The information contained in this Quarterly Management Statement and in the Appendices is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

This statement provides a summary of the unaudited business and financial trends for the six months ended 30 June 2015 for the Santander UK Group Holdings plc group ('Santander UK'). Unless otherwise stated, references to Santander UK Group Holdings plc and its subsidiaries and other general statements refer to the business results of the same period in 2014. Balance sheet references are compared to the position at 31 December 2014, unless otherwise stated.

Supplementary information for Santander UK Group Holdings plc's principal subsidiary, Santander UK plc, is included in Appendix 3.

Santander UK Group Holdings plc

Quarterly Management Statement for the six months ended 30 June 2015

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Profit before tax of £928m, up strongly on H1'14

660,000 new 1I2I3 World customers and net lending to UK companies of £1.8bn in H1'15

"I am pleased to report a strong set of results for the first half of the year, with good momentum in profitability underpinned by continued growth in net interest income which we have seen since the end of 2012.

Our purpose is to help people and businesses prosper as we build the best bank in the UK – a bank that is Simple, Personal and Fair. Our ongoing focus on operational and digital excellence has led to a much improved customer experience and this will remain at the heart of our future plans.

With 4.3 million 1I2I3 World customers we have exceeded our 2015 target ahead of schedule and continue to be the first choice for customers switching their current account provider. We also grew lending to UK companies by a net £1.8bn to a total of £25.7bn, maintaining positive momentum in an increasingly competitive market as we continue to utilise our expanded corporate banking capabilities.

We are well placed to benefit from the positive economic outlook, although future earnings will be impacted by the bank corporation tax surcharge announced in the recent UK budget. Nevertheless, I am confident that we can continue to grow the business, whilst maintaining balance sheet strength."

Nathan Bostock, Chief Executive Officer

H1'15 business and financial highlights [1]

- Retail current account balances of £47.7bn, up an average £1bn per month since end 2012.
- Gross mortgage lending of £11.9bn, with net lending of £0.6bn and an outstanding balance at £150.7bn.
- Significantly improved customer satisfaction since Jun'12, with continued focus on further improvement. [2]
- New facilities in Commercial Banking up 15% to £4.5bn, with net lending of £1.3bn.
- Improved Banking NIM of 1.86% up 6bps, and RoTE of 12.8% [3] up 110bps, since H1'14.
- Operational efficiency well managed, absorbing ongoing investment.
- Robust retail and corporate credit quality; NPL ratio improved from 1.96% in H1'14 to 1.68%.
- CET 1 capital ratio of 11.7%; leverage ratio of 4.1%, benefiting from £750m of AT1 issuance in Jun'15.

Income statement highlights	**H1'15** **£m**	**H2'14** **£m**	**H1'14 [4]** **£m**
Net interest income	1,783	1,761	1,673
Non-interest income	500	517	519
Operating expenses	(1,201)	(1,174)	(1,223)
Total operating provisions and charges	(154)	(250)	(424)
Profit before tax	928	854	545

Balance sheet highlights	**30.06.15** **£bn**	**31.12.14** **£bn**	**30.06.14** **£bn**
Customer loans	196.2	190.7	188.4
- of which mortgages	150.7	150.1	148.7
- of which corporates [5]	25.7	23.9	23.1
Customer deposits	157.1	152.4	150.7
PRA end point T1 leverage ratio	*4.1%*	*3.8%*	*3.6%*
CET 1 capital ratio	*11.7%*	*11.9%*	*11.8%*

1. See Appendix 1 for notes and definitions.
2. Customer satisfaction as measured by the Financial Research Survey ('FRS') run by GfK NOP. See Appendix 1 for full definition.
3. RoTE of 12.8% is annualised and adjusted for the UK Bank Levy and FSCS phasing. Statutory RoTE was 13.2%. See Appendix 1.
4. See Appendix 1 for details of specific gains, expenses and charges in 2014.
5. PSA Finance UK Limited, a cooperation (accounted for as a subsidiary) between Santander Consumer Finance, S.A. and Banque PSA Finance, S.A.. See Appendix 1.
6. Total lending to corporates. See Appendix 1.

Delivering on our commitments, 2013-15 [1]

1. Loyal and satisfied retail customers	2015 target	30.06.15	31.12.14
Loyal customers	4 million	3.6 million	3.3 million
1I2I3 World customers	4 million	4.3 million	3.6 million
Customer satisfaction, Financial Research Survey ('FRS')	*Top 3*	*61.7%*	*59.7%*
(average of 3 highest performing peers)		*(61.3%)*	*(60.4%)*

- Our loyal customer growth is underpinned by the continued success of the 1I2I3 Current Account. Total banking and savings balances of customers with a primary banking relationship with Santander UK increased by 14%, to £80.4bn, which enabled us to continue to focus on lower cost, more loyal deposits.
- Santander UK remained the first choice for customers switching their current account provider, on a net basis. One-in-four UK current account full 'switchers' have moved to Santander UK since the introduction of the current account switch service ('CASS') in September 2013. [2]
- FRS reported a significant improvement in customer satisfaction in the last year, with the gap to the average of 3 highest performing peers closed. Further improvement is at the heart of our plans, as we aim to achieve positive customer outcomes every time and across all channels.

2. 'Bank of Choice' for UK companies	2015 target	30.06.15	31.12.14
Corporate loans percentage of total customer loans	*20%*	*13%*	*13%*
(Total lending to corporates)		(£25.7bn)	(£23.9bn)

- In H1'15 we extended £4.5bn of new facilities to SMEs and mid-sized corporates, an increase of 15%. Overall lending to corporates grew by 11% year-on-year.
- Commercial Banking current account balances grew to £3.3bn, a 26% increase year-on-year, with acceleration in the usage of our corporate banking platform. Bank account openings were up 15%.
- Charterhouse UK Business Banking Survey reported an improvement in overall customer satisfaction, as well as an improvement in our rating for overall quality of relationship management. Further improvement is at the heart of our plans.
- We maintained the share of corporate loans to total customer loans of 13%. However, we will not compromise our prudent risk management and return objectives and do not expect to achieve our 2015 target of 20%.
- With the investment required for our Commercial Banking business largely completed, we continue to build productivity across our platform, with the broader product suite and extended footprint we now have in place.

3. Consistent profitability and a strong balance sheet	2015 target	30.06.15	31.12.14
Return on tangible equity ('RoTE')	*13% - 15%*	*12.8%* [3]	*10.4%*
Cost-to-income ratio ('CIR')	*< 50%*	*53%*	*54%*
CET 1 capital ratio	*> 10.5%* [4]	*11.7%*	*11.9%*
Loan-to-deposit ratio ('LDR')	*< 125%*	*124%*	*124%*
Non-performing loan ('NPL') ratio	*ratio maintained*	*1.68%*	*1.80%*
Dividend payout ratio	*50%*	*N/A*	*46%*

- Adjusted RoTE improved to 12.8% [3], and statutory RoTE to 13.2%.
- CIR improved to 53%, with administrative expenses tightly managed, absorbing ongoing investment.
- CET1 capital ratio of 11.7% and LDR of 124%, were impacted by the commencement of the PSA cooperation in our consumer finance business. Excluding this impact, the CET 1 capital ratio would have been 12.0% and the LDR 122%.
- The NPL ratio decreased 12bps to 1.68%, with retail and corporate loans performing well in an improving credit environment.

1. See Appendix 1 for notes and definitions. Targets were established on a Santander UK plc basis in 2012.
2. As measured by the Payments Council. See Appendix 1.
3. RoTE of 12.8% is annualised and adjusted for the UK Bank Levy and FSCS phasing. Statutory RoTE was 13.2%. See Appendix 1.
4. Target recalibrated to c.12% by 2019 in June 2015, based on the current known end-point CET 1 regulatory requirements.

Summary income statement [1]

	H1'15 £m	H1'14 [2] £m	*Change %*	H2'14 £m	*Change %*
Net interest income	1,783	1,673	*7*	1,761	*1*
Non-interest income	500	519	*(4)*	517	*(3)*
Total operating income	**2,283**	**2,192**	***4***	**2,278**	***-***
Administrative expenses	(1,065)	(876)	*22*	(1,039)	*3*
Depreciation, amortisation and impairment	(136)	(347)	*(61)*	(135)	*1*
Operating expenses	**(1,201)**	**(1,223)**	***(2)***	**(1,174)**	***2***
Impairment losses on loans and advances	(57)	(172)	*(67)*	(86)	*(34)*
Provisions for other liabilities and charges	(97)	(252)	*(62)*	(164)	*(41)*
Total operating provisions and charges	**(154)**	**(424)**	***(64)***	**(250)**	***(38)***
Profit before tax	**928**	**545**	***70***	**854**	***9***
Taxation charge	(195)	(107)	*82*	(182)	*7*
Profit after tax for the period	**733**	**438**	***67***	**672**	***9***

H1'15 compared to H1'14

Operating income

- Net interest income was 7% higher at £1,783m, driven by margin improvements and increased retail and corporate lending.
- Non-interest income was 4% lower, with lower net banking fees in Retail Banking partially offset by higher banking fees and international payments in Commercial Banking as well as revenues from derivative and cash sales activities in Corporate & Institutional Banking.

Operating expenses

- Underlying cost efficiency remained stable as we focused on managing business-as-usual administrative expenses to absorb investment and increased employment costs. Operating expenses fell 2% in H1'15, largely due to a number of specific gains, expenses and charges from H1'14, outlined in Appendix 1, which had a net impact of £86m. Excluding this impact, operating expenses were up 6% with the investment in business growth, regulatory compliance project costs (including banking reform), and the continued enhancements to our digital channels driving the increase.

Operating provisions and charges

- Impairment losses on loans and advances were significantly lower at £57m, due to improved economic conditions and lower mortgage impairment losses. This was also impacted by releases in Corporate & Institutional Banking and Corporate Centre following loan disposals and restructurings.
- Provisions for other liabilities and charges were 62% lower at £97m. Excluding £120m of specific charges incurred in H1'14, outlined in Appendix 1, provisions for other liabilities and charges decreased 27%, predominantly due to a reduction in branch de-duplication charges.

Taxation charge

- The taxation charge increased largely due to higher profits, offset in part by the reduction in the main corporation tax rate.

1. See Appendix 1 for notes and definitions.
2. See Appendix 1 for details of specific gains, expenses and charges in 2014.

Summary quarterly trends [1]	Q2'15 £m	Q1'15 £m	Q4'14 £m	Q3'14 £m	Q2'14 [2] £m
Net interest income	898	885	890	871	848
Non-interest income	242	258	260	257	250
Total operating income	**1,140**	**1,143**	**1,150**	**1,128**	**1,098**
Administrative expenses	(529)	(536)	(530)	(509)	(379)
Depreciation, amortisation and impairment	(70)	(66)	(70)	(65)	(274)
Operating expenses	**(599)**	**(602)**	**(600)**	**(574)**	**(653)**
Impairment losses on loans and advances	(4)	(53)	(18)	(68)	(75)
Provisions for other liabilities and charges	(79)	(18)	(144)	(20)	(241)
Total operating provisions and charges	**(83)**	**(71)**	**(162)**	**(88)**	**(316)**
Profit before tax	**458**	**470**	**388**	**466**	**129**
Taxation charge	(102)	(93)	(85)	(97)	(26)
Profit after tax for the period	**356**	**377**	**303**	**369**	**103**

Q2’15 compared to Q1’15

Variances largely followed the trends outlined for H1’15 versus H1’14 on the previous page, with the notable exceptions below:

- Administrative expenses reduced by £7m to £529m due to timing of systems plans and project spend.
- Provisions for other liabilities and charges increased to £79m, reflecting the £74m FSCS charge incurred in this quarter.

Banking Reform Act update

- We intend to establish a retail and small business bank, and a dedicated corporate and institutional bank in order to comply with the ring fencing requirements of the Financial Services (Banking Reform) Act 2013 (the ‘Act’).
- As a scale challenger, we believe this choice will enable us to continue to meet the distinct needs of the different segments of our retail, corporate and institutional customer base and comply with the Act by 1 January 2019 as required.
- We will keep all stakeholders updated as we evolve our new operating models.

1. See Appendix 1 for notes and definitions.
2. See Appendix 1 for details of specific gains, expenses and charges in 2014.

Full Year 2015 outlook

- We anticipate that the UK economy will continue to be supportive of our business. There is evidence of increasing liquidity in the lending market resulting in competitive pressures in many business lines, which may impact new asset margins. We also expect the implementation costs of regulatory reform to increase significantly in the months ahead as we evolve our new operating models to address ring fencing requirements. Over time, we expect the ongoing digitalisation of our business to lead to further improvements in customer experience and operational efficiencies.
- We expect the Banking NIM for 2015 to remain broadly unchanged from 1.82% as reported for end of 2014, predicated on the Bank of England bank rate not rising in 2015. Reduced stock margins and new lending margin pressures for mortgages which started in H2'14, should be partly offset by improvement in the liability margin.
- We expect our net mortgage lending to grow in line with the market for the rest of the year, and the decline in SVR mortgage balances, which reduced by a net £3.9bn in H1'15, to continue.
- We expect to update our medium-term Key Performance Indicators ('KPIs') and targets at the Banco Santander Investor Day in late September 2015.
- We continue to monitor events in the eurozone around the Greek debt situation, with the Bank of England also actively monitoring any potential adverse effects on the UK economy and the markets.
- Since 30 June 2015, the trends evident in these operating results have not changed significantly, except for the changes to the Bank Levy and bank corporation tax surcharge announced in the UK Budget on 10 July 2015, which will have a material impact on future earnings.

Summary balance sheet [1]	30.06.15 £bn	31.12.14 £bn
Assets		
Retail Banking	162.6	158.5
Commercial Banking	20.0	18.7
Corporate & Institutional Banking	5.7	5.2
Corporate Centre	7.9	8.3
Customer assets	**196.2**	**190.7**
Other assets	81.0	85.3
Total assets	**277.2**	**276.0**
Liabilities		
Retail Banking	134.1	129.6
Commercial Banking	16.6	15.3
Corporate & Institutional Banking	2.2	2.3
Corporate Centre	4.2	5.2
Customer deposits	**157.1**	**152.4**
Medium Term Funding ('MTF')	54.3	55.1
Other liabilities	50.6	54.3
Total liabilities	**262.0**	**261.8**
Shareholder's equity	14.8	13.9
Non-controlling interest [2]	0.4	0.3
Total liabilities and equity	**277.2**	**276.0**

Summary capital, leverage, liquidity and funding [1]	30.06.15 £bn	31.12.14 £bn
Capital and leverage		
CET 1 capital	10.0	9.8
Total qualifying regulatory capital	14.3	14.3
Risk Weighted Assets ('RWAs')	85.2	82.3
CET 1 capital ratio	*11.7%* [3]	*11.9%*
Total capital ratio	*16.8%* [4]	*17.3%*
PRA end point T1 leverage ratio	*4.1%*	*3.8%*
Liquidity		
Liquidity Coverage Ratio ('LCR')	*109%*	*110%*
LCR eligible liquidity pool	34.5	39.5
Funding		
Total wholesale funding	65.3	66.2
- of which with a residual maturity of less than one year	18.7	23.1
Liquid assets coverage of wholesale funding with a residual maturity of less than one year	*184%*	*171%*

1. See Appendix 1 for notes and definitions.
2. Non-controlling interest refers to other equity instruments issued by Santander UK plc and the PSA cooperation.
3. CET 1 capital ratio of 11.7% was impacted by the commencement of the PSA cooperation. Excluding the impact of the PSA cooperation, the CET 1 capital ratio would have been 12.0%.
4. Total capital ratio of 16.8% was impacted by the transitional treatment of minority interests and grandfathering rules. If adjusted to Dec'14 basis, the ratio was 17.5%. See Capital and leverage section on page 8.

Balance sheet analysis

Balances

- Customer assets grew £5.5bn to £196.2bn, as a result of a £2.7bn increase in unsecured consumer and vehicle finance, following the commencement of the PSA cooperation, and an increase in corporate lending, up £1.8bn in H1'15. Mortgage balances were up £0.6bn, driven by stronger approval volumes in Q1'15.
- Other assets, which consist largely of cash, derivatives, government securities, investment portfolios and joint venture assets, decreased by £4.3bn mainly due to a decrease in cash reflecting lower liquidity requirements.
- Customer deposits increased £4.7bn to £157.1bn, as we focused on retaining and originating accounts held by more loyal customers. Retail Banking current account balances grew by £6.6bn to a total of £47.7bn, partially offset by lower savings balances. Commercial Banking deposits grew £1.3bn, through enhanced capabilities and building upon strong customer relationships.
- The LDR remained flat at 124%. The continued strong growth in retail current accounts was offset by the adverse impact of the PSA cooperation commencement.

Capital and leverage

- The CET 1 capital ratio was 11.7%, from 11.9% at Dec'14, adversely impacted by the commencement of the PSA cooperation. Excluding this impact, the CET 1 capital ratio would have been 12.0%. The PRA end point T1 leverage ratio was 4.1%, up from 3.8% at Dec'14, mainly due to the £750m Additional Tier 1 ('AT1') issuance.
- The total capital ratio at 16.8%, was impacted by the fall in the CET 1 ratio and the CRD IV Minority Interest and grandfathering rules, as well as capital instrument buy-back outlined below. This was partially offset by the £750m AT1 issuance.
- RWAs were up £2.9bn, to £85.2bn, broadly in line with asset growth and reflecting the RWAs from the commencement of the PSA cooperation being consolidated under Santander UK.
- In June 2015 we successfully issued £750m of AT1 securities with a coupon of 7.375%, representing our first public issuance from Santander UK Group Holdings plc.
- In June 2015, we completed the partial buy-back of four capital instruments in order to improve our capital position, as under current capital regulations, these securities are impacted by both CRD IV Minority Interest and grandfathering rules. This had no significant impact on the income statement.

Liquidity and funding

- The LCR eligible liquidity pool decreased £5.0bn, to £34.5bn, largely due to the phasing of short term funding and of medium term maturities. The decrease is expected to partially reverse in the second half of the year. Wholesale funding with a residual maturity of less than one year decreased £4.4bn, to £18.7bn, reflecting changes in the maturity profile of our medium term funding. The LCR eligible liquidity pool significantly exceeded wholesale funding of less than one year, with a 184% coverage ratio.
- H1'15 MTF issuance of c. £8.0bn (sterling equivalent) included £4.3bn of senior unsecured and £750m of AT1 securities.
- With no additional drawings made in 2015, we have total drawdowns of UK Treasury Bills under the Funding for Lending Scheme ('FLS') of £2.2bn.
- The annual review of Santander UK plc's credit ratings was completed by Moody's, S&P and Fitch, resulting in the affirmation of our ratings. Santander UK Group Holdings plc's was also assigned credit ratings from all three credit ratings agencies. See Appendix 1 for details on credit ratings for Santander UK Group Holdings plc and Santander UK plc.

Conduct remediation

- The remaining provision for Payment Protection Insurance ('PPI') redress and related costs amounted to £73m. Monthly utilisation, including pro-active customer contact, during H1'15 decreased to £9m per month, against an average of £11m in 2014, and £18m in 2013. Excluding pro-active customer contact, the average redress costs in H1'15 were £6m per month, unchanged from £6m in 2014, and down from £14m in 2013. The high proportion of invalid complaints also continued.
- Existing non-PPI related conduct provisions amounted to £159m. Outstanding provisions relate predominantly to wealth and investment products.

Credit quality [1]

30.06.15	Assets £bn	NPLs £m	*NPL ratio %*	*NPL coverage %*	6M Gross write-offs £m	Loan loss allowance £m
Retail Banking	162.6	2,495	*1.53*	*35*	108	870
Residential mortgages	150.7	2,371	*1.57*	*23*	20	557
Banking and consumer credit	11.9	124	*1.05*	*252*	88	313
Commercial Banking	20.0	652	*3.25*	*46*	28	297
Corporate & Institutional Banking	5.7	4	*0.07*	*675*	26	27
Corporate Centre	7.9	152	*1.93*	*89*	17	135
	196.2	**3,303**	***1.68***	***40***	**179**	**1,329**

31.12.14	Assets £bn	NPLs £m	*NPL ratio %*	*NPL coverage %*	12M Gross write-offs £m	Loan loss allowance £m
Retail Banking	158.5	2,573	*1.62*	*34*	273	881
Residential mortgages	150.1	2,459	*1.64*	*24*	68	579
Banking and consumer credit	8.4	114	*1.35*	*265*	205	302
Commercial Banking	18.7	664	*3.56*	*46*	75	305
Corporate & Institutional Banking	5.2	53	*1.01*	*138*	11	73
Corporate Centre	8.3	134	*1.62*	*134*	64	180
	190.7	**3,424**	***1.80***	***42***	**423**	**1,439**

- The total NPL ratio of 1.68% continued to improve, with retail and corporate loans performing well in an improving credit environment.
- The Retail Banking NPL ratio decreased to 1.53%, as a result of lower mortgage non-performance and overall growth in retail assets.
- The residential mortgage NPL ratio decreased to 1.57% and now includes Properties in Possession (‘PIPs’). The residential mortgage NPL ratio excluding PIPs was 1.54%, reflecting good performance of the portfolio supported by low interest rates, rising house prices and falling unemployment. We are conscious that these conditions may not continue and our provisions reflect our conservative position on the UK economy and the housing market, notwithstanding current trends.
- The banking and consumer credit NPL ratio decreased to 1.05%, mainly as a result of the commencement of the PSA cooperation.
- The Commercial Banking NPL ratio decreased to 3.25%, with credit quality remaining strong. We continue to adhere to our prudent lending criteria as we grow lending.
- The Corporate & Institutional Banking NPL ratio decreased to 0.07%, due to the disposal of a single loan of £49m and asset growth in H1’15.
- The Corporate Centre NPL ratio increased to 1.93%, due to a single loan of £21m that moved into non-performance in H1'15.

1. See Appendix 1 for notes and definitions.

Mortgage loan-to-value ('LTV')

30.06.15	Simple avg. %	up to 50% % of total	>50-75% % of total	>75-85% % of total	>85-100% % of total	>100% % of total
New business flow	65	17	41	26	16	-
Stock	47	37	44	11	6	2

31.12.14	Simple avg. %	up to 50% % of total	>50-75% % of total	>75-85% % of total	>85-100% % of total	>100% % of total
New business flow	65	17	42	24	17	-
Stock	47	36	44	11	6	3

- We maintained our prudent lending criteria, with an average LTV of 65% on new lending, including Help to Buy, and 47% on the stock of mortgages. Help to Buy comprises all of the lending with an LTV over 90%. Excluding Help to Buy, the average LTV on new lending was 64%, and our lending with an LTV of over 85% accounted for 13% of the new business flow.
- Stock LTV continued to perform well, supported by house price increases and the improving economic environment, facilitating capital repayments by borrowers.

Retail Banking

Retail Banking offers a wide range of products and financial services to individuals and small businesses (with less than two directors, owners or partners) through a network of branches and ATMs, as well as through telephony, digital, mobile and intermediary channels. Retail Banking also includes the UK arm of Santander Consumer Finance, predominantly a vehicle finance business.

Summary income statement	H1'15	H1'14	*Change*	H2'14	*Change*
	£m	£m	*%*	£m	*%*
Net interest income	1,588	1,486	*7*	1,606	*(1)*
Non-interest income	264	282	*(6)*	278	*(5)*
Operating income	**1,852**	**1,768**	***5***	**1,884**	***(2)***
Operating expenses	(890)	(864)	*3*	(889)	*-*
Impairment losses on loans and advances	(85)	(107)	*(21)*	(80)	*6*
Provisions for other liabilities and charges	(95)	(257)	*(63)*	(138)	*(31)*
Profit before tax	**782**	**540**	***45***	**777**	***1***

Income statement analysis (H1'15 compared to H1'14)

- Net interest income increased 7%. This was driven by management focus on reducing the cost of retail liabilities, the commencement of the PSA cooperation and increased lending. This was partially offset by reduced mortgage stock margins and new lending margin pressures.
- Non-interest income decreased 6%, reflecting lower net banking fees.
- Operating expenses rose slightly year-on-year with investment in the growth of the business, continued enhancements to our digital channels, regulatory compliance costs and increased consumer finance costs as a result of the commencement of the PSA cooperation. These were partially offset by strong cost management discipline and by multi-branch consolidation efficiencies.
- Impairment losses on loans and advances decreased to £85m, mainly driven by lower mortgage impairment losses supported by the improving economic environment. The loan loss rate continued to fall and was 0.10% (H1'14: 0.18%).
- Provisions for other liabilities and charges decreased to £95m, predominantly due to a decrease in branch de-duplication charges.

Balances	30.06.15	31.12.14
	£bn	£bn
Customer loans	162.6	158.5
- of which mortgages	150.7	150.1
- of which other unsecured consumer finance	5.7	5.1
- of which vehicle consumer finance	6.2	3.3
RWAs	42.2	38.4
Customer deposits	134.1	129.6
- of which current accounts	47.7	41.1

- Mortgage net lending was £0.6bn, with the total outstanding balance up at £150.7bn. This was driven by strong approval volumes and mortgage retention rate with 70,200 customers (c.80%) with maturing products retained on Santander UK mortgages. SVR mortgage loan balances fell £3.9bn to £40.0bn.
- Unsecured consumer finance balances, which include bank overdrafts, unsecured personal loans ('UPL'), and credit cards, increased 12% in line with the 1I2I3 World loyalty strategy.
- Vehicle consumer finance balances increased to £6.2bn, driven by the PSA cooperation commencement.
- The RWA increase mostly reflected the commencement of the PSA cooperation and growth in mortgages.
- Customer deposits increased £4.5bn as current account balances continued to grow strongly, partially offset by lower demand for savings products. Annualised Retail Banking deposit spread was (0.64)% (Dec'14: (0.76)%). [1]
- The 1I2I3 Current Account remains central to our retail customer relationship model and was the main driver of a net inflow of £6.6bn in current account balances over the last 6 months.

1. YTD annualised Retail Banking customer deposit spreads against the relevant swap rate or LIBOR. Retail Banking customer deposits include savings and bank accounts for personal and business banking customers.

Retail Banking (continued)

Business volumes [1]	H1'15	H1'14
Mortgage gross lending	£11.9bn	£12.8bn
Mortgage net lending	£0.6bn	£0.6bn
UPL gross lending	£0.7bn	£0.8bn
UPL net lending	£0.1bn	£0.2bn
Vehicle consumer finance gross lending	£1,458m	£822m
Vehicle consumer finance net lending	£426m	£69m
Customer deposit flows	£4.5bn	£3.7bn

- Mortgage gross lending was £11.9bn, with applications down 2% on H1'14. We helped 15,800 first-time buyers (£2.3bn of gross lending) and 2,800 Help to Buy customers (£395m).
- Interest only mortgage balances decreased £1.3bn to £55.6bn (Dec'14: £56.9bn) while buy-to-let ('BTL') mortgage balances increased £0.7bn to £3.8bn (Dec'14: £3.1bn).
- UPL gross lending remained broadly flat over the period, with overall positive net lending.
- Vehicle finance gross lending was £1,458m and net lending £426m, driven by a 7% increase in new car registrations and an expansion in business streams, including motorbikes and leisure vehicles. Excluding PSA cooperation, gross lending was £865m and net lending £160m.

Business development

- 1I2I3 World is transforming our customer profile, building deeper, more durable and more valuable relationships: 95% of 1I2I3 current account holders have a primary banking relationship (vs. 47% for our non 1I2I3 World Current Account); on average 1I2I3 customers hold 2.3 products (vs. 1.5); and average 1I2I3 account balances are 5.2x [2] higher than for non-1I2I3 current accounts.
- In H1'15, 169,200 customers moved their current account to Santander UK from other providers (502,200 from the launch of the CASS in September 2013), representing one-in-four UK current account 'full switchers' moving to Santander UK since the launch of the CASS.
- We continued to build and enhance our offerings to support our 'Select' range of products for more affluent customers. We now have 614,000 active 'Select' customers in total, up 16% in a year. Alongside this, we continue to develop our Wealth Management proposition, restructuring our businesses and increasing scale through the recruitment of client facing staff.
- We have refined our BTL proposition to appeal to a wider catchment, and are growing our lending with a particular focus on non-professional landlords with small portfolios. As part of this, we are improving our systems to cater for this segment, and have restructured our exposure to a maximum of five properties per landlord with an LTV of 75%, whilst continuing to adhere to a prudent lending criteria. Additionally, we have increased our support for the new build market, leveraging our relationships with brokers, through intermediaries, and developers, through our Commercial Banking business.
- We continued to invest in digital technology and have made a number of improvements in our digital platforms this year. In July 2015, we adopted the Apple Pay service to enable users to pay for goods and services using their phone, for additional ease of payment. Also, we launched the new apps 'Spendlytics' which enables users to track, analyse and understand their debit and credit card spend in detail, the virtual cash kitty app 'KiTTi', and an online mortgage decision 'in principle' tool. We gain an average of 1,400 new active mobile users every day, almost one-in-four of our mortgages are retained online and as of June 2015, 32% of total openings are made through digital channels. In 2015 we are continuing to focus on digital developments, in particular security, new services, increased functionality across platforms and a single consolidated account view for each customer.

1. Gross and net lending figures exclude any assets purchased or transferred during the period.
2. Average account balances are combined savings and banking liability balances.

Commercial Banking

Commercial Banking offers a wide range of products and financial services to customers through a network of regional Corporate Business Centres ('CBCs') and through telephony and digital channels. The management of our customers is organised according to their annual turnover; £250,000 to £50m for SMEs, and £50m to £500m for mid corporates, enabling us to offer a differentiated service to SMEs and mid corporate customers.

Summary income statement	**H1'15**	**H1'14**	***Change***	**H2'14**	***Change***
	£m	**£m**	***%***	**£m**	***%***
Net interest income	221	173	*28*	200	*11*
Non-interest income	72	55	*31*	57	*26*
Operating income	**293**	**228**	***29***	**257**	***14***
Operating expenses	(179)	(159)	*13*	(161)	*11*
Impairment losses on loans and advances	(20)	(54)	*(63)*	(38)	*(47)*
Provisions for other liabilities and charges	(2)	5	*n.m.*	(17)	*(88)*
Profit before tax	**92**	**20**	***360***	**41**	***124***

Income statement analysis (H1'15 compared to H1'14)

- Net interest income increased 28%. This was a result of continued growth in customer loans and an improvement in deposit margins through the improved franchise and broader range of services.
- Non-interest income increased 31%, to £72m, driven by improved levels of banking fees, international and interest rate management income. Lending fee income was also up on H1'14.
- Operating expenses rose 13%, reflecting investment in new CBCs and new Relationship Managers we made in 2014.
- Impairment losses on loans and advances decreased to £20m, with a loan loss rate of 0.30% (H1'14: 0.66%). Quality in the loan book continued to be good, supported by the improving economic environment and our cautious lending policy.
- Provisions for other liabilities and charges increased to £2m, predominantly due to the absence of conduct provision releases made in H1'14.

Balances	**30.06.15**	**31.12.14**
	£bn	**£bn**
Customer loans	20.0	18.7
- of which SMEs	13.1	12.6
- of which mid corporate	6.9	6.1
RWAs	19.4	19.9
Customer deposits	16.6	15.3

- Customer loans increased 7% to £20.0bn, maintaining a positive momentum despite an increasingly competitive and still contracting market.
- RWAs decreased 3%, driven by improved credit quality and a risk model recalibration. This was partly offset by the growth in customer loans.
- We continued to attract deposit balances, growing 8% in the first half of the year, where we have strong customer relationships and to build on our new enhanced corporate cash management and deposit capabilities.

Commercial Banking (continued)

Business volumes and flows	**H1'15**	**H1'14**
New facilities	£4.5bn	£3.9bn
Bank account openings	4,020	3,500
Corporate Business Centres ('CBCs')	68	52
Relationship Managers ('RMs')	729	677
Online banking ('Connect') active users	22,910	19,380

- New facilities increased 15% to £4.5bn, with increases across all portfolios as a result of our expanded network of RMs and the improvements made to our franchise.
- Bank account openings showed strong growth, increasing 15% to 4,020, driven by our increased footprint through more CBCs and RMs.
- There was an acceleration in the usage of our corporate banking platform 'Connect', which was completed in 2013, with active users increasing 18% in the last year.

Business development

- With the investment required for our Commercial Banking business largely completed in 2014, we will look to build productivity, deepen the franchise and continue to improve customer satisfaction in the future. We have in place a new platform which enables us to deliver a broader product suite with a wider range of ancillary services and we have extended our footprint and our capacity to service mid-corporates and SMEs.
- The new platforms developed specifically for corporate customers, building on the expertise and presence of the wider Banco Santander group, allow us to offer an enhanced product suite to customers. Through our 'Connect' platform, Trade Portal and Trade Club and the Santander Passport service, and with the extensive network provided by Banco Santander, we can offer a broad range of international financial services to our commercial customers.
- Our pioneering Breakthrough programme continues to support SME growth across the UK. Through the range of services, workshops and MasterClass programmes we can offer to businesses, SMEs are provided with the knowledge, connections and finance to grow and succeed. The programme has now supported 52 SMEs with £159m of new Santander debt facilities including £63m of Growth Capital, providing these companies with the opportunity and support to create over 2,540 jobs in the UK economy. The programme has also held 14 Executive Round Table events for more than 160 companies, provided 21 MasterClasses involving over 289 fast-growth SMEs with companies including Google, Saatchi Masius and McLaren, and taken 114 SME businesses on trade missions to major international markets such as Brazil, Mexico, the UAE and the USA.
- As part of the Breakthrough programme, this year we have launched a new £100m scheme targeted at SME housebuilders, to provide much needed support to an area of the market where access to finance is a primary constraint. The flexibility of the arrangements offered, in particular bullet repayment facilities, provide additional benefits to housebuilders at the smaller end of the market.

Corporate & Institutional Banking

Corporate & Institutional Banking ('CIB') services corporate clients, with a turnover above £500m per annum, and financial institutions that, because of their size, complexity or sophistication, require specially-tailored services, risk management and other value-added wholesale products.

Summary income statement	H1'15	H1'14	*Change*	H2'14	*Change*
	£m	£m	%	£m	%
Net interest income	39	38	*3*	37	*5*
Non-interest income	151	144	*5*	133	*14*
Operating income	**190**	**182**	***4***	**170**	***12***
Operating expenses	(131)	(113)	*16*	(124)	*6*
Impairment losses on loans and advances	21	(2)	*n.m.*	6	*250*
Provisions for other liabilities and charges	-	-	*-*	(9)	*(100)*
Profit before tax	**80**	**67**	***19***	**43**	***86***

Income statement analysis (H1'15 compared to H1'14)

- Net interest income was broadly flat at £39m, with continued demand for project and acquisition finance transactions, syndicated loans, transactional services and factoring products.
- Non-interest income increased 5% to £151m, principally due to increased revenues from our derivative and cash sales activities, partially offset by lower demand in some market making activities. We are starting to see revenue improvements from the investment in increased service capability.
- Operating expenses increased 16% to £131m. This was mainly due to our investment in developing transactional, interest rate, foreign exchange and fixed income capabilities, the transfer of a number of sales functions to London from Madrid, as well as the associated costs from related controls, systems and processes.
- Impairment losses on loans and advances benefitted from a release of £21m reflecting loan disposals and restructurings.
- No provisions for other liabilities and charges were incurred in the period.

Balances	30.06.15	31.12.14
	£bn	£bn
Customer loans	5.7	5.2
RWAs	16.9	16.8
Customer deposits	2.2	2.3

- Customer loans increased to £5.7bn, due to refinancing and origination activities related to syndicated loans and transactional services.
- RWAs increased in the period, due to growth in customer loans, partially offset by decreases in market risk RWAs.
- Customer deposits decreased slightly, as part of a continued focus on the management of our relationship driven deposit base.

Business development

- We continue to develop our larger corporate and institutional client franchise and our product offering in banking and capital markets. We anticipate a further two years of investment in order to complete a service offering complementary to the one we now have in place for our smaller corporate customers.
- We are focusing the business mix towards core banking activities, such as global transaction banking, Debt Capital Markets ('DCM') solutions, supply chain finance and cash management, and have recently added private placement capabilities in order to offer a full product suite.
- With the development of the client offering, we are accelerating the investment in our systems, controls and processes, with a focus on improved operating models and a strengthened governance framework.

Corporate Centre

Corporate Centre predominantly consists of the non-core corporate and treasury legacy portfolios. Corporate Centre is responsible for managing capital and funding, balance sheet composition and structure and strategic liquidity risk for Santander UK. The non-core corporate and treasury legacy portfolios are being run-down and/or managed for value.

Summary income statement	**H1'15**	**H1'14**	***Change***	**H2'14**	***Change***
	£m	**£m**	***%***	**£m**	***%***
Net interest expense	(65)	(24)	*171*	(82)	*(21)*
Non-interest income	13	38	*(66)*	49	*(73)*
Operating income	**(52)**	**14**	***n.m.***	**(33)**	***58***
Operating expenses	(1)	(87)	*(99)*	-	*n.m.*
Impairment releases on loans and advances	27	(9)	*n.m.*	26	*4*
Provisions for other liabilities and charges	-	-	*-*	-	*-*
Profit before tax	**(26)**	**(82)**	***(68)***	**(7)**	***271***

Income statement analysis (H1'15 compared to H1'14)

- Net interest expense increased to £65m, reflecting the differing maturity and behavioural profiles between the commercial balance sheet and the re-pricing of debt funding.
- Non-interest income decreased to £13m, reflecting a reduction in mark-to-market gains.
- Operating expenses, excluding £86m of specific charges incurred in H1'14 and outlined in Appendix 1, remained flat.
- Impairment losses on loans and advances benefitted from provision releases in the non-core portfolio as a result of asset disposals and repayments.
- No provisions for other liabilities and charges were incurred in the period.

Balances	**30.06.15** **£bn**	**31.12.14** **£bn**
Non-core customer loans	7.9	8.3
- of which Social housing	6.5	6.7
RWAs	6.7	7.2
Customer deposits	4.2	5.2

- Non-core customer loans decreased 5%, due to the run-down of the non-core corporate and legacy portfolios as we successfully implemented our ongoing exit strategy from individual loans and leases.
- RWAs decreased 7%, in line with the reduction in customer loans and due to decreases on other non-core exposures.
- Customer deposits decreased 19% in H1'15, as we focused on rebalancing the deposit base tenor.

Appendix 1 – Notes

- **Acquisition of PSA Finance UK Limited**
  On 3 February 2015, the Santander UK group through Santander Consumer (UK) plc ('SCUK') entered into an agreement with Banque PSA Finance, S.A. ('BPF'), the auto finance unit of Group PSA Peugeot Citroën, to purchase 50% of the shares of PSA Finance UK Limited ('PSA'). PSA, BPF and SCUK have set up a cooperation to offer a range of consumer finance and insurance products and services for individuals, businesses and distribution networks in the automotive industry. The aggregate consideration paid by SCUK for the shares was £111m. PSA Finance UK Limited has been consolidated as Santander UK directs its activities.

  For further details on the acquisition, refer to 2015 Santander UK Group Holdings plc Half Yearly Financial Report (to be published in mid-August 2015).

- **Corporate lending (Commercial Banking and Corporate & Institutional Banking)**
  Total lending to corporates is defined as the combined lending of Commercial Banking and Corporate & Institutional Banking.

30.06.15	**Assets**	**NPLs**	***NPL ratio***	***NPL coverage***	**6M Gross write-offs**	**Loan loss allowance**
	£bn	**£m**	***%***	***%***	**£m**	**£m**
Commercial Banking	20.0	652	*3.25*	*46*	28	297
Corporate & Institutional Banking	5.7	4	*0.07*	*675*	26	27
Total Corporate Lending	**25.7**	**656**	***2.55***	***49***	**54**	**324**

31.12.14	**Assets**	**NPLs**	***NPL ratio***	***NPL coverage***	**12M Gross write-offs**	**Loan loss allowance**
	£bn	**£m**	***%***	***%***	**£m**	**£m**
Commercial Banking	18.7	664	*3.56*	*46*	75	305
Corporate & Institutional Banking	5.2	53	*1.01*	*138*	11	73
Total Corporate Lending	**23.9**	**717**	***3.01***	***53***	**86**	**378**

  Corporate loan loss rate was 0.13% for Jun'15 (Dec'14: 0.38%). This ratio is calculated by rolling twelve months impairment charges of £31m (Dec'14: £88m) divided by average loans and advances of £24.3bn (Dec'14: £23.1bn).

- **Corporate customer satisfaction**
  The Charterhouse UK Business Banking Survey is an ongoing telephone based survey designed to monitor usage and attitude of UK businesses towards banks. 17,000 structured telephone interviews are conducted each year among businesses of all sizes from new start-ups to large corporates with annual sales of £1bn. The data is based upon 5,732 interviews made in the year ending Q2'15 with businesses turning over £250k to £50m per annum and are weighted by region and turnover to be representative of businesses in Great Britain. Satisfaction is based on a five point scale (% Excellent / Very good). The competitor set included in this analysis is Barclays, RBS, HSBC, Lloyds, TSB and NatWest.

- **Credit rating agencies – Annual review**
  As part of the annual review of our credit ratings, Moody's, S&P and Fitch all affirmed our ratings. The credit ratings for Santander UK Group Holdings plc and Santander UK plc are outlined in the table below:

	Santander UK Group Holdings plc			**Santander UK plc**		
	Long-term	**Outlook**	**Short-term**	**Long-term**	**Outlook**	**Short-term**
S&P	BBB	Stable	A-2	A	Negative	A-1
Fitch	A	Positive	F-1	A	Positive	F-1
Moody's	Baa2	RuR up	N/A	A2	RuR up	P-1

- **Delivering on our commitments – KPIs and targets**
  All KPIs are presented at 30 June 2015 and 31 December 2014. KPIs are based on spot balances calculated at these dates with the exception of the cost-to-income ratio, RoTE and customer satisfaction which are based on performance in the relevant period or year. Customer satisfaction is based on a rolling 12-month average calculated for the six months ended 30 June 2015 and six months ended 30 June 2014. The KPIs were originally established at the end of 2012 on a Santander UK plc basis and set for the period 2013-15, based on the forecast and outlook we then had in place.

- **Payments Council (now Bacs) – Current Account Switch Service ('CASS') guarantee**
  On 16 September 2013, the Payments Council (now Bacs) launched CASS. The service is free-to-use for consumers, small charities, small businesses and small trusts, and is designed to make switching current accounts from one bank or building society to another, simpler, reliable and hassle-free, thus removing customers' perceived barriers to switching. The new service is backed by a customer guarantee and aims to increase competition in the high street, support the entry of new banks in the current account marketplace and give customers greater choice if they want to switch.

  The published Payments Council branded data referenced is for switches completing between 1 January 2014 and 31 December 2014 and shows Santander UK gained 276,900 switchers, with a net gain of 186,200. The branded data is published 6 months in arrears. Payments Council data for the industry shows 1,847,400 full switches were completed between 16 September 2013 and 30 June 2015. Santander UK management information identifies 502,200 full switchers in the same period, representing approximately one-in-four full switches.

- **Phasing and quantum of specific gains, expenses and charges in 2014**

	Q4'14	Q2'14
Pension gain	-	218
Investment costs	-	(98)
Included in administrative expenses	**-**	**120**
Software write-offs	-	(206)
Included in depreciation, amortisation and impairment	**-**	**(206)**
Property provisions	-	(50)
Conduct remediation provisions	(70)	(70)
Included in provisions for other liabilities and charges	**(70)**	**(120)**

  - As a result of defined benefit pension scheme changes that limit future entitlements and provide for the longer term sustainability of our staff pension arrangements, a net gain of £218m arose in administrative expenses in Q2'14.
  - Also in Q2'14, following the implementation of our new digital platform and the completion of our product simplification programme, we made write-offs for the decommissioning of redundant systems and charged investment costs, totalling £304m. This included software write-offs of £206m charged to depreciation, amortisation and impairment, and investment costs of £98m relating to technology and digital capability build out, which cannot be capitalised and are therefore charged in administrative expenses. The software write-offs have reduced our future depreciation charges.
  - Provisions for other liabilities and charges were impacted by £190m in total across Q2'14 and Q4'14 in both property and conduct provisions. These included a £50m provision relating to the costs for our ongoing branch de-duplication programme. A further provision of £140m, including related costs, was taken for conduct remediation. Of this, £95m related to PPI, which followed a review of claims activity, indicated that claims were expected to continue for longer than originally anticipated. There was a net £45m charge related to other products, principally wealth and investments.

The quarterly trends were also impacted by Financial Services Compensation Scheme charges and the UK Bank Levy. Although these represent annual charges, they are required under IFRS to be charged on 1 April and 31 December, respectively, of each year. Therefore, to show the underlying trends, the profit before tax has been further adjusted to spread these costs equally over the quarters. The table below reconciles profit before tax adjusted for the above-mentioned gains, expenses and charges:

	Q2'15	Q1'15	Q4'14	Q3'14	Q2'14
	£m	£m	£m	£m	£m
Profit before tax from continuing operations	**458**	**470**	**388**	**466**	**129**
Adjusting for factors identified above	*-*	*-*	*70*	*-*	*206*
Profit before tax excluding specific factors	**458**	**470**	**458**	**466**	**335**
Adjusting for FSCS/Bank Levy over the year [1]	*28*	*(46)*	*24*	*(41)*	*59*
Profit before tax after quarterly pro-rating of FSCS and Bank Levy charges	**486**	**424**	**482**	**425**	**394**

1. 2014 charges for FSCS and UK Bank Levy were £91m and £74m respectively.

- **Retail customer satisfaction**
  The Financial Research Survey ('FRS') is a monthly personal finance survey of around 5,000 consumers prepared by the independent market research agency, GfK NOP. The '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 and competitor brands. Data shown is for the 12 months ending 30 June 2015 and compared against 12 months ending data for the period as indicated. The competitor set included in this analysis is Barclays, Halifax, HSBC, Lloyds Bank, TSB and NatWest. Previously this data was reported on a rolling three month basis.

Appendix 1 – Definitions

- '1I2I3 World customer' holds one or more of the following products: 1I2I3 Credit Card, 1I2I3 Current Account, 1I2I3 Graduate Current Account, 1I2I3 Student Current Account, 1I2I3 Postgraduate Current Account, 1I2I3 Mini Current Account and 1I2I3 Mini Account (in Trust). Trustees are not classed as 1I2I3 World customers. Also excludes automatic upgrade of accounts as part of product simplification.
- 'Banking NIM' is calculated as annualised net interest income divided by average customer loans.
- 'CET 1 capital' is the CRD IV end point Common Equity Tier 1 capital and is calculated in accordance with the CRD IV implementation rules as per the PRA Policy Statement PS7/13. The 'CET 1 ratio' is calculated as CET 1 capital divided by RWAs.
- 'Corporates' include SMEs with an annual turnover of between £250,000 and £50m, mid corporate customers between £50m and £500m and large corporate customers above £500m.
- 'Customer funding gap' is calculated as customer assets less customer deposits.
- 'Dividend payout ratio' is calculated as equity dividend declared as a percentage of earnings attributable to ordinary shareholders (profit after tax less payment of dividend on equity accounted instruments and non-controlling interest). Dividend declared can be lower than target pay-out ratio of 50% for timing reasons. The payment of each dividend is subject to regulatory approval.
- 'Large corporates' are enterprises which have a turnover above £500m per annum.
- The Liquidity Coverage Ratio ('LCR') is designed to ensure that banks maintain adequate levels of high quality assets against net cash outflows over a 30-day significant stress period. Since December 2014, the LCR is calculated on Santander UK's interpretation of the European Commission Delegated Act (EU) 575/2013. We report on a single liquidity sub-group ('DolSub') basis, which includes Santander UK plc and its subsidiaries Abbey National Treasury Services plc and Cater Allen Ltd.
- 'LCR eligible liquidity pool' are assets eligible for inclusion in the LCR as high quality liquid assets.
- 'Liquid assets coverage of wholesale funding of less than one year' is calculated as eligible liquidity pool divided by wholesale funding with a residual maturity of less than one year.
- 'Loan loss rate' is a rolling twelve months impairment charge on loans and advances divided by average loans and advances.
- 'Loan-to-deposit ratio' is calculated as loans and advances to customers (excluding reverse repos) divided by deposits by customers (excluding repos).
- 'Loan-to-income multiple' is an average earnings multiple of new business at inception.
- 'Loyal customers' are primary banking current account customers (those who have a minimum credit turnover of at least £500 per month and at least two direct debits on the account) who hold an additional product.
- 'Mid corporates' are enterprises which have a turnover of between £50m and £500m per annum.
- 'Mortgage' or 'mortgages' refers to residential retail mortgages only and excludes social housing and commercial mortgage assets.
- 'MTF' is medium term funding at a sterling equivalent value. MTF consists of senior debt issuance, asset-backed issuance (including securitisation and covered bond issuance), structured issuance (including firm financing repurchase agreements), subordinated debt and capital issuance. MTF excludes any collateral received as part of the Bank of England and HM Treasury's Funding for Lending Scheme ('FLS').
- 'n.m.' signifies percentage change is not meaningful.
- 'NPL coverage' is calculated as impairment loss allowances divided by non-performing loans and advances.
- 'NPL ratio' is calculated as non-performing loans as a percentage of loans and advances to customers.
- 'PRA end point T1 leverage ratio' is the CRD IV end point Tier 1 capital divided by exposures as defined by the European Commission Delegated Regulation 2015/62 of October 2014.
- 'RoTE' is calculated as annualised profit after tax (less non-controlling interests in subsidiaries) divided by average shareholders' equity, less non-controlling interest, preference shares, and intangible assets (including goodwill).
- 'Santander UK' refers to Santander UK Group Holdings plc and its subsidiaries.
- Select customers have a monthly credit turnover of £5k, savings, banking and investments worth £75k or properties worth a minimum of £500k. Affluent customers have a monthly credit turnover of £4k-5k, savings, banking and investments worth £25k-75k or properties worth £350k-500k.
- 'SME' is small and medium enterprises with a turnover of between £250,000 and £50m per annum.
- Mortgage retention is applied to mortgages 4 months post-maturity and is calculated as a twelve month average of retention rates.
- 'Total wholesale funding' comprises the sum of all outstanding debt securities, structured issuance (including firm financing repurchase agreements), subordinated debt and capital issuance and non-customer deposits. Total wholesale funding excludes any collateral received as part of the FLS.
- 'Wholesale funding with a residual maturity of less than one year' has a residual maturity of less than one year at the balance sheet date.

Appendix 2 – Income statement and balance sheet

The information contained in this Quarterly Management Statement, and this Appendix, is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The information contained in this Appendix has been prepared in accordance with Santander UK's previously stated accounting policies described in the Annual Report for the year ended 31 December 2014.

Summary consolidated income statement	**H1'15 £m**	**H1'14 £m**
Net interest income	1,783	1,673
Non-interest income	500	519
Total operating income	**2,283**	**2,192**
Administrative expenses	(1,065)	(876)
Depreciation, amortisation and impairment	(136)	(347)
Operating expenses	**(1,201)**	**(1,223)**
Impairment losses on loans and advances	(57)	(172)
Provisions for other liabilities and charges	(97)	(252)
Total operating provisions and charges	**(154)**	**(424)**
Profit before tax	**928**	**545**
Taxation charge	(195)	(107)
Profit after tax for the period	**733**	**438**

Summary balance sheet	**30.06.15 £bn**	**31.12.14 £bn**
Assets		
Retail Banking	162.6	158.5
Commercial Banking	20.0	18.7
Corporate & Institutional Banking	5.7	5.2
Corporate Centre	7.9	8.3
Customer assets	**196.2**	**190.7**
Other assets	81.0	85.3
Total assets	**277.2**	**276.0**
Liabilities		
Retail Banking	134.1	129.6
Commercial Banking	16.6	15.3
Corporate & Institutional Banking	2.2	2.3
Corporate Centre	4.2	5.2
Customer deposits	**157.1**	**152.4**
Medium term funding	54.3	55.1
Other liabilities	50.6	54.3
Total liabilities	**262.0**	**261.8**
Shareholder's equity	14.8	13.9
Non-controlling interest	0.4	0.3
Total liabilities and equity	**277.2**	**276.0**

Summary capital	**30.06.15 £bn**	**31.12.14 £bn**
Capital – CRD IV		
Total qualifying regulatory capital	14.3	14.3
Risk Weighted Assets ('RWAs')	85.2	82.3
Total capital ratio	*16.8%*	*17.3%*

Distributable items (CRR / CRD IV) [1]	**4.2**	**N/A**

1. Distributable items are equivalent to Distributable profits under the Companies Act 2006. Refer to 2015 Santander UK Group Holdings plc Half Yearly Financial Report (to be published in mid-August 2015)

Appendix 3 – Supplementary consolidated information for Santander UK plc and its controlled entities

Santander UK plc is the principal subsidiary of Santander UK Group Holdings plc. The consolidated income statement, balance sheet and capital for Santander UK plc and its controlled entities are shown below.

The information contained in this Appendix is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 or interim financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The information contained in this Appendix has been prepared in accordance with Santander UK plc's previously stated accounting policies described in the Annual Report for the year ended 31 December 2014 filed on form 20-F.

Summary consolidated income statement	**H1'15 £m**	**H1'14 £m**
Net interest income	1,783	1,673
Non-interest income	500	519
Total operating income	**2,283**	**2,192**
Administrative expenses	(1,064)	(876)
Depreciation, amortisation and impairment	(136)	(347)
Operating expenses	**(1,200)**	**(1,223)**
Impairment losses on loans and advances	(57)	(172)
Provisions for other liabilities and charges	(97)	(252)
Total operating provisions and charges	**(154)**	**(424)**
Profit before tax	**929**	**545**
Taxation charge	(195)	(107)
Profit after tax for the period	**734**	**438**

Summary balance sheet	**30.06.15 £bn**	**31.12.14 £bn**
Assets		
Retail Banking	162.6	158.5
Commercial Banking	20.0	18.7
Corporate & Institutional Banking	5.7	5.2
Corporate Centre	7.9	8.3
Customer assets	**196.2**	**190.7**
Other assets	81.0	85.3
Total assets	**277.2**	**276.0**
Liabilities		
Retail Banking	134.1	129.6
Commercial Banking	16.6	15.3
Corporate & Institutional Banking	2.2	2.3
Corporate Centre	4.2	5.2
Customer deposits	**157.1**	**152.4**
Medium term funding	54.3	55.1
Other liabilities	50.6	54.3
Total liabilities	**262.0**	**261.8**
Shareholder's equity	15.1	14.2
Non-controlling interest	0.1	-
Total liabilities and equity	**277.2**	**276.0**

Summary capital	**30.06.15 £bn**	**31.12.14 £bn**
Capital – CRD IV		
Total qualifying regulatory capital	15.1	14.7
Risk Weighted Assets ('RWAs')	85.2	82.3
Total capital ratio	*17.7%*	*17.9%*

Management Statement for Santander UK Group Holdings plc and Banco Santander, S.A.

The results of Banco Santander, S.A. for the six months ended 30 June 2015 are also released today and can be found at www.santander.com. The results of Santander UK are included within Banco Santander, S.A.'s financial statements on a Banco Santander reporting basis. The results of Santander UK differ to the results of the United Kingdom on a Banco Santander, S.A. reporting basis, due to different accounting treatments, consolidation adjustments and the treatment of the Banco Santander, S.A. London Branch. The Banco Santander, S.A. London Branch is not part of Santander UK but is included in the Banco Santander, S.A. results for the United Kingdom.

Additional information about Santander UK and Banco Santander, S.A.

Banco Santander, S.A. (SAN.MC, STD.N, BNC.LN) is a retail and commercial bank, based in Spain, with a presence in 10 main markets. Santander is the largest bank in the euro zone by market capitalization. Founded in 1857, Santander had EUR 1.43 trillion in managed funds, 12,950 branches – more than any other international bank – and 185,400 employees at the close of 2014. It is the largest financial group in Spain and Latin America. It also has significant positions in the United Kingdom, Portugal, Germany, Poland and the northeast United States. In 2014 Santander made an attributable profit of EUR 5,816 million, 39% more than the previous year.

Santander UK is a financial services provider in the UK that offers a wide range of personal and commercial financial products and services. The bank serves more than 14 million active customers with 20,500 employees and operates through 900 branches and 68 regional Corporate Business Centres.

Banco Santander, S.A. has a standard listing of its ordinary shares on the London Stock Exchange and Santander UK plc continues to have its preference shares listed on the London Stock Exchange.

Nothing in this announcement constitutes or should be construed as constituting a profit forecast.

Further information about Santander UK is available at the group's website: www.aboutsantander.co.uk.