Santander UK Group Holdings plc

Investor Update for the six months ended 30 June 2020

July 2020

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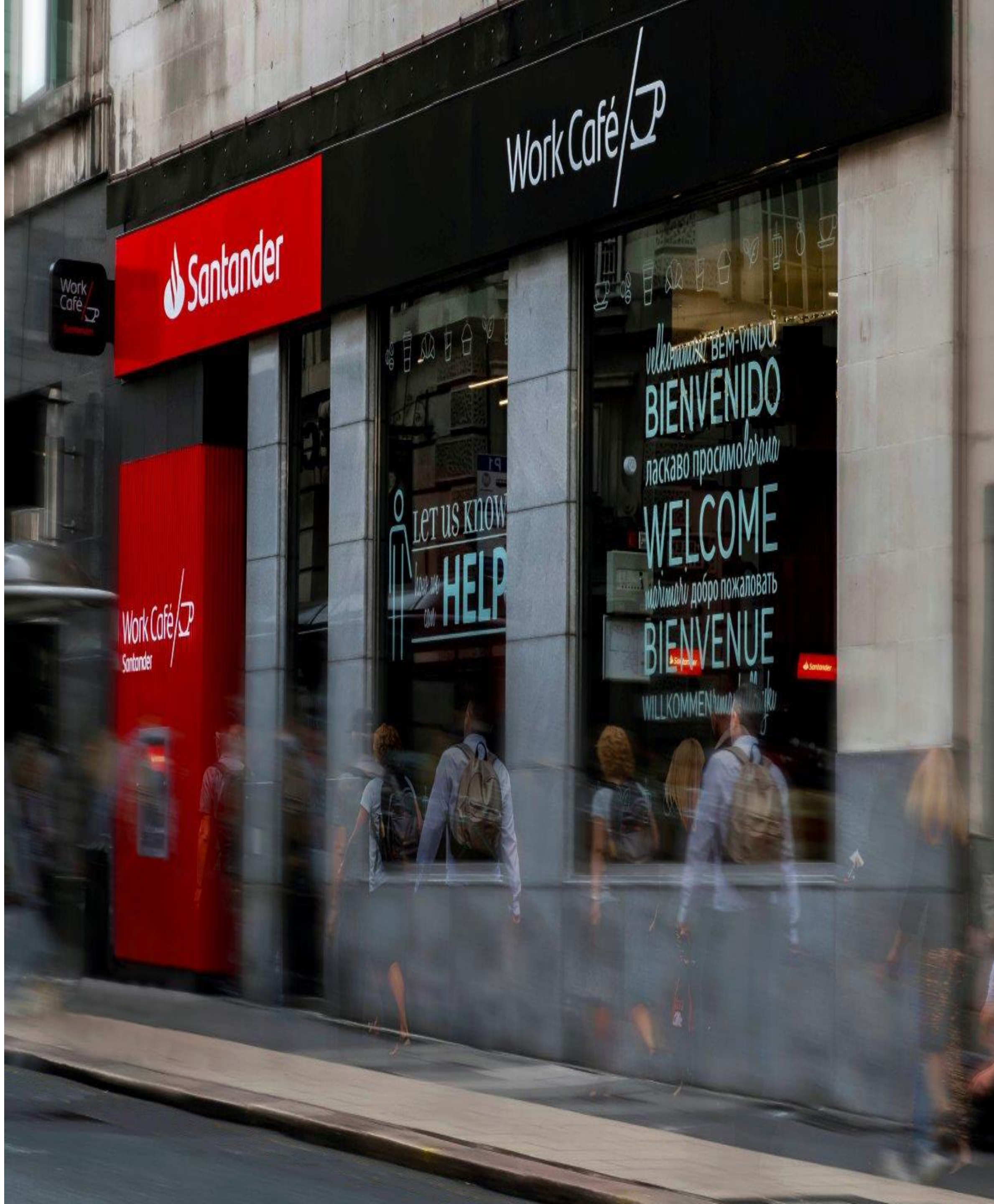

We are fully committed to our purpose – to help people and businesses prosper

H120 results materially impacted by Covid-19

- PBT of £147m, down 74%; adjusted PBT of £225m, down 70% YoY
- Results include £376m impairment charges, up from £69m in H119, largely due to Covid-19 related ECL build as well as related income pressures
- Income impacted by H120 base rate reductions and fee income regulatory changes, partially offset by deposit repricing

Supporting our customers and our people

- Over £3.2bn loans drawn through government lending schemes for our business and corporate customers
- Leveraging enhanced remote working capability for our people to continue to work productively and with greater flexibility
- Donated £7.5m for Covid-19 research, hardship funds and community activities and to support the most vulnerable people[1]

Confident in the resilience of our balance sheet

- Prime mortgage book with an average LTV of 42%. Relatively limited exposure to unsecured retail, c2% of our loan portfolio
- CET1 capital ratio of 14.5%, up 20bps, with significant buffers above regulatory minimums
- LCR of 147%, up 5 p.p., with strong deposit growth driving an improved funding gap

Transforming and actively managing the business

- Multi-year transformation programme continues, with £203m investment and c£150m of realised savings to date
- Evaluating learnings from the Covid-19 crisis, including accelerated customer digital adoption, property strategy, streamlined governance and processes with a renewed focus on digitalisation, automation and restructuring initiatives

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1. Charitable donations via Santander UK and Santander Foundation, part of Banco Santander's global response, All Together Now.

Supporting our customers through Covid-19 uncertainty

	Measures	Details	Our support[1]	% of relevant book
FCA for retail customers	Mortgage payment holidays	Initial 3 month payment deferral, optional 3 month extension	239k granted; £37.1bn 72k o/s; £11.8bn (15 July)	22 7
	Credit cards payment holidays	3 month payment deferral or nominal payment	26k granted; £0.1bn	4
	UPLs payment holidays	3 month payment deferral or nominal payment	28k granted; £0.2bn	10
	Overdrafts	£500 facility at 0% for 3 months; rate discounted to 19.9%	All customers	
Govt. schemes for corporates	Bounce Back Loan Scheme (BBLS)	£50k 6 year loan: interest, repayment and fee-free in year 1 100% government backed	107k drawn; £2.9bn	14
	Coronavirus Business Interruption Loan Scheme (CBILS)	£5m 6 year loan: interest and fee-free in year 1 80% government backed	2k drawn; £0.2bn	1
	Coronavirus Large Business Interruption Loan Scheme (CLBILS)	£200m loan 80% government backed	7 drawn; £0.1bn	1
BoE/PRA	Base rate	Reduced from 75bps to 10bps	Full pass on to variable products including SVR	
	Term Funding Scheme with additional incentives for SMEs (TFSME)	Banks able to borrow from the BoE: - c10% of their customer asset balance-sheet - 5x growth in SME lending - 10bps interest rate payable (base rate)	Continuation of lending to customers to support real economy	

1. Applications to 30 June 2020.
Mortgage payment holidays: 72k customers outstanding; £11.8bn loan balance at 15 July 2020.

H120 results and business performance materially impacted by Covid-19

H120 vs FY19

Mortgage loans	↑	£167.4bn £2.0bn
Customer deposits	↑	£185.7bn £7.9bn
Banking NIM	↓	1.50% 14bps
Stage 3 ratio[1]	↑	1.23% 8bps
CET1 capital ratio	↑	14.5% 20bps

Adjusted[2] income statement, H120 vs H119

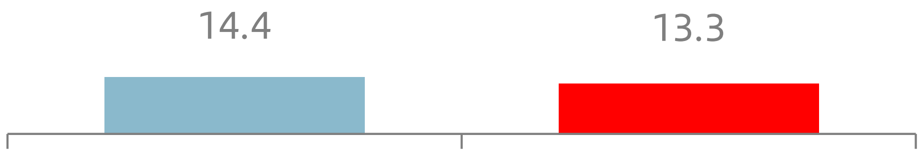
Operating income	↓	£1,795m 12%
Operating expenses	↓	£1,149m 4%
Credit impairment losses	↑	£376m n.m.
Provisions	↑	£45m 25%
Profit before tax	↓	£225m 70%

1. Stage 3 ratio is total stage 3 exposure as a percentage of customer loans plus undrawn stage 3 exposures. | 2. The financial results were impacted by a number of specific income, expenses and charges with an aggregate impact on profit before tax of £78m in H120 (H119: £168m). See Quarterly Management Statement for the six months ended 30 June 2020 for further detail and a reconciliation to PBT.

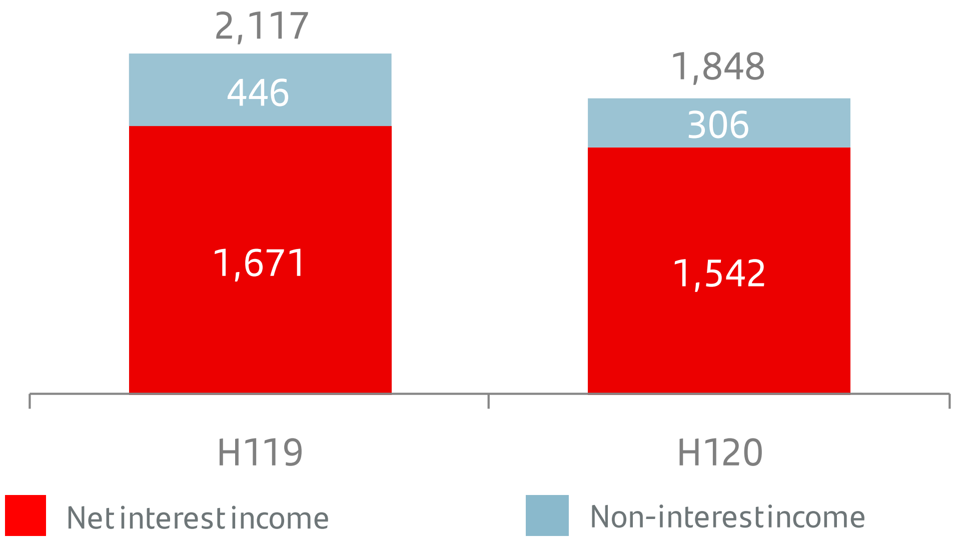
Income impacted by base rate cuts and regulatory changes to overdraft income

Banking NIM[1] (%)

SVR & FoR balance (£bn)

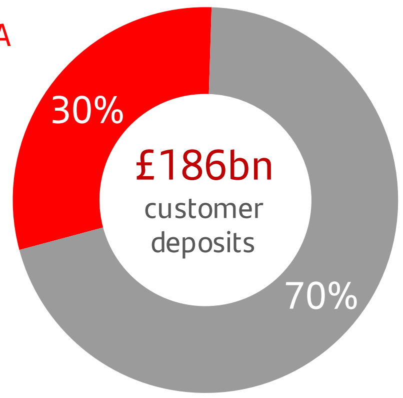


Total operating income (£m)

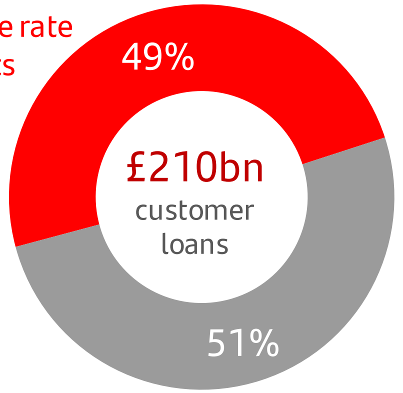


Outlook: Banking NIM expected to stabilise in H220

Liability margin
1I2I3 C/A interest rate to reduce to 60bps[2] (150bps in Jan20)



H120 asset repricing
Two base rate reductions in Mar20 (from 75bps to 10bps)



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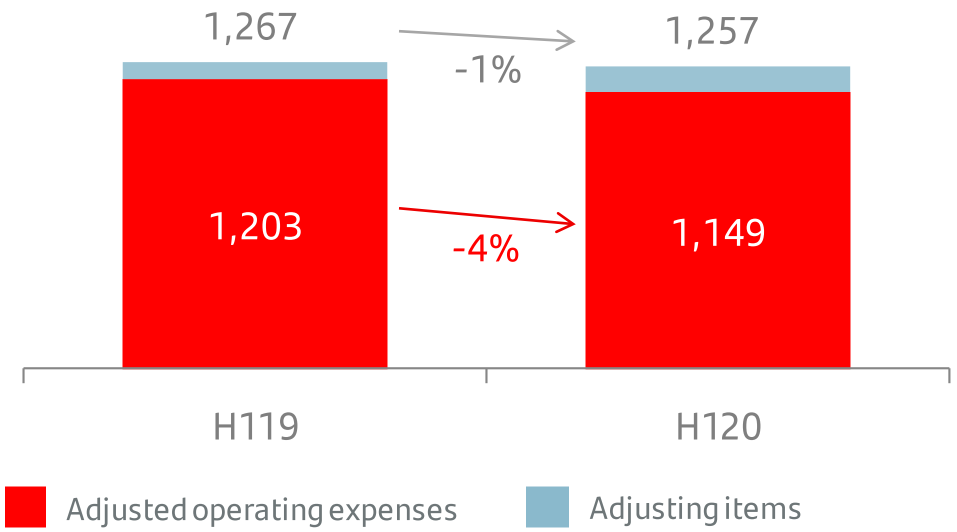
1. Banking NIM is calculated as annual net interest income divided by average customer assets. | 2. Changes to 1|2|3 current account interest rate and cashback effective in May 2020 (-50bps) and August 2020 (-40bps).

Focus on cost management through our multi-year transformation programme

Adjusted cost-to-income ratio (%)[1]

Total operating expenses (£m)



Outlook: Operating expenses continue their downward trend

Our multi-year transformation programme aims to simplify, digitise and automate the bank by focusing on our operating model structures and productivity

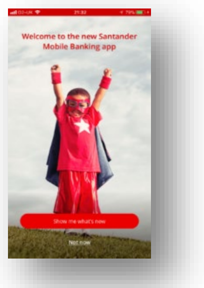
Transformation programme continues[2]

£203m spend

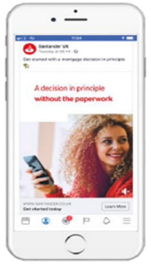
c£150m savings

Recent digital developments for improved customer support

Advanced digital journey for mortgage applications



Interactive virtual scam awareness events



Acceleration of use of chat service

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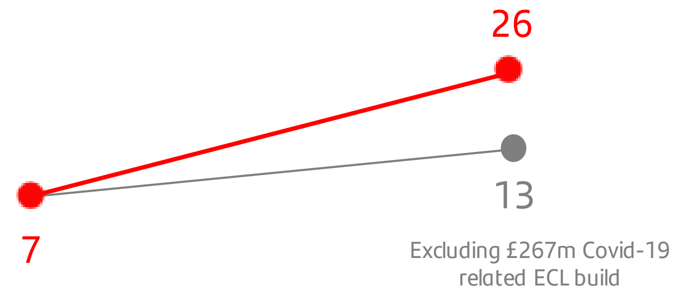
1. See Q220 Quarterly Management Statement for further detail and a reconciliation of adjusting items (transformation, operating lease depreciation and Covid-19 related expenses). | 2. 18 months to Jun20.

Credit impairments increased largely due to Covid-19; low write-offs continued

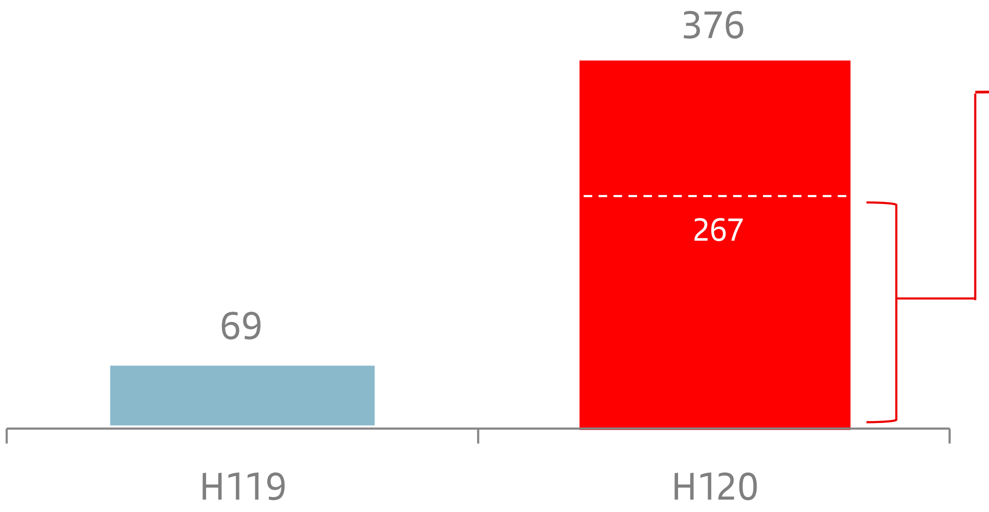
Cost of risk[1] (bps)



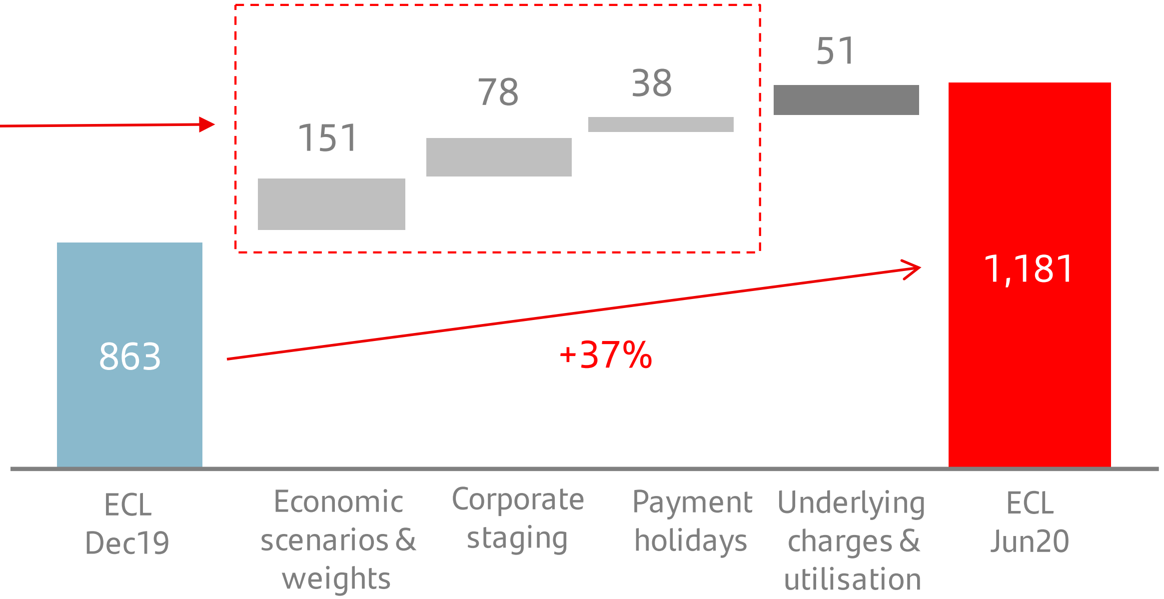
Outlook: Credit impairments outlook remains highly uncertain

2019		H120
1.15%	Stage 3 ratio	1.23%
15.5%	Stage 3 coverage ratio	17.0%

Credit impairment losses (£m)



ECL provision build (£m)



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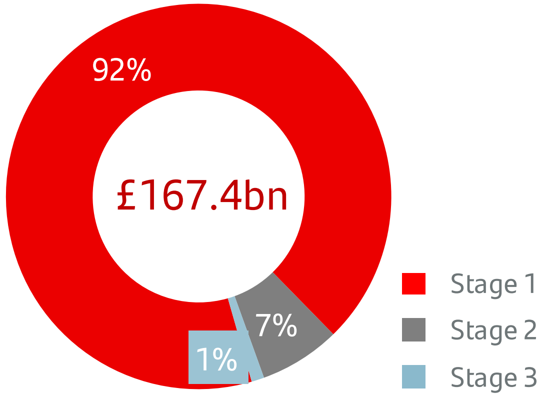
1. Cost of risk is rolling 12 month credit impairment charge as a percentage of average customer loans. £267m impairment charges arising as a result of changes to economic scenarios & weights, corporate staging and payment holidays.

Resilient balance sheet with prudent approach to risk and limited unsecured retail exposure

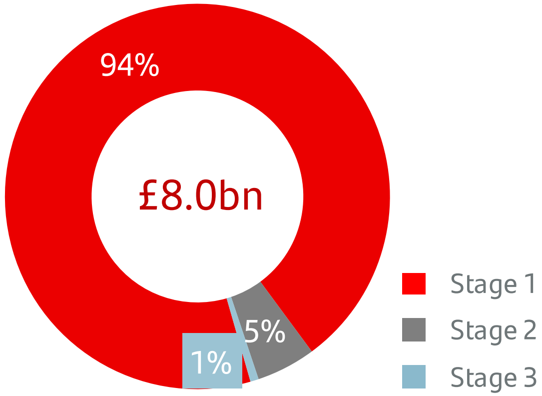
Mortgages



0.12% 2019 < Total asset coverage > 0.16% H120

- 80% of customer loans
- 95% of payment holiday customers were up to date with repayments
- 88% of customers have LTV of <75%

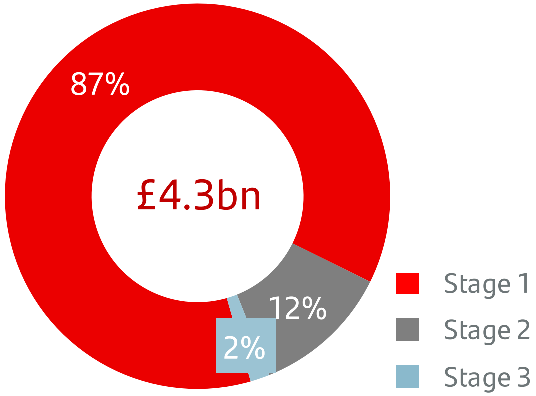
Consumer (auto) finance



1.10% 2019 < Total asset coverage > 1.30% H120

- 4% of customer loans
- Prime lending: 90% of the book secured on the vehicle

Credit cards & UPLs



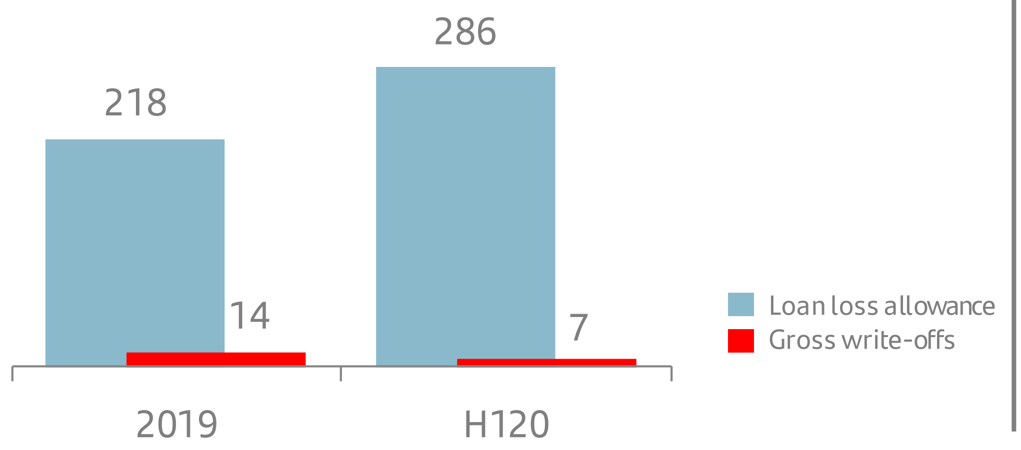
1.23% 2019 < Total asset coverage > 1.48% H120

- 2% of customer loans
- 53% credit card customers pay-off balance in full each month
- 41% of UPL have average loan balance of <£5k

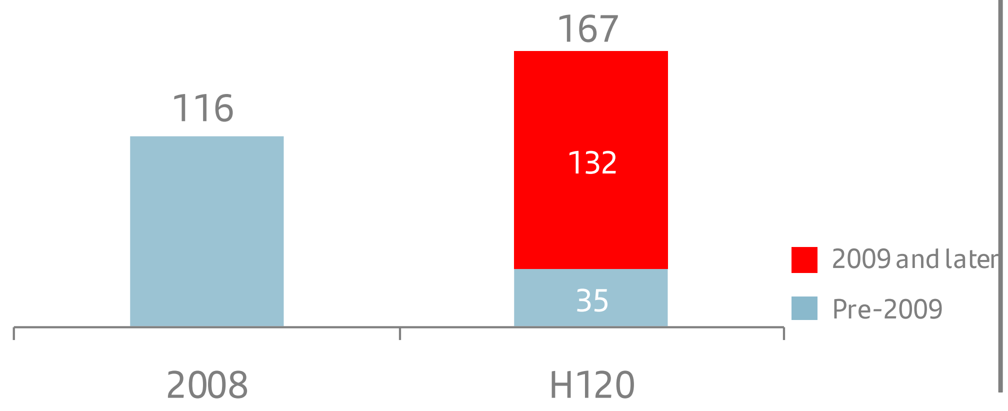
 Total asset coverage is calculated as total ECL divided by total exposure.

Our prime mortgage portfolio reflects our prudent approach to risk

Loan loss allowance and write-offs (£m)



Mortgage lending origination vintage split (£bn)



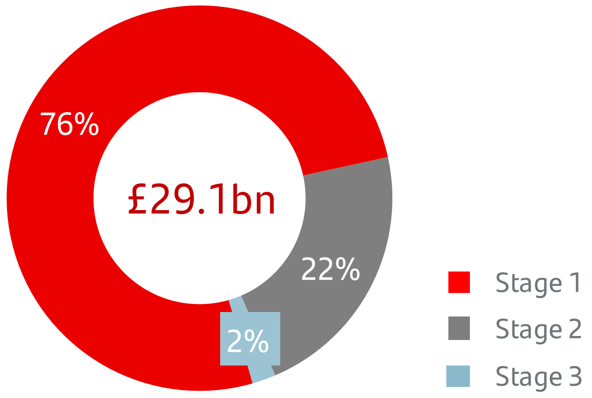
- Loans originated pre-2009 make up c80% of stage 3
- 42% average LTV down from 51% in 2008

Stock LTV distribution		Mortgage loan size		Borrower profile		Interest rate profile	
>100%	<1%	>£2.0m	<1%	Home movers	42%	Fixed rate	79%
>85-100%	4%	£1.0 to £2.0m	1%	Re-mortgagers	32%	Variable rate	13%
>75-85%	11%	£0.5m to £1.0m	8%	First-time buyers	20%	Standard variable rate[2]	8%
>50-75%	41%	£0.25m to £0.5m	28%	BTL	6%		
Up to 50%	43%	<£0.25m	63%				
Average LTV	42%	Average loan size[1]	£208k	BTL balance	£10.6bn	SVR balance[2]	£13.3bn

1. New business. | 2. Standard variable rate includes follow on rate.

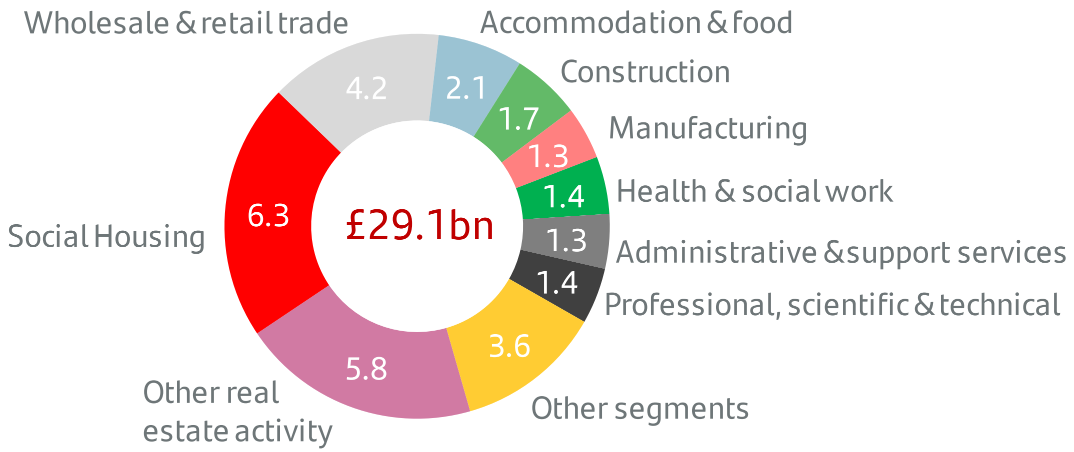
Diversified corporate portfolio with prudent coverage ratio

Corporate loan book remains resilient[1]

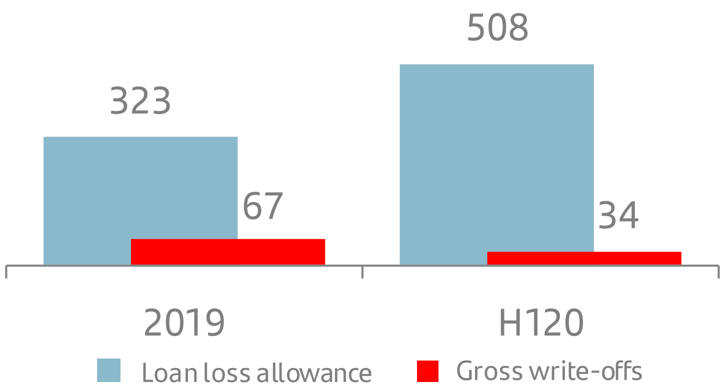


0.77% 2019 < Total asset coverage > 1.23% H120[2]

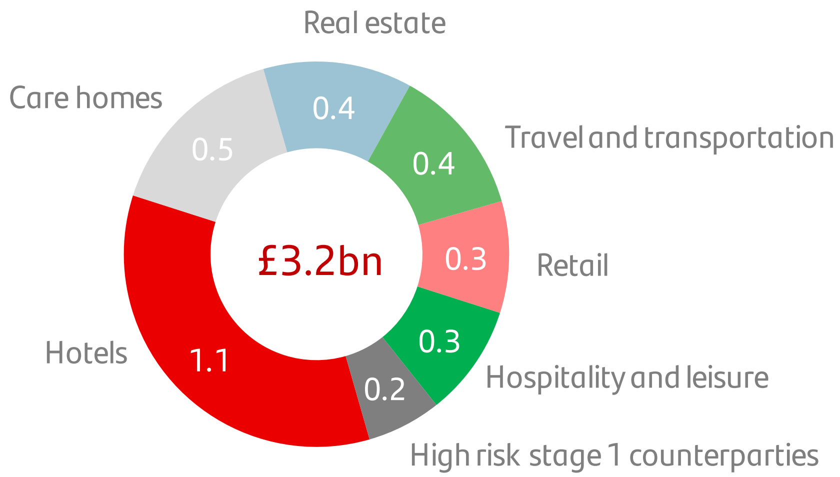
Corporate customer sector split (£bn)



Loan loss allowance and write-offs (£m)



Sector split of loans transferred from stage 1 to stage 2 (£bn)



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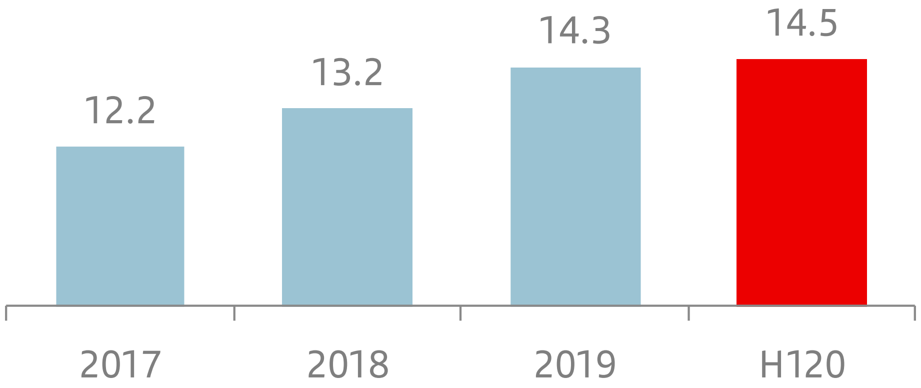
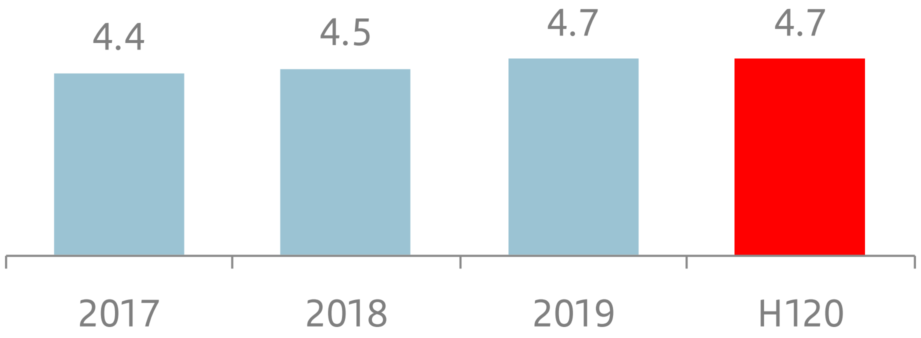
1. Total corporate loans includes £25.4bn of Corporate lending (CCB, CIB and Business Banking), £3.2bn non-core Social Housing and £0.5bn of non-core loans in Corporate Centre.
2. Excludes BBLS loans.

Strong capital and liquidity positions

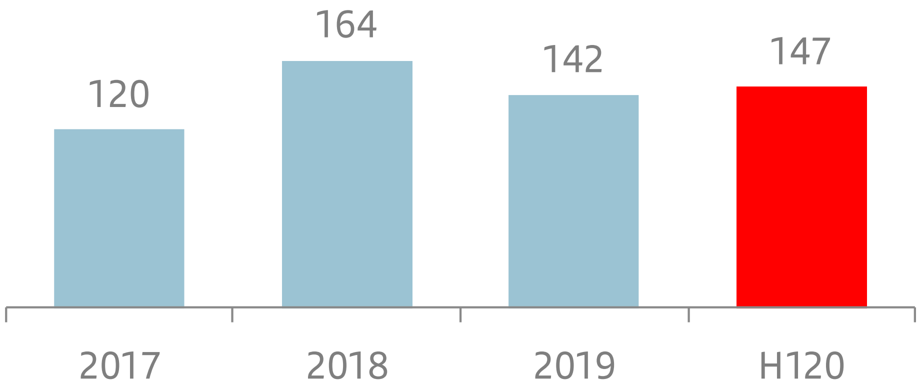
CET 1 ratio (%)



UK leverage ratio (%)



Liquidity coverage ratio (%)[1]



- CET1 ratio improved and remains well above regulatory thresholds
- UK leverage ratio marginally up, with retained profits and leverage exposure management
- LCR increase reflects our prudent approach in an uncertain operating environment

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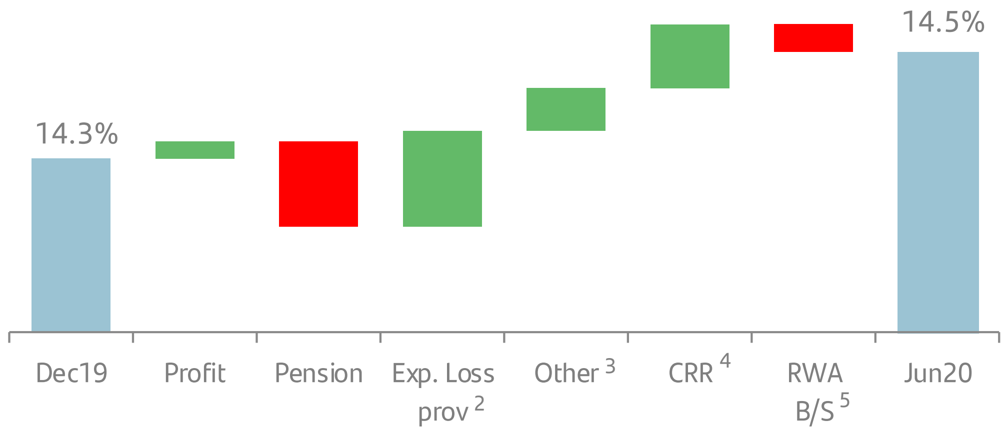
1. With effect from 1 January 2019, and in accordance with our ring-fence structure, SFS was withdrawn from Santander UK's Domestic Liquidity Sub-group. We now monitor and manage liquidity risk for Santander UK plc and SFS separately. The SFS LCR eligible liquidity pool was £6.1bn and the SFS LCR was 316% at 30 June 2020.

Fixed Income Appendix

Resilient position through strong capital build and active RWA management

CET1 ratio



Capital and leverage

	Dec17	Dec18	Dec19	Jun20
CET1 ratio (%)	12.2	13.2	14.3	14.5
Leverage exposure (£bn)	287.0	275.6	269.9	269.0
UK leverage ratio[1] (%)	4.4	4.5	4.7	4.7
RWAs (£bn)	87.0	78.8	73.2	72.7
HoldCo total capital (%)	17.8	19.1	21.6	21.3
OpCo total capital (%)	19.3	20.3	21.7	21.4

- CET1 capital increased to £10.6bn, with ongoing capital accretion through retained profits and a lower deduction from the excess of regulatory expected loss amounts over credit provisions. These improvements were partially offset by adverse market driven movements in the defined pension schemes
- EU 'Quick Fix' amendments to CRR contribute 17bps to CET1 ratio. The majority of the benefit came through the implementation of RWA reduction factors for certain SME and infrastructure exposures
- In line with the PRA recommendation, the board of SanUK decided that until the end of 2020 there will be no quarterly or interim dividend payments, accrual of dividends, or share buybacks on ordinary shares
- Leverage ratio improved over the years with retained profits, additional net AT1 issuance and leverage exposure management

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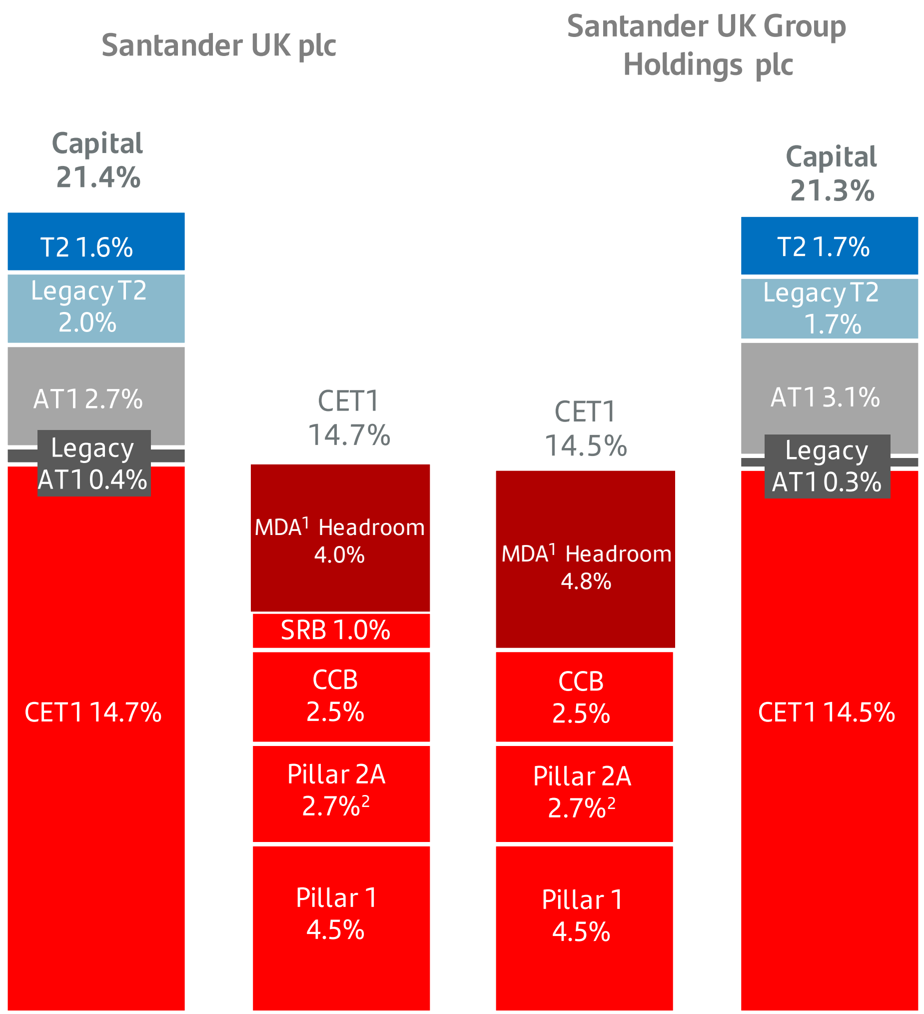
1. Dec17 and Dec18 leverage ratios were calculated applying the amended definition, as per Jul16 PRA statement. | 2. Lower deduction of negative amounts resulting from the calculation of regulatory expected loss amounts. | 3. Other includes Goodwill and Intangibles. | 4. CRR (Capital Requirements Regulation) EU 'Quick Fix' in relation to the Covid-19 crisis published in the Official Journal on 26 June 2020. | 5. Balance sheet growth.

Maintaining resilient capital position in a changing regulatory environment

Total capital ratios

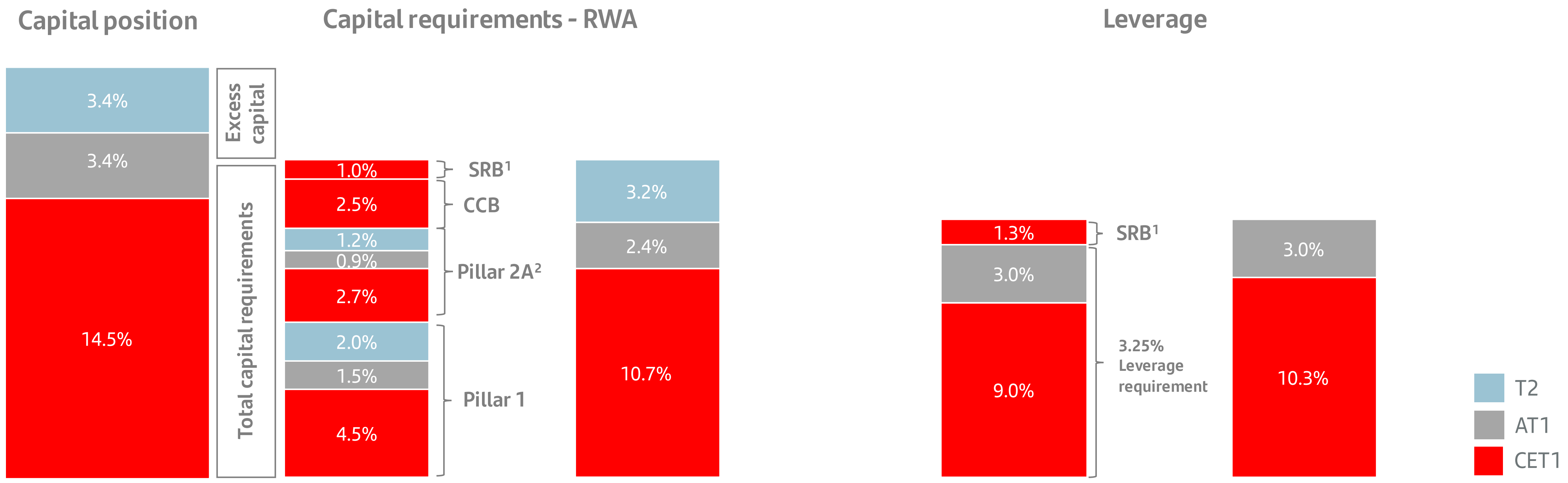


Recent changes in capital requirements

- Mar20 - FPC reduced the UK counter cyclical buffer (CCyB) to 0% from 1%; previously expected to rise to 2% by Dec20
- Jul20 - PRA confirmed intention to reduce the variable P2A by 50% of the 1% increase in the standard risk environment CCyB and announced that they will temporarily increase the PRA buffer by 56% of a firms total P2A reduction; the PRA buffer is not an MDA requirement
- The combination of above actions increased the expected MDA headroom by c2.3% when compared to expected Dec20 position
- May20 – PRA announced they would move to a static P2A amount, at 30 June SanUK's P2A capital requirement remained with an RWA percentage based element

1. Distribution restrictions expected to apply if Santander UK's CET1 ratio fell between current Regulatory Minimum Capital level, equal to CRD IV 4.5% minimum plus Pillar 2A and the CRD IV buffers | 2. At 30 June 2020, Santander UK Group Holdings plc and Santander UK plc Pillar 2A requirements were 4.9% (2.7% CET1) and 4.8% (2.7% CET1), respectively.

Strong capital position with significant buffers above regulatory minimums



- HoldCo currently has excess capital of c.5.0% above total capital requirements[3]
- Our AT1 outstanding is sized on leverage ratio requirements, which translates to excess AT1 on a RWA basis

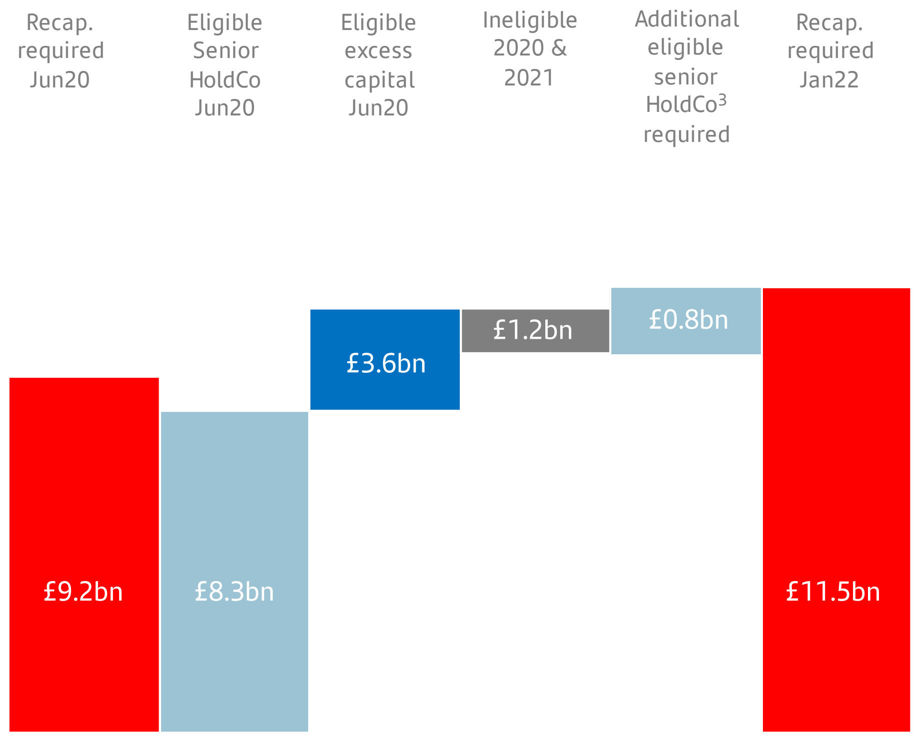
1. Applicable to the ring-fence bank sub-group only, assuming an equivalent amount held at HoldCo Group. | 2. At June 2020, Santander UK Group Holdings Pillar 2 requirements was 4.9%. | 3. Excess Capital above minimum requirements, including the SRB, which is only applicable to the RFB.

Well advanced to comply with MREL requirements

MREL recapitalisation[1,2,4]

	Jun-20	Jan-21	Jan-22
Leverage exposure (FPC)	£269.0bn	£269.0bn	£269.0bn
Leverage exposure (CRD IV)	£308.1bn	£308.1bn *Assumed static*	£308.1bn
RWAs (CRD IV)	£72.7bn	£72.7bn	£72.7bn
Pillar 1 (8.0%)	£5.8bn	£5.8bn	£5.8bn
Pillar 2A (4.9%)	£3.5bn	£3.5bn *Assumed static*	£3.5bn
Leverage exposure (FPC)	**6.50%** *£17.5bn*	**6.50%** *£17.5bn*	**6.50%** *£17.5bn*
Leverage exposure (CRD IV)	**6.00%** *£18.5bn*	**6.00%** *£18.5bn*	**6.75%** *£20.8bn*
RWAs (CRD IV)	**2 x P1 + P2A** *£15.1bn*	**2 x P1 + P2A** *£15.1bn*	**2 x (P1 + P2A)** *£18.7bn*
Senior Hold Co (MREL eligible)	**£8.3bn**	**£7.1bn**	**£7.1bn**
MREL requirement amount (exc. buffers)	£18.5bn	£18.5bn	*£20.8bn*
Loss absorption amount (P1 + P2A)	*£9.3bn*	*£9.3bn*	*£9.3bn*
Recapitalisation amount	**£9.2bn**	**£9.2bn**	**£11.5bn**
Excess / (Deficit) - exc. excess capital	**£(0.9)bn**	**£(2.1)bn**	**£(4.4)bn**
Excess Capital[3]	£3.6bn		
Excess / (Deficit) - inc. excess capital	**£2.7bn**		

MREL position[2,3,4]



- Our intention - maintain MREL recapitalisation management buffer in excess of the value of HoldCo Senior unsecured securities due to become MREL ineligible during the preceding 6 months
- MREL Eligible outstanding debt, including excess capital, is £2.7bn[3] in excess of required recapitalisation amount
- Without excess capital, an additional c£4.4bn of eligible Senior HoldCo is required by 2022

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1. In 2019, the Bank of England disclosed Santander UK's indicative minimum MREL requirements. The requirements over and above regulatory capital started in 2019, step up in 2020 and are fully implemented in 2022. Assumes Pillar 2A requirement remains at 4.9%. | 2. Regulatory values at 30 June 2020. | 3. Excess capital above minimum capital requirements at 30 June 2020, including the SRB, which is only applicable to the RFB. | 4. Assumes FX remains constant and Pillar 2A requirement remains at 4.9%.

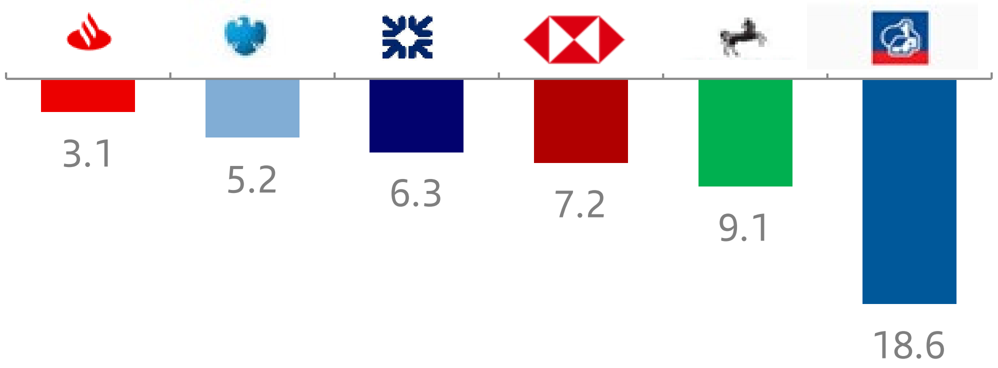
Proven resilience in Bank of England stress tests

Bank of England scenarios

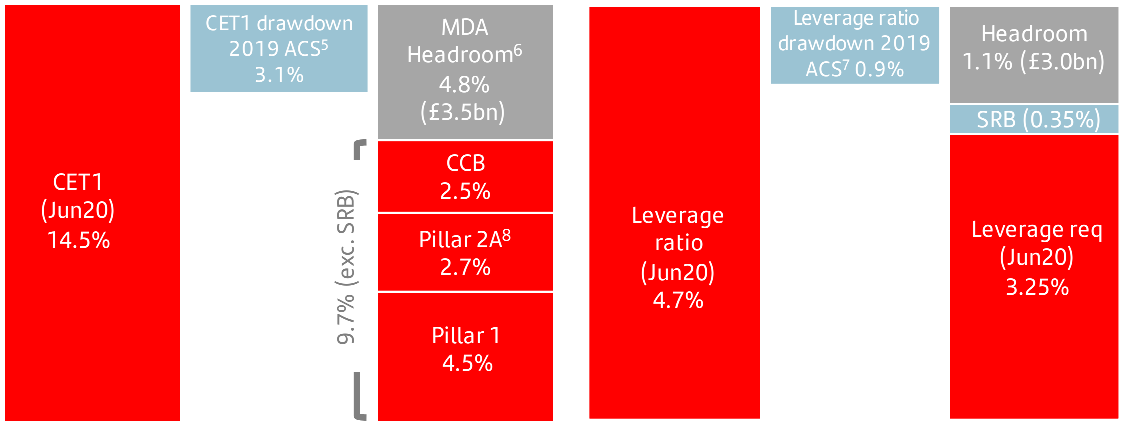
	BoE Stress ACS 2019[1] %	BoE Covid-19 Desktop 2020[2] %	2019 Y/E[3] %	2020 Q1 %	2020 (f)[4] %
UK GDP Growth	(4.7)	(14)	1.4	(2.0)	(9.5)
Unemployment	9.2	8	3.8	3.9	9.3
House Price Inflation	(33)	(16)	2.3	3.0	(6.0)
Base rate	4.0	0.2	0.75	0.1	0.1

- As part of the Financial Stability report, the BoE developed a desktop stress scenario, which they believed would be less impactful on the banking system than the 2019 ACS
- In the 2019 ACS test, Santander UK had the lowest CET1 drawdown across UK banks

Performance at the BoE stress ACS 2019 test



Our CET1 drawdown was the lowest across UK banks



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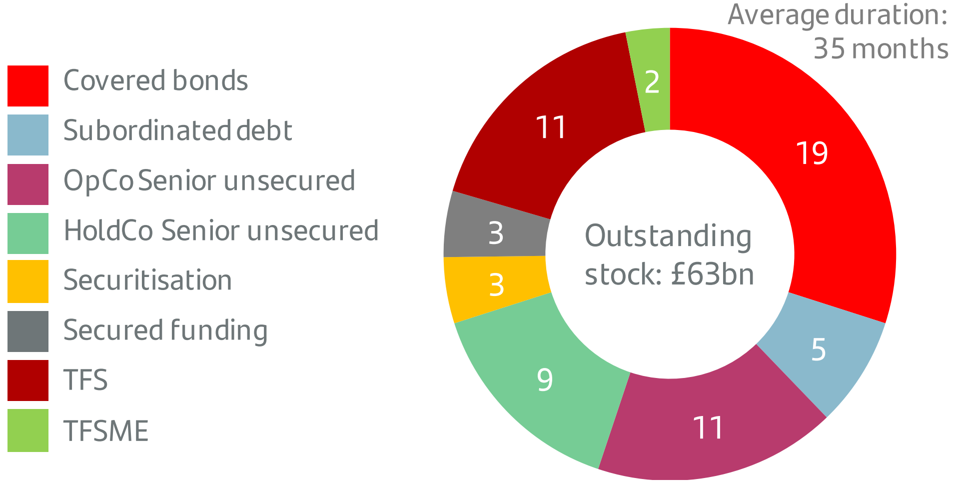
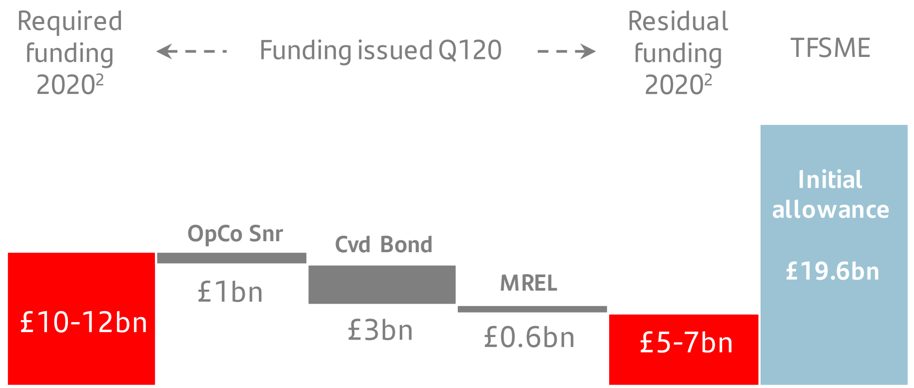
1. Source: BoE, Financial Stability Report, Dec 19. | 2. Source: BoE, Interim Financial Stability Report, May 2020. | 3. Santander UK plc Annual Reports. | 4. Source: Santander UK forecasts at June 2020. | 5. CET1 drawdown is defined as CET1 ratio as at Dec 18 less minimum stressed ratio after strategic' management actions only. | 6. Distribution restrictions expected to apply if Santander UK's CET1 ratio fell between current Regulatory Minimum Capital level | 7. Leverage ratio drawdown is defined as Leverage ratio at Dec 18 less minimum stressed leverage ratio after strategic management actions only. | 8. At June 2020, Santander UK Group Holdings Pillar 2 requirements was 4.9%.

Strong funding position across a diverse range of products

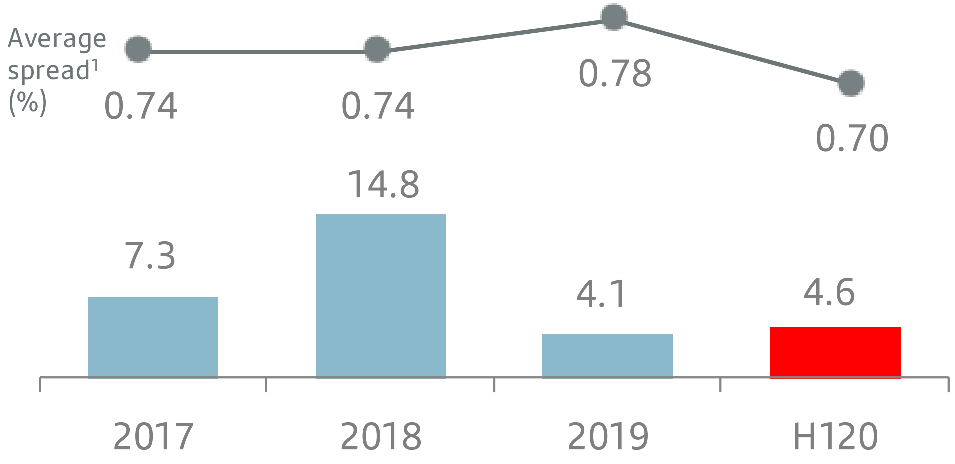
Term funding stock (£bn, Jun20)



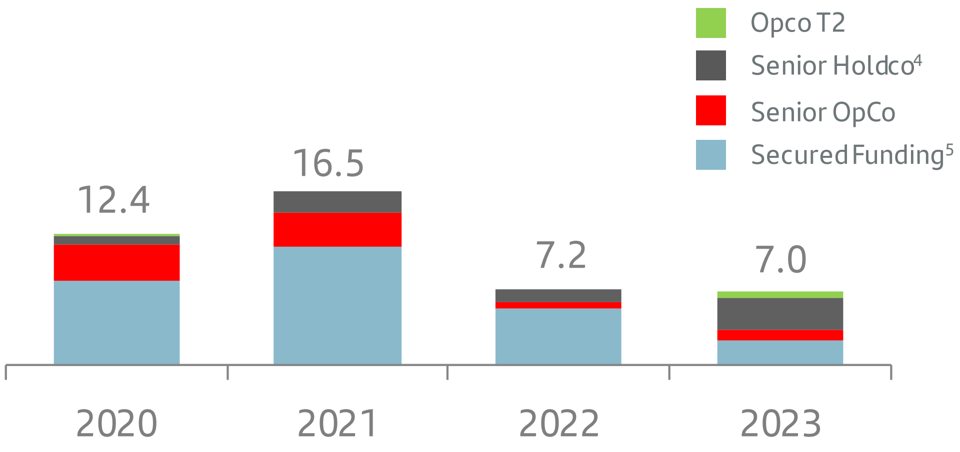
TFSME impact to funding



MTF issuance (£bn)



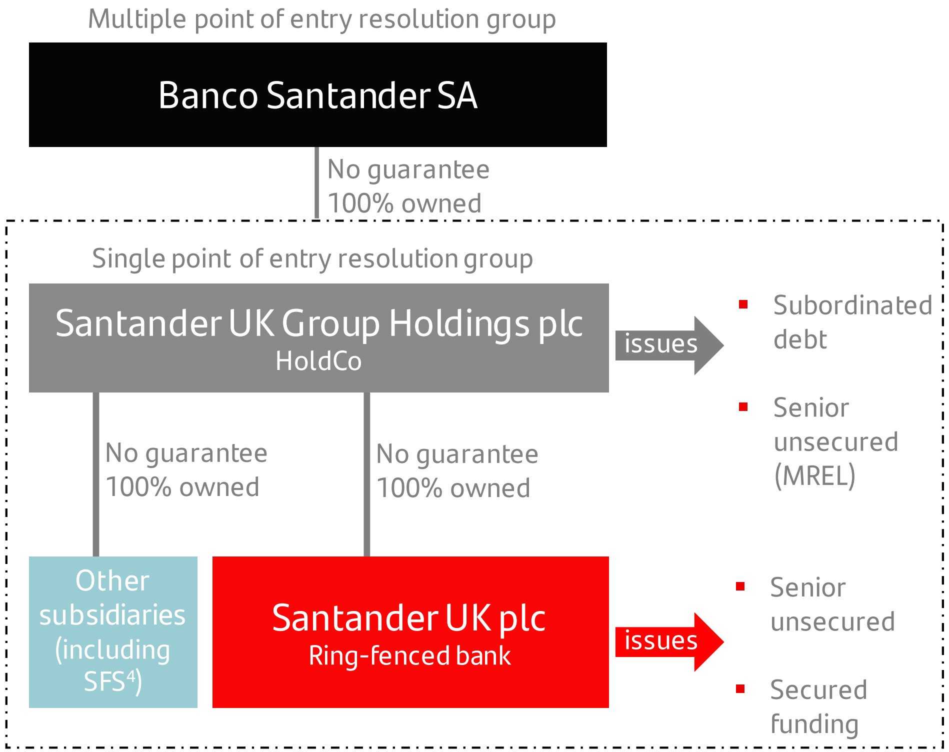
MTF maturities (£bn, Jun20)[3]



1. Average spread is the weighted margin above SONIA for issuance in that calendar year. | 2. Based on Jan20 funding plan. | 3. Includes issuances from Santander Consumer Finance UK and associated joint ventures and TFS. | 4. Earliest between first call date and maturity date. | 5. Including TFS.

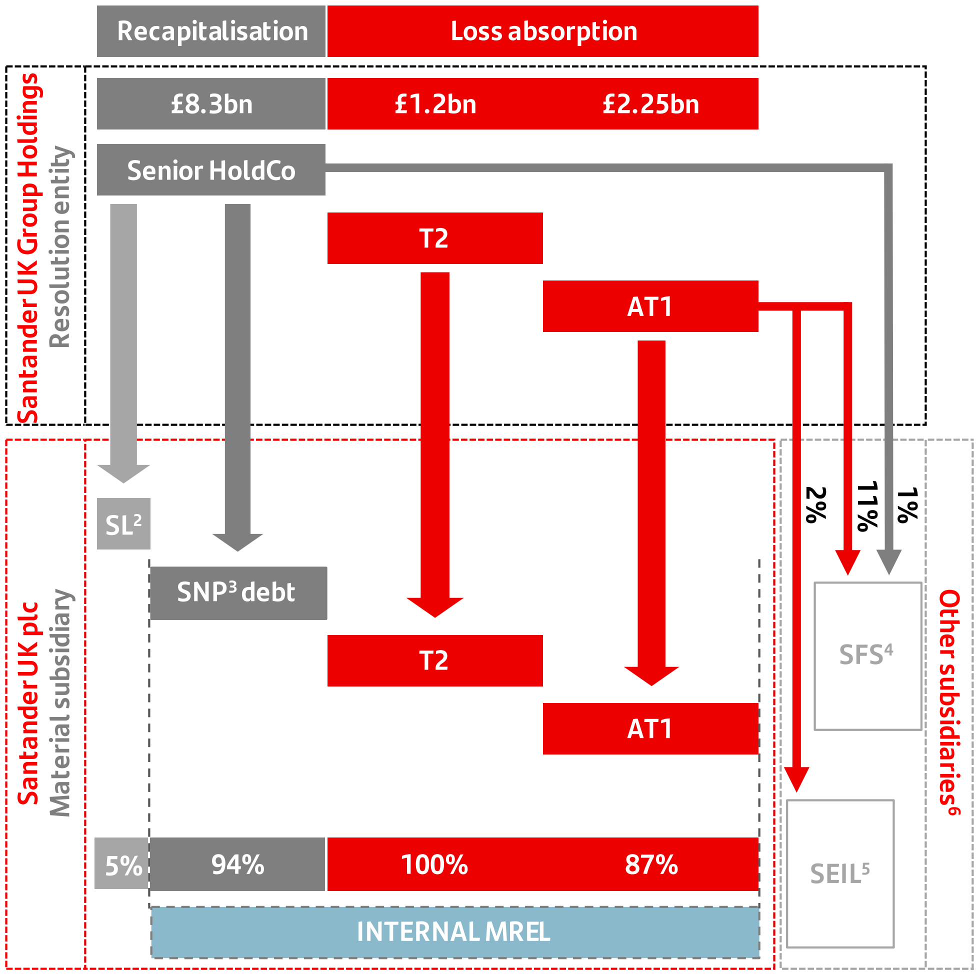
Santander UK group down-streaming model

Wholesale funding model



- The PRA regulates capital, liquidity (including dividends) and large exposures
- Requirement to satisfy the PRA that we can withstand capital and liquidity stresses on a standalone basis

Current down-streaming of HoldCo issuance[1]



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1. Meeting MREL eligibility criteria and exchange rates at 30 June 2020. | 2. Senior loan. | 3. Secondary non-preferential. | 4. Santander Financial Services formerly ANTS. | 5. Santander Equity Investments Limited. | 6. Santander UK other subsidiaries will have limited on-going funding requirements.

Credit ratings – July 2020

- In April 2020, S&P revised the outlook of Santander UK group Holdings and Santander UK plc from stable to negative, alongside many UK and European peers, to reflect economic and market stress triggered by the Covid-19 pandemic
- In April 2020, Fitch changed the outlook of Santander UK group Holdings and Santander UK plc from stable to negative. The actions reflect the economic disruptions driven by the coronavirus pandemic
- In November 2019, Moody's updated the outlook of Santander UK group Holdings and Santander UK plc from positive to negative due to their view of the UK economy

S&P			Moody's			Fitch		
AAA	Opco	Covered Bond	Aaa	Opco	Covered Bond	AAA	Opco	Covered Bond
AA+			Aa1			AA+		
AA			Aa2			AA		
AA-			Aa3	Opco	Senior Unsecured	AA-		
A+			A1			A+	Opco	Senior Unsecured
A	Opco	Senior Unsecured	A2			A	Holdco	Senior Unsecured
A-			A3			A-		
BBB+			Baa1	Holdco	Senior Unsecured Tier 2	BBB+	Holdco	Tier 2
BBB	Holdco	Senior Unsecured	Baa2			BBB		
BBB-			Baa3			BBB-	Holdco	AT1
BB+	Holdco	Tier 2	Ba1	Holdco	AT1	BB+		
BB			Ba2			BB		
BB-			Ba3			BB-		
B+	Holdco	AT1	B1			B+		

S&P	Moody's	Fitch
A / A1 / Negative	Aa3 / P-1 / Negative	A+ / F-1 / Negative
Long term rating / short term rating / outlook	Long term rating / short term rating / outlook	Long term rating / short term rating / outlook

Opco - Santander UK plc
Holdco - Santander UK Group Holdings plc

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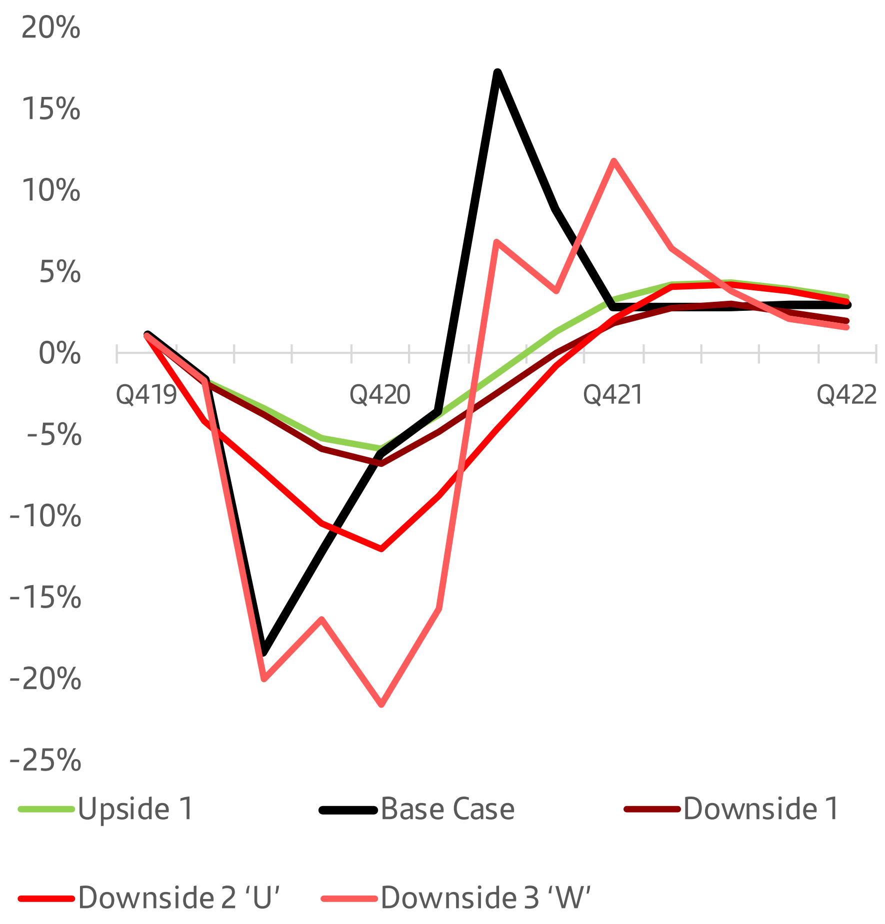
Appendix

Wide range of potential outcomes for the UK economy

GDP scenarios



Economic scenarios (%)

		Downside 3 'W'	Downside 2 'U'	Downside 1	Base case	Upside 1
GDP	2020	(14.9)	(8.5)	(4.5)	(9.5)	(4.0)
	2021	0.8	(3.1)	(1.4)	5.8	(0.2)
	2022	3.5	3.8	2.6	3.0	4.0
Base rate	2020	0.10	0.10	0.10	0.10	0.10
	2021	0.10	1.00	0.10	0.10	0.25
	2022	0.10	2.00	0.10	0.10	0.75
House price inflation (HPI)	2020	(7.7)	(11.1)	(0.6)	(6.0)	(0.1)
	2021	(19.9)	(16.4)	(9.7)	(0.5)	(7.0)
	5 year CAGR	(5.6)	(5.5)	(3.6)	0.0	1.8
Unemployment (ILO)	2020	11.9	6.8	5.4	9.3	5.2
	2021	8.9	10.4	7.0	6.9	6.3
	5 year peak	11.9	10.4	7.0	9.3	6.5
Q220 weights		5	15	15	50	15

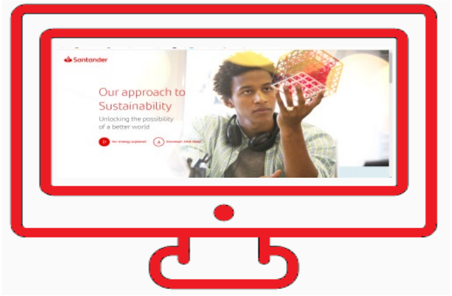
GDP: Annual growth rate. HPI: Annual growth rate, Q4.

Focused on embedding sustainability across our business

Creating a thriving workplace

Top 20
Employer in Social Mobility Index 2019

£745,000
Raised for Alzheimer's Society, exceeding our target with record employee engagement



santandersustainability.co.uk

Driving sustainable economic growth and financial inclusion

191
Breakthrough events in 2019[1]

248,090
People financially empowered[2]

Driving inclusive digitalisation

>25,000
Students mentored; focused on money management and digital skills

> 1.4 million
Voice ID activations in 2019

Upholding the highest ethical standards and fighting financial crime

96%
Colleagues understand our Anti-Financial Crime Vision better after attending our internal roadshows

>4 million
Young people reached in fraud and scams campaigns

Santander UK Sustainability Review (in 2019 ARA) and ESG Supplement[3]

Data at 31 December 2019.
1. Breakthrough business events total is both breakthrough in branch and our other workshop, masterclass and partnership events. | 2. In 2019 changed our reporting to look at number of people 'financially empowered' as opposed to helped. Includes beneficiaries from DigiWise, FutureWise, Discovery Days and Community Workshops by branches. | 3. Published in March 2020.

Disclaimer

Santander UK Group Holdings plc (Santander UK) is a subsidiary of Banco Santander SA (Santander).

This presentation provides a summary of the unaudited business and financial trends for the six months ended 30 June 2020 for Santander UK Group Holdings plc and its subsidiaries (Santander UK), including its principal subsidiary, Santander UK plc. Unless otherwise stated, references to results in previous periods and other general statements regarding past performance refer to the business results for the same period in 2019.

Alternative Performance Measures (APMs)
In addition to the financial information prepared under IFRS, this presentation includes financial measures that constitute APMs, as defined in European Securities and Markets Authority (ESMA) guidelines. These measures are defined and reconciliations to the nearest IFRS measures are available in the appendix to the Santander UK Group Holdings plc Quarterly Management Statement for the six months ended 30 June 2020.

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Source: Santander UK Q2 2020 results 'Quarterly Management Statement for the six months ended 30 June 2020' 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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Key dates[1]

Q3'20 results: 28 October 2020

www.aboutsantander.co.uk

1. Indicative, dates subject to change