

Santander UK plc

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Results for the quarter ended 31 December 2014

Quarterly data series

3 February 2015

The basis of presentation in this results announcement has been changed, and prior periods restated with a resegmentation of the business. For the details of the basis of the resegmentation and restatements, please refer to the Q4 2014 Quarterly Management Statement.

Results for the year ended 31 December 2014 ¹

Income statement	Q4'14	Q3'14	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m	£m	£m	£m
Net interest income	890	871	848	825	812	760	699	692
Non-interest income	260	257	250	269	259	237	291	279
Total operating income	1.150	1.128	1.098	1.094	1.071	997	990	971
Administrative expenses	(530)	(509)	(379)	(497)	(477)	(478)	(499)	(493)
Depreciation, amortisation and impairment	(70)	(65)	(274)	(73)	(68)	(59)	(61)	(60)
Total operating expenses excl. provisions and charges	(600)	(574)	(653)	(570)	(545)	(537)	(560)	(553)
Impairment losses on loans and advances	(18)	(68)	(75)	(97)	(115)	(125)	(105)	(130)
Provisions for other liabilities and charges	(144)	(20)	(241)	(11)	(105)	7	(146)	(6)
Total operating provisions and charges	(162)	(88)	(316)	(108)	(220)	(118)	(251)	(136)
Profit before tax from continuing operations	388	466	129	416	306	342	179	282
Taxation charge on continuing operations	(85)	(97)	(26)	(81)	(56)	(65)	(33)	(57)
Profit from continuing operations	303	369	103	335	250	277	146	225
Discontinued operations	-	-	-	-	4	-	(12)	-
Profit for the period	303	369	103	335	254	277	134	225
<i>Banking NIM</i>	1,85%	1,82%	1,81%	1,79%	1,71%	1,59%	1,46%	1,45%
<i>Cost-to-income ratio</i>	52%	51%	59%	52%	51%	54%	57%	57%

1. The financial results for 2014 included a number of specific gains, expenses and charges that, if separately identified, management believe assist in a better understanding of the underlying operating trends of the business. The aggregate pre-tax impact for Q2'14 was £(206)m, as previously disclosed, with an additional conduct charge of £(70)m in Q4'14. Detail and definitions are outlined in the Q4 2014 Quarterly Management Statement in Appendix 1.

Results for the year ended 31 December 2014

Summary balance sheet analysis	31.12.14	30.09.14	30.06.14	31.03.14	31.12.13	31.09.13	30.06.13	31.03.13	31.12.12
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Retail Banking	158,5	158,3	156,6	155,2	155,6	157,3	159,6	161,4	164,1
Commercial Banking	18,7	18,5	18,0	17,5	17,0	16,3	16,0	15,7	15,4
UK Banking	177,2	176,8	174,6	172,7	172,6	173,6	175,6	177,1	179,5
Corporate & Institutional Banking	5,2	5,0	5,1	5,4	5,1	5,2	5,0	4,7	4,2
Corporate Centre	8,3	8,6	8,7	8,9	9,4	9,9	10,4	10,6	11,0
Customer loans	190,7	190,4	188,4	187,0	187,1	188,7	191,0	192,4	194,7
Other assets	85,3	85,1	81,8	93,5	83,2	105,8	106,9	108,1	98,3
Total assets	276,0	275,5	270,2	280,5	270,3	294,5	297,9	300,5	293,0
Liabilities									
Retail Banking	129,6	127,7	126,9	124,7	123,2	123,7	126,7	127,0	127,2
Commercial Banking ^{1 2}	15,3	15,2	14,8	13,6	13,8	12,0	11,7	11,3	10,5
UK Banking	144,9	142,9	141,7	138,3	137,0	135,7	138,4	138,3	137,7
Corporate & Institutional Banking ^{1 2}	2,3	2,3	2,8	3,0	2,6	2,1	2,1	2,6	2,3
Corporate Centre ^{1 2}	5,2	5,7	6,2	6,3	6,8	10,7	10,0	10,1	8,6
Customer deposits	152,4	150,9	150,7	147,6	146,4	148,5	150,5	151,0	148,6
Medium-term funding	56,2	56,6	56,5	58,5	57,6	59,6	61,1	62,3	66,3
Other liabilities	53,2	54,0	49,4	61,4	53,7	73,5	73,4	73,9	65,1
Total liabilities	261,8	261,5	256,6	267,5	257,7	281,6	285,0	287,2	280,0
Equity	14,2	14,0	13,6	13,0	12,6	12,9	12,9	13,3	13,0
Total liabilities and equity	276,0	275,5	270,2	280,5	270,3	294,5	297,9	300,5	293,0
Ratios									
<i>Loan-to-deposit ratio</i>	124%	125%	124%	125%	126%	126%	125%	126%	129%

1. A number of larger corporate customers whose liability relationship was managed centrally were transferred to the Corporate Centre from the Commercial Banking and Corporate & Institutional Banking segments during Q4'13. The deposits transferred totalled £2.1bn. Periods prior to Q4'13 have not been restated.

2. A number of corporate customers whose liability relationship was managed centrally were transferred from the Corporate Centre to the Commercial Banking and Corporate & Institutional Banking segments during Q4'14. The deposits transferred totalled £2.7bn. Periods prior to Q4'13 have not been restated.

Results for the year ended 31 December 2014

Summary capital, leverage, liquidity and funding	31.12.14	30.09.14	30.06.14	31.03.14	31.12.13	30.09.13	30.06.13	31.03.13	31.12.12
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Capital and leverage – CRD IV									
CET 1 capital	9,8	9,8	9,4	9,4	9,0	9,2	9,0	9,2	8,8
Total qualifying regulatory capital ¹	14,7	14,6	14,3	13,7	13,3	12,9	12,9	13,4	12,7
Risk Weighted Assets ('RWAs')	82,3	82,4	79,9	80,5	77,7	79,6	78,7	79,3	79,5
<i>CET 1 capital ratio</i>	11,9%	11,9%	11,8%	11,6%	11,6%	11,6%	11,4%	11,6%	11,1%
<i>Total capital ratio</i>	17,9%	17,8%	17,8%	17,0%	17,1%	16,2%	16,4%	16,9%	16,0%
<i>PRA end point T1 leverage ratio</i>	3,8%	3,7%	3,6%	3,3%	3,3%	3,3%	3,2%	3,0%	n.a
Liquidity ²									
<i>Liquidity Coverage Ratio ('LCR')</i>	110%	108%	107%	102%	103%	n.d	n.d	n.d	112%
LCR eligible liquidity pool	39,5	37,3	36,9	37,0	32,8	36,0	37,3	40,8	40,0
Funding									
Total wholesale funding	66,2	68,0	66,9	68,8	65,6	69,8	70,4	73,5	76,6
- of which wholesale funding of less than one year	23,1	24,9	25,3	24,1	21,2	24,7	21,1	21,8	24,3
<i>LCR eligible liquid assets coverage of wholesale funding with a residual maturity of less than one year</i>	171%	150%	146%	153%	155%	146%	177%	187%	164%

1. Prepared on a basis consistent with Santander UK's regulatory filings following the adoption of CRD IV.

2. Balances and ratios for periods prior to Q4'14 are calculated on Santander UK's interpretation of the Basel Committee's LCR.

n.d: not previously disclosed

Results for the year ended 31 December 2014

Segmental credit quality analysis	31.12.14	30.09.14	30.06.14	31.03.14	31.12.13	30.09.13	30.06.13	31.03.13	31.12.12
Retail Banking									
Assets	£158,5bn	£158,3bn	£156,6bn	£155,2bn	£155,6bn	£157,3bn	£159,6bn	£161,4bn	£164,1bn
NPL	£2,573m	£2,656m	£2,780m	£2,865m	£2,936m	£2,993m	£3,004m	£2,983m	£2,882m
NPL ratio	1,62%	1,68%	1,78%	1,85%	1,89%	1,90%	1,88%	1,85%	1,76%
NPL coverage	34%	34%	32%	32%	31%	32%	31%	31%	32%
Gross write-offs ¹	£273m	£213m	£146m	£78m	£387m	£281m	£190m	£102m	£420m
Loan loss allowance	£881m	£905m	£901m	£914m	£921m	£946m	£932m	£925m	£908m
Residential mortgages									
Assets	£150,1bn	£150,0bn	£148,7bn	£147,6bn	£148,1bn	£149,9bn	£152,3bn	£154,1bn	£156,6bn
NPL	£2,459m	£2,539m	£2,657m	£2,734m	£2,788m	£2,841m	£2,849m	£2,821m	£2,719m
NPL ratio	1,64%	1,69%	1,79%	1,85%	1,88%	1,89%	1,87%	1,83%	1,74%
NPL coverage	24%	23%	22%	22%	21%	21%	20%	20%	20%
Gross write-offs ¹	£68m	£53m	£33m	£18m	£103m	£77m	£50m	£26m	£87m
Loan loss allowance	£579m	£585m	£586m	£594m	£593m	£589m	£579m	£570m	£552m
Banking/consumer credit									
Assets	£8,4bn	£8,3bn	£7,9bn	£7,6bn	£7,5bn	£7,4bn	£7,3bn	£7,3bn	£7,5bn
NPL	£114m	£117m	£123m	£131m	£148m	£152m	£155m	£162m	£163m
NPL ratio	1,35%	1,41%	1,55%	1,72%	1,96%	2,05%	2,12%	2,22%	2,16%
NPL coverage	265%	274%	256%	244%	222%	235%	228%	219%	218%
Gross write-offs ¹	£205m	£160m	£113m	£60m	£284m	£204m	£140m	£76m	£333m
Loan loss allowance	£302m	£320m	£315m	£320m	£328m	£357m	£353m	£355m	£356m
Commercial Banking									
Assets	£18,7bn	£18,5bn	£18,0bn	£17,5bn	£17,0bn	£16,4bn	£16,1bn	£15,6bn	£15,4bn
NPL	£664m	£692m	£713m	£603m	£649m	£706m	£730m	£767m	£818m
NPL ratio	3,56%	3,75%	3,96%	3,45%	3,83%	4,31%	4,55%	4,91%	5,31%
NPL coverage	46%	40%	41%	46%	43%	46%	44%	43%	39%
Gross write-offs ¹	£75m	£60m	£44m	£34m	£151m	£77m	£52m	£26m	£64m
Loan loss allowance	£305m	£279m	£289m	£272m	£279m	£321m	£319m	£328m	£320m
Corporate & Institutional Banking									
Assets	£5,2bn	£5,0bn	£5,1bn	£5,4bn	£5,1bn	£5,2bn	£5,0bn	£4,7bn	£4,2bn
NPL	£53m	£4m	£15m	£17m	£17m	£28m	£24m	£40m	£17m
NPL ratio	1,01%	0,07%	0,30%	0,32%	0,33%	0,54%	0,48%	0,84%	0,40%
NPL coverage	138%	1825%	447%	455%	453%	308%	366%	220%	514%
Gross write-offs ¹	£11m	£11m	£11m	-	£10m	£1m	£1m	-	-
Loan loss allowance	£73m	£68m	£68m	£78m	£77m	£85m	£87m	£87m	£87m
Corporate Centre									
Assets	£8,3bn	£8,6bn	£8,7bn	£8,9bn	£9,4bn	£9,9bn	£10,4bn	£10,6bn	£11,0bn
NPL	£134m	£126m	£183m	£164m	£221m	£253m	£388m	£410m	£494m
NPL ratio	1,62%	1,46%	2,10%	1,83%	2,36%	2,58%	3,75%	3,83%	4,49%
NPL coverage	134%	191%	132%	158%	125%	112%	101%	99%	99%
Gross write-offs ¹	£64m	£49m	£48m	£34m	£227m	£210m	£101m	£87m	£219m
Loan loss allowance	£180m	£241m	£241m	£259m	£278m	£284m	£393m	£405m	£488m
Santander UK NPL ratio	1,80%	1,83%	1,96%	1,95%	2,04%	2,11%	2,17%	2,18%	2,16%
Santander UK NPL coverage	42%	43%	41%	42%	41%	41%	42%	42%	43%

1. Write-offs during the period, year to date.

Retail Banking

Summary income statement	Q4'14	Q3'14	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m	£m	£m	£m
Net interest income	809	797	750	736	761	716	636	625
Non-interest income	141	137	137	145	140	157	152	150
Operating income	950	934	887	881	901	873	788	775
Operating expenses	(457)	(432)	(430)	(434)	(423)	(446)	(441)	(440)
Impairment losses on loans and advances	(19)	(61)	(47)	(60)	(80)	(95)	(87)	(97)
Provisions for other liabilities and charges	(118)	(20)	(248)	(9)	(84)	5	(142)	(5)
Profit before tax	356	421	162	378	314	337	118	233

Commercial Banking

Summary income statement	Q4'14	Q3'14	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m	£m	£m	£m
Net interest income	102	98	92	81	78	73	65	68
Non-interest income	28	29	28	27	29	29	27	28
Operating income	130	127	120	108	107	102	92	96
Operating expenses	(86)	(75)	(80)	(79)	(71)	(70)	(73)	(66)
Impairment losses on loans and advances	(30)	(8)	(26)	(28)	(26)	(30)	(17)	(34)
Provisions for other liabilities and charges	(17)	-	6	(1)	(13)	(1)	(3)	-
Profit before tax	(3)	44	20	-	(3)	1	(1)	(4)

Corporate & Institutional Banking

Summary income statement	Q4'14	Q3'14	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m	£m	£m	£m
Net interest income	20	17	23	15	20	19	15	11
Non-interest income	69	64	70	74	80	65	46	89
Operating income	89	81	93	89	100	84	61	100
Operating expenses	(57)	(67)	(56)	(57)	(51)	(20)	(46)	(47)
Impairment losses on loans and advances	6	-	(1)	(1)	-	-	-	-
Provisions for other liabilities and charges	(9)	-	-	-	(7)	1	(1)	-
Profit before tax	29	14	36	31	42	65	14	53

Corporate Centre

Summary income statement	Q4'14	Q3'14	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
	£m	£m	£m	£m	£m	£m	£m	£m
Net interest expense	(41)	(41)	(17)	(7)	(47)	(48)	(17)	(12)
Non-interest income	22	27	15	23	10	(14)	66	12
Operating income	(19)	(14)	(2)	16	(37)	(62)	49	-
Operating expenses	-	-	(87)	-	-	(1)	-	-
Impairment losses on loans and advances	25	1	(1)	(8)	(9)	-	(1)	1
Provisions for other liabilities and charges	-	-	1	(1)	(1)	2	-	(1)
Profit before tax	6	(13)	(89)	7	(47)	(61)	48	-

1. The financial results for 2014 included a number of specific gains, expenses and charges that, if separately identified, management believe assist in a better understanding of the underlying operating trends of the business. The aggregate pre-tax impact for Q2'14 was £(206)m, with an additional conduct charge of £(70)m in Q4'14. Detail and definitions are outlined in the Q4 2014 Quarterly Management Statement in Appendix 1.

Results for the year ended 31 December 2014

Retail Banking

Balances	31.12.14	30.09.14	30.06.14	31.03.14	31.12.13	30.09.13	30.06.13	31.03.13	31.12.12
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Customer loans	158.5	158.3	156.6	155.2	155.6	157.3	159.6	161.4	164.1
- of which mortgages	150.1	150.0	148.7	147.6	148.1	149.9	152.3	154.1	156.6
- of which unsecured consumer and vehicle finance	8.4	8.3	7.9	7.6	7.5	7.4	7.3	7.3	7.5
RWAs ¹	38.4	38.0	37.3	36.7	36.3	36.8	37.1	37.0	37.6
Customer deposits	129.6	127.7	126.9	124.7	123.2	123.7	126.7	127.0	127.2
- of which current accounts	41.1	37.9	35.1	31.7	27.9	24.6	21.3	18.7	15.9

Commercial Banking

Balances	31.12.14	30.09.14	30.06.14	31.03.14	31.12.13	30.09.13	30.06.13	31.03.13	31.12.12
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Customer loans	18.7	18.5	18.0	17.5	17.0	16.3	16.0	15.7	15.4
- of which SMEs ²	12.6	12.4	11.9	11.6	11.7	11.2	10.9	10.7	10.6
- of which mid corporates ²	6.1	6.1	6.1	5.9	5.3	5.2	5.2	4.9	4.8
RWAs ¹	19.9	n.d	n.d	n.d	17.0	n.d	n.d	n.d	n.d
Customer deposits ^{3,4}	15.3	15.2	14.8	13.6	13.8	12.0	11.7	11.3	10.5

Corporate & Institutional Banking

Balances	31.12.14	30.09.14	30.06.14	31.03.14	31.12.13	30.09.13	30.06.13	31.03.13	31.12.12
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Customer loans	5.2	5.0	5.1	5.4	5.1	5.2	5.0	4.7	4.2
RWAs ¹	16.8	n.d	n.d	n.d	16.5	n.d	n.d	n.d	n.d
Customer deposits ^{3,4}	2.3	2.3	2.8	3.0	2.6	2.1	2.1	2.6	2.3

Corporate Centre

Balances	31.12.14	30.09.14	30.06.14	31.03.14	31.12.13	30.09.13	30.06.13	31.03.13	31.12.12
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Customer loans	8.3	8.6	8.7	8.9	9.4	9.9	10.4	10.6	11.0
RWAs ¹	7.2	6.9	7.5	8.4	7.9	9.9	9.8	10.4	9.5
Customer deposits ^{3,4}	5.2	5.7	6.2	6.3	6.8	10.7	10.0	10.1	8.6

1. RWAs at 31 Dec 2014, 30 Sep 2014, 30 June 2014, 31 March 2014, 31 December 2013, 30 September and 30 June 2013, are now stated on a CRD IV basis. Prior periods are stated under Basel 2.5

2. Following a periodic review in Q1'13 and Q1'14, a number of Commercial Banking customers were transferred from the SME segment to our mid corporates segment as the annual turnover of their businesses had increased; prior periods have not been restated in each case. The balance associated with these loans was £267m and £327m, for Q1'13 and Q1'14 respectively; excluding this reclassification, SME lending growth would have been 11% over the last 12 months.

3. A number of larger corporate customers whose liability relationship was managed centrally were transferred to the Corporate Centre from the Commercial Banking and Corporate & Institutional Banking segments during Q4'13. The deposits transferred totalled £2.1bn. Periods prior to Q4'13 have not been restated.

4. A number of corporate customers whose liability relationship was managed centrally were transferred from the Corporate Centre to the Commercial Banking and Corporate & Institutional Banking segments during Q4'14. The deposits transferred totalled £2.7bn. Periods in 2014 and at year end 2013 have been restated; periods prior to Q4'13 have not been restated.

n.d: not previously disclosed

Results for the year ended 31 December 2014

Santander UK and Banco Santander, S.A. both caution that this announcement may contain forward-looking statements. Such forward-looking statements are found in various places throughout this press release. Words such as “believes”, “anticipates”, “expects”, “intends”, “aims” and “plans” and other similar expressions are intended to identify forward-looking statements, but they are not the exclusive means of identifying such statements. Forward-looking statements include, without limitation, statements concerning our future business development and economic performance. These forward-looking statements are based on management’s current expectations, estimates and projections and both Santander UK and Banco Santander, S.A. caution that these statements are not guarantees of future performance. We also caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. We have identified certain of these factors on pages 317 to 334 of the Santander UK plc 2013 Annual Report. Investors and others should carefully consider the foregoing factors and other uncertainties and events. Undue reliance should not be placed on forward-looking statements when making decisions with respect to Santander UK and/or its securities. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, future share price or future earnings for any period will necessarily match or exceed those of any prior quarter.