

# United Kingdom

**Quarter 4 2013**

*London, 30 January 2014*

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Source: Santander UK Q4 2013 results “Quarterly Management Statement for the twelve months ended 31 December 2013” or Santander UK 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.aboutsantander.co.uk](http://www.aboutsantander.co.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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# Overview – Full Year 2013

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## Financial highlights

- Attributable profit of £976m, 16% up on 2012, excluding significant items; supported by income growth, continued cost control and satisfactory credit quality
- Banking NIM increased to 1.55% from 1.36% in FY'12. Q4'13 net interest income was at its highest in two years, with an improvement in the Banking NIM to 1.71% in Q4'13<sup>1</sup>
- Costs remain tightly managed with our focus on business as usual expenses. Operating expenses broadly flat, despite higher operational, technology, and regulatory compliance and control costs
- Recent retail and corporate loan vintages performing well
- Strong balance sheet: Common Equity Tier 1 ratio of 11.6%<sup>1</sup>, enhanced through organic profit generation; loan-to-deposit ratio improved to 123%

## Transforming Santander UK into a bank that is Simple, Personal and Fair

- 2.4 million 1|2|3 World customers in Retail Banking, an increase of 1.1 million; a continued focus on building primary banking relationships
- Targeted growth in retail relationship deposits; current account balances up £12.0bn to £27.9bn; with a reduced cost of funding
- Residential mortgage gross lending of £18.5bn
- Commercial Banking lending up 13% from December 2012; £4.1 billion of new facilities extended to SMEs
- Customer satisfaction in Santander UK has continued to improve. Since December 2011, the gap between the satisfaction score for Santander UK and the average score for the top 3 performing UK peers has narrowed by 7 percentage points (Financial Research Survey<sup>2</sup> ('FRS'))

<sup>1</sup> Banking NIM calculated on a UK statutory basis and Common Equity Tier 1 ratio calculated on the basis of the CRD IV rules

<sup>2</sup> See slide 15 for full details

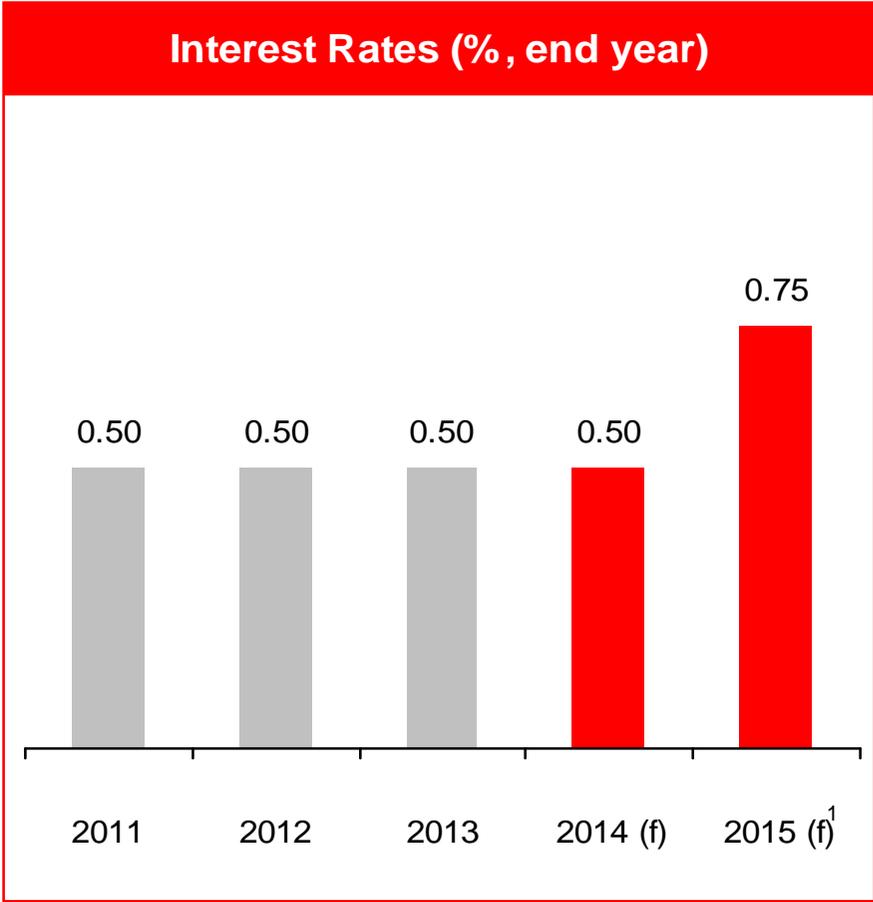
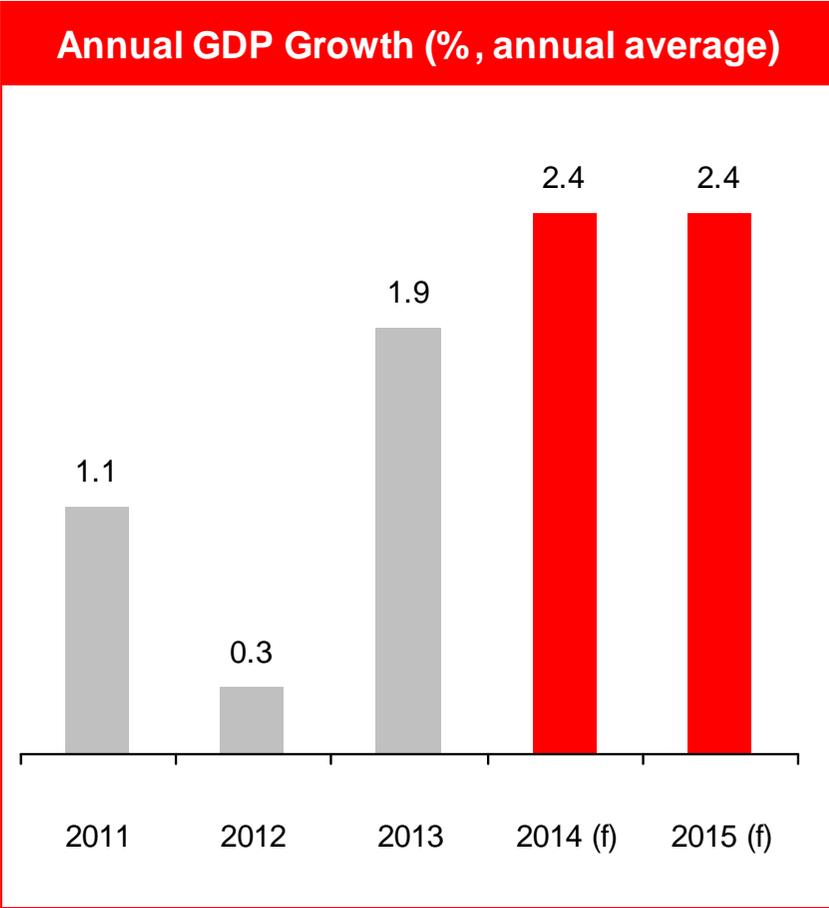
- **Market Environment**

- **Full Year 2013**

- **Strategic and Business Update**
- **Results**

# Market Environment – GDP and Interest Rates

**Economic activity improving, with stronger growth expected in 2014**

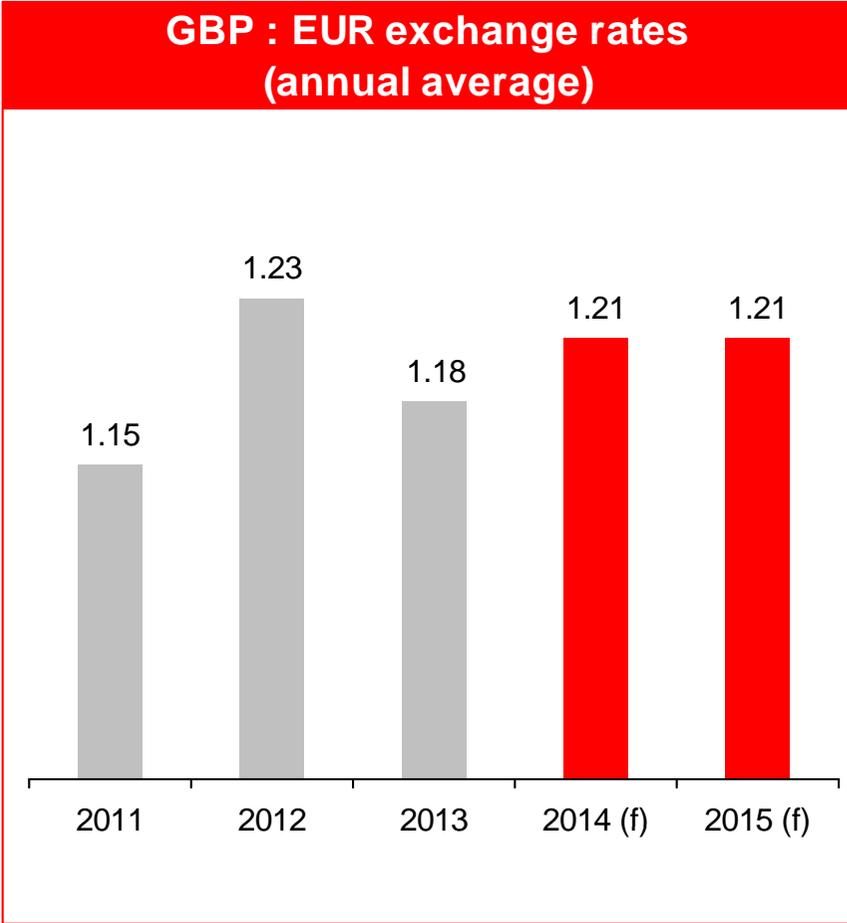
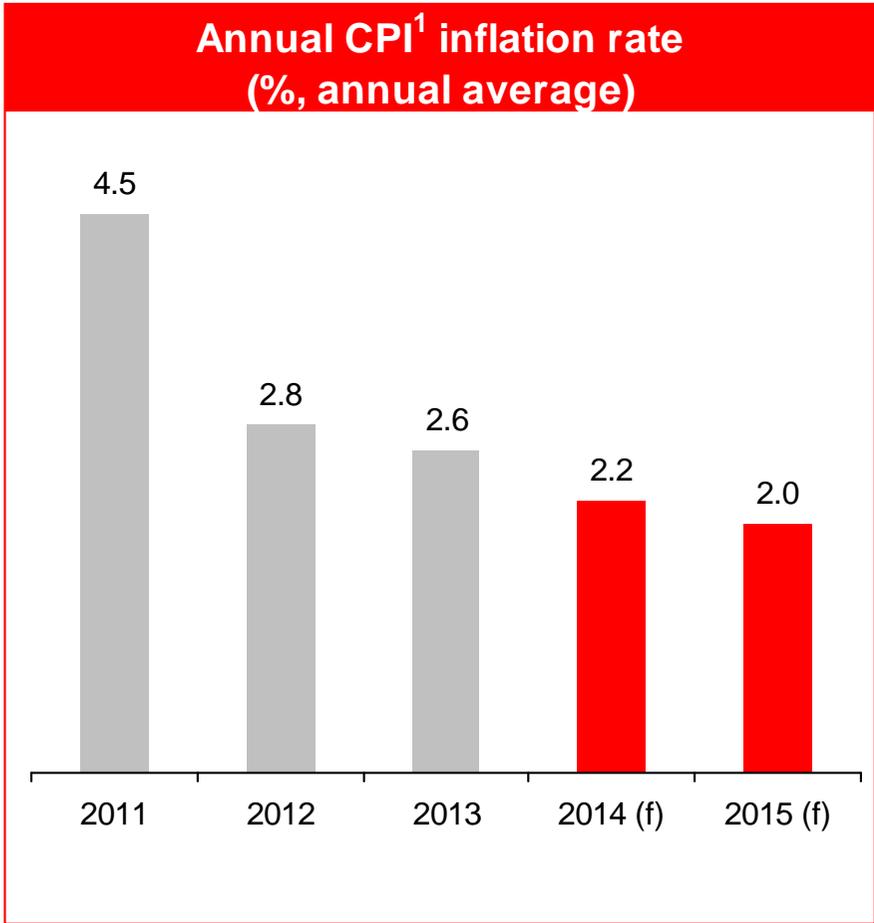


Source: Office for National Statistics and Bank of England  
(f): Santander UK January 2014 forecast  
<sup>1</sup> 25bps increase forecast in H2 2015



# Market Environment – Inflation and Exchange Rates

**Inflation fell in late 2013 and is expected to continue to be close to 2%**



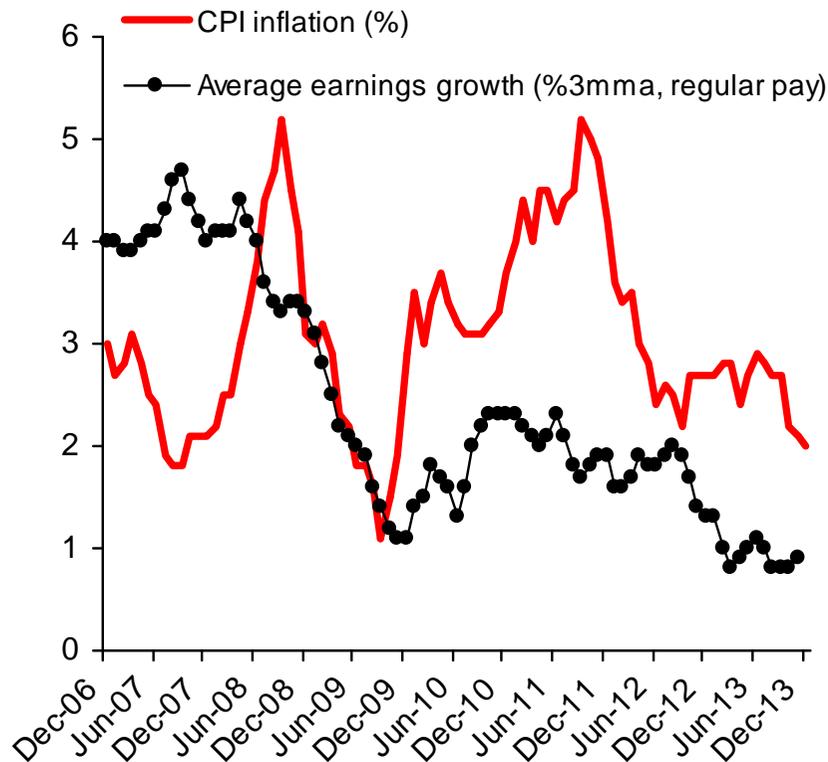
Source: Office for National Statistics and Bank of England  
(f): Santander UK January 2014 forecast  
<sup>1</sup> CPI: Consumer price index



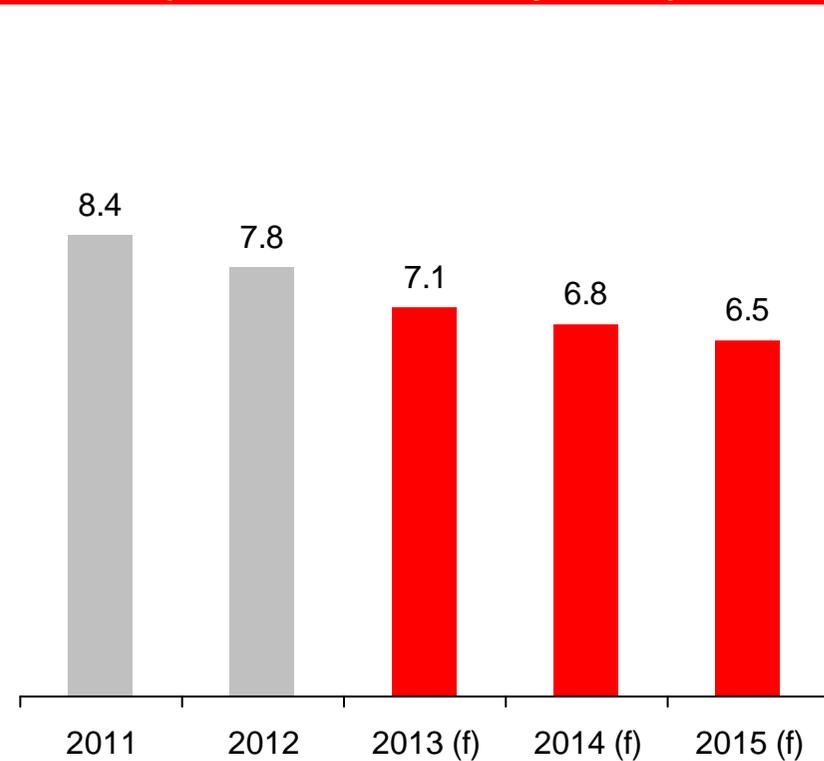
# Market Environment – Earnings Growth and Unemployment <sup>7</sup>

Real earnings fell ... unemployment declining steadily

### Inflation and average earnings growth



### Unemployment rate (ILO<sup>1</sup> definition, end year, %)

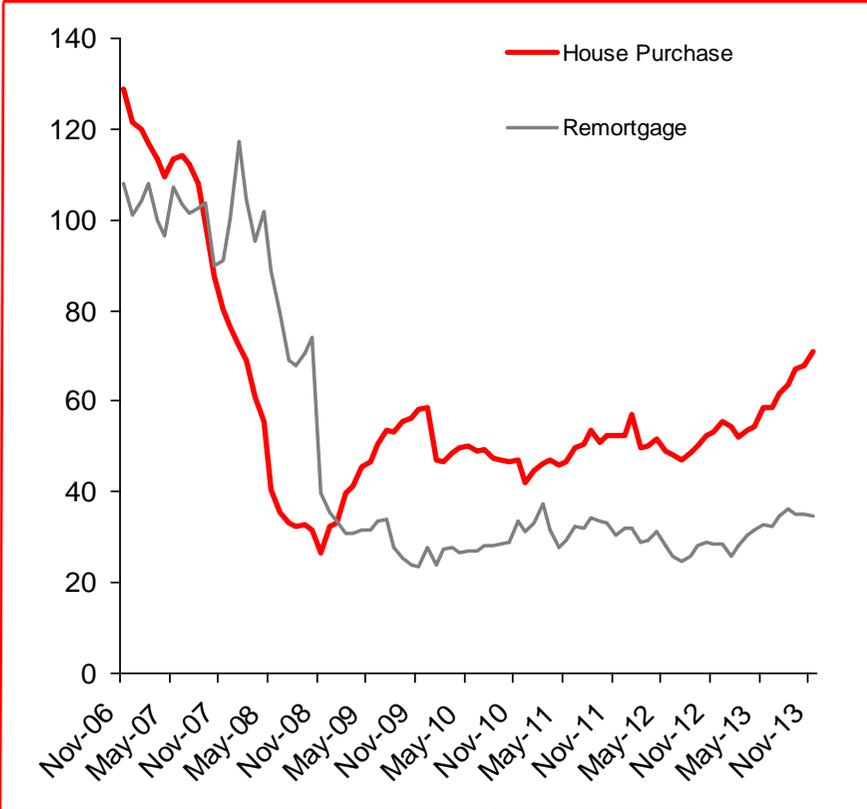


Source: Office for National Statistics  
(f): Santander UK January 2014 forecast  
<sup>1</sup>ILO: International Labour Organisation

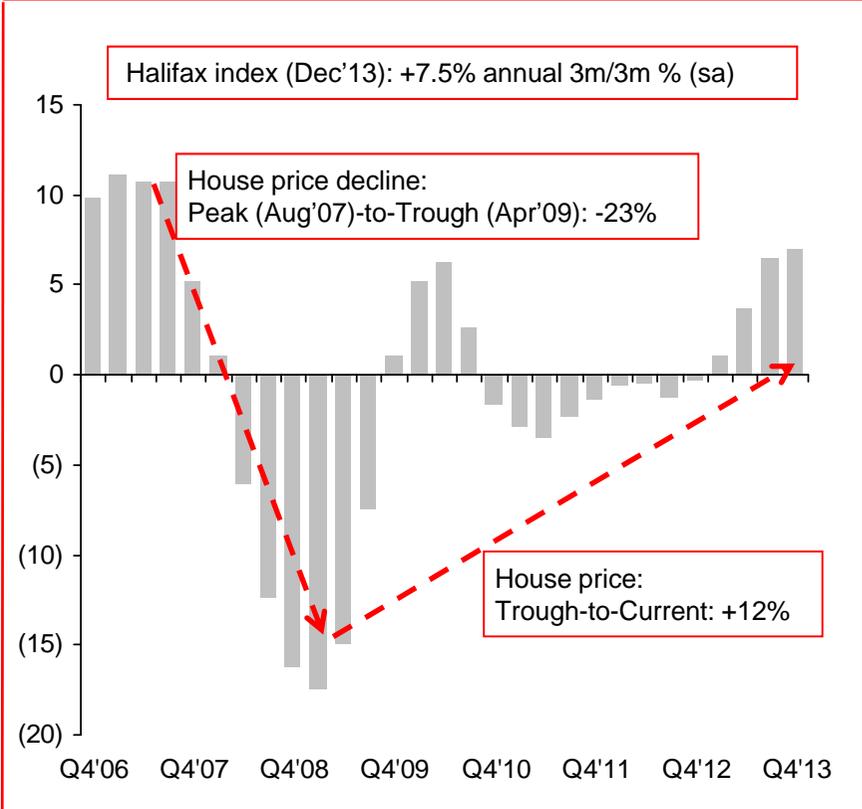
# Market Environment – Housing Market Activity

**Housing market volumes and house prices accelerated through 2013**

**House purchase and remortgage approvals (000s, sa)<sup>1</sup>**



**UK house price inflation (annual %, sa)<sup>2</sup>**



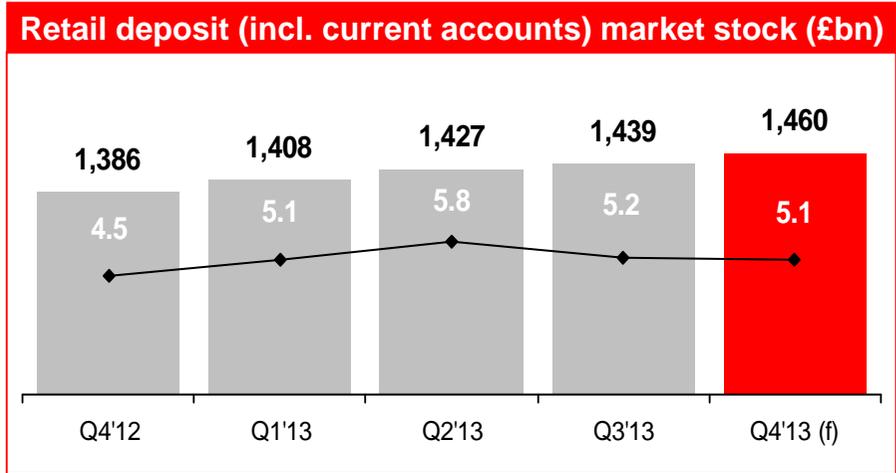
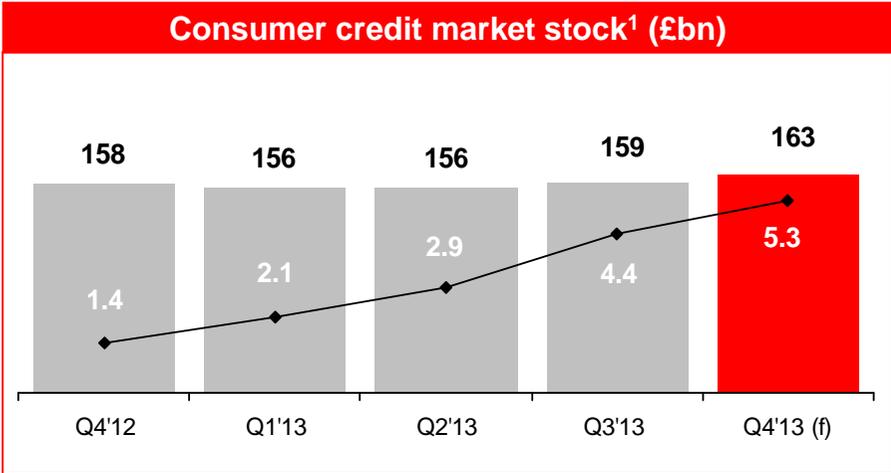
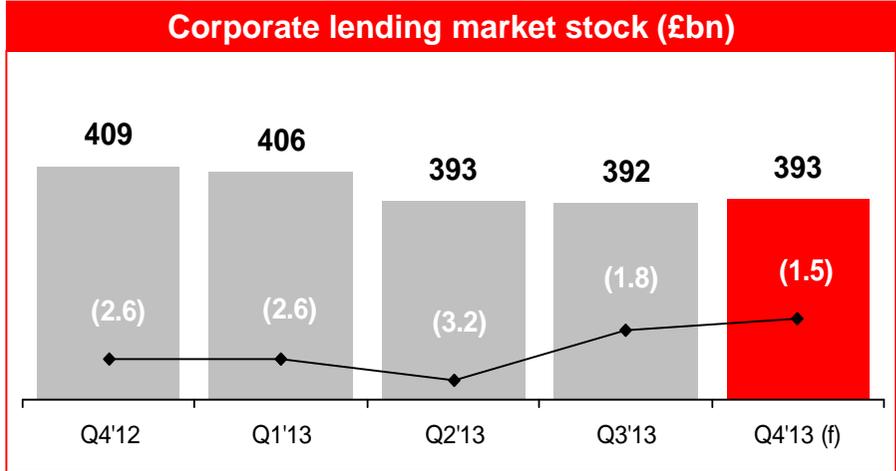
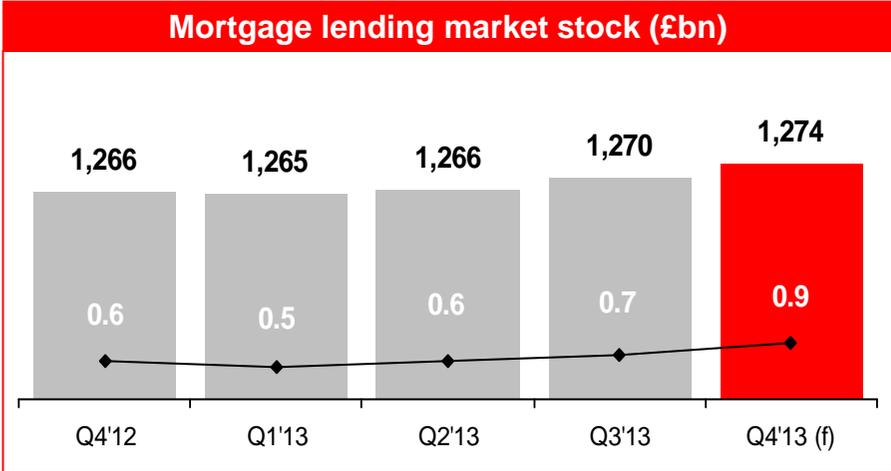
\*Estimate for FY 2014: +6%

<sup>1</sup> Source: Bank of England  
<sup>2</sup> Source: Lloyds Banking Group/Halifax  
 (\*) Estimated by Santander UK, January 2014, end period data



# Market Environment – Credit and Deposit Growth

**Mortgage and corporate loan growth remain weak. Consumer credit growth stronger**



**Retail deposit growth maintained ahead of retail loan growth**

Source: Bank of England  
 (f): Estimated by Santander UK, January 2014  
<sup>1</sup> The Bank of England now excludes student loans from consumer credit data  
 ◆ Annual growth rates (%)



# Agenda

- Market Environment

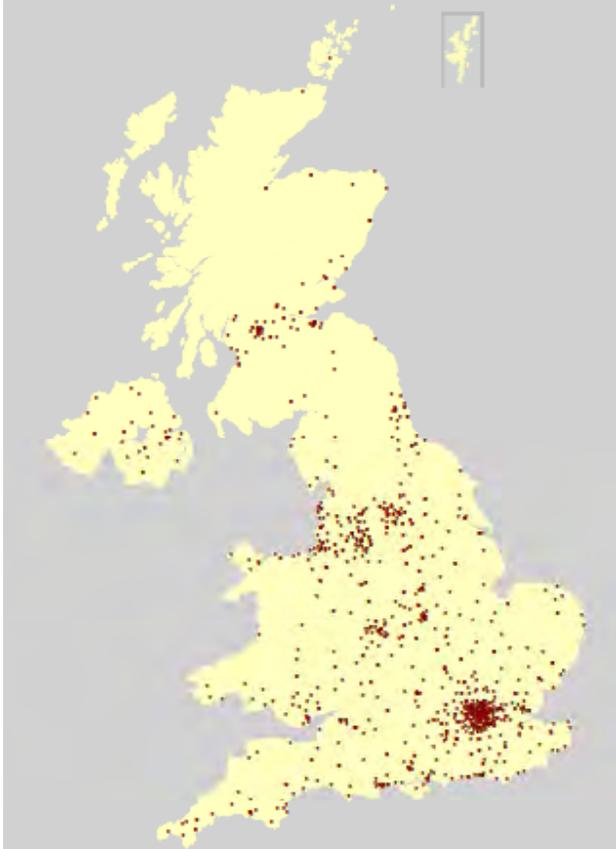
- Full Year 2013

- Strategic and Business Update

- Results

# Snapshot – United Kingdom, as at 31 December 2013

## Santander UK's Branches



## Balance Sheet and Key Metrics

	£bn	Change from Dec'12 %	Change from Sep'13 %
Residential Mortgages <sup>1</sup>	155.5	(5)	(1)
Commercial Banking Assets <sup>2</sup>	22.1	13	3
of which SME loans	11.7	10	4
UK Banking Assets <sup>3</sup>	177.7	(3)	(1)
Customer Loans	187.1	(4)	(1)
Customer Deposits	146.4	(1)	(1)
UK Banking Liabilities <sup>3</sup>	135.8	(3)	(1)
Medium Term Funding	56.4	(14)	(3)
	%	p.p.	p.p.
Total NPLs	1.98	(0.07)	(0.00)
Mortgage Coverage Ratio	21	1	1
Total Coverage Ratio	42	(2)	(0)
Loan-to-Deposit Ratio	123	(5)	3

<sup>1</sup> Residential mortgages includes residential retail mortgages and Social Housing loans, to align with UK mortgage industry CML reporting

<sup>2</sup> Commercial Banking excludes non-core corporate portfolio and legacy assets in run-off managed in the Corporate Centre

<sup>3</sup> UK Banking consists of the reported Retail Banking and Commercial Banking segments

# Our Strategic Priorities

1

Loyal and satisfied retail customers

2

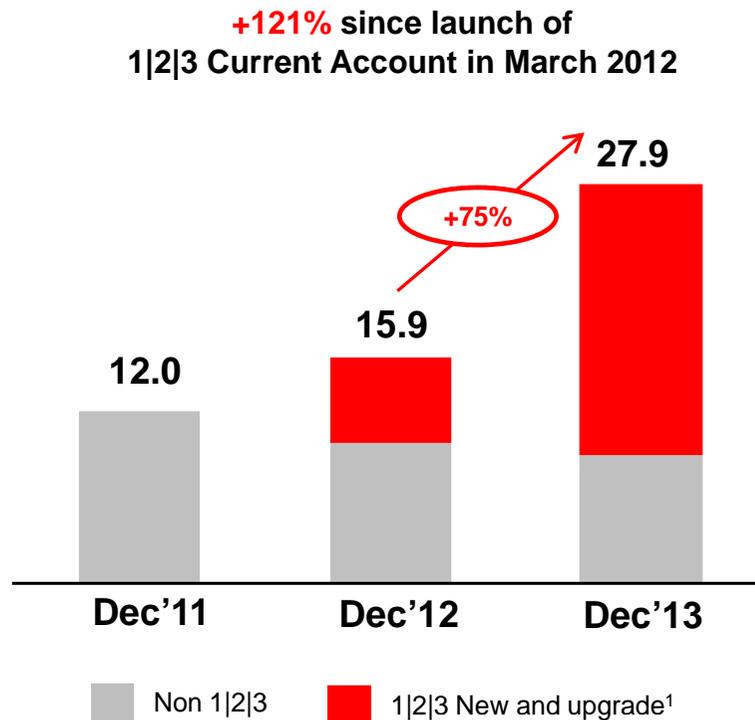
'Bank of Choice' for UK companies

3

Consistent profitability and strong balance sheet

## Progress with our retail relationship-centred banking proposition

### Total current account balances (£bn)



### Current account growth

- 232,000 customers moved their current account to Santander UK from other providers in 2013 (2012: 240,000)
- The impact of the Current Account Switcher Service ('CASS'), introduced in September 2013, has been positive for Santander UK; a net gain of 11% of accounts transferred in the year<sup>2</sup>
- Total current account balances increased 75%, to £27.9bn
- 1|2|3 World has driven increased balances, account activity and the number of loyal primary customers

Source: Santander UK plc Marketing MI

<sup>1</sup> Incremental and existing balance upgrades

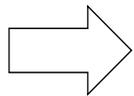
<sup>2</sup> TNS Current Account Switching Index as at December 2013, published 5 January 2014. UK study conducted by TNS Omnibus, interviewing 12,154 banking customers during November and December 2013. Of those 440 switched current accounts in the last 12 months

# 1 1.1 million New 1|2|3 World Customers

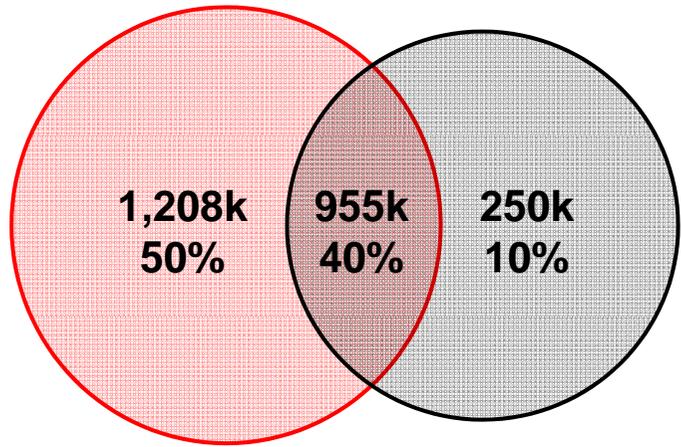
1|2|3 proposition is transforming the customer profile ...

2.4 million 1|2|3 World customers

Non 1|2|3 Current Account



1|2|3 Current Account



10%	Select and Affluent <sup>1</sup>	38%
17%	primary banking <sup>2</sup>	87%
1.5	products per customer	2.7
1x	average account balance	3.6x
34%	4+ direct debits	76%



... whilst attracting new customers and improving customer satisfaction

+11% net gain in current accounts; main winner in attracting switchers over the past 12 months<sup>3</sup>

95% satisfied with 1|2|3 Current Account<sup>4</sup>

Source: Santander UK plc Marketing MI

<sup>1</sup> Select customers have a credit turnover of £5k, savings, banking and Investments worth £75k or property worth minimum £500k

Affluent customers have a turnover of £4-5k, savings, banking and Investments worth £25-75k or property worth £350-500k

<sup>2</sup> Primary banking current account customers have a minimum credit turnover of at least £500 per month and at least two direct debits set up on the account

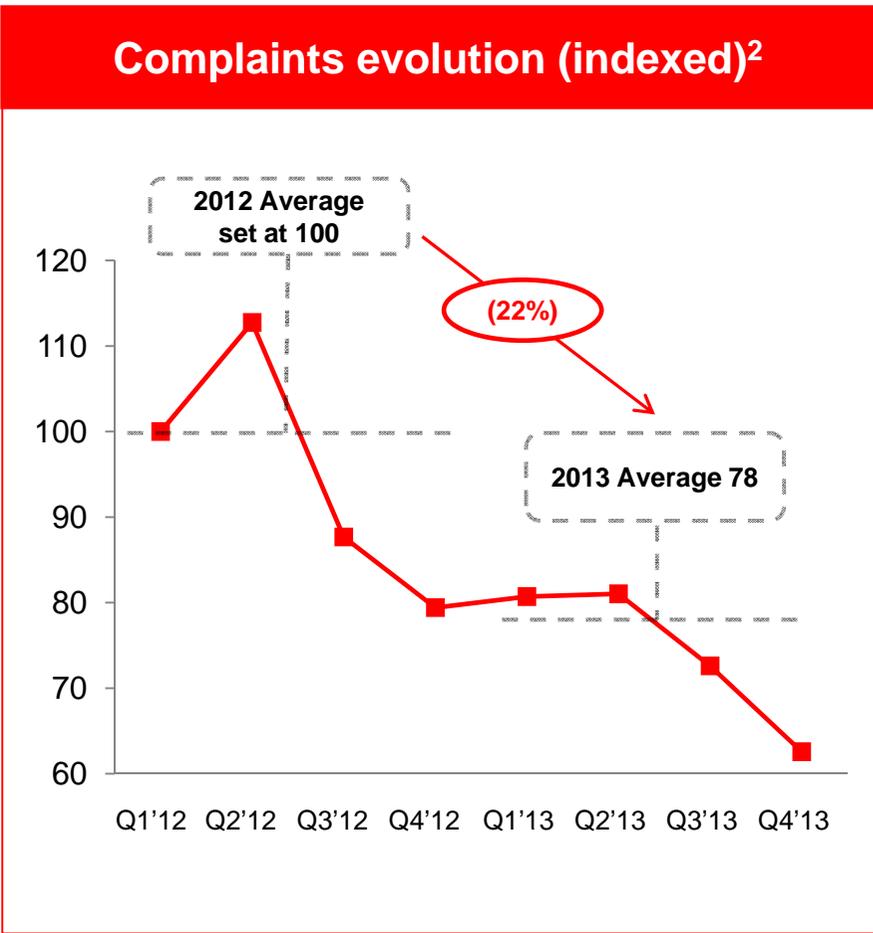
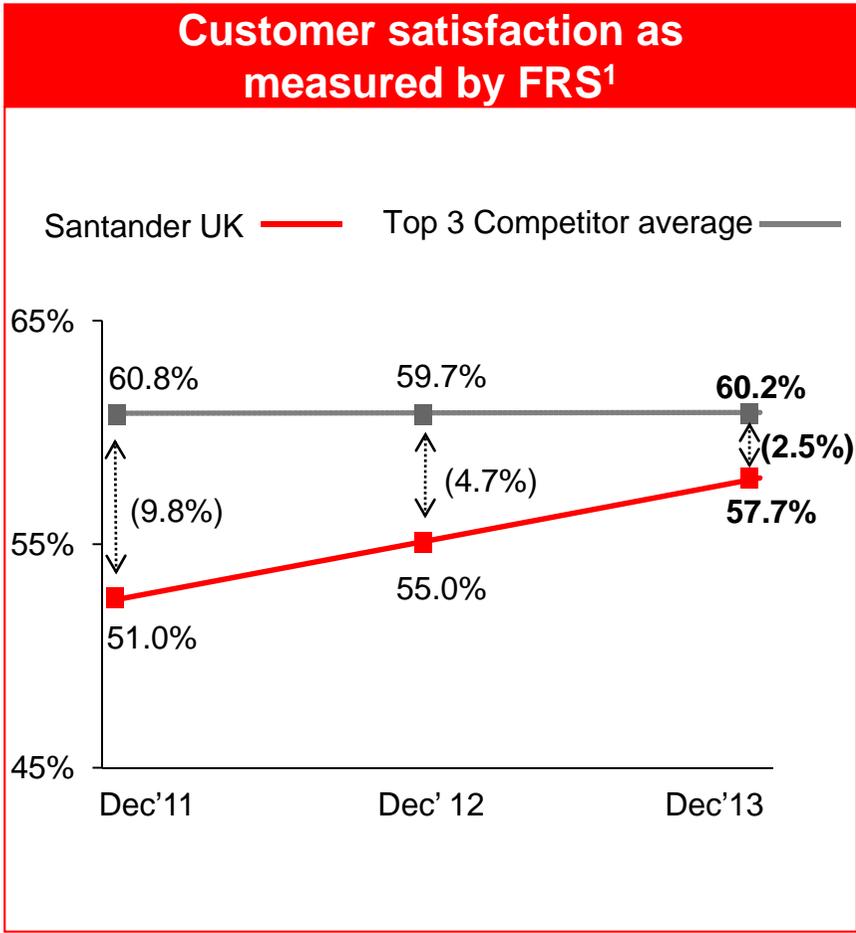
<sup>3</sup> TNS Current Account Switching Index as at December 2013, published 5 January 2014. UK study conducted by TNS Omnibus, interviewing 12,154 banking customers during November and December 2013. Of these 440 switched current accounts in the last 12 months

<sup>4</sup> 1|2|3 Current Account result as published by MoneySavingExpert.com in August 2013, based on customer rating of "great" and "ok"



1

# Customer Satisfaction Continues to Improve ... Complaints Reduced by 22% in 2013

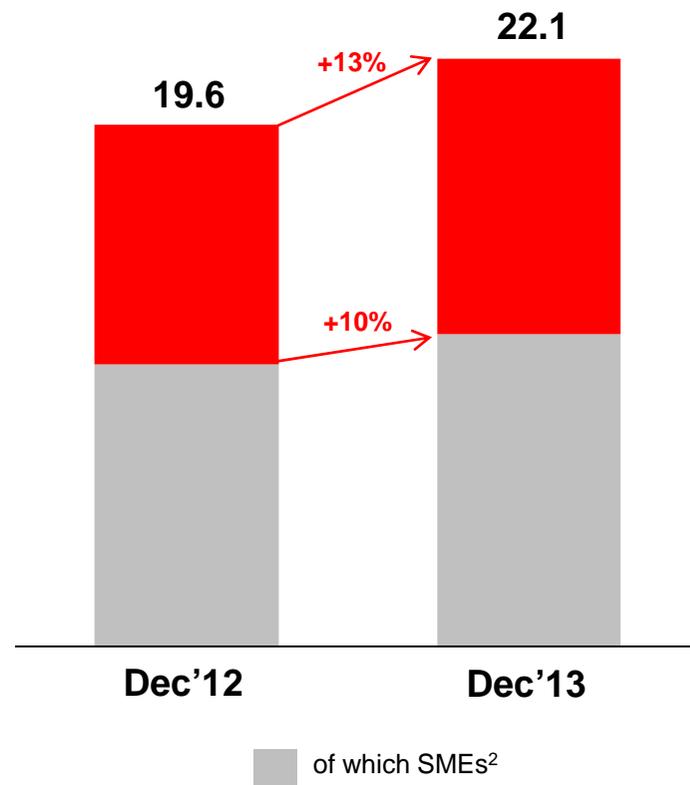


<sup>1</sup> Financial Research Survey (FRS) is an independent monthly survey of circa 5,000 consumers covering the personal finance sector, run by GfK NOP. Overall Satisfaction score refers to proportion of extremely and very satisfied customers across mortgages, savings, main current accounts, home insurance, UPLs and credit cards, based on a weighting of those products calculated to reflect the average product distribution across Santander UK plc and competitor brands. Competitor set includes Barclays, Halifax, HSBC Bank plc, Lloyds TSB and NatWest. Data shown is for the three months ending 31 December 2011, 31 December 2012 and 31 December 2013  
<sup>2</sup> Source Santander UK. All unique complaints received from retail and customer banking activities are included except those relating to legacy issues like PPI. Complaints included are from all channels, branch, email, telephone or post. Complaints volumes are indexed, with Q1 2012 and quarterly 2012 average set as baseline level of 100



## Commercial Banking lending up 13% since December 2012

### Commercial Banking customer assets<sup>1</sup> (£bn)



### Growth of Commercial Banking

- Further developed our capacity to service SMEs; more customer-facing staff in our growing network of 50 regional Corporate Business Centres
- Rolled out a cash management tool, an online corporate banking facility and our international trade finance portal. These developments leveraged the wider capabilities of the Santander group
- Continued to develop our range of services to large corporate customers (>£500m pa turnover). Link with the wider Banco Santander Group allows us to provide customers with access to international expertise and foreign exchange services

<sup>1</sup> Commercial Banking SME is commercial lending excluding Business Banking (reported in Retail Banking) and non-core portfolio and legacy assets in run-off managed in the Corporate Centre. Following a periodic review in Q1'13, a number of customers were transferred from the SME segment to our large corporate segment as the annual turnover of their businesses had increased; prior periods have not been restated. The balance associated with these loans was £267m; excluding this reclassification, SME lending growth would have been 13%

<sup>2</sup> SMEs are companies with a turnover of >£250,000 pa up to £50 million pa, as defined by Santander UK

## Capital position strengthened

- Fully loaded CET 1 capital ratio **11.6%** (2012: 11.1%); improved through retained profits
- CRD IV end-point CET1 Leverage ratio **3.3%** (2012: 3.3%)
- RWAs **£75.3bn** (2012: £76.5bn); commercial lending growth offset by mortgage deleveraging

## Optimised funding and liquidity

- Primary banking and savings **42%** of total retail deposit balances (2012: 29%)
- Loan-to-deposit ratio<sup>1</sup> **123%** (2012: 128%)
- Funding gap reduced by £5.4bn to **£40.7bn** (2012: £46.1bn)
- MTF issuance **c. £7bn** (2012: £14bn); at much improved spreads
- Eligible liquid assets<sup>2</sup> **£29.5bn** (2012: £36.9bn)
- LCR **103%**

## Good credit quality

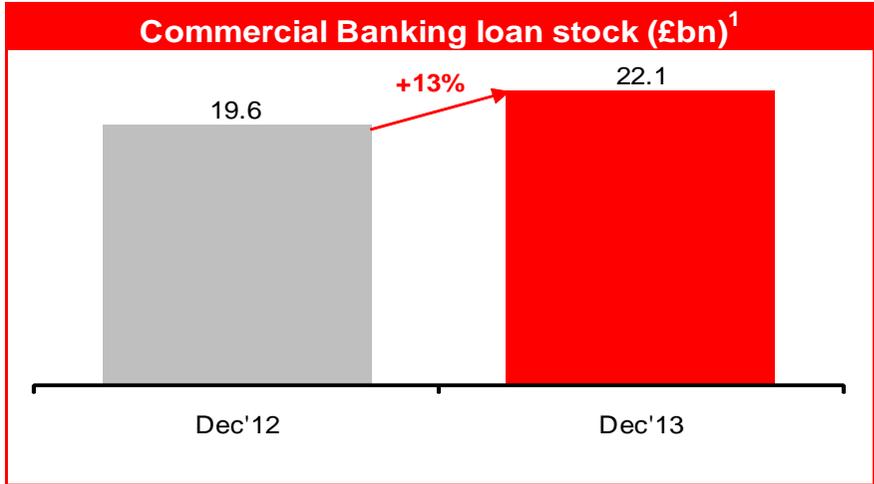
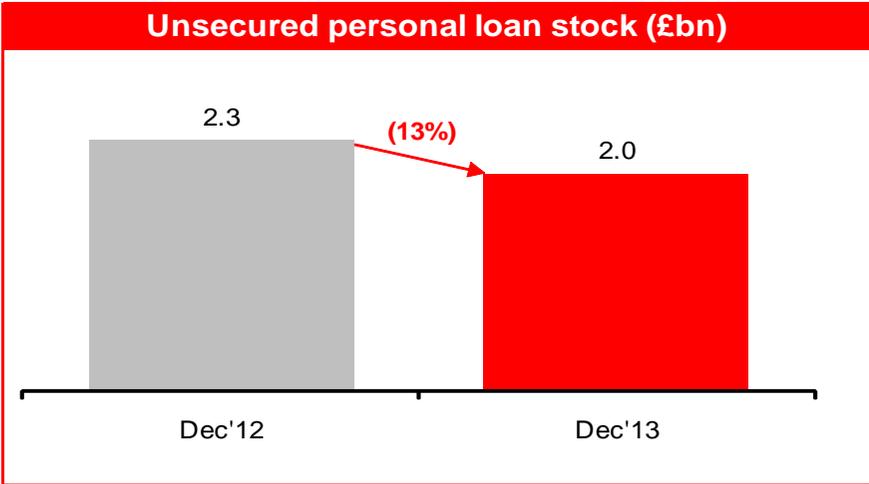
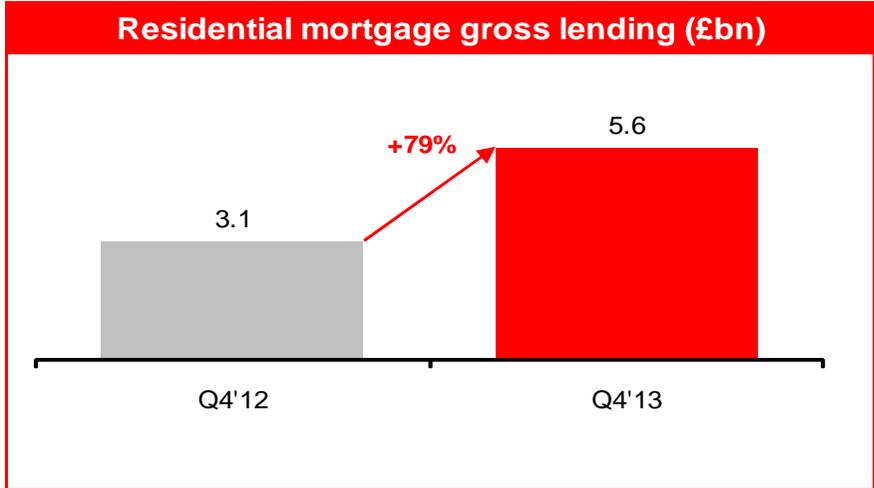
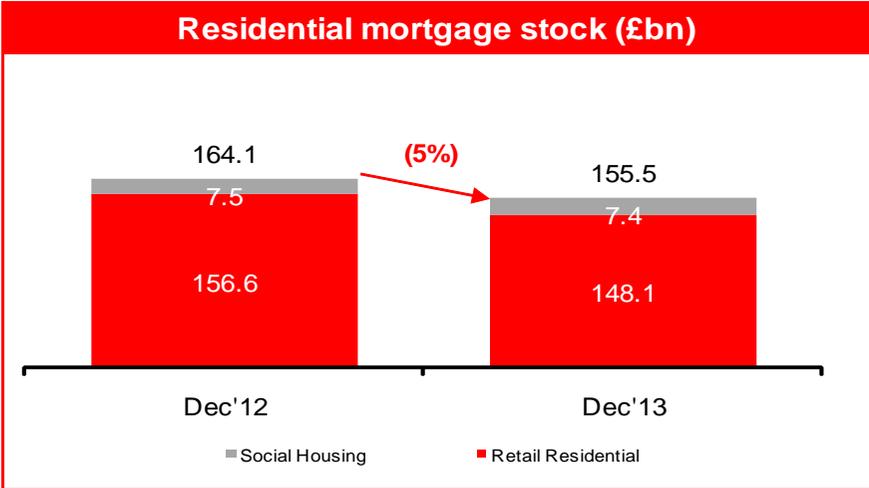
- Mortgage stock LTV **51%** (2012: 52%)
- Improved mortgage NPL coverage of **21%** (2012: 20%)
- Strong Commercial Banking NPL coverage of **53%** (2012: 49%)
- Improved NPL ratio of **1.98%** (2012: 2.05%)

<sup>1</sup> Calculated as Loans and Credits divided by Customer Deposits on the face of the balance sheet in slide 38

<sup>2</sup> Eligible liquid assets consist of those assets which meet Prudential Regulation Authority ('PRA') requirements for liquid asset portfolio in accordance with BIPRU 12.7

# Business Update – Customer Lending

**Mortgage lending focused on preferred segments;  
Commercial Banking growth rebalancing portfolio**



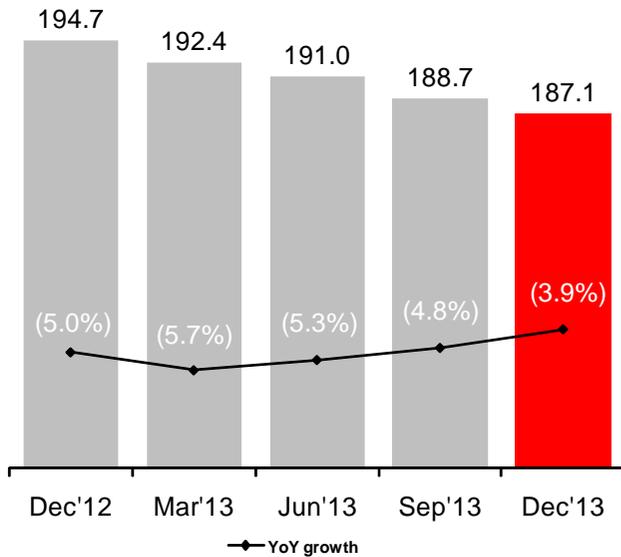
<sup>1</sup> Commercial Banking excludes the non-core corporate portfolio and legacy assets in run-off managed in the Corporate Centre

# Business Update – Customer Lending

## Mortgage lending managed down, whilst growing core commercial

Total Residential Mortgages (£bn)					
Dec'12	Mar'13	Jun'13	Sep'13	Dec'13	
156.6	154.1	152.3	149.9	148.1	Residential Retail Mortgage Stock
7.5	7.5	7.5	7.5	7.4	Social Housing Stock
<b>164.1</b>	<b>161.6</b>	<b>159.8</b>	<b>157.4</b>	<b>155.5</b>	<b>Residential Mortgage Stock</b>

### Total Customer Loans



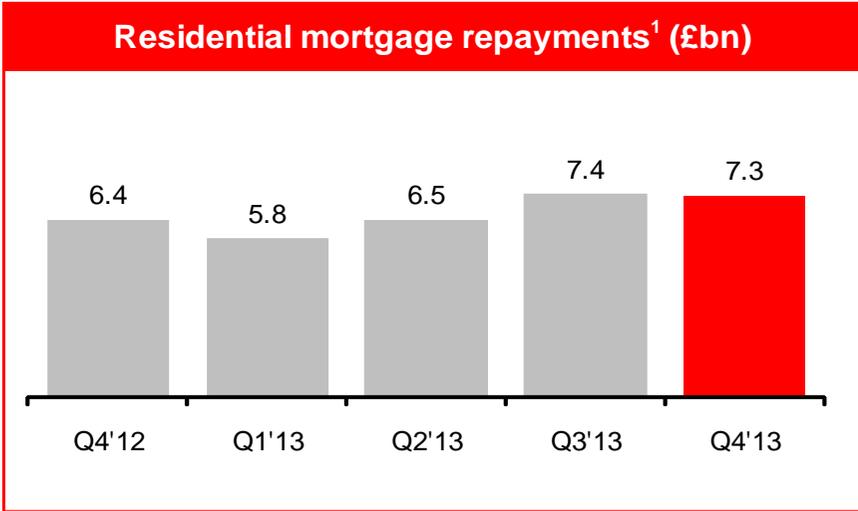
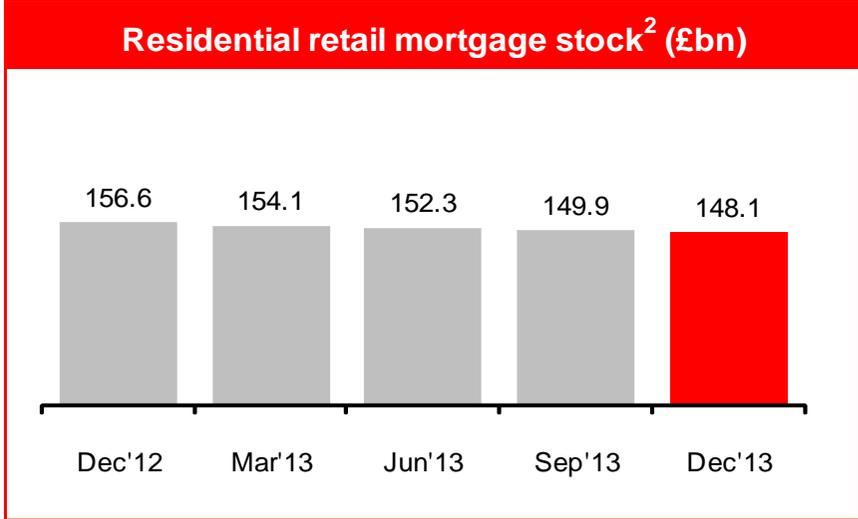
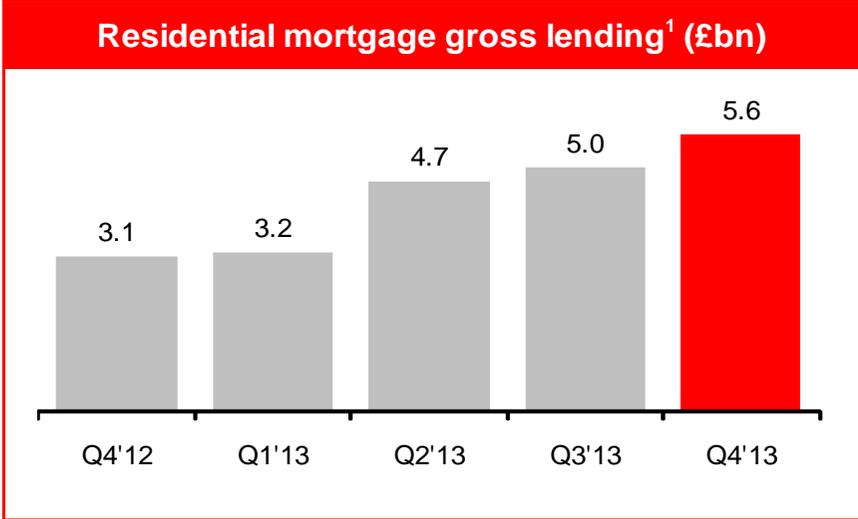
£bn	Dec'13	Dec'13 v Dec'12
Residential Retail Mortgages	148.1	(5%)
Consumer Lending <sup>1</sup>	7.5	0%
<b>Retail Banking</b>	<b>155.6</b>	<b>(5%)</b>
Commercial Banking	22.1	13%
<b>UK Banking</b>	<b>177.7</b>	<b>(3%)</b>
Non-core corporate	9.4	(15%)
<b>Total Customer Loans</b>	<b>187.1</b>	<b>(4%)</b>

## UK Banking lending expected to increase modestly in 2014

<sup>1</sup> Consumer Lending includes unsecured personal loans, Retail Banking overdrafts, Cahoot, Santander Cards, Santander Consumer Finance and Business Banking

# Business Update – Mortgage Lending

## Mortgage business now expected to stabilise



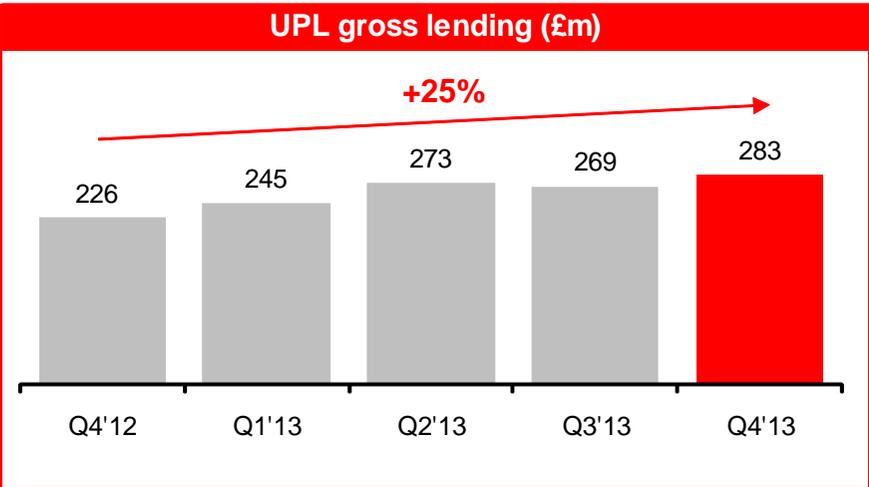
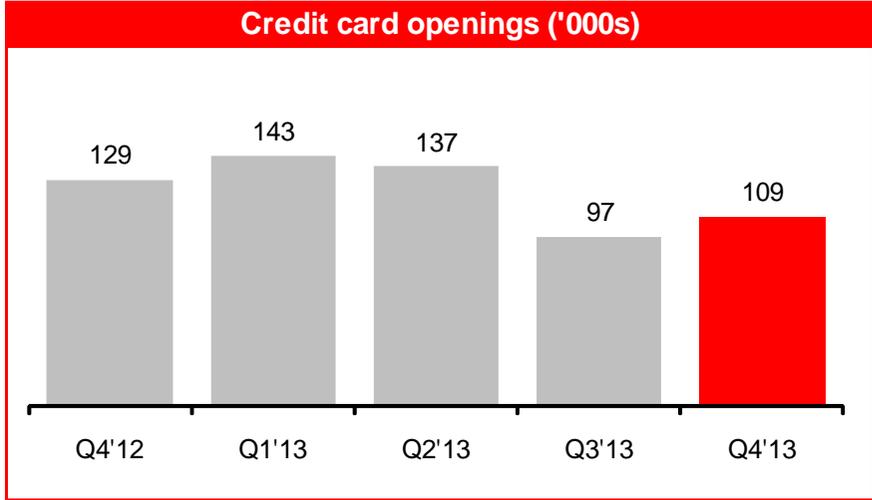
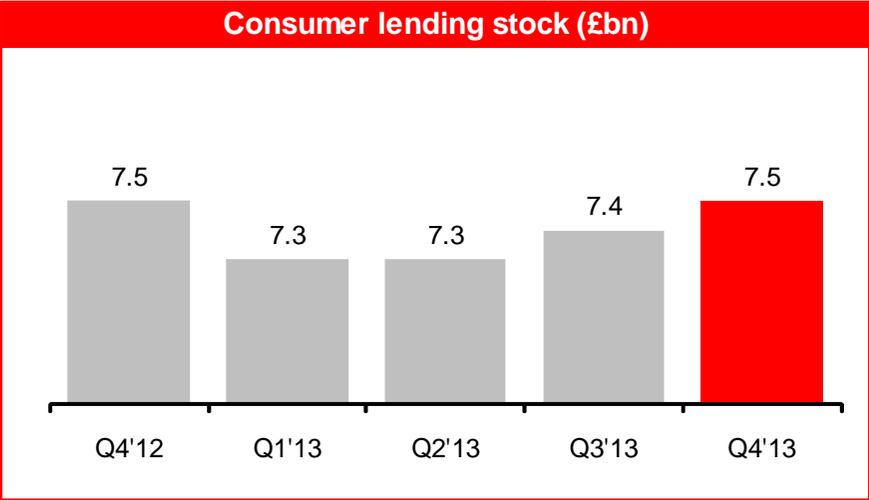
### Commentary

- Mortgage gross lending of £18.5bn for the year; £3.4bn to first-time buyers
- Residential retail mortgage loan stock decreased £8.5bn in the year; following the tightening of lending criteria on interest-only and higher LTV mortgages in early 2012
- Interest-only mortgage loan balances decreased by £6.4bn, to £61.2bn
- SVR balances remained steady over the year in the low interest rate environment, and now represent 35% of the residential retail mortgage book, a small decline in Q4'13

<sup>1</sup> Includes Social Housing loans as per CML market data  
<sup>2</sup> Excludes Social Housing loans

# Business Update – Consumer Lending

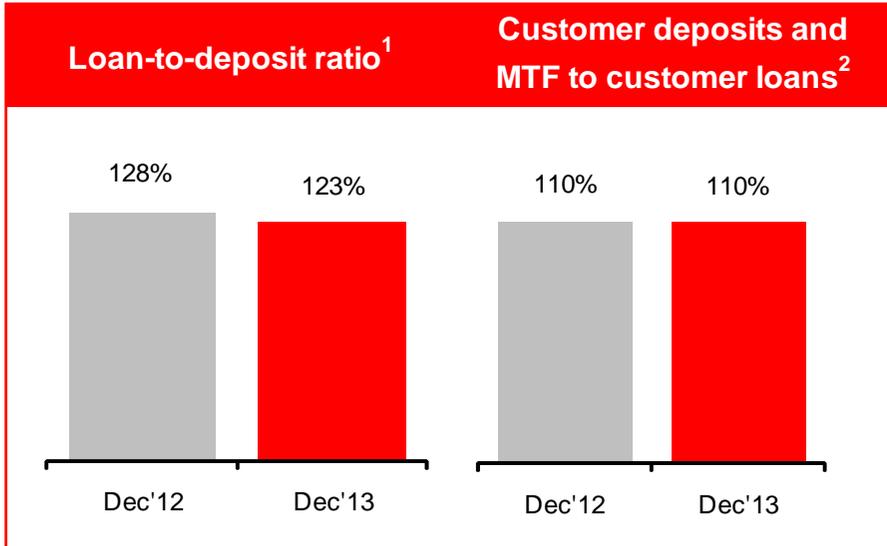
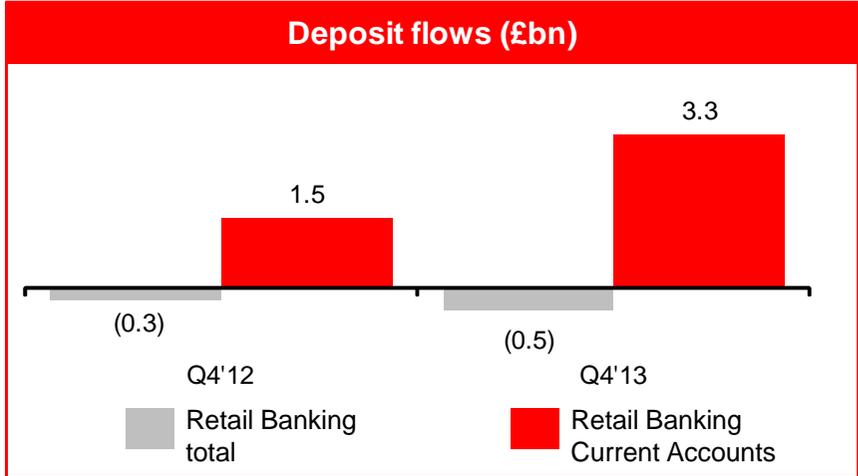
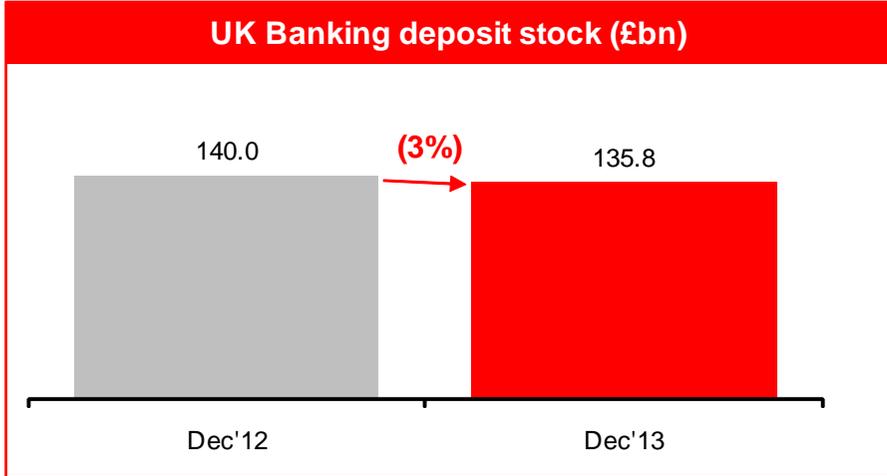
## Developing loyal and satisfied primary customers



- ### Commentary
- Continued focus on unsecured consumer lending only to higher quality personal customer segments, particularly those with an existing relationship with the bank
  - Credit card openings reflect timing of marketing campaigns. Focus on development of 1|2|3 Credit Card relationships
  - Continued refurbishment of the branch network, the new Branch Director model and investment in our multi-channel offering
  - Prospects for modest growth in consumer lending, which finance and ancillary products in 2014

# Business Update – Customer Deposits

## Better quality mix of deposits



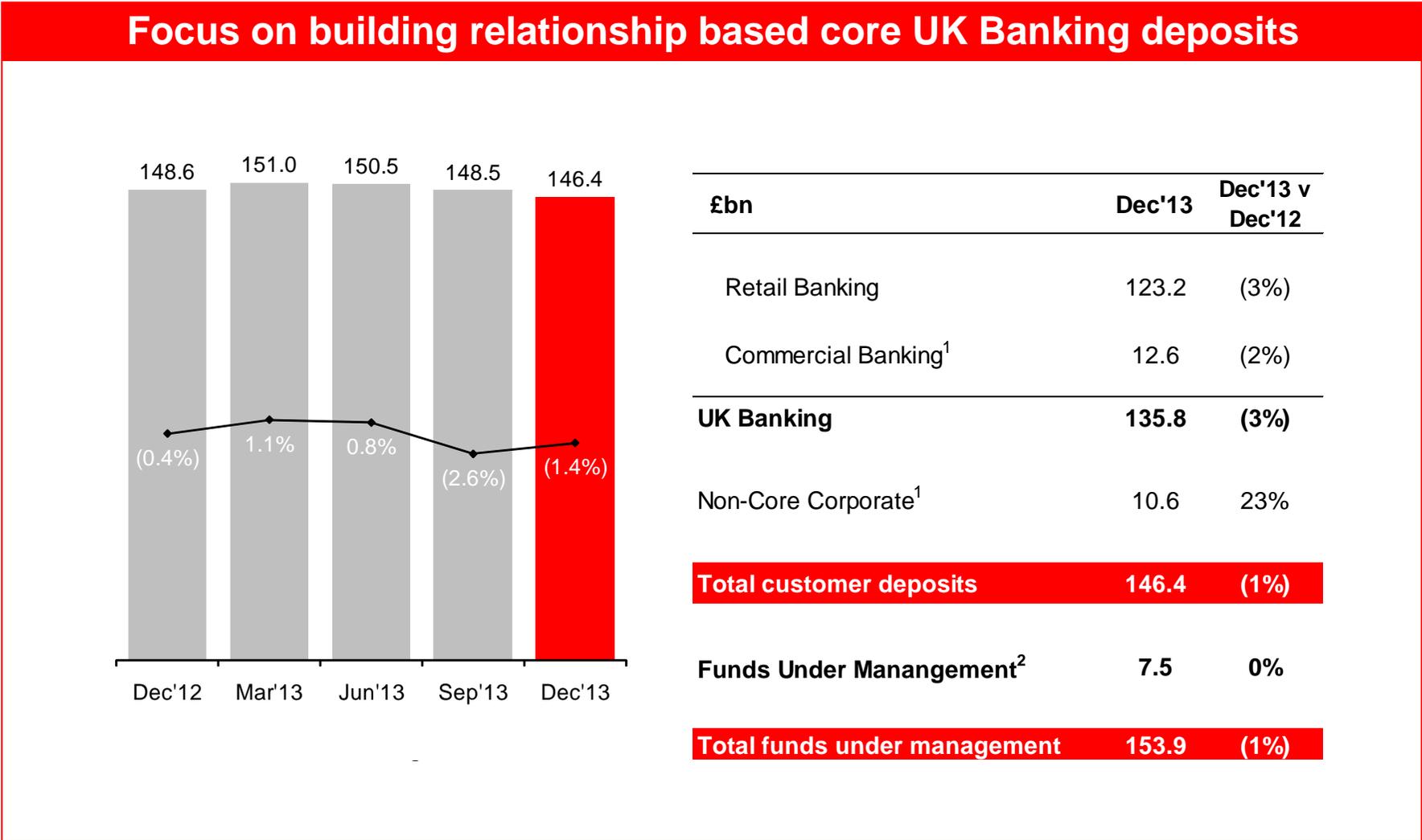
### Commentary

- Retail Banking deposits declined in the quarter, reflecting a managed reduction in rate sensitive deposits without a broader customer relationship
- Growth of £12.0bn in relationship current accounts over the year
- Loan-to-deposit ratio improved in 2013, due to the reduction in mortgages and the on-going managed run down of the non core portfolios

<sup>1</sup> Calculated as Loans and Credits divided by Customer Deposits on the face of the balance sheet in slide 38

<sup>2</sup> Calculated as Customer Deposits and MTF divided by loans and credits

# Business Update – Customer Deposits and Funds Under Management



<sup>1</sup> £2.1bn of deposits were transferred from Commercial Banking to non-core corporate in Q4'13. Excluding this reclassification, customer deposit growth would have been 15% in Commercial Banking and unchanged in non-core corporate  
<sup>2</sup> Managed through Santander Asset Management

◆ Growth rates (%)



# Agenda

- Market Environment

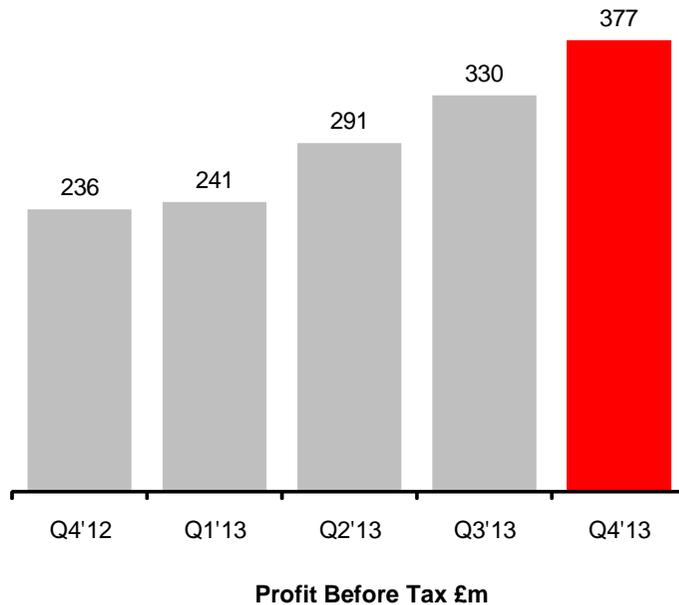
- **Full Year 2013**

- Strategic and Business Update

- **Results**

# Results – FY PBT, up 23%; FY PAT, up 16%

## Profits now evidencing a sustained recovery



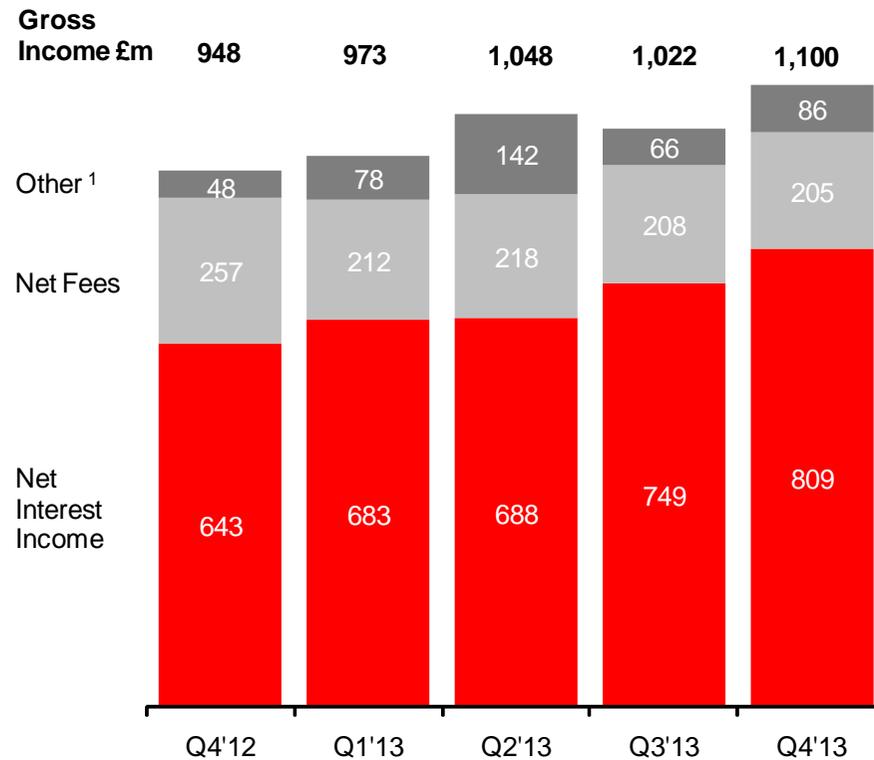
£m	FY'13	FY'13 v FY'12
Ordinary PBT	1,239	23%
Provision for Income Tax	(256)	10%
Ordinary PAT	984	27%
Discontinued Operations PAT <sup>1</sup>	(8)	n.m.
Attributable Profit to the Group <sup>2</sup>	976	16%
<b>Profit after tax</b>	<b>976</b>	<b>8%</b>

<sup>1</sup> Results have been amended to reflect the sale of the co-brand credit cards business

<sup>2</sup> A number of significant items impacted the 2012 financial results. Non-interest income included the impact of a capital management exercise which resulted in a £705m gain in the third quarter of 2012. Impairment losses on loans and advances included a £335m credit provision for the non-core corporate and legacy portfolios made in the third quarter. Provisions for other liabilities and charges included a net provision for conduct remediation of £232m and a £55m provision for costs arising from the termination of the acquisition of the RBS businesses, both originally made in the third quarter of 2012

# Results – Gross Income

## Q4'13 Net Interest Income was the highest in the last two years



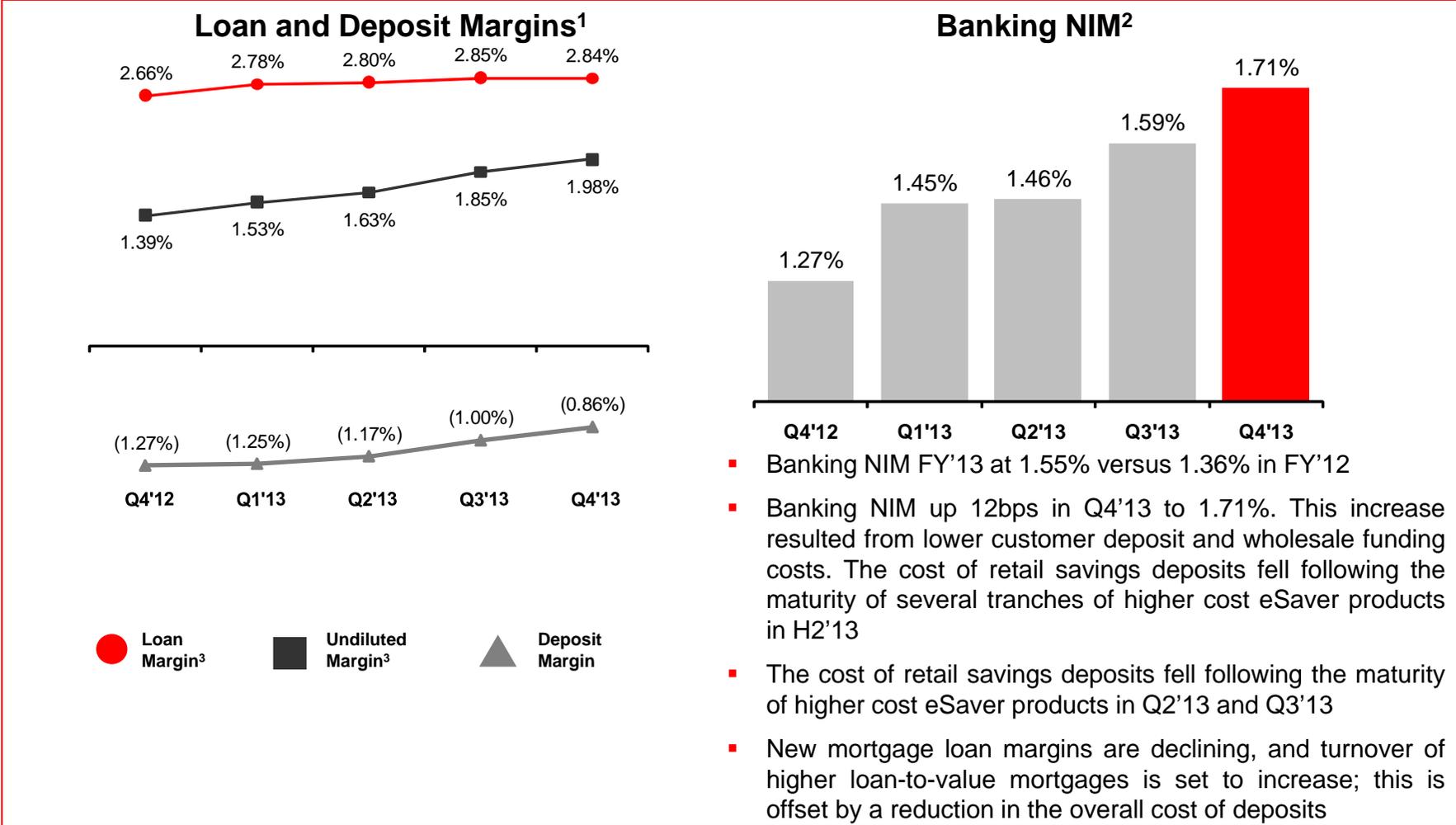
£m	FY'13	FY'13 v FY'12
Net Interest Income	2,930	8%
Net Fees	842	(13%)
<b>Subtotal</b>	<b>3,772</b>	<b>3%</b>
Other <sup>1</sup>	372	21%
<b>Gross Income</b>	<b>4,144</b>	<b>4%</b>

- Net interest income was 8% higher, due to an improved mortgage stock interest margin and increased lending in Commercial Banking
- In part, this was offset by the continued impact of structural market conditions. Customer funding pressures eased from mid 2013
- Net fees were down 13%, due to reduced retail investment fee income and lower corporate demand for interest rate and foreign exchange risk management products
- Gross income also included an improved gain on financial transactions
- Higher deposit margins offset the growing pressure of lower new business mortgage margins

<sup>1</sup> Other includes gains on financial transactions and other operating income

# Results – Banking NIM

**Loan stock margin steadied ... easing of deposit margin pressures ... step up in Banking NIM**



- Banking NIM FY'13 at 1.55% versus 1.36% in FY'12
- Banking NIM up 12bps in Q4'13 to 1.71%. This increase resulted from lower customer deposit and wholesale funding costs. The cost of retail savings deposits fell following the maturity of several tranches of higher cost eSaver products in H2'13
- The cost of retail savings deposits fell following the maturity of higher cost eSaver products in Q2'13 and Q3'13
- New mortgage loan margins are declining, and turnover of higher loan-to-value mortgages is set to increase; this is offset by a reduction in the overall cost of deposits

<sup>1</sup> Undiluted Spread: Sum of Loan Margin and Deposit Margin (annualised)

Loan margin calculated as 'Net Interest Income (including benchmark funding) on customer loans divided by average customer loans'

Deposit margin calculated as 'Net Interest Income (including benchmark funding) on customer deposits divided by average customer deposits'

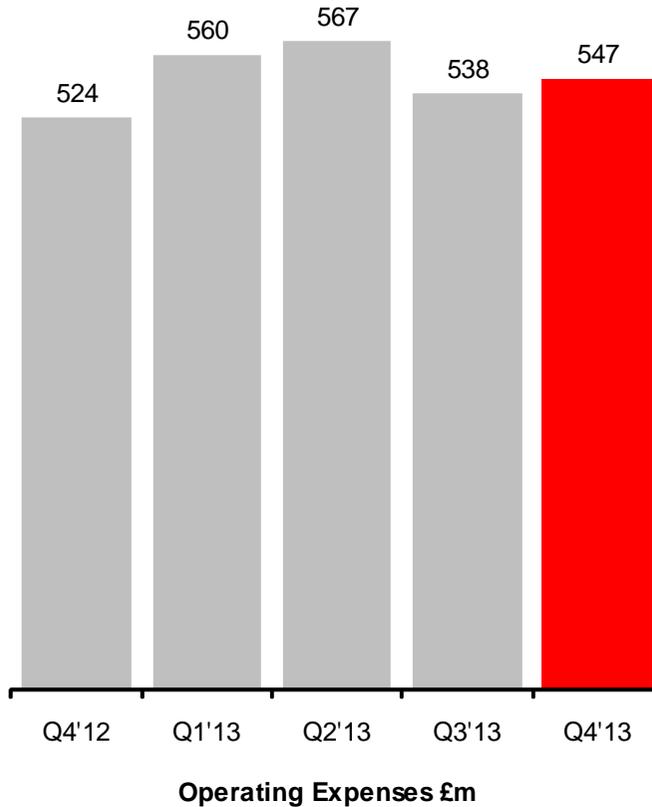
<sup>2</sup> 'Banking NIM' is calculated as annualised net interest income divided by average customer loans (previously known as commercial assets). In prior publications, net interest income from the Treasury Asset portfolio was excluded from the calculation of Banking NIM, given these assets have been in run down for some years they are now no longer significant

<sup>3</sup> Loans and Undiluted margins restated for the impact of the co-brands credit cards discontinued operations

# Results – Operating Expenses

**Continuing to fund investments ... primarily through efficiency gains**

23,981 23,862 23,801 23,538 23,548 FTE<sup>1</sup>



£m	FY'13	FY'13 v FY'12
General & administrative expenses	1,852	(1%)
Investment (depreciation)	360	17%
<b>Operating Expenses</b>	<b>2,212</b>	<b>1%</b>

- Operating expenses broadly flat. Costs remained tightly controlled with our focus on business as usual expenses
- Investments included: initiatives focused on improving customer experience, the branch network, customer segmentation and our affluent proposition 'Select', our commercial banking platform and regional Corporate Business Centres
- The cost to income ratio was 53% in 2013, down from 55% in 2012, largely driven by improved revenues

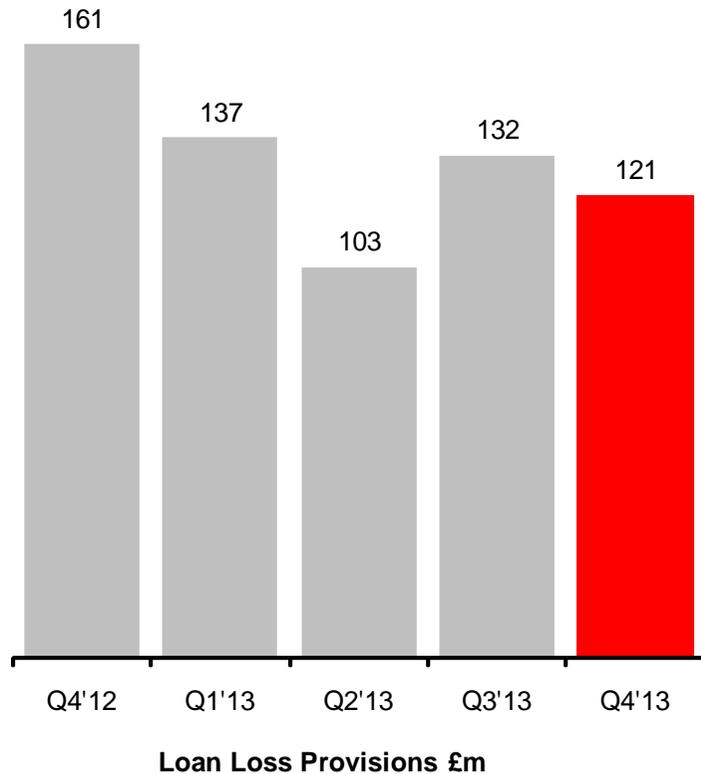
<sup>1</sup> FTE: Full-time equivalent employee numbers

# Results – Net Loan Loss Provisions

## Credit provisions fell 25% vs Q4'12

44%	42%	42%	42%	42%	Total Coverage (Reserves / NPL)
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2.05%	2.03%	2.01%	1.98%	1.98%	Total NPL (NPL / Customer Loans)
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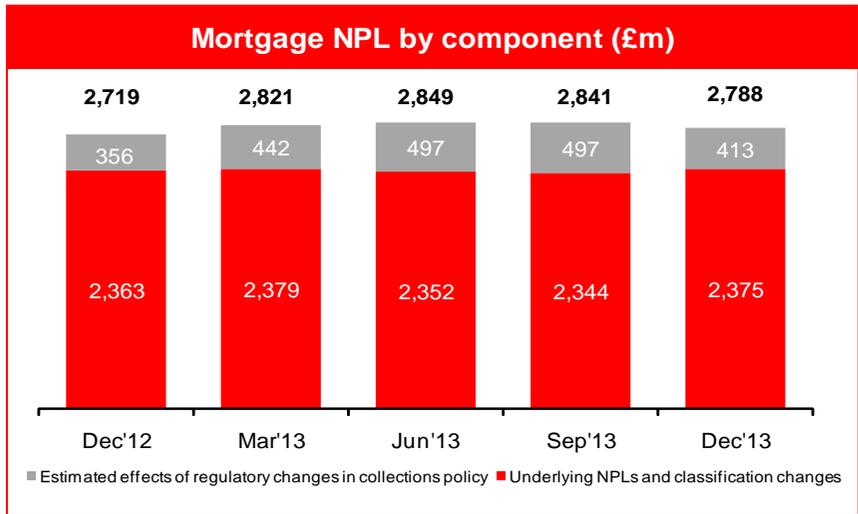
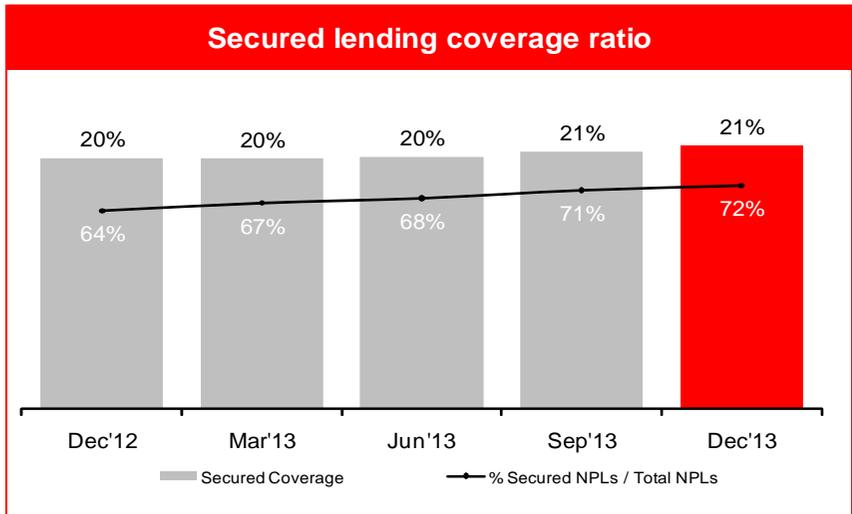
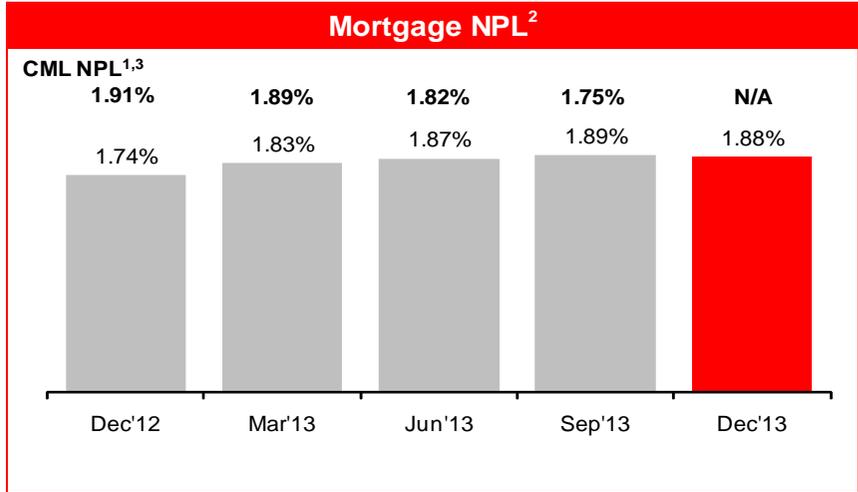
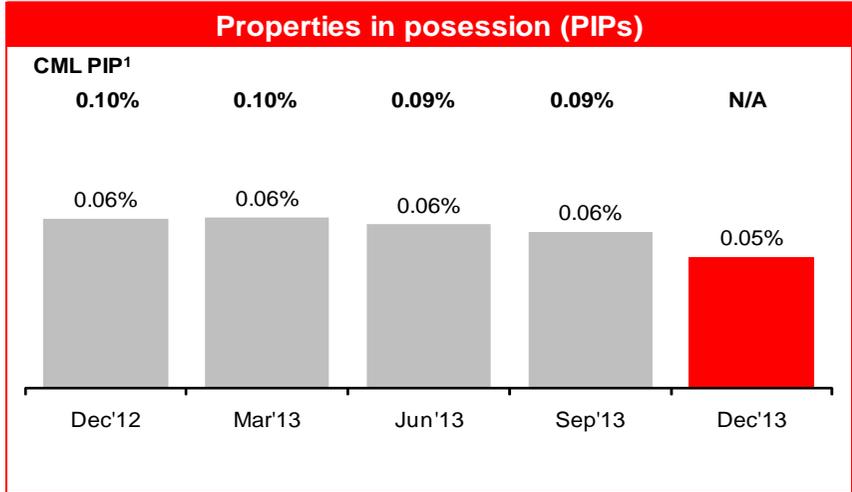


### Comments

- Impairment losses on loans and advances fell 25% vs Q4'12. The reduction largely reflected lower provisions on the non-core corporate and legacy portfolios
- Credit quality on other Retail Banking loans was satisfactory, with a particular improvement seen in unsecured personal lending where the NPL ratio has reduced progressively since December 2011
- Credit conditions in Retail Banking and Commercial Banking continued to be satisfactory
- Mortgage NPL now declining quarter-on-quarter; with an improving NPL ratio
- Mortgage NPL coverage ratio increased slightly to 21% in the year
- Total NPL ratio fell versus the prior year; largely reflecting the improvement in the corporate portfolio

# Results – Mortgage Credit Quality

## Mortgage NPL now declining; coverage improved



<sup>1</sup> CML UK industry mortgage data for December 2013 not available at time of reporting  
<sup>2</sup> Santander UK mortgage NPL on a value basis  
<sup>3</sup> CML NPL relates to the UK banking sector's residential mortgages on a volume basis

# Results – Mortgage Credit Quality

## Maintaining a prudent mortgage risk profile

	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13
Weighted Average LTV new lending	59%	57%	58%	58%	59%
Indexed LTV on book	52%	52%	52%	51%	51%
% new business LTV > 90% <sup>1</sup>	1%	1%	1%	0%	0%
Stock LTV 90%-100%	7%	6%	6%	5%	5%
Stock LTV > 100%	5%	5%	5%	4%	4%
Mortgage NPL ratio <sup>2</sup>	1.74%	1.83%	1.87%	1.89%	1.88%

<sup>1</sup> New mortgages above 90% LTV are only available as part of the 2012 UK Government Scheme 'NewBuy'. This enabled Santander UK plc to provide 95% LTV mortgages on new-build properties with the Government providing an indemnity guarantee

<sup>2</sup> The rise in the mortgage NPL ratio was largely due to regulatory-driven policy and reporting changes introduced at the beginning of 2012, as well as the impact from the managed reduction of the mortgage portfolio

# 2014 Outlook

1

## Loyal and satisfied retail customers

Continue to **execute our strategic transformation** whilst improving the customer experience  
 Qualitative **improvement in loyal customers** and **profitable primary banking relationships**  
**Improve the stickiness of the deposit base**; reducing the overall deposit cost  
 Capture the Non-1|2|3 **revenue growth opportunity of c. 12 million active customers**

2

## 'Bank of Choice' for UK companies

**Continue to diversify the business**; increasing the share of commercial banking business  
**Roll out additional functionality and service offering** to commercial customers  
 Maintain **conservative risk profile**  
 Further expand the **distribution capability/footprint**

3

## Consistent profitability and strong balance sheet

**Improve the revenue and profits** performance across UK Banking  
**Invest significantly** in strategic initiatives  
**Stabilise mortgage** business market share  
 Continue the **growth in Commercial Banking** lending  
**Liquidity balances to be managed** down, but at a more modest pace  
 Capital to be **further strengthened**  
 Leverage ratio post PRA adjustments **above the 3% minimum**

# APPENDIX

- **Financial Results**
- **Balance Sheet**

# Financial Results

# Financial Results – United Kingdom Profit and Loss

£ million

	FY'13	FY'12	Variation	
			Amount	%
<b>Net interest income</b>	<b>2,930</b>	<b>2,704</b>	<b>225</b>	<b>8.3</b>
Net fees	842	965	(122)	(12.7)
Gains (losses) on financial transactions	342	292	50	17.0
Other operating income*	30	16	14	87.3
<b>Gross income</b>	<b>4,144</b>	<b>3,977</b>	<b>167</b>	<b>4.2</b>
Operating expenses	(2,212)	(2,180)	(32)	1.5
General administrative expenses	(1,852)	(1,873)	21	(1.1)
<i>Personnel</i>	(1,190)	(1,210)	20	(1.7)
<i>Other administrative expenses</i>	(662)	(663)	1	(0.2)
Depreciation and amortisation	(360)	(307)	(53)	17.3
<b>Net income</b>	<b>1,932</b>	<b>1,797</b>	<b>135</b>	<b>7.5</b>
Net loan loss provisions	(493)	(654)	161	(24.6)
Other income	(200)	(135)	(65)	48.0
<b>Ordinary profit before taxes</b>	<b>1,239</b>	<b>1,008</b>	<b>231</b>	<b>23.0</b>
Tax on profit	(256)	(232)	(24)	10.4
<b>Ordinary profit from continuing operations</b>	<b>984</b>	<b>776</b>	<b>207</b>	<b>26.7</b>
Net profit from discontinued operations <sup>1</sup>	(8)	62	(70)	n.m.
<b>Ordinary consolidated profit</b>	<b>976</b>	<b>838</b>	<b>137</b>	<b>16.4</b>
Minority interests	—	—	—	—
<b>Ordinary attributable profit to the Group</b>	<b>976</b>	<b>838</b>	<b>137</b>	<b>16.4</b>
Net capital gains and provisions	—	65	(65)	n.m.
<b>Attributable profit to the Group after significant items<sup>2</sup></b>	<b>976</b>	<b>904</b>	<b>72</b>	<b>8.0</b>

\* Including dividends, income from equity-accounted method and other operating income/expenses

<sup>1</sup> Results have been amended to reflect the sale of the co-brand credit cards business

<sup>2</sup> A number of significant items impacted the 2012 financial results. Non-interest income included the impact of a capital management exercise which resulted in a £705m gain in the third quarter of 2012. Impairment losses on loans and advances included a £335m credit provision for the non-core corporate and legacy portfolios made in the third quarter. Provisions for other liabilities and charges included a net provision for conduct remediation of £232m and a £55m provision for costs arising from the termination of the acquisition of the RBS businesses, both originally made in the third quarter of 2012

# Financial Results – United Kingdom Profit and Loss

£ million

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13
<b>Net interest income</b>	752	664	645	643	683	688	749	809
Net fees	236	235	237	257	212	218	208	205
Gains (losses) on financial transactions	93	102	54	44	73	137	61	71
Other operating income*	7	5	0	4	5	6	5	15
<b>Gross income</b>	<b>1,088</b>	<b>1,006</b>	<b>936</b>	<b>948</b>	<b>973</b>	<b>1,048</b>	<b>1,022</b>	<b>1,100</b>
Operating expenses	(552)	(558)	(546)	(524)	(560)	(567)	(538)	(547)
General administrative expenses	(475)	(485)	(456)	(457)	(476)	(486)	(452)	(437)
<i>Personnel</i>	(304)	(304)	(310)	(291)	(301)	(300)	(279)	(309)
<i>Other administrative expenses</i>	(171)	(181)	(146)	(165)	(175)	(186)	(173)	(128)
Depreciation and amortisation	(77)	(72)	(90)	(67)	(83)	(81)	(86)	(110)
<b>Net income</b>	<b>535</b>	<b>448</b>	<b>390</b>	<b>423</b>	<b>413</b>	<b>481</b>	<b>484</b>	<b>553</b>
Net loan loss provisions	(172)	(173)	(147)	(161)	(137)	(103)	(132)	(121)
Other income	(53)	(32)	(24)	(27)	(35)	(87)	(22)	(55)
<b>Ordinary profit before taxes</b>	<b>311</b>	<b>244</b>	<b>218</b>	<b>236</b>	<b>241</b>	<b>291</b>	<b>330</b>	<b>377</b>
Tax on profit	(81)	(57)	(44)	(49)	(51)	(56)	(69)	(80)
<b>Ordinary profit from continuing operations</b>	<b>229</b>	<b>186</b>	<b>174</b>	<b>187</b>	<b>191</b>	<b>235</b>	<b>261</b>	<b>296</b>
Net profit from discontinued operations	14	12	16	20	—	(12)	(0)	4
<b>Ordinary consolidated profit</b>	<b>243</b>	<b>198</b>	<b>190</b>	<b>207</b>	<b>191</b>	<b>224</b>	<b>261</b>	<b>301</b>
Minority interests	—	—	—	—	—	—	—	—
<b>Ordinary attributable profit to the Group</b>	<b>243</b>	<b>198</b>	<b>190</b>	<b>207</b>	<b>191</b>	<b>224</b>	<b>261</b>	<b>301</b>
Net capital gains and provisions	—	—	65	—	—	—	—	—
<b>Attributable profit to the Group after significant items</b>	<b>243</b>	<b>198</b>	<b>256</b>	<b>207</b>	<b>191</b>	<b>224</b>	<b>261</b>	<b>301</b>

\* Including dividends, income from equity-accounted method and other operating income/expenses

# Balance Sheet

# Financial Results – United Kingdom Balance Sheet

£ million

			Variation	
	31.12.13	31.12.12	Amount	%
Loans and credits	192,623	203,337	(10,716)	(5.3)
Trading portfolio (w/o loans)	24,037	31,156	(7,120)	(22.9)
Available-for-sale financial assets	5,005	5,483	(478)	(9)
Due from credit institutions	14,286	14,791	(505)	(3.4)
Intangible assets and property and equipment	2,082	2,090	(8)	(0.4)
Other assets	31,871	36,171	(4,300)	(11.9)
<b>Total assets</b>	<b>269,904</b>	<b>293,028</b>	<b>(23,124)</b>	<b>(7.9)</b>
Customer deposits	156,291	158,692	(2,401)	(1.5)
Marketable debt securities	53,434	60,325	(6,892)	(11.4)
Subordinated debt	4,840	4,516	324	7.2
Insurance liabilities	0	0	—	—
Due to credit institutions	22,412	23,922	(1,510)	(6.3)
Other liabilities	22,389	34,838	(12,450)	(35.7)
Shareholders' equity*	10,539	10,733	(194)	(1.8)
<b>Total liabilities &amp; shareholders' equity</b>	<b>269,904</b>	<b>293,028</b>	<b>(23,124)</b>	<b>(7.9)</b>
Mutual funds	8,041	11,359	(3,318)	(29.2)
Pension funds	—	—	—	—
Managed portfolios	—	—	—	—
Savings-insurance policies	—	—	—	—
<b>Customer funds under management</b>	<b>222,606</b>	<b>234,893</b>	<b>(12,288)</b>	<b>(5.2)</b>
<b>Commercial Loans included above**</b>	<b>187,100</b>	<b>194,700</b>	<b>(7,600)</b>	<b>(3.9)</b>
<b>Commercial deposits included above</b>	<b>146,400</b>	<b>148,600</b>	<b>(2,200)</b>	<b>(1.5)</b>

\* Includes all stock of concept classified in the balance sheet

\*\* Not including profit of the year

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