        |                      |  |
| Qualitative Adjustments  |                       |                               |                       | Adjustment                      |                        |                      |  |
| Business Diversification   |                       |                               |                       | -1                              |                        |                      |  |
| Opacity and Complexity   |                       |                               |                       | 0                               |                        |                      |  |
| Corporate Behavior   |                       |                               |                       | 0                               |                        |                      |  |
| Total Qualitative Adjustments  |                       |                               |                       | -1                              |                        |                      |  |
| Sovereign or Affiliate constraint  |                       |                               |                       | Aa3                             |                        |                      |  |
| BCA Scorecard-indicated Outcome - Range                                  |                       |                               |                       | a3 - baa2                       |                        |                      |  |
| Assigned BCA   |                       |                               |                       | baa1                            |                        |                      |  |
| Affiliate Support notching   |                       |                               |                       | 0                               |                        |                      |  |
| Adjusted BCA   |                       |                               |                       | baa1                            |                        |                      |  |
| <b>Balance Sheet</b>   |                       | <b>in-scope (GBP Million)</b> | <b>% in-scope</b>     | <b>at-failure (GBP Million)</b> | <b>% at-failure</b>    |                      |  |
| Other liabilities  |                       | 69,239                        | 23.6%                 | 82,863                          | 28.2%                  |                      |  |
| Deposits   |                       | 194,632                       | 66.2%                 | 181,008                         | 61.6%                  |                      |  |
| Preferred deposits   |                       | 175,169                       | 59.6%                 | 166,410                         | 56.6%                  |                      |  |
| Junior deposits  |                       | 19,463                        | 6.6%                  | 14,597                          | 5.0%                   |                      |  |
| Senior unsecured bank debt   |                       | 8,212                         | 2.8%                  | 8,212                           | 2.8%                   |                      |  |
| Dated subordinated bank debt   |                       | 817                           | 0.3%                  | 817                             | 0.3%                   |                      |  |
| Junior subordinated bank debt  |                       | 452                           | 0.2%                  | 452                             | 0.2%                   |                      |  |
| Preference shares (bank)   |                       | 560                           | 0.2%                  | 560                             | 0.2%                   |                      |  |
| Senior unsecured holding company debt                                    |                       | 8,113                         | 2.8%                  | 8,113                           | 2.8%                   |                      |  |
| Dated subordinated holding company debt                                  |                       | 824                           | 0.3%                  | 824                             | 0.3%                   |                      |  |
| Preference shares(holding company)                                       |                       | 2,250                         | 0.8%                  | 2,250                           | 0.8%                   |                      |  |
| Equity   |                       | 8,817                         | 3.0%                  | 8,817                           | 3.0%                   |                      |  |
| Total Tangible Banking Assets  |                       | 293,916                       | 100.0%                | 293,916                         | 100.0%                 |                      |  |

| Debt Class                                       | De Jure waterfall |                | De Facto waterfall |                | Notching |          | LGF                                | Assigned     | Additional | Preliminary       |
|--|-------------------|----------------|--------------------|----------------|----------|----------|------------------------------------|--------------|------------|-------------------|
|  | Instrument        | Sub-ordination | Instrument         | Sub-ordination | De Jure  | De Facto | Notching Guidance vs. Adjusted BCA | LGF notching | Notching   | Rating Assessment |
| Counterparty Risk Rating                         | 15.2%             | 15.2%          | 15.2%              | 15.2%          | 3        | 3        | 3                                  | 3            | 0          | a1                |
| Counterparty Risk Assessment                     | 15.2%             | 15.2%          | 15.2%              | 15.2%          | 3        | 3        | 3                                  | 3            | 0          | a1 (cr)           |
| Deposits   | 15.2%             | 7.4%           | 15.2%              | 10.2%          | 2        | 3        | 2                                  | 2            | 0          | a2                |
| Senior unsecured bank debt                       | 15.2%             | 7.4%           | 10.2%              | 7.4%           | 2        | 1        | 2                                  | 2            | 0          | a2                |
| Senior unsecured holding company debt            | 7.4%              | 4.7%           | 7.4%               | 4.7%           | 0        | 0        | 0                                  | 0            | 0          | baa1              |
| Dated subordinated bank debt                     | 4.7%              | 4.1%           | 4.7%               | 4.1%           | 0        | 0        | 0                                  | 0            | 0          | baa1              |
| Dated subordinated holding company debt          | 4.7%              | 4.1%           | 4.7%               | 4.1%           | 0        | 0        | 0                                  | 0            | 0          | baa1              |
| Junior subordinated bank debt                    | 4.1%              | 4.0%           | 4.1%               | 4.0%           | -1       | -1       | -1                                 | -1           | -1         | baa3              |
| Cumulative bank preference shares                | 4.0%              | 3.0%           | 4.0%               | 3.0%           | -1       | -1       | -1                                 | -1           | -1         | baa3              |
| Non-cumulative bank preference shares            | 4.0%              | 3.0%           | 4.0%               | 3.0%           | -1       | -1       | -1                                 | -1           | -2         | ba1               |
| Holding company non-cumulative preference shares | 4.0%              | 3.0%           | 4.0%               | 3.0%           | -1       | -1       | -1                                 | -1           | -2         | ba1               |

| Instrument Class                                 | Loss Given Failure notching | Additional notching | Preliminary Rating Assessment | Government Support notching | Local Currency Rating | Foreign Currency Rating |
|--|-----------------------------|---------------------|-------------------------------|-----------------------------|-----------------------|-------------------------|
| Counterparty Risk Rating                         | 3                           | 0                   | a1                            | 1                           | Aa3                   | Aa3                     |
| Counterparty Risk Assessment                     | 3                           | 0                   | a1 (cr)                       | 1                           | Aa3(cr)               |                         |
| Deposits   | 2                           | 0                   | a2                            | 1                           | A1                    | A1                      |
| Senior unsecured bank debt                       | 2                           | 0                   | a2                            | 1                           | A1                    | A1                      |
| Senior unsecured holding company debt            | 0                           | 0                   | baa1                          | 0                           | Baa1                  | Baa1                    |
| Dated subordinated bank debt                     | 0                           | 0                   | baa1                          | 0                           | Baa1                  | Baa1                    |
| Dated subordinated holding company debt          | 0                           | 0                   | baa1                          | 0                           |                       | Baa1                    |
| Junior subordinated bank debt                    | -1                          | -1                  | baa3                          | 0                           | Baa3 (hyb)            | Baa3 (hyb)              |
| Cumulative bank preference shares                | -1                          | -1                  | baa3                          | 0                           | Baa3 (hyb)            |                         |
| Non-cumulative bank preference shares            | -1                          | -2                  | ba1                           | 0                           | Ba1 (hyb)             |                         |
| Holding company non-cumulative preference shares | -1                          | -2                  | ba1                           | 0                           | Ba1 (hyb)             | (P)Ba1                  |

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

## Ratings

Exhibit 5

| Category                                | Moody's Rating  |
|---|-----------------|
| <b>SANTANDER UK GROUP HOLDINGS PLC</b>  |                 |
| Outlook                                 | Stable          |
| Baseline Credit Assessment              | baa1            |
| Adjusted Baseline Credit Assessment     | baa1            |
| Issuer Rating -Dom Curr                 | Baa1            |
| Senior Unsecured                        | Baa1            |
| Subordinate                             | Baa1            |
| Pref. Stock Non-cumulative -Dom Curr    | Ba1 (hyb)       |
| Pref. Shelf Non-cumulative              | (P)Ba1          |
| Other Short Term                        | (P)P-2          |
| <b>SANTANDER FINANCIAL SERVICES PLC</b> |                 |
| Outlook                                 | Stable          |
| Counterparty Risk Rating                | Aa3/P-1         |
| Bank Deposits                           | A1/P-1          |
| Baseline Credit Assessment              | baa1            |
| Adjusted Baseline Credit Assessment     | baa1            |
| Counterparty Risk Assessment            | Aa3(cr)/P-1(cr) |
| Issuer Rating                           | A1              |
| ST Issuer Rating                        | P-1             |
| <b>SANTANDER UK PLC</b>                 |                 |
| Outlook                                 | Stable          |
| Counterparty Risk Rating                | Aa3/P-1         |
| Bank Deposits                           | A1/P-1          |
| Baseline Credit Assessment              | baa1            |
| Adjusted Baseline Credit Assessment     | baa1            |
| Counterparty Risk Assessment            | Aa3(cr)/P-1(cr) |
| Issuer Rating                           | A1              |
| Senior Unsecured                        | A1              |
| Subordinate                             | Baa1            |
| Jr Subordinate                          | Baa3 (hyb)      |
| Pref. Stock -Dom Curr                   | Baa3 (hyb)      |
| Pref. Stock Non-cumulative -Dom Curr    | Ba1 (hyb)       |
| Commercial Paper                        | P-1             |
| Other Short Term                        | (P)P-1          |

Source: Moody's Investors Service

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