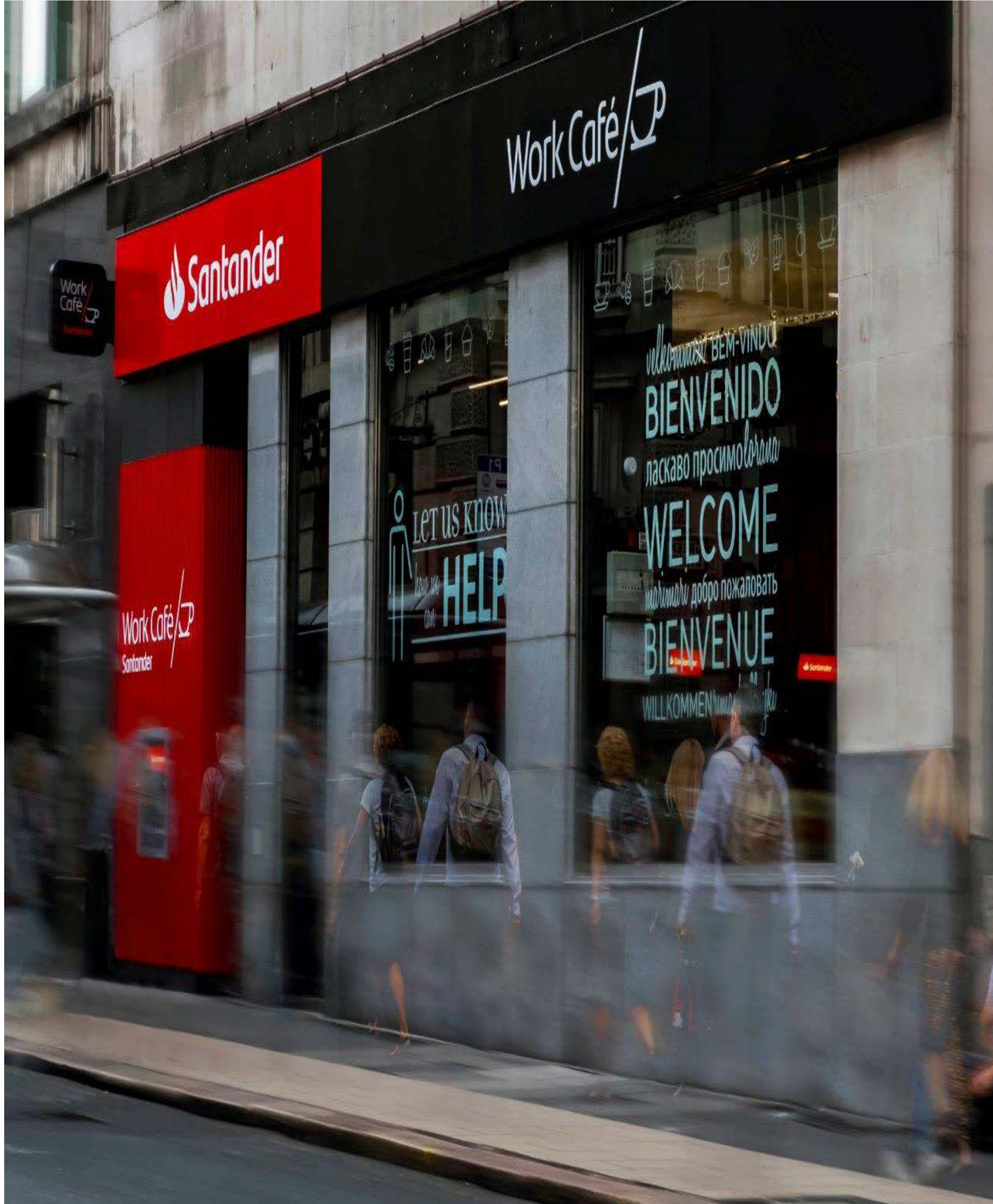
Santander UK Group Holdings plc

Investor Update for the year ended 31 December 2019

January 2020

Santander



We are a UK scale challenger with proven stability and resilient balance sheet

Well established position in the UK market

14.4 million
Active customers

c80% coverage
of UK financial centres

5.8 million
Digital customers

1.7k
New daily mobile users

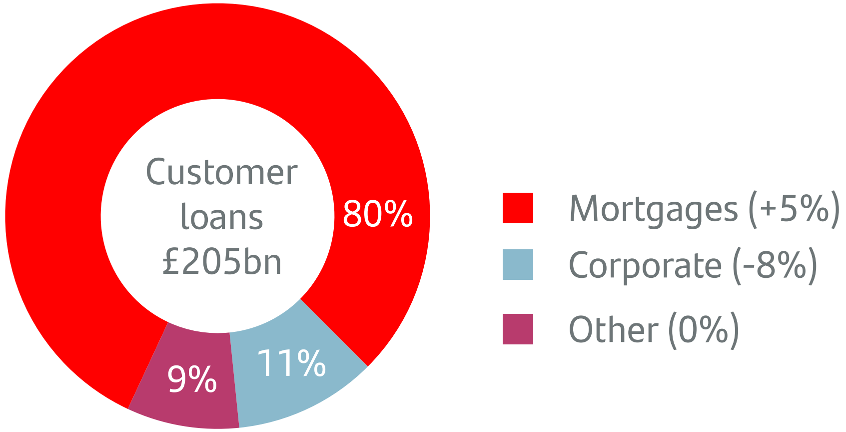
3rd largest mortgage provider[1]

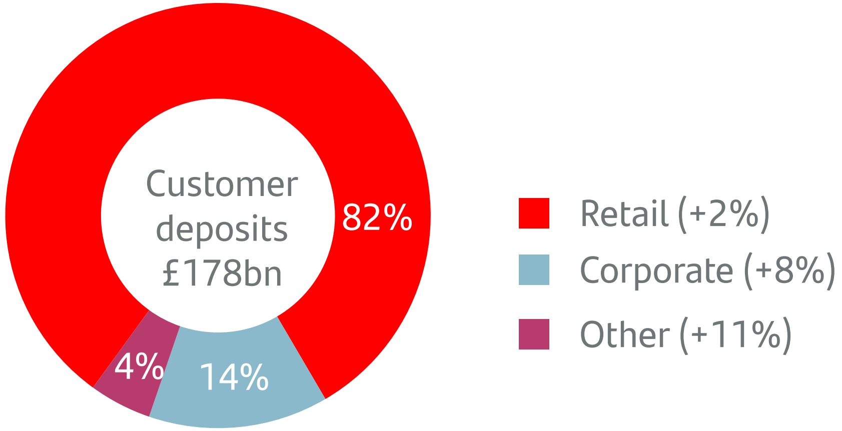
5th largest commercial lender[1]

4th largest current account provider[2]

Helping people and businesses prosper

Customer balances (change vs. Dec18)





1. Santander UK analysis, as at Q419. Commercial lending refers to loans to SME and mid corporate clients by UK retail and commercial banks and building societies. |
2. Source: CACI's CSDB, Current Account Stock, Volume, October 2019.

We are delivering for our stakeholders while embedding sustainability in everything we do

1 Grow customer loyalty by providing an outstanding customer experience

1st
Business and Corporate NPS[1]

Top 4
Retail NPS [1,2]

37,000
First time home buyers

342,000
Customer cars financed

2 Simplify and digitise the business for improved efficiency and returns

60%
+5% YoY
Online mortgage retention

52%
+8% YoY
Online current account openings

291m
+19% YoY
Total digital transactions[3]

42%
+3% YoY
Online business account openings

3 Invest in our people to ensure they have the skills and knowledge to thrive

Top 20
Social Mobility Index employer

£745,000 raised
By employees for Alzheimer's Society

6.4 days
Development per employee

top EMPLOYER UNITED KINGDOM 2020
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS
Through the Top Employers Institute

4 Further embed sustainability across our business

191
Breakthrough events in 2019[4]

248,100
People financially empowered[5]

> 4 million
Young people reached in anti-fraud campaigns

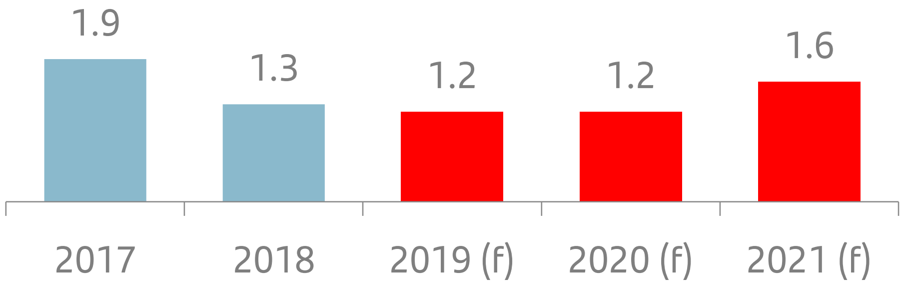
100%
Renewable electricity used

Santander

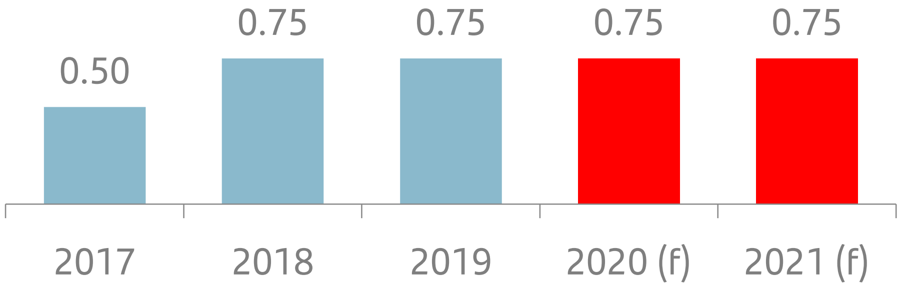
1. Net Promoter Score measures customer experience and predicts business growth. Source: Business and Corporate NPS is measured by the MarketVue Business Banking from Savanta. | 2. Retail NPS is measured by IPSOS MORI. | 3. Total retail customer actioned financial transactions (online banking and mobile). | 4. Both breakthrough in branch and other workshop, masterclass and partnership events. | 5. Includes beneficiaries from DigiWise, FutureWise, Discovery Days and Community Workshops by branches.

More certain political backdrop, however uncertainty remains

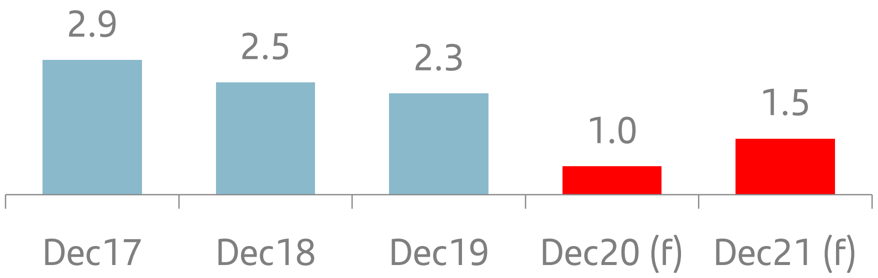
Annual GDP growth (%, annual average)



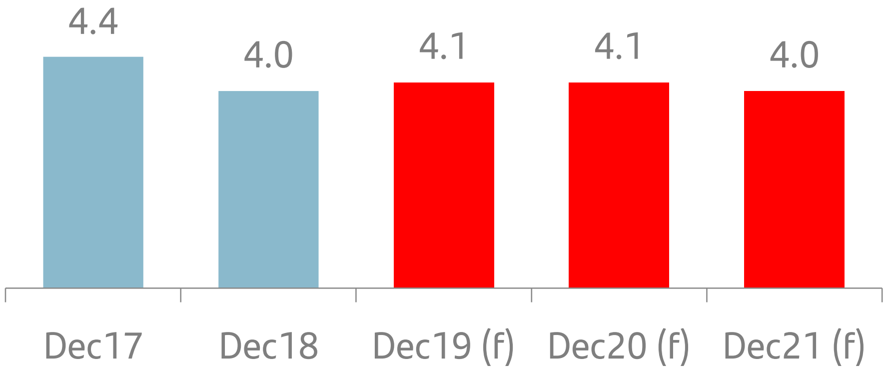
Bank of England base rate (%, year end)



House price change (%, year end)



Unemployment 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 December2019.

Supporting our customers despite the challenging operating environment

Growing our business sustainably

FY19 vs FY18

Mortgage loans	↑	£165.4bn £7.4bn
Customer deposits	↑	£177.8bn £5.7bn
Banking NIM	↓	1.64% 16bps
Stage 3 ratio[2]	↓	1.15% 14bps
CET1 capital ratio	↑	14.3% 110bps

2019 income impacted by competitive pressures

Adjusted[1] income statement, FY19 vs FY18

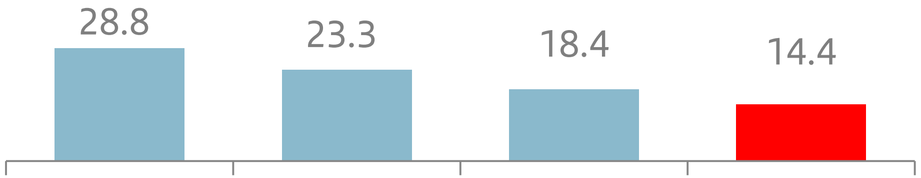
Operating income	↓	£4,052m 8%
Operating expenses	↔	£2,373m 0%
Credit impairment losses	↑	£220m 44%
Provisions	↓	£159m 12%
Profit before tax	↓	£1,300m 24%

Santander 1. The financial results were impacted by a number of specific income, expenses and charges with an aggregate impact on profit before tax of £319m in 2019 (2018: £140m). The most notable adjustments in 2019 were £169m PPI charges and £155m transformation programme investment. See Quarterly Management Statement for the year ended 31 December 2019 for further detail and a reconciliation to PBT. | 2. Stage 3 ratio is total stage 3 exposure as a percentage of customer loans plus undrawn stage 3 exposures.

Income pressure from mortgage back book repricing and SVR attrition

Banking NIM[1] (%)

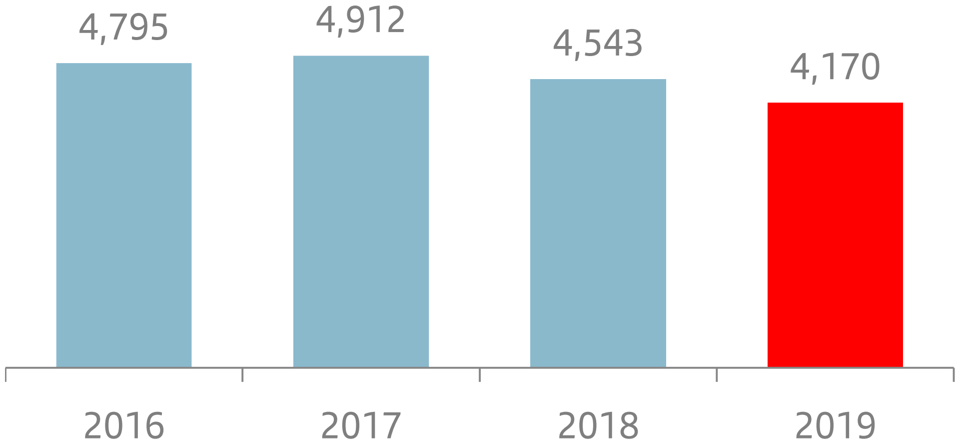
SVR balance[2] (£bn)



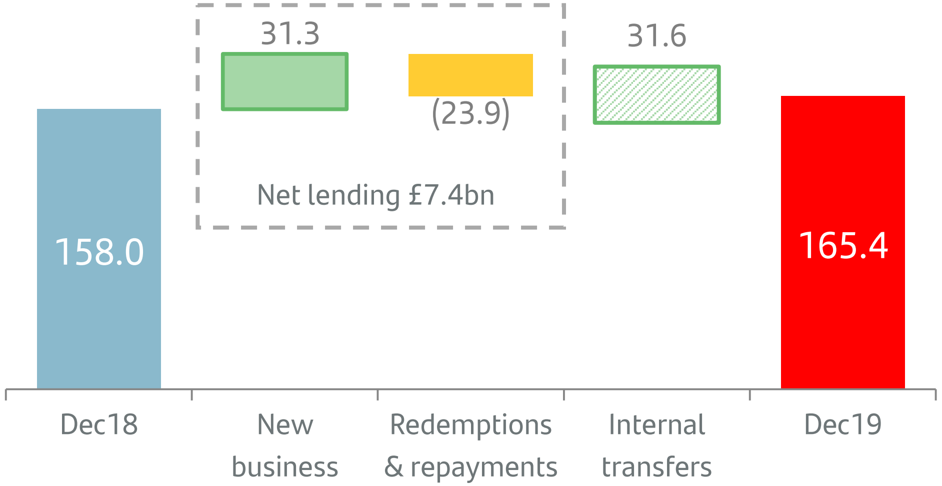
Outlook: Banking NIM pressures expected to continue

Mortgage margins[3]	0.67% 2018	0.81% 2019
Deposit repricing[4]	1I2I3 Current account May 2020	
Interest rate environment	Persistently low	

Total operating income (£m)



Mortgage lending breakdown (£bn)



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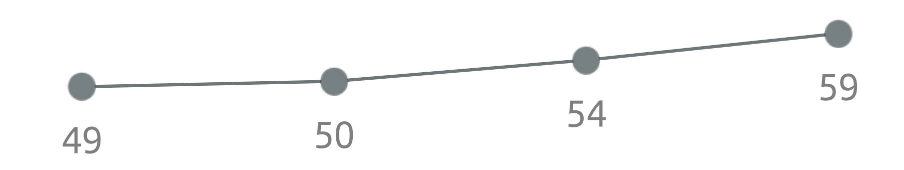
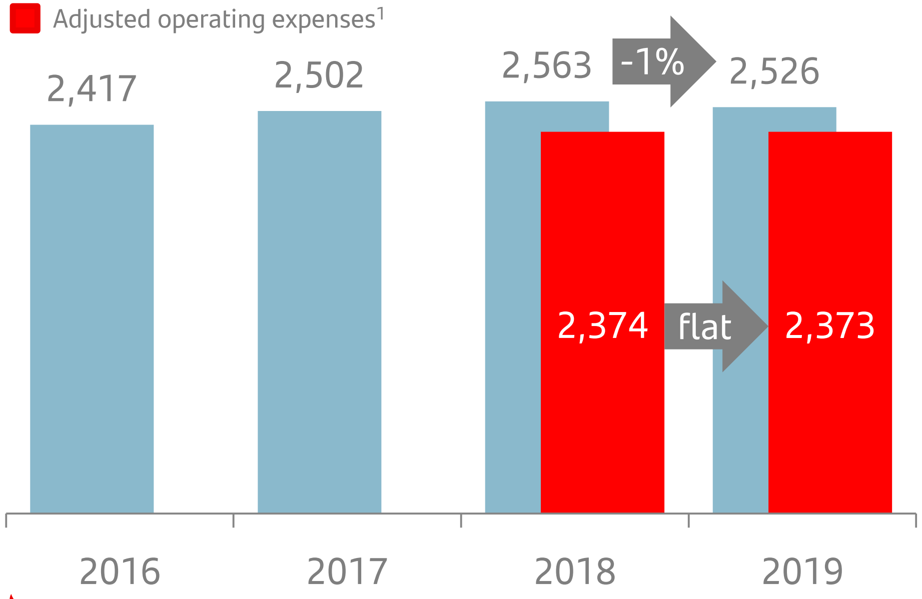
1. Banking NIM is calculated as annual net interest income divided by average customer assets | 2. SVR balance includes loan balances which moved to Follow-on-Rate which was introduced in January 2018. | 3. Source: BoE average 2 year fixed mortgages 75% LTV less average 2 year swap rate from Bloomberg. | 4. Changes to 1I2I3 current account interest rate and cashback announced in January 2020 will take effect in May 2020.

Adjusted operating expenses flat as efficiency savings offset inflationary pressures

Adjusted cost-to-income ratio (%)



Total operating expenses (£m)



Outlook: Adjusted expenses to be lower in 2020

Planned transformation investment by end 2021

£400m

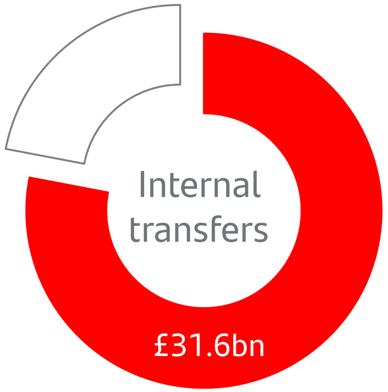
£155m invested in 2019

Adjusted RoTE medium-term goal

9-11%

7.8% in 2019

Mortgage retention improving operational efficiency



- c78% of maturing mortgages retained[2]
- 60% (+5pp YoY) of refinancing mortgage loans retained online

1. In Q419 we made a new adjustment for operating lease depreciation relating to our consumer (auto) finance business which is included in adjusted non-interest income and excluded from adjusted operating expenses (2019: £103m, 2018: £63m). See Quarterly Management Statement for the year ended 31 December 2019 for further detail and a reconciliation of all adjusting items. | 2. Proportion of customers with a maturing mortgage who remain with Santander. Applied to mortgages four months post maturity.

Credit quality remains very good, supported by our prudent approach to risk

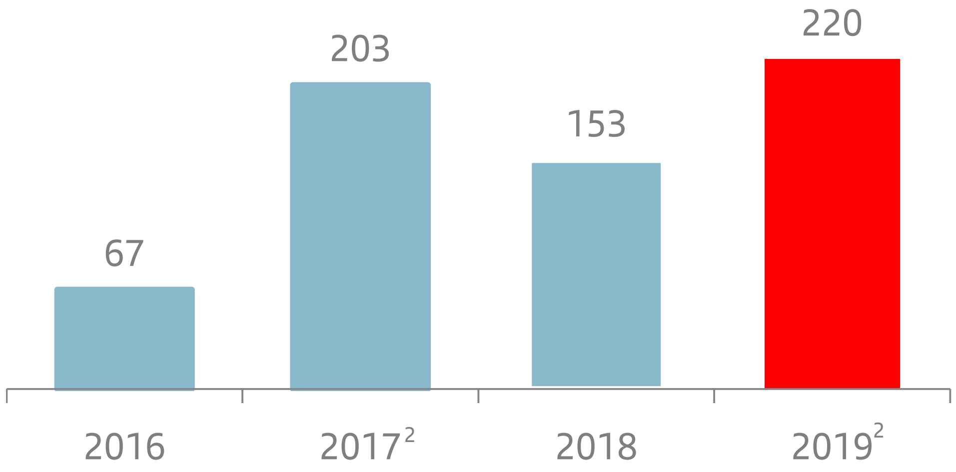
Cost of risk[1] (bps)

Outlook: Impairments likely to increase slightly

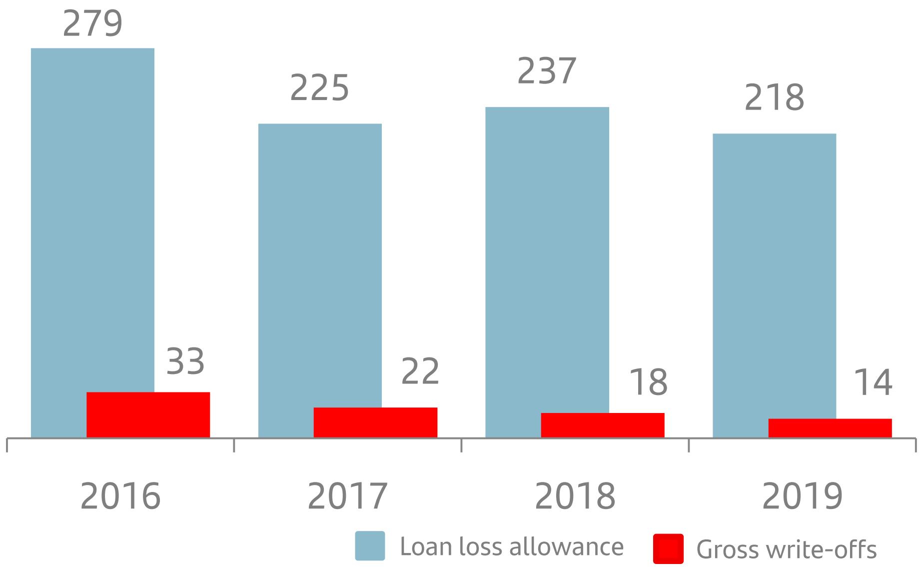
1.15% ratio — Stage 3 — **15.5%** coverage ratio

43% stock — Mortgage LTV — **65%** new lending

Credit impairment losses (£m)



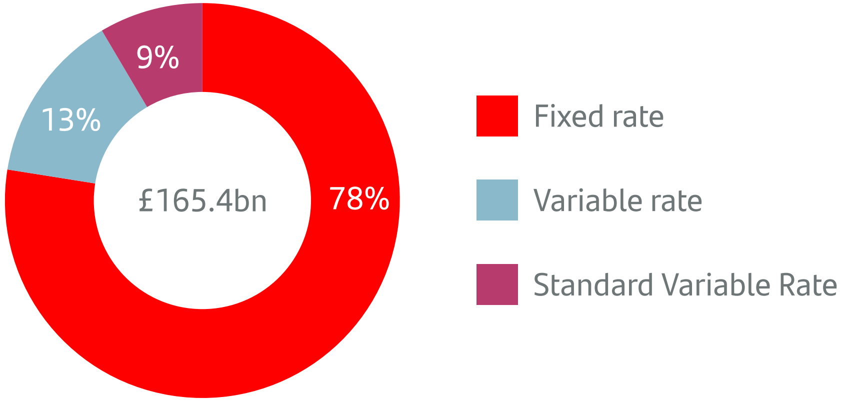
Mortgage loan loss allowance and gross write-offs (£m)



Santander 1. Cost of risk is credit impairment charge for the 12 month period as a percentage of average customer loans. | 2. 2017 credit charges relate to Carillion plc. 2019 charges increased largely due to lower mortgage releases as well as a few smaller single name corporate exposures.

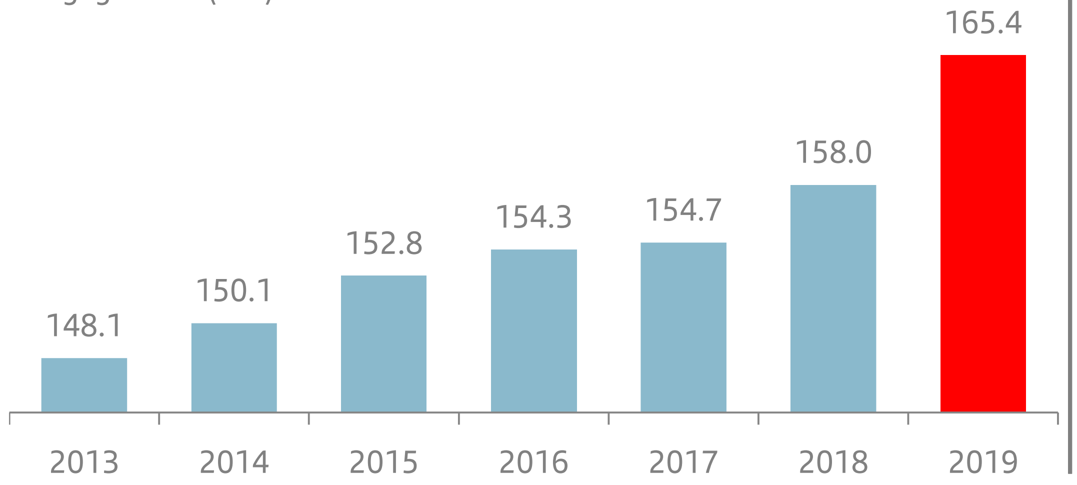
Strongest mortgage growth in a decade with £7.4bn net lending in 2019

Residential mortgage product profile (Dec19)

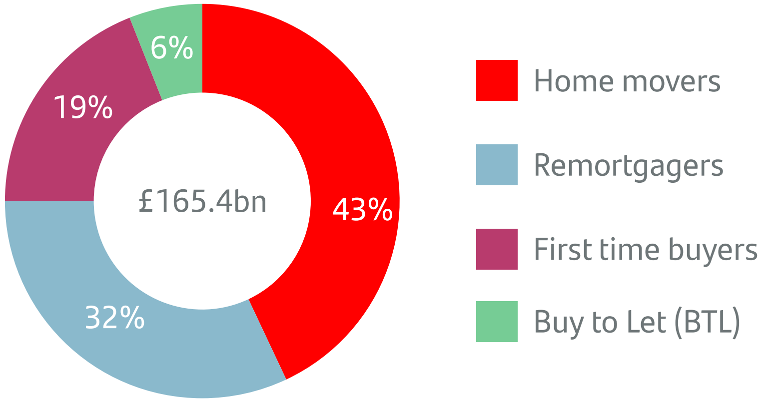


Outlook: Expect mortgage lending to be in line with market

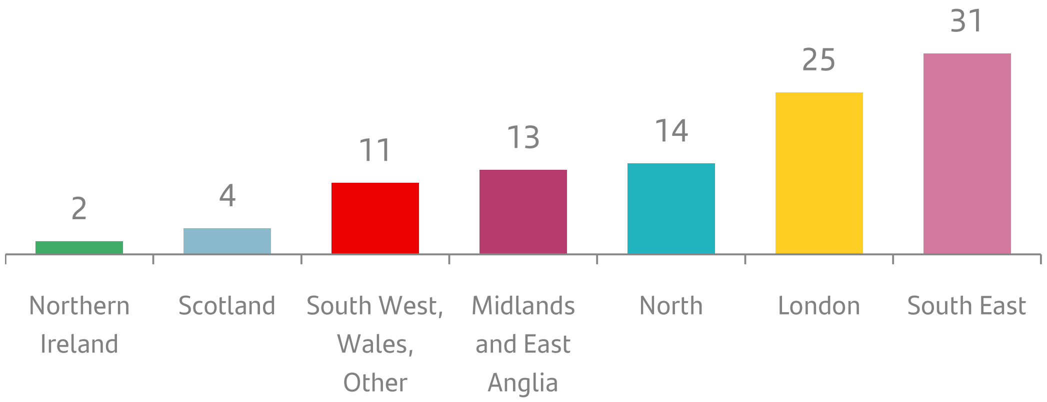
Mortgage stock (£bn)[1]



Residential mortgage borrower profile (Dec19)



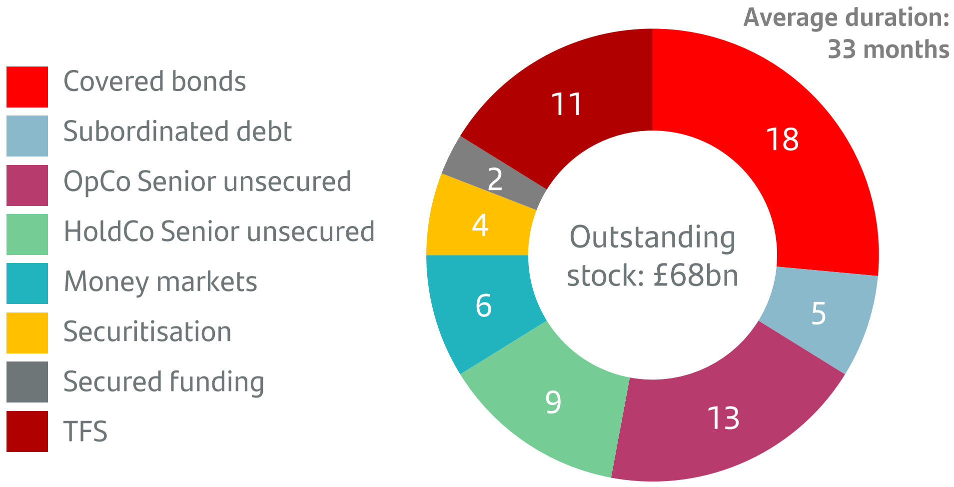
Geographical distribution stock %, (Dec19)



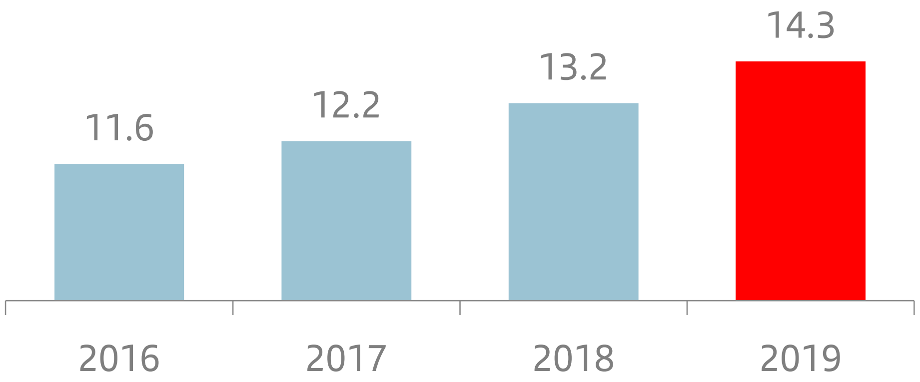
1. Balances from 2017 reflect the transfer of Crown Dependencies to Corporate Centre.

Prudent funding, liquidity and ongoing capital accretion

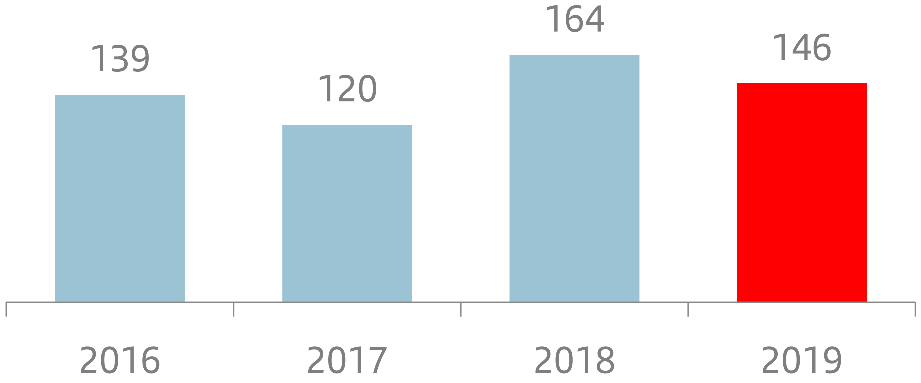
Wholesale funding stock (£bn, Dec19)



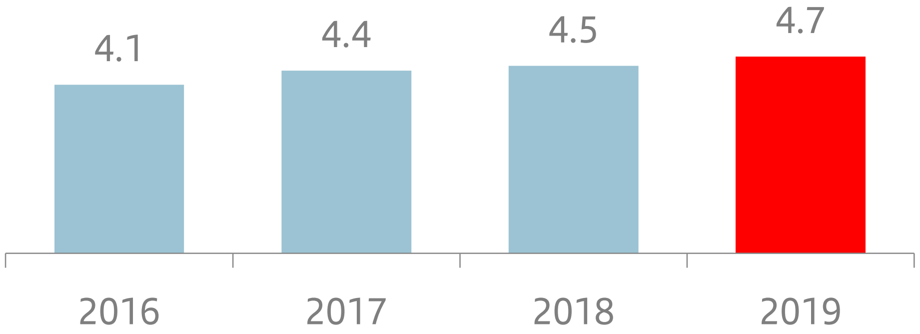
CET 1 ratio (%)



Liquidity Coverage Ratio (%)[1]



UK Leverage ratio (%)



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 and 2018 has not been restated. The SFS LCR eligible liquidity pool was £5.7bn and the SFS LCR was 471% as at 31 December 2019.

Credit ratings – January 2020

Rating strengths highlighted in recent credit rating agency reports

S&P Global

- The stable outlook from S&P reflects the view that the bank will steadily expand its market position in U.K. retail banking over a two-year outlook horizon

Moody's

- In November 2019 Moody's affirmed the ratings for both entities and changed the outlook on the long-term deposit and senior unsecured debt rating to negative from stable

FitchRatings

- In December 2019 Fitch have removed the Rating Watch Negative that has been in place since March and assigned Stable Outlooks to 18 UK banks including Santander UK

Santander UK Group Holdings plc

	S&P	Moody's	Fitch
Senior unsecured	BBB	Baa1	A
Short-term	A-1	P-1	F-1
AT1	B+	Ba1	BB+
Outlook	*Stable*	*Negative*	*Stable*

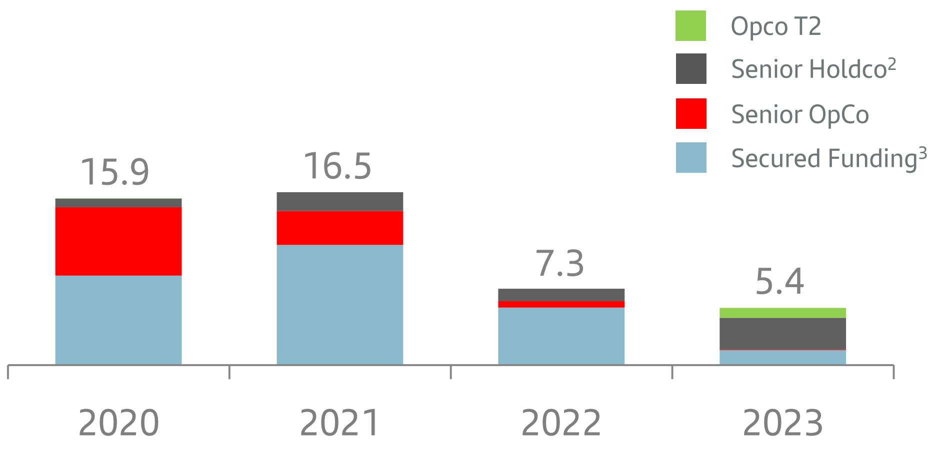
Santander UK plc

	S&P	Moody's	Fitch
Senior unsecured	A	Aa3	A+
Short-term	A-1	P-1	F-1
Standalone rating	bbb+	a3	A+
Outlook	*Stable*	*Negative*	*Stable*

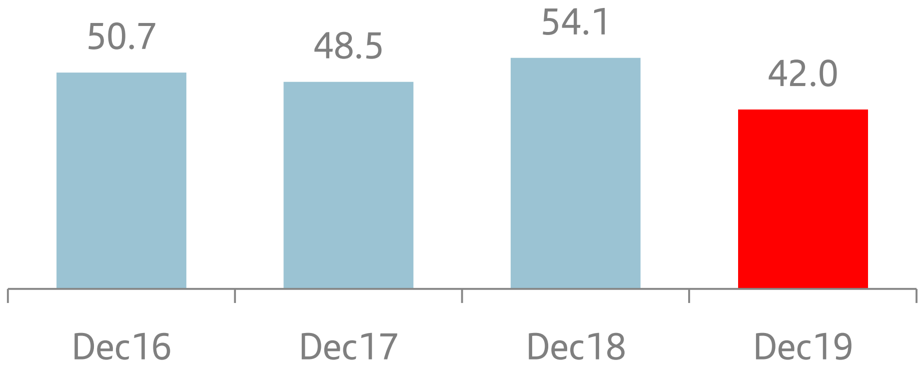
Fixed Income Appendix

Strong funding position across a diverse range of products

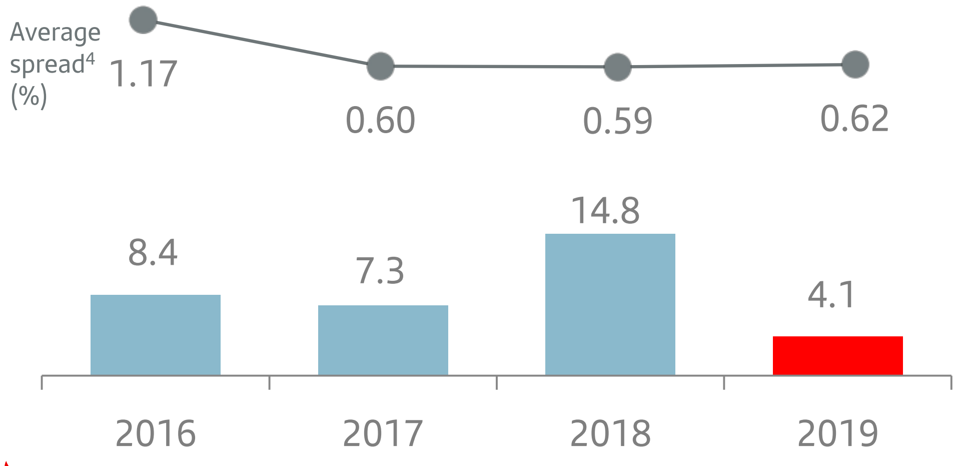
Medium-term funding maturities (£bn, Dec19)[1]



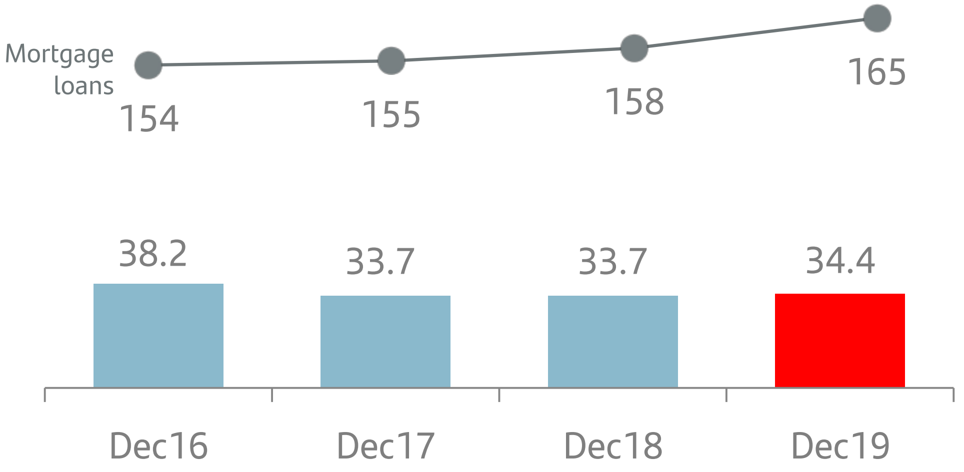
LCR eligible liquidity pool (£bn)



MTF issuance (£bn)



Medium-term funding encumbrance[5] (£bn)



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1. Includes issuances from Santander Consumer Finance UK and associated joint ventures and TFS | 2. Earliest between first call date and maturity date. | 3. Including TFS. | 4. Weighted average spread at time of issuance above GBP 3M LIBOR excluding structured notes. Includes issuances from Santander Consumer Finance UK and associated joint ventures. | 5. Mortgage encumbrance includes all mortgages assigned to Fosse, Holmes, Langton and covered bond programmes.

Ongoing capital accretion and active RWA management

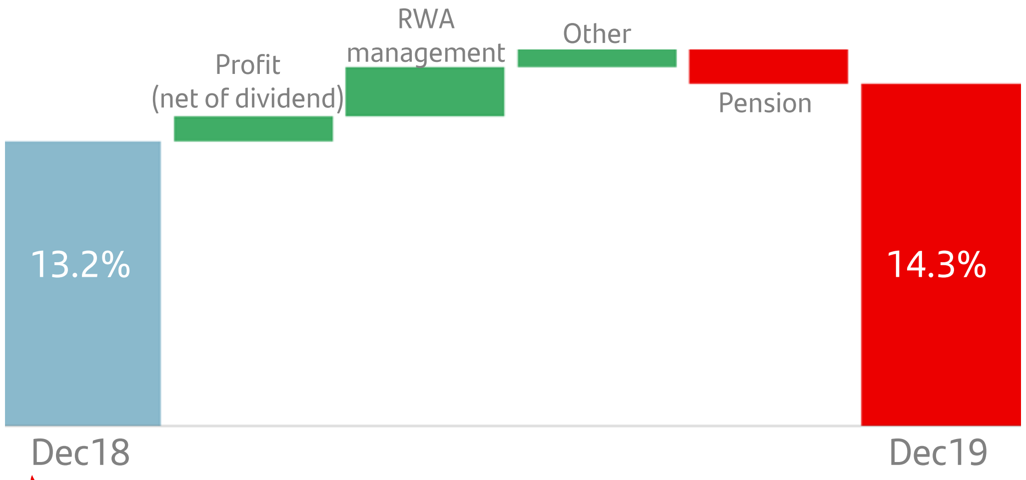
Capital and leverage

	Dec16	Dec17	Dec18	Dec19
CET1 ratio (%)	11.6	12.2	13.2	14.3
Leverage exposure (£bn)	289.6	287.0	275.6	269.9
UK leverage ratio[1] (%)	4.1	4.4	4.5	4.7
RWAs (£bn)	87.6	87.0	78.8	73.2
HoldCo total capital (%)	17.3	17.8	19.1	21.6
OpCo total capital (%)	18.5	19.3	20.3	21.7

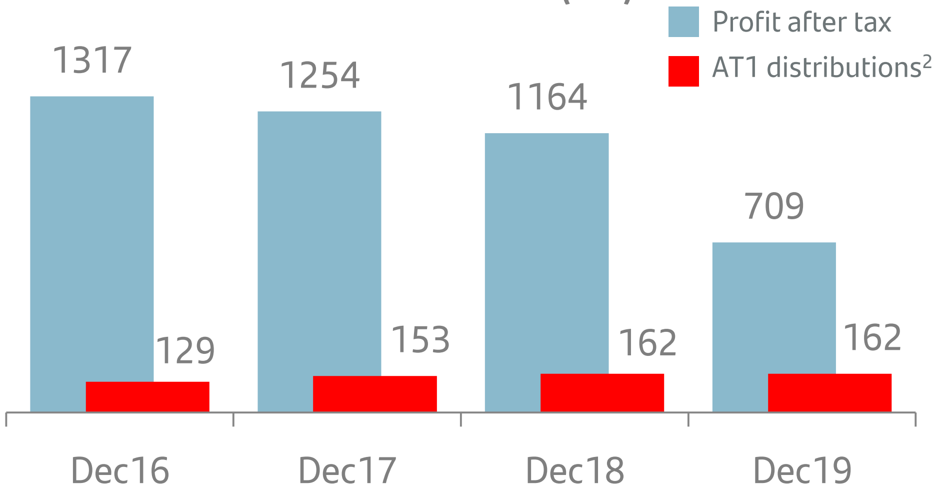
Strong CET1 Capital

- Increased the CET1 ratio by 110bps to 14.3%, through capital accretion and active RWA management
- UK leverage ratio increased 20bps to 4.7%
- As leverage becomes the binding constraint, CET1 capital ratio could continue to increase alongside lending growth

CET1 Capital ratio



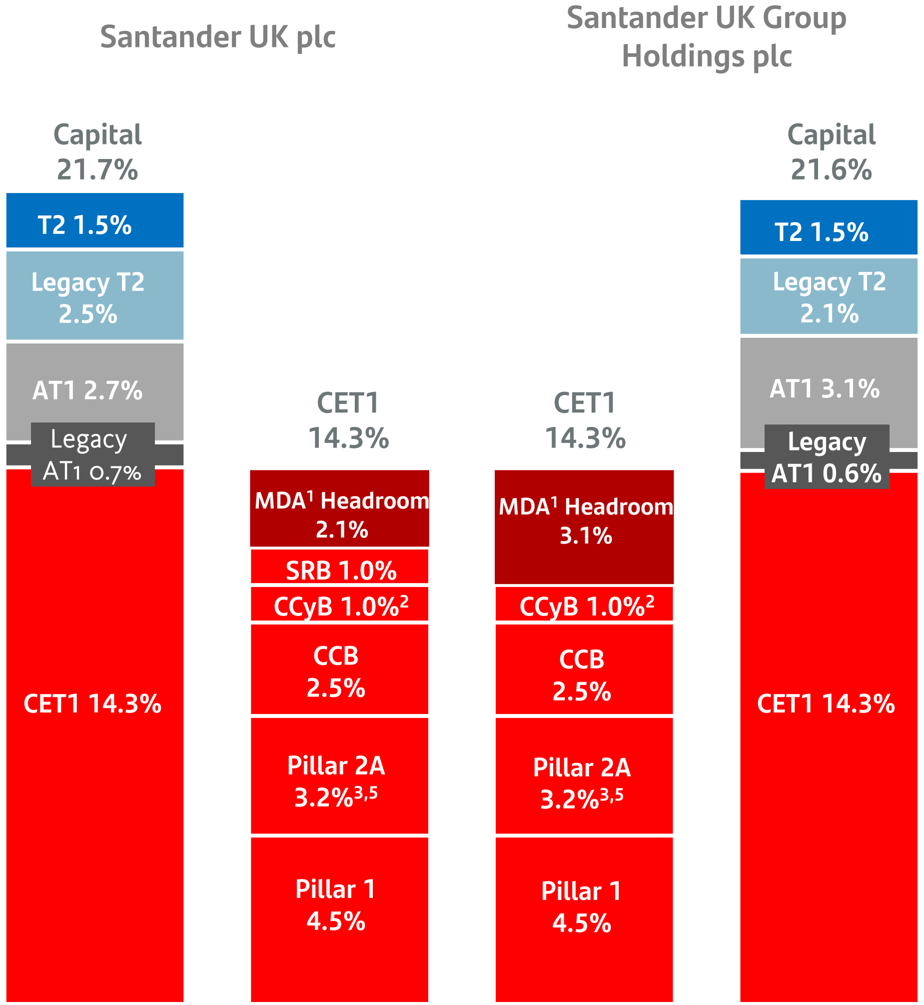
Profit after tax and AT1 distributions (£m)



1. Dec16, Dec17, Dec18 leverage ratios were calculated applying the amended definition, as per Jul16 PRA statement. | 2. Additional Tier 1 instruments with shareholder equity treatment classification.

Well positioned on loss absorption requirements

Total capital ratios



Changes to the UK Capital Framework[4]

- The Financial Policy Committee ('FPC') has announced that it is raising the level of the UK counter cyclical buffer ('CCyB') in RWA requirements from 1% to 2% in Dec 20
- The 2% CCyB is deemed to be appropriate in a standard risk environment, however, the FPC stands ready to move the CCyB rate in either direction depending on the economic conditions and the overall risk environment
- In 2020 the PRA will consult to reduce the variable Pillar 2A requirements in a way that leaves the overall loss-absorbing capacity broadly unchanged, unless constrained by Leverage Ratio

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 consisting of the Capital Conservation Buffer (CCB) and the countercyclical capital buffer (CCyB). | 2. Current applicable UK CCyB rate is 1.0%. | 3. As of 31 December 2019, Santander UK Group Holdings plc and Santander UK plc Pillar 2A requirements were 5.6% and 5.8%, respectively. | 4. Source: BoE, Financial Stability Report, December 2019. | 5. As of January 2020, Santander UK Group Holdings plc and Santander UK plc Pillar 2A requirements reduced to 4.9% (2.7% CET1) and 4.7% (2.8% CET1), respectively

Well advanced to comply with MREL requirements

MREL recapitalisation[1,2]	Dec-19	Jan-20	Jan-21	Jan-22
Leverage exposure (FPC)	£269.9bn	£269.9bn	£269.9bn	£269.9bn
Leverage exposure (CRD IV)	£296.4bn	*Assumed static* £296.4bn	£296.4bn	£296.4bn
RWAs (CRD IV)	£73.2bn	£73.2bn	£73.2bn	£73.2bn
Pillar 1 (8.0%)	£5.9bn	£5.9bn	£5.9bn	£5.9bn
Pillar 2A (5.6%)	£4.1bn	*Assumed static* £4.1bn	£4.1bn	£4.1bn
Leverage exposure (FPC)	**N/A**	**6.50%** *£17.5bn*	**6.50%** *£17.5bn*	**6.50%** *£17.5bn*
Leverage exposure (CRD IV)	**6.00%** *£17.8bn*	**6.00%** *£17.8bn*	**6.00%** *£17.8bn*	**6.75%** *£20.0bn*
RWAs (CRD IV)	**16%** *£11.7bn*	**2 x P1 + P2A** *£15.8bn*	**2 x P1 + P2A** *£15.8bn*	**2 x (P1 + P2A)** *£20.0bn*
Senior Hold Co (MREL eligible)	**£7.9bn**	**£7.9bn**	**£6.1bn**	**£6.1bn**
MREL requirement amount (exc. buffers)	£17.8bn	£17.8bn	£17.8bn	£20.0bn
Loss absorption amount (P1 + P2A)	£10.0bn	£10.0bn	£10.0bn	£10.0bn
Recapitalisation amount	**£7.8bn**	**£7.8bn**	**£7.8bn**	**£10.0bn**
Excess / (Deficit) - exc. excess capital	**£0.1bn**	**£0.1bn**	**£(1.7)bn**	**£(3.9)bn**
Excess Capital[3]	£3.3bn			
Excess / (Deficit) - inc. excess capital	**£3.4bn**			

- It is our intention to have an MREL recapitalisation management buffer in excess of the value of HoldCo Senior unsecured securities that are due to become MREL ineligible during the proceeding 6 months

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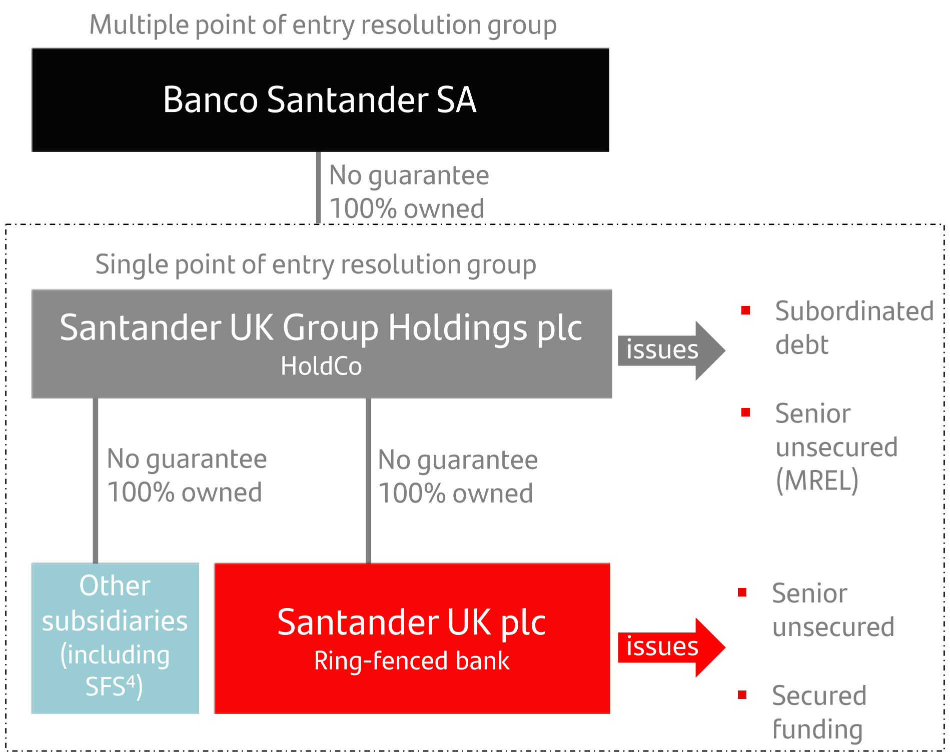
1. In August 2019 the Bank of England (BOE) disclosed Santander UK's indicative minimum MREL requirements. The requirements over and above regulatory capital started in 2019, step up in 2020 and are fully implemented in 2022. Assumes Pillar 2A requirement remains at 5.6%. | 2. Regulatory values as at 31 December 2019. | 3. Excess capital above minimum capital requirements as at 31 December 2019.

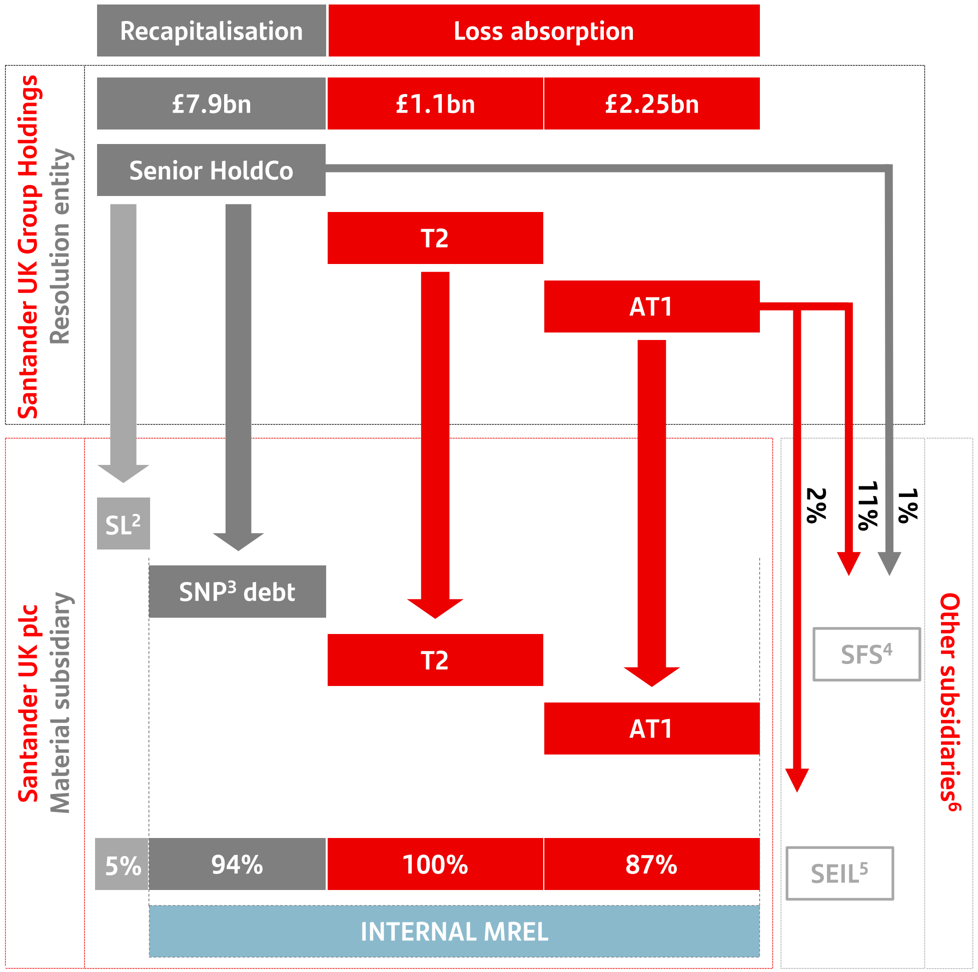
Santander UK group down-streaming model

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]



1. Meeting MREL eligibility criteria and exchange rates as at 31 December 2019. | 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.

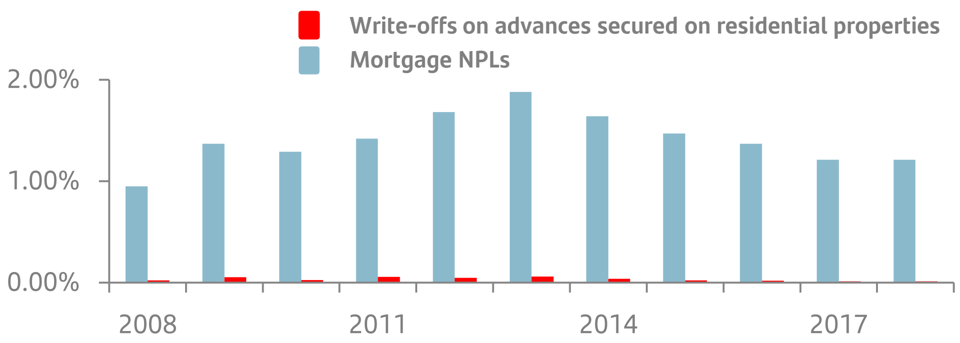
2019 Bank of England Stress Test Scenario

2019 Bank of England stress tests[1]

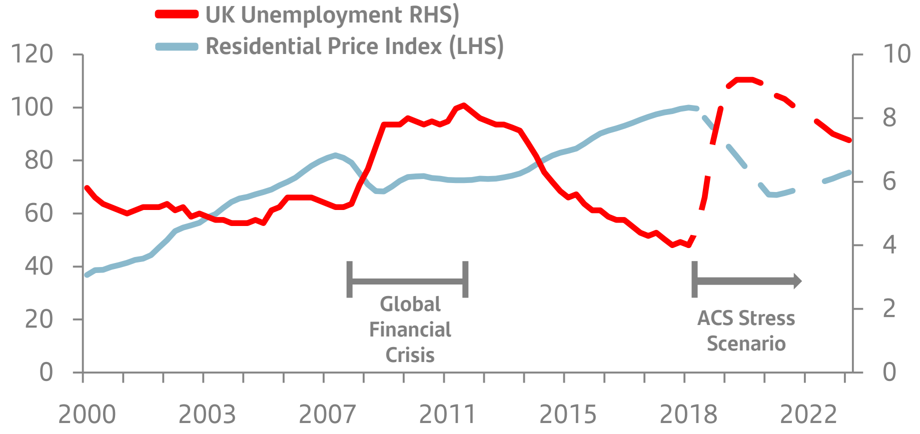
	BoE Stress %	Global financial crisis %	2019[2] %	2020 (f)[3] %
UK GDP Growth	(4.7)	(6.25%)	1.2	1.2
Unemployment	9.20	8.40	4.1	4.1s
House Price Inflation	(33.00)	(17.00)	4.0	1.0
Base rate	4.00	2.00	0.75	0.75

- The stress applied is a coherent "tail risk" scenario designed to be severe and broad enough to assess the resilience of UK banks to a range of adverse shocks
- The BoE 2019 stress test scenarios are more severe than the global financial crisis
- Santander UK plc's write-offs for secured residential property loans reached 0.05% in 2009. Write-offs peaked in 2013 at 0.06%

Santander UK NPLs and write-offs[4]



Historic UK unemployment rate and residential price index and ACS Stress scenario[1]

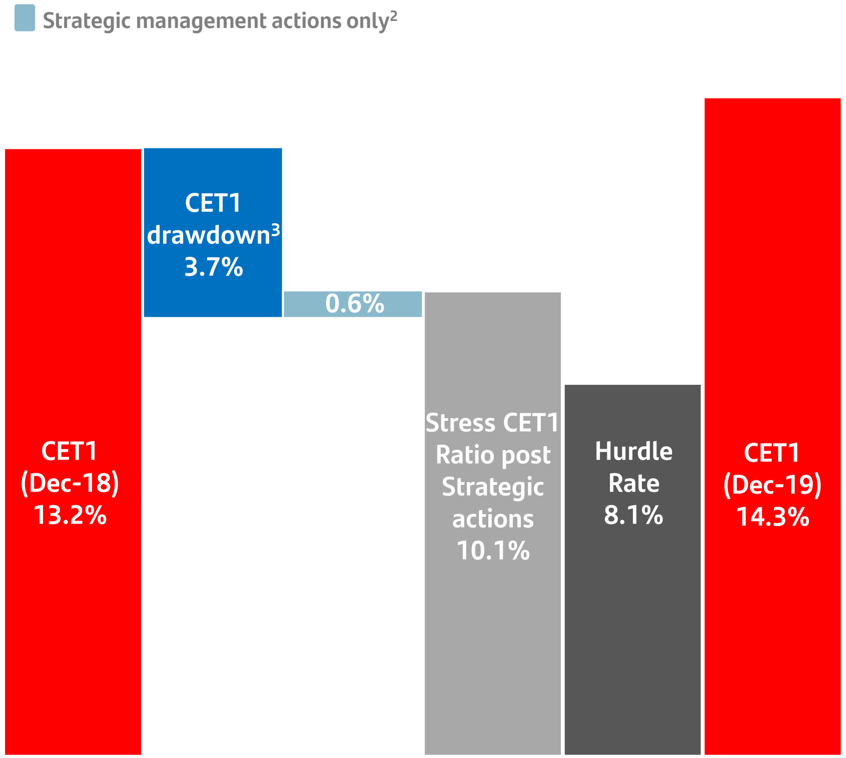


1. Source: BoE, Financial Stability Report, December 2019. | 2. UK GDP growth and unemployment are Santander UK forecasts. | 3. Source: Santander UK forecasts at December 2019. | 4. Source: Santander UK plc Annual Reports; 2008 to 2018.

Strong outcome in the 2019 Bank of England Stress Test

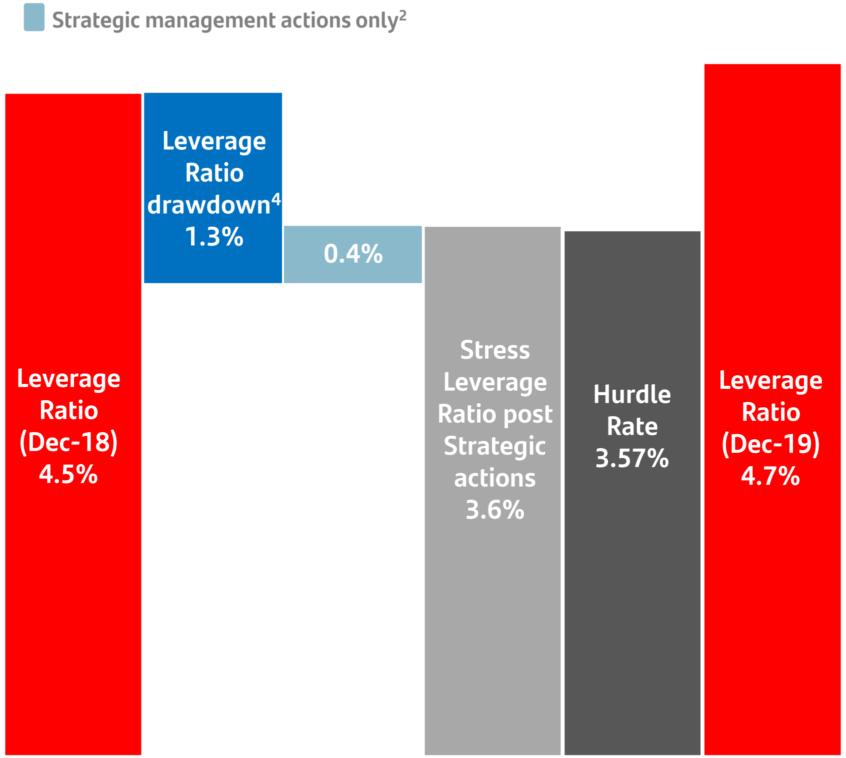
Projected CET1 Ratio[1] in the stress scenario

- Exceeded BoE's stress test CET1 ratio threshold of 8.1% with a stressed ratio of 9.5%, increasing to 10.1% after non-dividend 'strategic' management actions only[2]



Projected Leverage Ratio[1] in the stress scenario

- Exceeded leverage ratio threshold requirement of 3.57%, with a stressed leverage ratio of 3.6% after non-dividend 'strategic' management actions only[2]



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1. Source: BoE, Financial Stability Report, December 2019. IFRS 9 transitional basis. | 2. This excludes CRD IV distribution restrictions. | 3. CET1 ratio drawdown is defined as CET1 Ratio as at Dec18 less minimum stressed CET1 ratio (before strategic management actions or AT1 conversions). | 4. Leverage ratio drawdown is defined as Leverage Ratio as at Dec18 less minimum stressed Leverage ratio (before strategic management actions or AT1 conversions).

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Source: Santander UK Q4 2019 results "Quarterly Management Statement for the year ended 31 December 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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Key dates[1]

Q1'20 results: 28 April 2020

Q2'20 results: 29 July 2020

Q3'20 results: 28 October 2020

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1. Indicative, dates subject to change