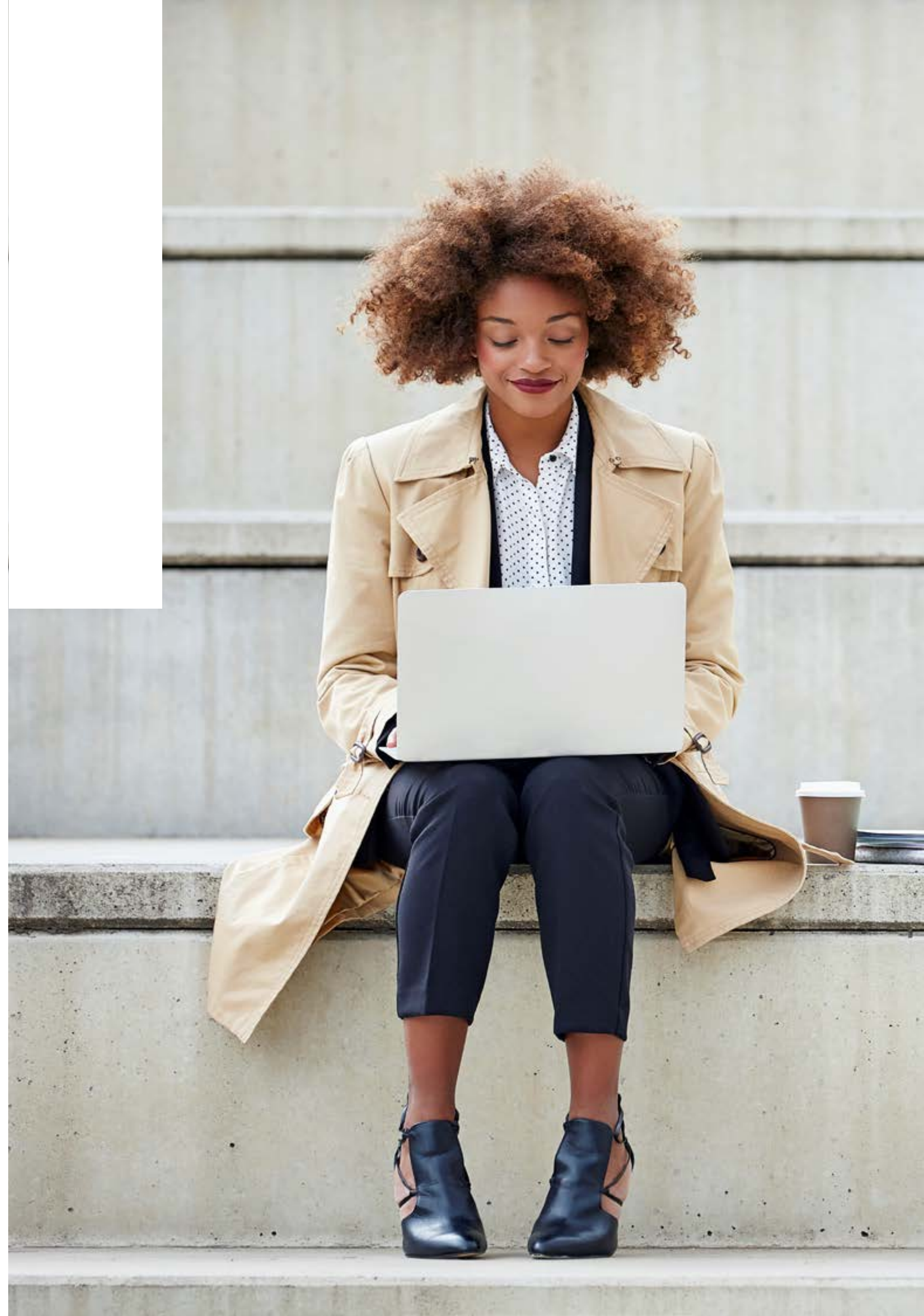
Santander UK Group Holdings plc

Investor Update for the three months ended 31 March 2019

April 2019



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Q119 results impacted by the competitive mortgage market, demanding regulatory change agenda and the uncertain economic environment

Q119 vs Q418		
Mortgage lending	↑	£158.2bn £0.2bn
Consumer (auto) and unsecured lending	↑	£13.4bn £0.4bn
Banking NIM	↓	1.72% 5bps
Stage 3 ratio	↔	1.33% 4bps
CET1 capital ratio	↑	13.3% 10bps

Adjusted [1]		Q119 vs Q118
Operating income	↓	£1,053m 5%
Operating expenses	↑	£629m 2%
Operating impairment losses, provisions and charges	↓	£72m 18%
Profit before tax	↓	£352m 13%
RoTE	↓	7.6% 110bps

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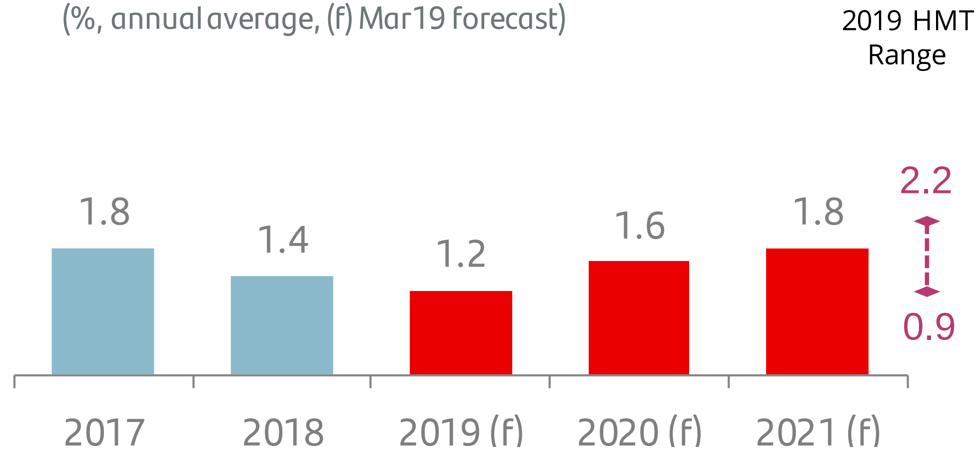
1. The financial results for Q119 were impacted by transformation costs and charges and for Q118 by ring-fencing perimeter changes and Banking Reform costs with an aggregate impact on profit before tax of £82m and £(9)m, respectively. See Quarterly Management Statement for the three months ended 31 March 2019 for further detail.

UK economy remains relatively stable; however uncertainty continues

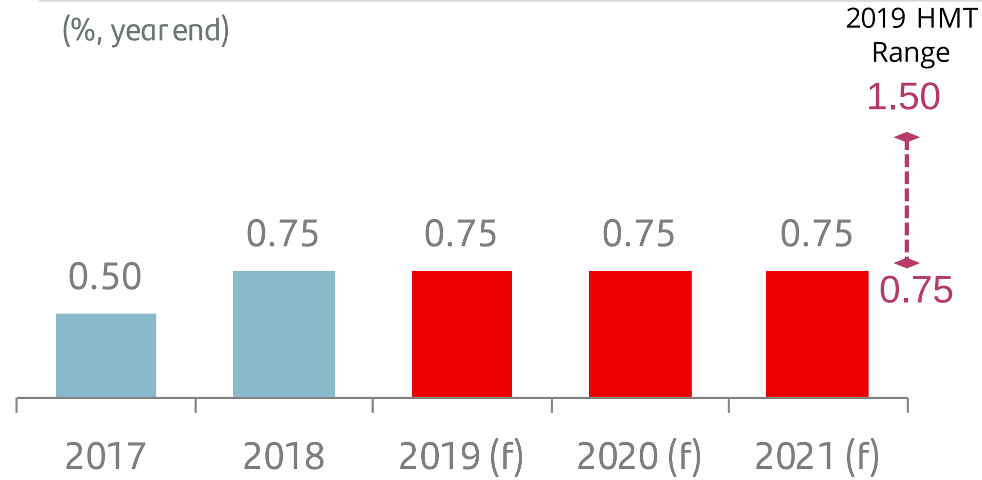
2019 outlook and operating environment

- Our 2019 outlook, as disclosed with our Q418 results, remains broadly unchanged and is predicated on the UK's orderly exit from the European Union
- Our revised assumption is that there will be no increase in Bank of England base rate in 2019 and we anticipate a slight deterioration in UK growth this year given the ongoing Brexit uncertainty and weaker global growth
- Low levels of unemployment should continue with inflation remaining near the Bank of England target rate which, coupled with rising wages, should result in real earnings growth

Annual GDP growth



Bank of England base rate

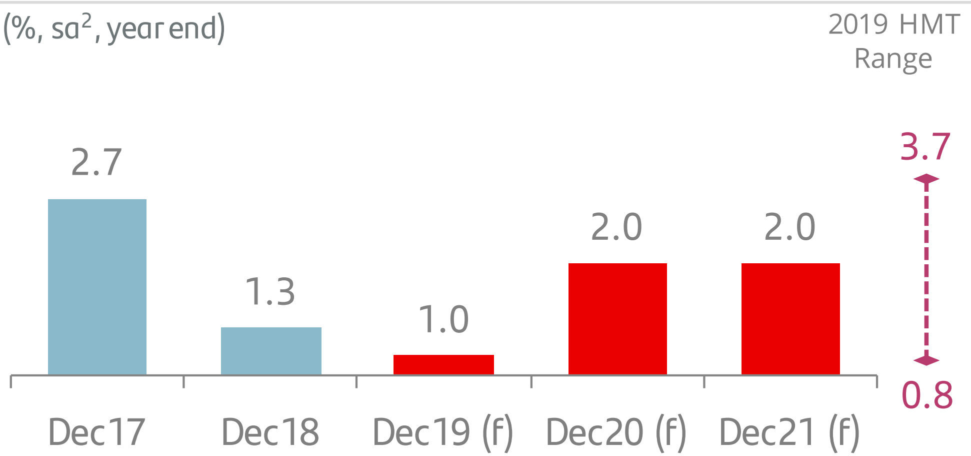


2017 and 2018 source: Office for National Statistics and Bank of England. 2019 (f), 2020 (f) and 2021 (f) source: Santander UK forecasts at March 2019.
2019 HMT range source: HM Treasury Consensus at March 2019 with forecasts made in the latest 3 months (January, February, March) included.

UK economy remains relatively stable; however uncertainty continues

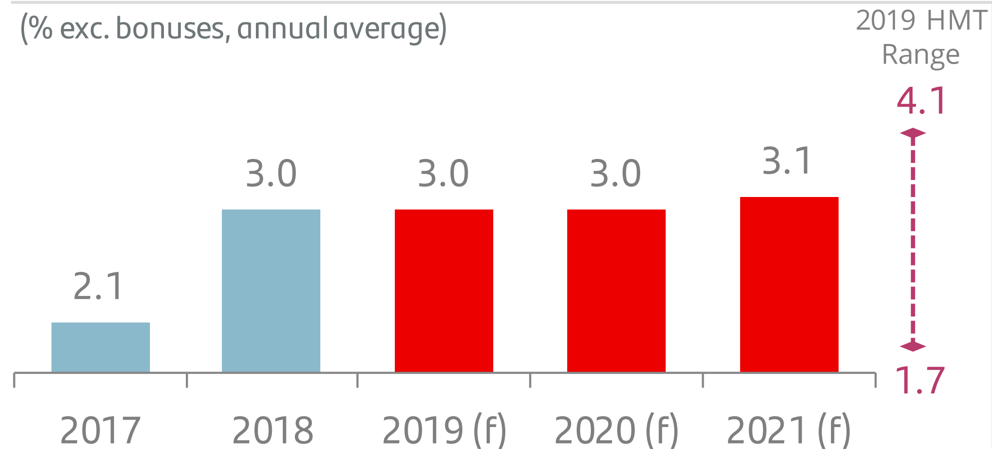
House prices[1]

(%, sa^2, year end)



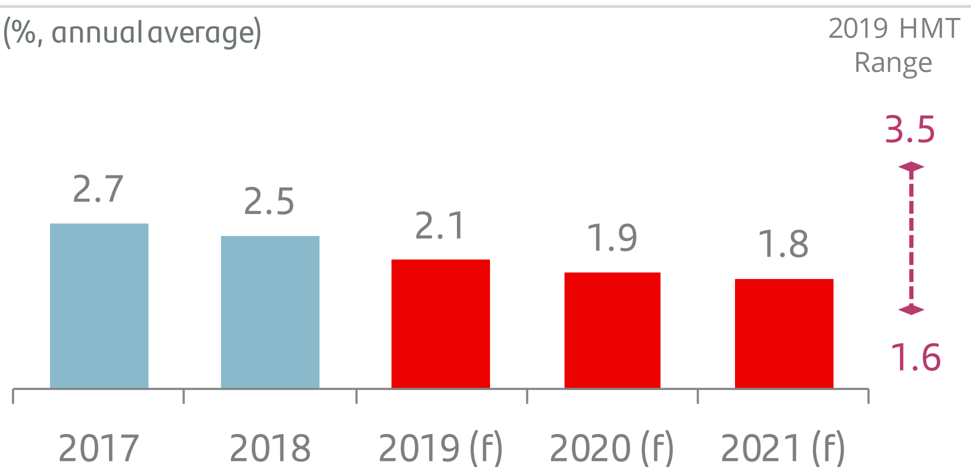
Average weekly earnings

(% exc. bonuses, annual average)



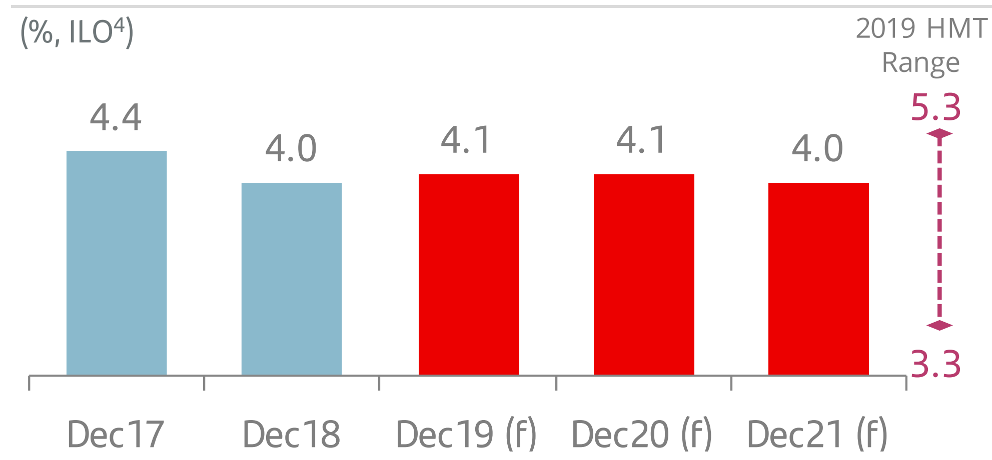
Annual CPI[3] inflation rate

(%, annual average)



Unemployment rate

(%, ILO[4])



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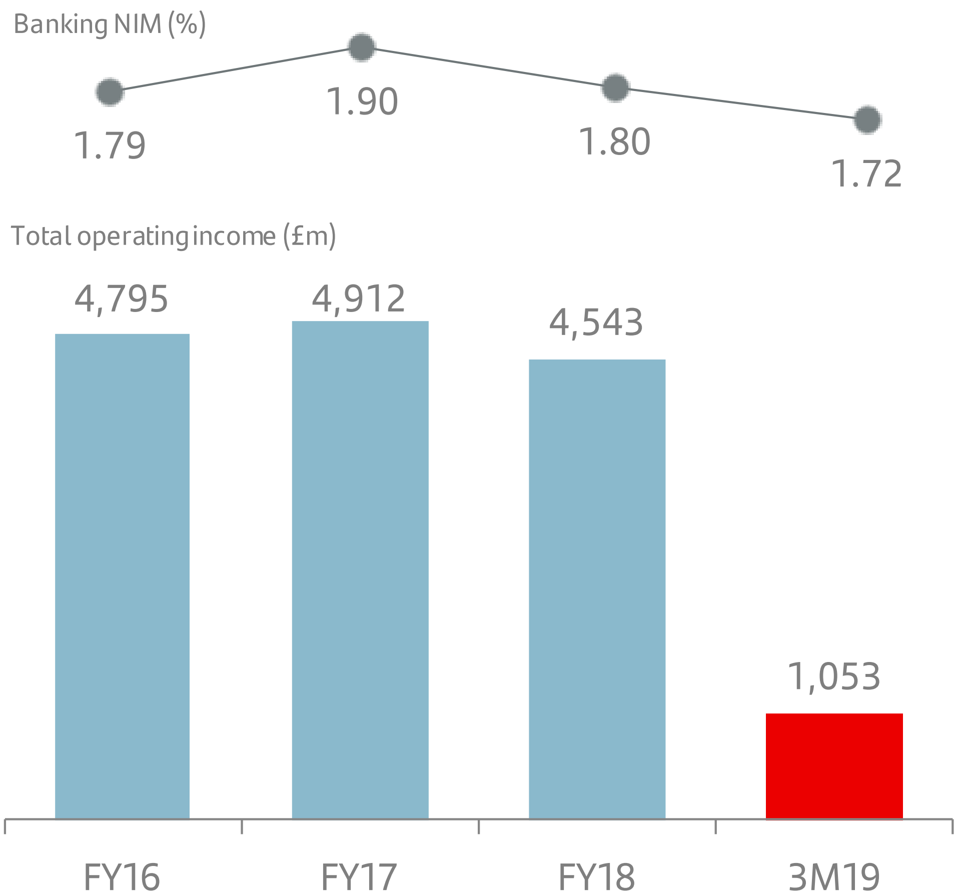
2017 and 2018 source: Office for National Statistics and Bank of England. 2019(f), 2020 (f), and 2021 (f) source: Santander UK forecasts at March 2019. 2019 HMT range source: HM Treasury Consensus at March 2019 with forecasts made in the latest 3 months (January, February, March) included.
1. Halifax house prices (Source: IHS Markit) | 2. Seasonally adjusted | 3. Consumer Price Index | 4. International Labour Organisation

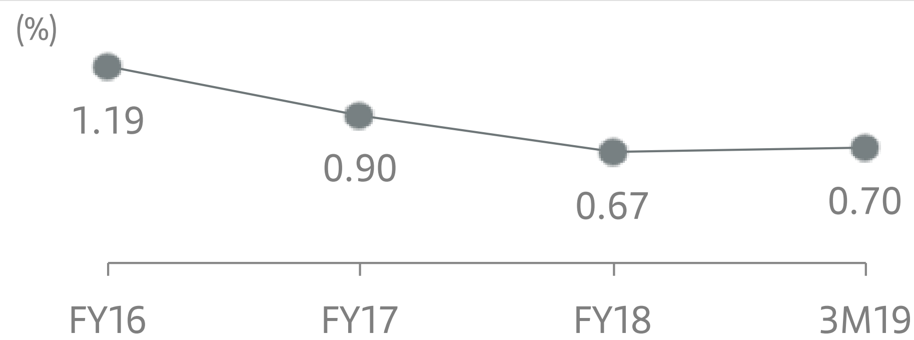
Income impacted by competitive and regulatory pressures

Total operating income and Banking NIM [1]



- Net interest income, down 6%, impacted by mortgage margin pressures and continued SVR attrition. Banking NIM, down 5bps from Q418
- New mortgage lending margins have stabilised since Q318
- Non-interest income down 16%, largely due to ring-fencing perimeter changes impacting CIB income. Adjusted non-interest income up 1%

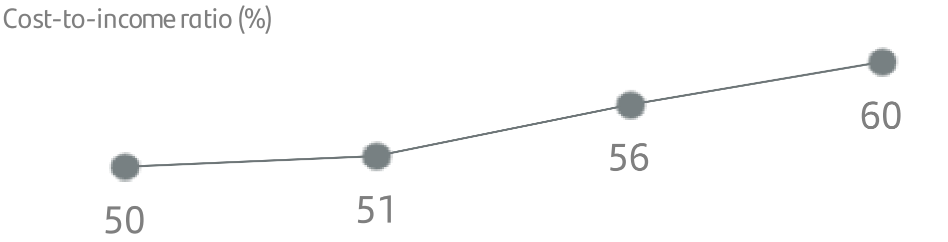
Mortgage market, BoE new lending margins [2]

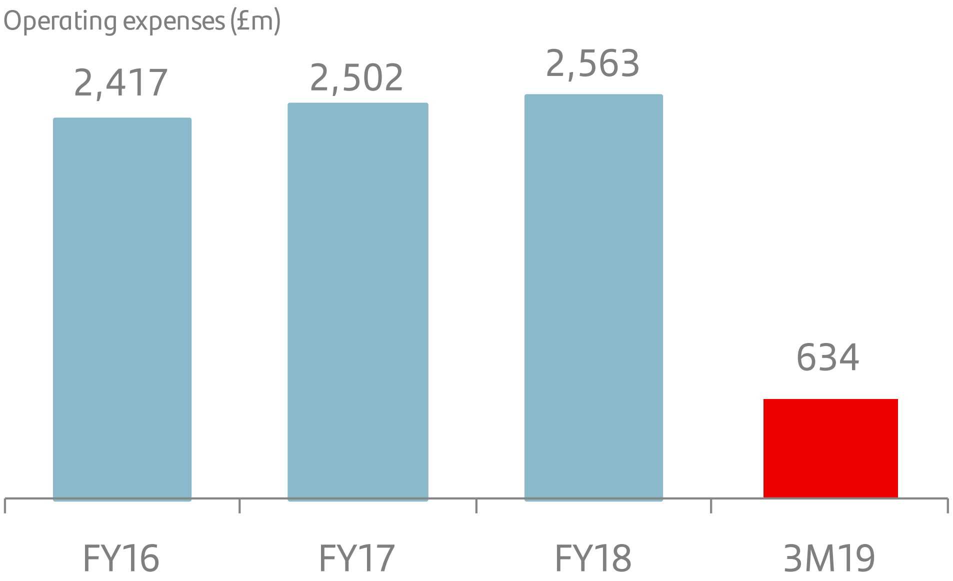


1. Banking NIM is calculated as annual net interest income divided by average customer assets | 2. Source: BoE average 2 year fixed mortgages 75% LTV less average 2 year swap rate from Bloomberg

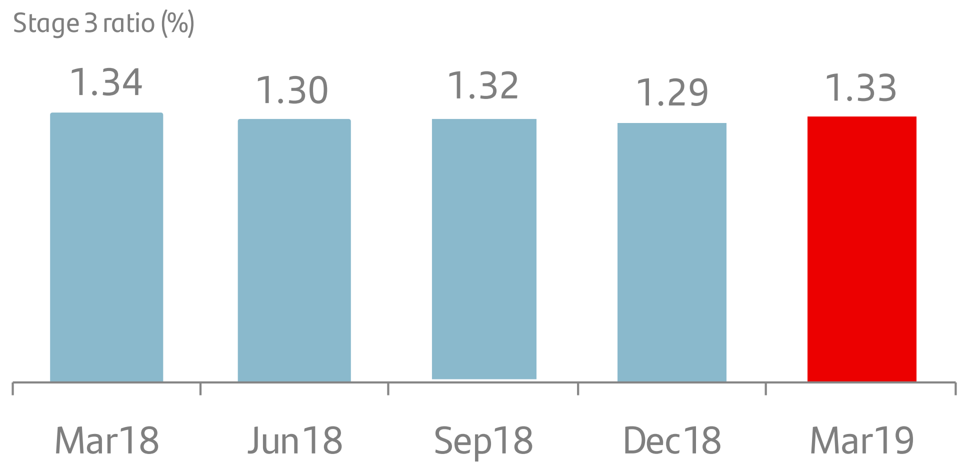
Continued focus on efficiency management and strong credit quality

Operating expenses and cost-to-income ratio



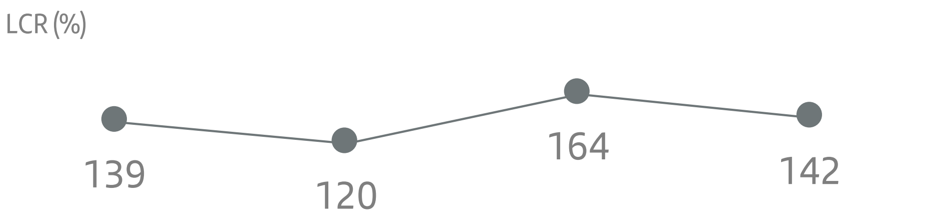


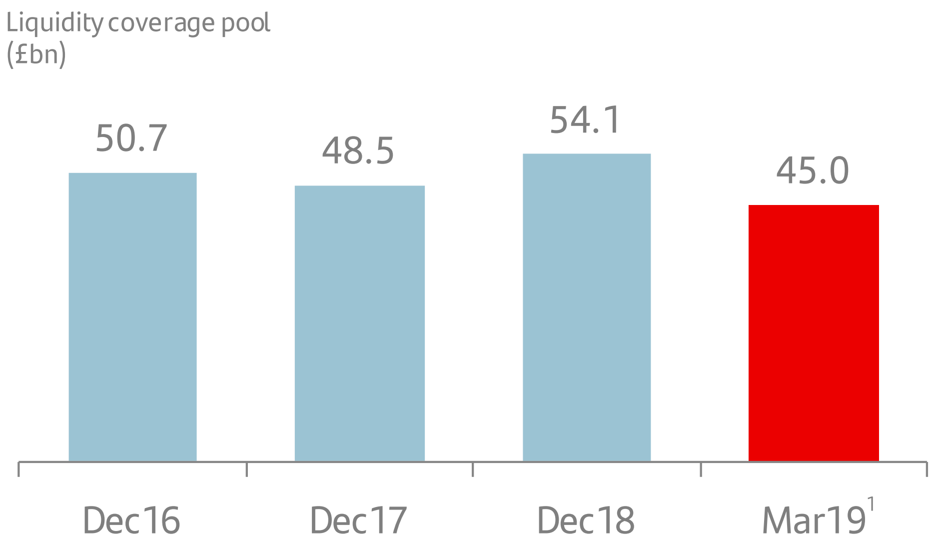
- CIR of 60%, stable since Q418. Costs down £15m year-on-year, and managed in line with inflation when adjusted for ring-fencing perimeter changes and Banking Reform costs
- Stage 3 ratio broadly stable, with strong credit quality supported by our prudent approach to risk and the ongoing resilience of the UK economy



Prudent liquidity and funding position

LCR and liquidity coverage pool

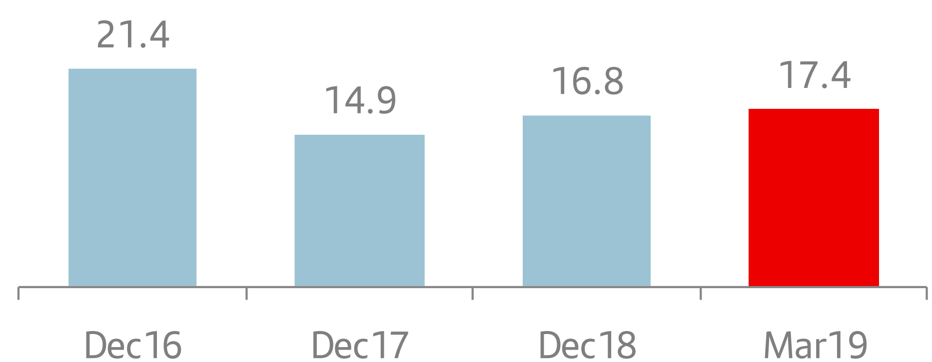




- The LCR decreased largely due to Crown Dependency branches moving out of Santander UK plc and into ANTS, and liquidity being managed separately for Santander UK plc and ANTS from 1 Jan 2019, due to ring-fencing
- Limited issuance in Q119, following pre-funding in 2018: £1bn covered bond issued in Jan19

Wholesale funding

with a residual maturity of less than 1 year (£bn)



1. With effect from 1 January 2019, and in accordance with our ring-fence structure, ANTS was withdrawn from Santander UK's Domestic Liquidity Sub-group. We now monitor and manage liquidity risk for Santander UK plc and ANTS separately and 2018 has not been restated. The ANTS LCR eligible liquidity pool was £4.5bn and the ANTS LCR was 489% as at 31 March 2019.

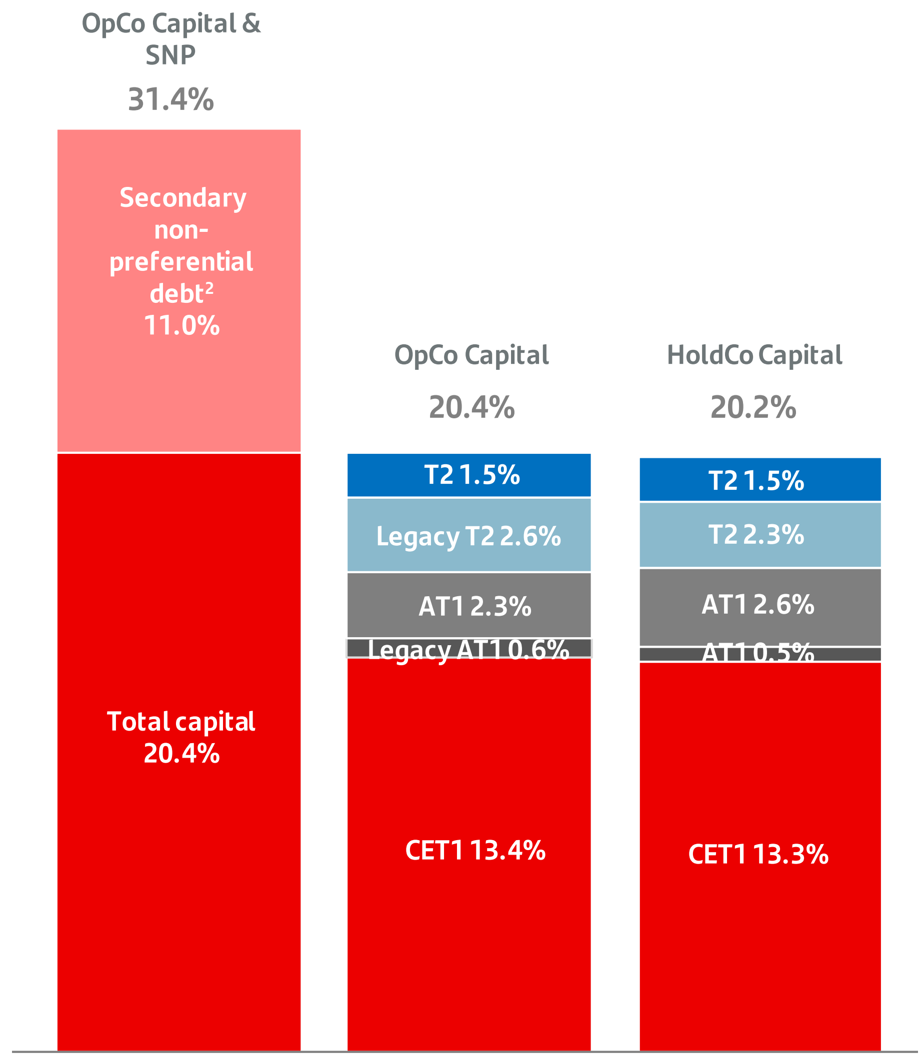
Meeting evolving capital requirements

Capital and leverage

	Dec16	Dec17	Dec18	Mar19
CET1 ratio (%)	11.6	12.2	13.2	13.3
UK leverage ratio[1] (%)	4.1	4.4	4.5	4.5
RWAs (£bn)	87.6	87.0	78.8	77.8
HoldCo total capital (%)	17.3	17.8	19.1	20.2
OpCo total capital (%)	18.5	19.3	20.3	20.4

- With ongoing active control, RWAs decreased to £77.8bn
- Santander UK plc senior creditors benefitted from 20.4% of capital and 11.0% of secondary non-preferential debt

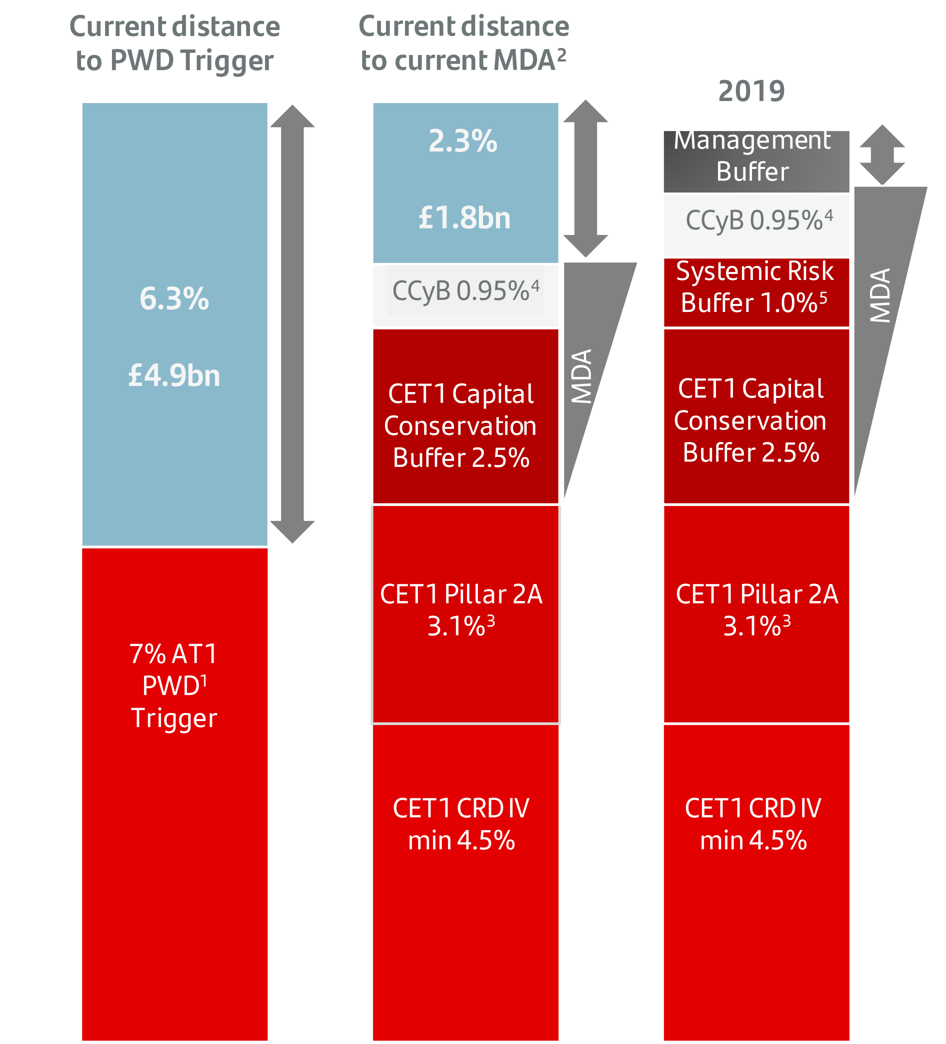
Total capital and non capital (iMREL) ratios



1. Dec16, Dec17, Dec18 and Mar19 leverage ratios were calculated applying the amended definition, as per Jul16 PRA statement | 2. Secondary non-preferential debt as of 31 March 2019

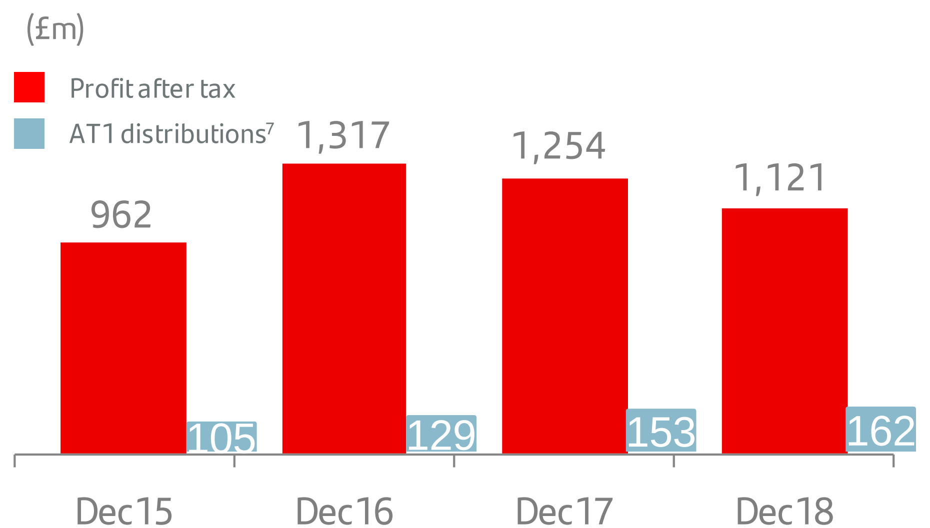
Well managed capital structure

Significant buffer to thresholds



- Our intention is to target a CET1 management buffer of sufficient size to absorb changes in the regulatory minimum requirement (e.g. application of dynamic CCyB buffer) and market volatility
- In the 2018 BoE stress test[6], Santander UK's CET1 drawdown was the lowest across UK banks at 1.4% before any management actions

Profit after tax and AT1 distributions



1. Permanent write down | 2. Distribution restrictions would be expected to apply if Santander UK's CET1 ratio would fall between current Regulatory Minimum Capital level, equal to CRD IV 4.5% minimum plus Pillar 2A 3.1% and the CRD IV buffers consisting of the Capital Conservation Buffer of 2.5% and CCyB of 0.95% | 3. Santander UK's Pillar 2 CET1 requirement was 3.1% as at 31 March 2019, Pillar 2A guidance is a point in time assessment | 4. The current applicable UK countercyclical capital buffer (CCyB) rate is 1.0%. Santander UK's current geographical allocation of the CCyB is 95% | 5. Applicable to the ring-fence bank sub-group with an equivalent amount held at HoldCo Group, expected implementation H119 | 6. Source: BoE, Stress testing the UK banking system: 2018 results | 7.Additional Tier 1 instruments with shareholder equity treatment classification

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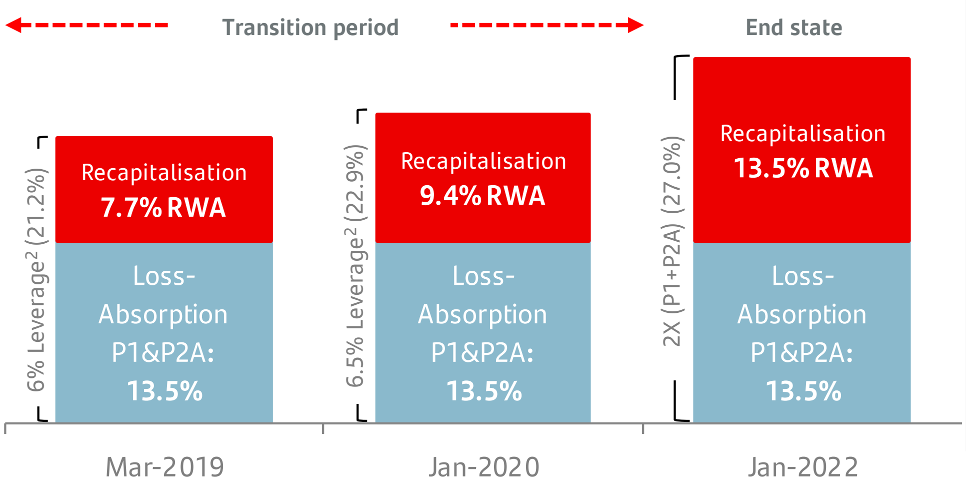
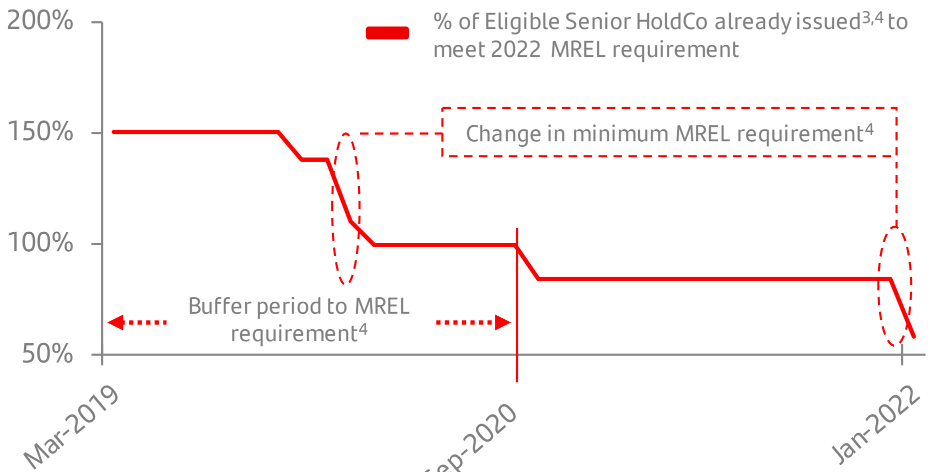
Major progress to meet recapitalisation MREL requirements

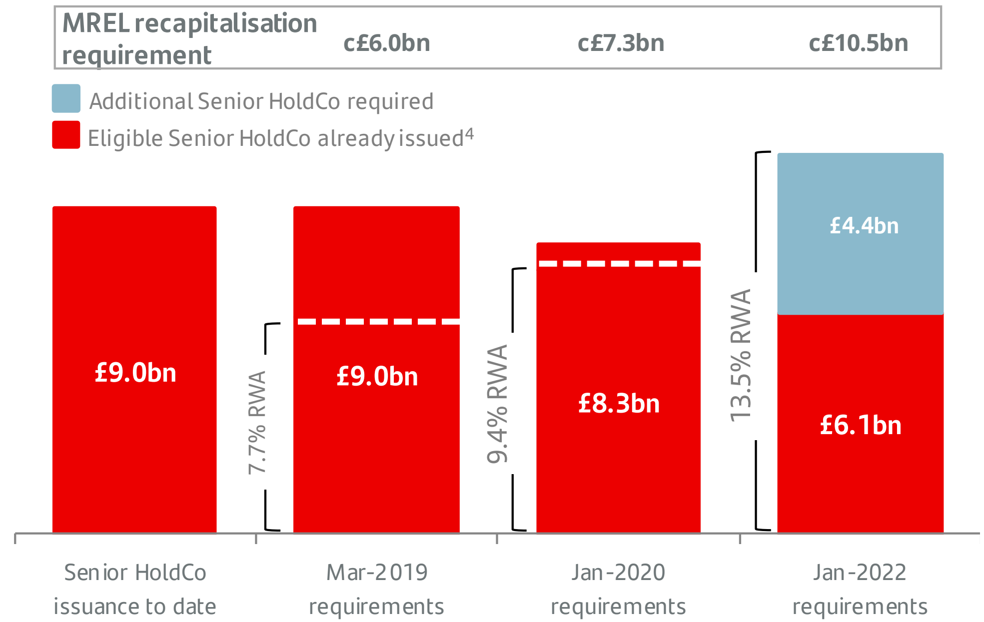
HoldCo MREL requirement[1,2]



Significantly ahead of MREL requirements



MREL recapitalisation[2,3]

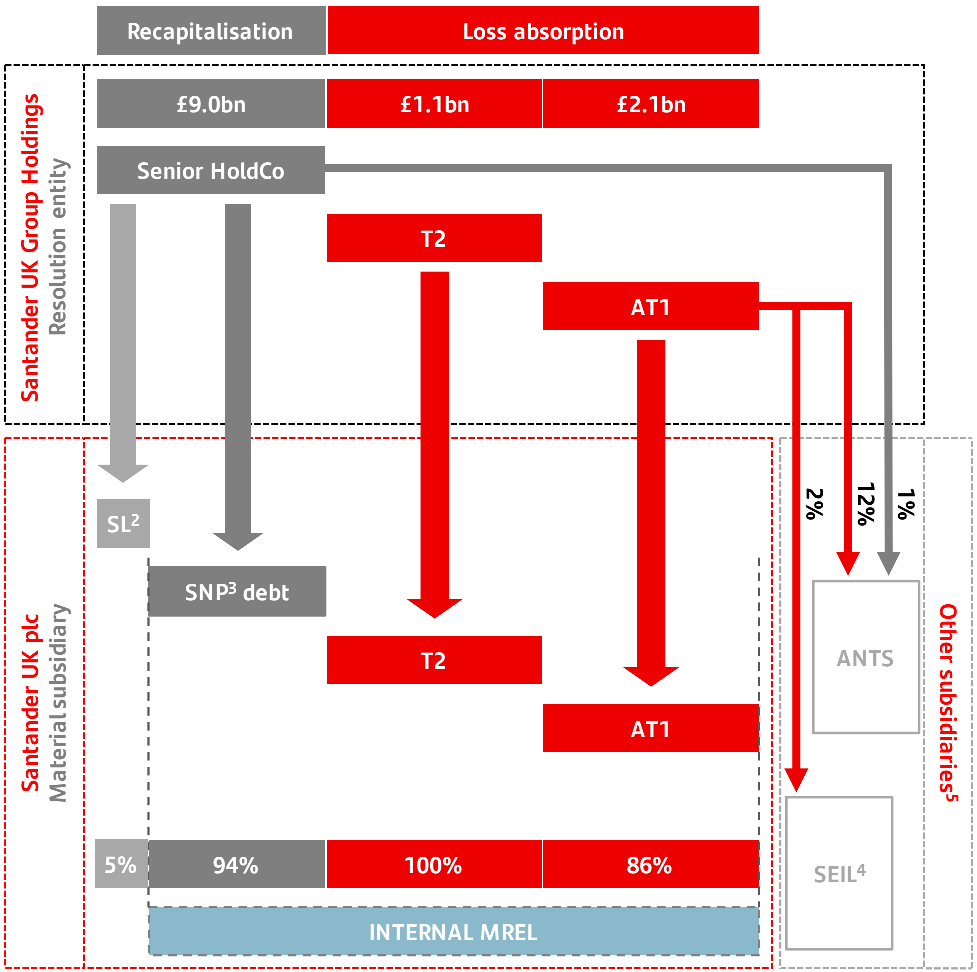


- MREL requirements are driven by leverage in 2019 and 2020; the driver changes to the RWA measure from 2022
- It is our intention to have an MREL recapitalisation management buffer in excess of the value of HoldCo senior unsecured paper that is due to become MREL ineligible over the following 6 months

1. In June 2018 the Bank of England (BOE) confirmed Santander UK's non-binding indicative MREL requirements. The requirements over and above regulatory capital start in 2019, step up in 2020 and are fully implemented in 2022 | 2. Assumes Pillar 2A requirement remains at 5.5% | 3. Calculated using RWA and UK leverage exposure as at 31 March 2019 | 4. MREL eligible and exchange rates as at 31 March 2019

Santander UK group down-streaming model

Current down-streaming of HoldCo issuance[1]



Compliant with internal MREL requirements

- Internal MREL (iMREL), over and above regulatory capital, became a regulatory requirement on 1 January 2019. The transition period to meet iMREL is the same as for external MREL
- iMREL liabilities must be subordinated to operating liabilities. Since 1 January 2019, Santander UK Group Holdings has down-streamed c£8.5bn to Santander UK plc as 'secondary non-preferential debt' in line with the guidelines of the Bank of England
- As per the Bank of England's MREL Policy Statement[6], the iMREL instrument is required to contain contractual triggers, therefore, giving the Bank of England powers to write down and/or convert to equity without the use of stabilisation powers in relation to the entity which issues them

1. Meeting MREL eligibility criteria and exchange rates as at 31 March 2019 | 2. Senior loan | 3. Secondary non-preferential | 4. Santander Equity Investments Limited | 5. Santander UK other subsidiaries will have limited on-going funding requirements | 6. Source: The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)

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Source: Santander UK Q1 2019 results "Quarterly Management Statement for the three months ended 31 March 2019" or Santander UK Group Holdings Management Information (MI), unless otherwise stated. Santander 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. Further information in relation to Santander UK can be found at: www.santander.co.uk/uk/about-santander-uk. Neither the content of Santander UK's website nor any website accessible by hyperlinks on Santander UK's website is incorporated in, or forms part of, this presentation.

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Link to glossary

Key dates[1]

Q219 results: 24 July 2019

Q319 results: 30 October 2019

www.aboutsantander.co.uk

Santander 1. Indicative, dates subject to change