

The information contained in this report is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2021 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

This report provides a summary of the unaudited business and financial trends for the three months ended 31 March 2022 for Santander UK Group Holdings plc and its subsidiaries (Santander UK), including its principal subsidiary Santander UK plc. The unaudited business and financial trends in this statement only pertain to Santander UK on a statutory basis (the statutory perimeter). 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 2021.

This report contains non-IFRS financial measures that are reviewed by management in order to measure our overall performance. These are financial measures which management believe provide useful information to investors regarding our results and are outlined as Alternative Performance Measures in Appendix 1. These measures are not a substitute for IFRS measures. Appendix 2 contains supplementary consolidated information for Santander UK plc, our principal ring-fenced bank. A list of abbreviations is included at the end of this report and a glossary of terms is available at: <https://www.santander.co.uk/about-santander/investor-relations/glossary>

Santander UK Group Holdings plc

Quarterly Management Statement

for the three months ended 31 March 2022

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Mike Regnier, Chief Executive Officer, commented:

"I'm proud to be presenting my first set of results, as the new CEO of Santander UK, and feel privileged to have the opportunity to build on the fantastic work of Nathan Bostock, our former CEO, and the team. Our first quarter has continued the momentum we built during 2021, with our profit from continuing operations before tax increasing to £495m. This has been underpinned by another strong performance in the mortgage market with £3.6bn of net lending.

"Our transformation programme continues to focus on digitalisation and meeting the changing needs of our customers. This is backed up by our resilient balance sheet and prudent approach to risk.

"As households face rapidly increasing costs of living, we stand ready to support our customers and provide them with practical advice and tools. We have a dedicated team of financial care specialists, reaching out to people who may be experiencing difficulties and have increased online customer support capability. We will explore all options for customers who are facing difficulties with their loan, credit card, overdraft or mortgage.

"For our business customers, our Survive & Revive programme provides guidance on issues like managing cashflow. These measures demonstrate our commitment to continuing to help people and businesses prosper in these challenging and uncertain times."

Supporting our customers with what matters most

- Dedicated sections on our website to help customers manage their energy bills, plan budgets and stay on top of spending.
- Improved our chatbot and live chat functionality as we strengthen our capability to serve our customer online.
- Increased the customer interest rate on our 11213 Current Account and launched a new 2.5% Regular eSaver account.

Profit from continuing operations¹ before tax up 183% to £495m (adjusted² up 29%).

- Banking NIM² up 20bps to 2.01% following deposit repricing and the impact of base rate increases (Q1-21: 1.81%).
- Operating expenses down 19%, reflecting lower transformation programme investment following significant restructuring in 2021. Adjusted² operating expenses down 5% with improved efficiency from our transformation programme.
- CIR improved by 22pp to 49% (Q1-21: 71%). Adjusted² CIR improved by 10pp to 46% (Q1-21: 56%).
- Credit impairment charges of £52m (Q1-21: £2m write-backs), reflecting the potential risks from higher inflation; no deterioration observed in asset quality to date.
- Provisions for other liabilities and charges £79m lower with reduced transformation spend and up £14m² when adjusted for this.
- Since 2019, £778m of transformation programme investment with a customer and digitalisation focus has realised £531m of savings.

Proven balance sheet resilience with strong capital and liquidity

- Our prudent approach to risk is reflected by low arrears, no material corporate defaults, and ECL provision of £0.9bn (Dec-21: £0.9bn).
- CET1 capital ratio of 15.5% (2021: 15.9%) and UK leverage ratio of 5.1% (2021: 5.2%), well above requirements. Strong LCR of 178%.
- No direct exposure to countries involved in the conflict in Ukraine.

A clear focus on our communities and being a sustainable and responsible bank

- Assisted customers to reduce their carbon footprint, with £4bn of green finance in 2021, targeting £20bn by 2025³.
- We raised and donated over £250k in Q1-22 for the Red Cross and UNHCR to help those affected by the conflict in Ukraine.
- Announced Macmillan Cancer Support as our new charity partner for the next three years.
- Launched a free online course, Your Digital Pathway, to help people improve their digital skills to aid their career development.

Income statement highlights	Q1-22 £m	Q1-21 ¹ £m
Operating income	1,175	1,018
Operating expenses before credit impairment (losses) / write-backs, provisions and charges	(581)	(719)
Credit impairment (losses) / write-backs	(52)	2
Provisions for other liabilities and charges	(47)	(126)
Profit from continuing operations before tax	495	175
Adjusted profit from continuing operations before tax ²	534	413
Balance sheet and capital highlights	31.03.22 £bn	31.12.21 £bn
Customer loans	213.7	210.6
- of which Retail Banking mortgages (Homes)	180.9	177.3
- of which CCB	16.9	17.0
Customer deposits	190.7	192.2
CET1 capital ratio	15.5%	15.9%
UK leverage ratio	5.1%	5.2%

1. Q1-21 restated to include CIB as a discontinued operation after its transfer to SLB under a Part VII banking business transfer scheme, completed on 11 October 2021.

2. Non-IFRS measure. See Appendix 1 for details and a reconciliation of adjusted metrics to the nearest IFRS measure.

3. Includes lending to finance properties with an EPC rating of A and B, renewable energy and electric vehicles as well as financing raised and facilitated.

Summarised consolidated income statement Q1-22 vs Q1-21

	Q1-22 vs Q1-21			Adjusted ²		
	Q1-22 £m	Q1-21 £m	Change %	Q1-22 £m	Q1-21 £m	Change %
Net interest income	1,053	925	14	1,053	925	14
Non-interest income ¹	122	93	31	105	70	50
Total operating income	1,175	1,018	15	1,158	995	16
Operating expenses before credit impairment (losses) / write-backs, provisions and charges	(581)	(719)	(19)	(528)	(554)	(5)
Credit impairment (losses) / write-backs	(52)	2	<i>n.m.</i>	(52)	2	<i>n.m.</i>
Provisions for other liabilities and charges	(47)	(126)	(63)	(44)	(30)	47
Profit from continuing operations before tax	495	175	183	534	413	29
Tax on profit from continuing operations	(105)	(46)	128			
Profit from continuing operations after tax	390	129	202			
Profit from discontinued operations after tax ³	-	7	<i>n.m.</i>			
Profit after tax	390	136	187			
Banking NIM ²	2.01%	1.81%	20bps			
CIR	49%	71%	-22pp	46%	56%	-10pp

- Net interest income up 14%, following liability repricing actions and the impact of base rate increases.
- Non-interest income up 31%, due to the cost of wholesale funding liability management in Q1-21 which was not repeated and higher Consumer Finance income largely reflecting the increase in the residual value of second hand cars.
When adjusted for the £20m operating lease depreciation (Q1-21: £23m), non-interest income² increased 50%.
- Operating expenses before credit impairment (losses) / write-backs, provisions and charges down 19% largely related to lower transformation programme spend following significant restructuring in 2021.
When adjusted for £33m transformation programme costs (Q1-21: £142m), operating expenses² fell 5% reflecting continued efficiency savings from our transformation programme.
- Credit impairment losses of £52m, primarily reflecting the potential risk that higher inflation could impact unsecured lending repayments and an uplift applied to the mortgage probability of default. New to arrears flows and Stage 3 defaults remain low as all portfolios continue to perform resiliently. Notable changes in ECL are outlined on page 5.
- Provisions for other liabilities and charges decreased 63%, largely related to lower transformation programme charges following significant restructuring in 2021.
When adjusted for transformation programme charges of £3m (Q1-21: £96m) provisions for other liabilities and charges² were up 47% including higher fraud charges of £31m (Q1-21: £19m).
- Tax on profit from continuing operations increased to £105m driven by higher taxable profits. The effective tax rate of 21.2% (Q1-21: 26.3%) was lower than in 2021 reflecting the impact on deferred tax of a legislative reduction in the bank surcharge rate which is effective from 1 April 2023.

2022 outlook

- We expect Banking NIM² to be above 2021 following base rate increases.
- Inflation is likely to impact operating expenses in 2022, however we expect this will be offset by savings from our transformation programme.
- The increased cost of living will affect our customers and could impact affordability of unsecured lending. To date, we have not seen any deterioration of credit quality, our unsecured lending and BTL portfolios are relatively small. 85% of our loans are retail mortgages with an average LTV of 40%.
- We expect our growth in mortgage lending to be broadly in line with the market.

1. Comprises 'Net fee and commission income' and 'Other operating income'.

2. Non-IFRS measure. See Appendix 1 for details and a reconciliation of adjusted metrics to the nearest IFRS measure.

3. Discontinued operations relate to the CIB segment which was moved to SLB under a Part VII banking business transfer scheme, which completed on 11 October 2021.

Summarised consolidated income statement Q1-22 vs Q4-21

	Q1-22	Q4-21	Change	Adjusted ²		
	£m	£m		Q1-22	Q4-21	Change
				£m	£m	%
Net interest income	1,053	1,029	2	1,053	1,029	2
Non-interest income ¹	122	102	20	105	91	15
Total operating income	1,175	1,131	4	1,158	1,120	3
Operating expenses before credit impairment (losses) / write-backs, provisions and charges	(581)	(620)	(6)	(528)	(554)	(5)
Credit impairment (losses) / write-backs	(52)	63	n.m.	(52)	63	n.m.
Provisions for other liabilities and charges	(47)	(154)	(69)	(44)	(137)	(68)
Profit from continuing operations before tax	495	420	18	534	492	9
Banking NIM ²	2.01%	1.95%	6bps			
CIR	49%	55%	-6pp	46%	49%	-3pp

- Net interest income increased following the base rate increases since December 2021.
- Non-interest income increased, largely due to higher net fees and Consumer Finance income.
- Operating expenses before credit impairment (losses) / write-backs, provisions and charges decreased largely due to lower transformation programme spend.
- Credit impairment losses in Q1-22 reflected the risk that higher inflation could impact unsecured lending repayments compared to Covid-19 related PMA releases in Q4-21.
- Provisions for other liabilities and charges decreased, due to the UK Bank Levy which is charged annually in Q4.

Summarised balance sheet

	31.03.22	31.12.21
	£bn	£bn
Customer loans	213.7	210.6
Other assets	78.1	83.1
Total assets	291.8	293.7
Customer deposits	190.7	192.2
Total wholesale funding	66.6	65.4
Other liabilities	18.0	19.8
Total liabilities	275.3	277.4
Shareholders' equity	16.5	16.1
Non-controlling interests	-	0.2
Total liabilities and equity	291.8	293.7

- Customer loans increased £3.1bn, with £3.6bn net mortgage lending (£9.5bn of gross lending).
- Customer deposits decreased £1.5bn, with reductions in Business Banking deposits and retail savings. 11213 Current Account balances stable at £58bn (Dec-21: £58bn).
- Other assets and other liabilities fell primarily reflecting our approach to liquidity management in Q1-22.

1. Comprises 'Net fee and commission income' and 'Other operating income'.

2. Non-IFRS measure. See Appendix 1 for details and a reconciliation of adjusted metrics to the nearest IFRS measure.

Mar-22 ECL provision stable at £0.9bn (Dec21: £0.9bn)

Notable changes to ECL during Q1-22 which impacted credit impairment

- **Affordability of unsecured lending repayments: charge of £20m**
We introduced new PMAs to account for the potential risk of future Stage 1 to Stage 2 flows of highly indebted customers most susceptible to a cost of living shock.
- **Mortgage probability of default: charge of £18m**
We uplifted our modelled mortgage probability of default as back testing and monitoring shows a risk of model underestimation.
- **Economic scenarios and weights: net release of £2m**
The update to economic scenarios and weights used to calculate ECL reflected lower unemployment and a strong housing market against a back-drop of low arrears and defaults. This was partially offset by a reweighting to a new stubborn inflation scenario introduced in Q1-22 to capture the risks of higher inflation and higher base rates.
Our latest economic scenarios are outlined on page 6.
- **Covid-19 related PMAs: net release of £16m**
Following review of corporate lending to sectors affected by Covid-19, we moved £1.2bn of lending from Stage 2 to Stage 1 as it no longer demonstrated a significant increase in credit risk.
- **Write-offs against provision**
Gross write-off utilisation of £34m remains significantly lower than pre-Covid levels.

Credit performance¹

31 March 2022	Customer loans				3-month Gross write-offs £m	Loan loss allowances £m
	Total £bn	Stage 1 £bn	Stage 2 £bn	Stage 3 £bn		
Retail Banking	188.9	174.7	12.0	2.2	26	424
of which mortgages (Homes)	180.9	167.6	11.4	1.9	1	197
of which unsecured retail (Everyday Banking ¹)	8.0	7.1	0.6	0.3	25	227
Consumer Finance	5.1	4.8	0.3	-	3	60
CCB	16.9	13.2	2.9	0.8	5	403
Corporate Centre	2.8	2.7	0.1	-	-	1
Total	213.7	195.4	15.3	3.0	34	888
Undrawn balances	38.0	37.3	0.6	0.1		

 Stage 1, Stage 2 and Stage 3 ratios²

31 December 2021	Customer loans				12-month Gross write-offs £m	Loan loss allowances £m
	Total £bn	Stage 1 £bn	Stage 2 £bn	Stage 3 £bn		
Retail Banking	185.6	171.8	11.7	2.1	108	389
of which mortgages (Homes)	177.3	164.4	11.1	1.8	5	191
of which unsecured retail (Everyday Banking ¹)	8.3	7.4	0.6	0.3	103	198
Consumer Finance	5.0	4.8	0.2	-	25	52
CCB	17.0	11.8	4.4	0.8	58	423
Corporate Centre	3.0	2.8	0.2	-	-	2
Total	210.6	191.2	16.5	2.9	191	866
Undrawn balances	37.8	36.2	1.5	0.1		

 Stage 1, Stage 2 and Stage 3 ratios²

- Following the implementation of a new definition of default, the Stage 3 ratio increased by 7bps (£0.2bn). This was due to the inclusion of non-performing forbearance accounts which were previously reported in Stage 2 and are now reported in Stage 3, subject to a 12 month probation period in line with our regulatory default definition.

1. Everyday Banking includes BBLS lending through Business Banking. See Appendix 3 for more information

2. Stage 3 ratio is the sum of Stage 3 drawn and Stage 3 undrawn assets divided by the sum of total drawn assets and Stage 3 undrawn assets.

Economic scenarios

- The UK economy has faced a range of challenges over the last two years from Brexit, and most significantly, the Covid-19 crisis. Attention has now switched to the high rates of inflation seen globally, exacerbated by the conflict in Ukraine that has triggered a sharp increase in commodity prices.
- Despite a positive start to 2022, growth has started to lose momentum with the economy growing by 0.1% in February. The outlook remains increasingly uncertain, with inflation hitting record levels and real disposable income set to drop by c2% this year. Another large increase in the energy price cap in October could lead to a further spike in inflation in late 2022, creating further cost of living challenges for households and businesses well into 2023.
- The scenarios continue to encapsulate different potential outcomes from the base case. Downside 3 which was related to Covid-19 has been replaced by a stubborn inflation scenario. The scenario is based on high inflation which is persistently above target, which results in base rate peaking to 5%, further adding to the cost of living crisis and reducing consumer demand. The other downside scenarios capture a range of risks, including: continuing weaker investment reflecting the turbulent political global environment; emergence of new Covid strains which are immune to vaccines leading to further restrictions; a larger negative impact from the EU trade deal given ongoing issues such as in Northern Ireland; and a continuing and significant mismatch between vacancies and skills, as well as a smaller labour force.
- Our five scenarios are underpinned by wide ranging inflation forecasts, capturing a peak range between 7.5-8.5% and varying trajectories back to the 2% Bank of England target over the 5 year forecast period.
- The scenario weights were adjusted from Q4-21 to reflect recent market forecasts for lower growth and higher inflation, resulting in a 5pp reduction in the base case, a 10pp reduction in the downside 1 scenario. This was offset by a 15pp increase in the stubborn inflation scenario (previously called downside 3 which had a 5% weighting).

31 March 2022		Upside 1	Base case	Downside 1	Downside 2	Stubborn Inflation
		%	%	%	%	%
GDP (calendar year annual growth rate)	2021	7.5	7.5	7.5	7.5	7.5
	2022	4.1	3.9	3.4	-0.9	4.3
	2023	2.0	1.5	0.8	-0.9	-1.3
	2024	1.9	1.5	0.5	1.7	-0.9
	2025	2.0	1.5	0.5	1.6	0.6
	2026	2.0	1.5	0.4	1.5	1.0
Base rate (At 31 December)	2021	0.25	0.25	0.25	0.25	0.25
	2022	1.00	1.00	1.00	1.50	2.50
	2023	1.25	1.25	1.25	2.50	4.50
	2024	1.50	1.25	0.75	3.00	5.00
	2025	1.75	1.25	1.00	2.75	3.50
	2026	2.00	1.25	1.00	2.25	2.50
HPI (Q4 annual growth rate)	2021	8.7	8.7	8.7	8.7	8.7
	2022	5.5	5.0	5.2	2.1	5.6
	2023	-1.8	2.0	-3.9	-9.4	-6.8
	2024	-0.9	3.0	-4.7	-5.1	-9.5
	2025	1.9	3.0	-2.5	1.5	-4.6
	2026	4.0	3.0	-0.3	5.2	1.4
	5yr CAGR	1.7	3.2	-1.3	-1.3	-2.9
Unemployment (At 31 December)	2021	4.1	4.1	4.1	4.1	4.1
	2022	4.0	4.2	4.2	5.4	4.0
	2023	4.1	4.3	4.8	5.9	5.9
	2024	4.0	4.1	5.1	5.7	6.3
	2025	3.9	4.1	5.5	5.6	6.4
	2026	3.7	4.1	5.8	5.5	6.4
	5yr Peak	4.1	4.3	5.8	6.0	6.5

Scenario weighting:

31 March 2022	5%	40%	15%	20%	20%
31 December 2021	5%	45%	25%	20%	5%

Capital, funding and liquidity

		31.03.22	31.12.21
		£bn	£bn
Capital:	CET1 capital	10.7	10.8
	Total qualifying regulatory capital	14.4	14.7
	CET1 capital ratio	15.5%	15.9%
	Total capital ratio	20.8%	21.6%
	UK leverage ratio	5.1%	5.2%
	RWA	69.4	68.1
	UK leverage exposure	248.1	246.3
Funding:	Total wholesale funding and AT1	68.8	67.8
	- of which with a residual maturity of less than one year	11.1	10.2
Liquidity¹:	LCR	178%	n.a.
	LCR eligible liquidity pool	50.7	n.a.

Capital ratios impacted by the change in treatment of software assets

- The CET1 capital ratio decreased 40bps to 15.5%, this was largely as a result of regulatory changes that took effect from January 2022, which included the reintroduction of the full CET1 deduction for software assets and the implementation of the new regulatory guidance related to definition of default. Without these one-off regulatory changes, the CET1 capital ratio would have remained broadly flat in the period.
- The UK leverage ratio decreased 10bps to 5.1%, largely due to the change in treatment of software assets on 1 January 2022 which removed a c10bps benefit as well as higher leverage exposure from asset growth. The UK leverage ratio is 150bps above the regulatory minimum and buffers.
- Total capital ratio decreased by 80bps to 20.8%, due to the one-off regulatory changes taking effect on 1 January 2022 and the reduction in Additional Tier 1 and Tier 2 capital securities recognised following the end of the CRR Grandfathering period on 1 January 2022.
- 2022 ordinary share dividends are expected to be in line with our existing dividend policy of 50% of profit after tax.

Robust funding, liquidity and interest rate management

- Total wholesale funding increased, reflecting \$1bn and £500m senior unsecured issuances in Jan-22. We also issued covered bonds of £1.5bn in Mar-22 and €1.75bn in Apr-22 from Santander UK plc, our RFB. Wholesale funding costs improved in 2022 with buy backs and maturities being refinanced at lower cost.
- We expect to issue between £2bn and £3bn of MREL in 2022, of which we have already issued £1.25bn equivalent. £1.2bn has been called in 2022 and c£0.8bn of existing Santander UK senior unsecured debt will also become ineligible.
- HoldCo LCR of 178%, RFB DoISub LCR of 171% and SFS LCR of 214%.
- Our structural hedge position remained broadly stable at c£106bn, with an average duration of c2.6 years.

Interest rate risk

- The table below shows how our net interest income would be affected by a 25bps and a 50bps parallel shift (both up and down) applied instantaneously to the yield curve. Sensitivity to parallel shifts represents the amount of risk in a way that we think is both simple and scalable.

NII sensitivity ²	Mar-22	2021
	£m	£m
+50bps	158	167
+25bps	80	89
-25bps	(85)	(94)
-50bps	(171)	(205)

1. Liquidity metrics now reported for HoldCo from 1 January 2022 following adoption of CRR2 regulation (previously reported for RFB DoISub, now shown in Appendix 2).
2. Based on modelling assumptions of repricing behaviour.

Segmental reporting and balances

Customer loans by segment	31.03.22	31.12.21
	£bn	£bn
Retail Banking ¹	188.9	185.6
Consumer Finance	5.1	5.0
CCB ²	16.9	17.0
Corporate Centre ³	2.8	3.0
Total	213.7	210.6

Customer deposits by segment	31.03.22	31.12.21
	£bn	£bn
Retail Banking ¹	156.0	157.0
CCB	25.4	25.6
Corporate Centre ³	9.3	9.6
Total	190.7	192.2

RWA by segment	31.03.22	31.12.21
	£bn	£bn
Retail Banking	44.4	42.9
Consumer Finance	6.7	6.4
CCB	12.6	12.9
Corporate Centre	5.7	5.9
Total	69.4	68.1

1. See Appendix 3 for a portfolio breakdown of Retail Banking customer loans and customer deposits.

2. CCB customer loans includes £4.4bn of CRE loans (2021: £4.4bn).

3. Corporate Centre customer loans includes Social Housing lending of £1.8bn (2021: £2.2bn) and Corporate Centre customer deposits includes Crown Dependencies of £5.6bn (2021: £6.0bn).

Summary income statement from continuing operations by segment

Q1-22	Retail Banking £m	Consumer Finance £m	CCB £m	Corporate Centre £m	Total £m
Net interest income	901	46	108	(2)	1,053
Non-interest income ¹	42	52	34	(6)	122
Total operating income	943	98	142	(8)	1,175
Operating expenses before credit impairment (losses) / write-backs, provisions and charges	(411)	(34)	(91)	(45)	(581)
Credit impairment (losses) / write-backs	(59)	(9)	15	1	(52)
Provisions for other liabilities and charges	(42)	-	(1)	(4)	(47)
Profit / (loss) from continuing operations before tax	431	55	65	(56)	495

Q1-21 ²	Retail Banking £m	Consumer Finance £m	CCB £m	Corporate Centre £m	Total £m
Net interest income	772	67	101	(15)	925
Non-interest income ¹	54	31	24	(16)	93
Total operating income	826	98	125	(31)	1,018
Operating expenses before credit impairment (losses) / write-backs, provisions and charges	(438)	(44)	(87)	(150)	(719)
Credit impairment (losses) / write-backs	(13)	13	3	(1)	2
Provisions for other liabilities and charges	(26)	(4)	(1)	(95)	(126)
Profit / (loss) from continuing operations before tax	349	63	40	(277)	175

Segmental results Q1-22 vs Q1-21

- Retail Banking: Profit increased driven by higher mortgage volumes, base rate rises, 11213 Current Account repricing in 2021, lower wholesale funding costs and lower operating costs.
- Consumer Finance: Profit decreased reflecting the impact of the sale of our PSA shareholding in July 2021, but partly offset by higher income from the increase in the value of second hand cars.
- CCB: Profit increased primarily due to higher interest margins and fee income, with the growth of high value clients.
- Corporate Centre: Loss decreased due to lower transformation programme spending.

1. Comprises 'Net fee and commission income' and 'Other operating income'.

2. Q1-21 restated to include CIB as a discontinued operation after its transfer to SLB under a Part VII banking business transfer scheme, completed on 11 October 2021.

Appendix 1 – Alternative Performance Measures

In addition to the financial information prepared under IFRS, this Quarterly Management Statement contains non-IFRS financial measures that constitute APMs, as defined in ESMA guidelines. The financial measures contained in this report that qualify as APMs have been calculated using the financial information of the Santander UK group but are not defined or detailed in the applicable financial information framework or under IFRS. We use these APMs when planning, monitoring, and evaluating our performance. We consider these APMs to be useful metrics for management and investors to facilitate operating performance comparisons from period to period. Whilst we believe that these APMs are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for IFRS measures.

a) Adjusted profit metrics

As shown in the table below, profit from continuing operations before tax is adjusted for items management believe to be significant, to facilitate operating performance comparisons from period to period. The financial results reflect continuing operations and therefore do not include discontinued operations. Prior period results have been amended accordingly.

	Ref.	Q1-22 £m	Q4-21 £m	Q1-21 £m
Non-interest income				
Reported	(i)	122	102	93
Adjust for operating lease depreciation		(20)	(9)	(23)
Adjust for net loss / (gain) on sale of property		3	(2)	-
Adjusted	(ii)	105	91	70
Operating expenses before credit impairment (losses) / write-backs, provisions and charges				
Reported	(iii)	(581)	(620)	(719)
Adjust for transformation		33	57	142
Adjust for operating lease depreciation		20	9	23
Adjusted	(iv)	(528)	(554)	(554)
Provisions for other liabilities and charges				
Reported		(47)	(154)	(126)
Adjust for transformation		3	17	96
Adjusted		(44)	(137)	(30)
Profit from continuing operations before tax				
Reported		495	420	175
Specific income, expenses and charges		39	72	238
Adjusted		534	492	413

The financial results for Q1-22, Q4-21 and Q1-21 were impacted by a number of specific income, expenses and charges with an aggregate impact on profit from continuing operations before tax of £39m in Q1-22, £72m in Q4-21 and £238m in Q1-21. The specific income, expenses and charges are outlined below:

Operating lease depreciation

In 2019, we began to adjust operating expenses and non-interest income for operating lease depreciation. We believe this provides a clearer explanation of expenses and income as operating lease depreciation is a direct cost associated with growing business volumes largely in Consumer Finance.

Net loss / (gain) on sale of property

Previously named 'net gain on sale of London head office and branch properties', now also includes subsequent sale of property under our transformation programme.

Transformation costs and charges

Transformation costs and charges relate to a multi-year project to deliver on our strategic priorities and enhance efficiency in order for us to better serve our customers and meet our medium-term targets.

b) Adjusted CIR

Calculated as adjusted total operating expenses before credit impairment (losses) / write-backs and provisions for other liabilities and charges as a percentage of the total of adjusted net interest income and adjusted non-interest income. We consider this metric useful for management and investors as an efficiency measure to capture the amount spent to generate income, as we invest in our multi-year transformation programme.

	Ref.	Q1-22	Q4-21	Q1-21
CIR	(iii) divided by the sum of (i) + net interest income	49%	55%	71%
Adjusted CIR	(iv) divided by the sum of (ii) + net interest income	46%	49%	56%

c) Adjusted RoTE

Calculated as adjusted profit after tax attributable to equity holders of the parent, divided by average shareholders' equity less non-controlling interests, other equity instruments and average goodwill and other intangible assets. We consider this adjusted measure useful for management and investors as a measure of income generation on shareholder investment, as we focus on improving returns through our multi-year transformation programme.

	Q1-22	Specific income, expenses and charges	As adjusted
	£m	£m	£m
Profit after tax	390	29	419
Annualised profit after tax	1,582		1,698
Phasing adjustments			(58)
Less non-controlling interests of annual profit	(17)		(17)
Profit due to equity holders of the parent (A)	1,565		1,623

	Q1-22	Equity adjustments	As adjusted
	£m	£m	£m
Average shareholders' equity	16,462		
Less average Additional Tier 1 (AT1) securities	(2,191)		
Less average non-controlling interests	(118)		
Average ordinary shareholders' equity (B)	14,153		
Average goodwill and intangible assets	(1,538)		
Average tangible equity (C)	12,615	220	12,835
Return on ordinary shareholders' equity (A/B)	11.1%		-
Adjusted RoTE (A/C)	-		12.6%

	2021	Specific income, expenses and charges	As adjusted
	£m	£m	£m
Profit after tax	1,405	244	1,649
Less non-controlling interests of annual profit	(36)		(36)
Profit due to equity holders of the parent (A)	1,369		1,613

	2021	Equity adjustments	As adjusted
	£m	£m	£m
Average shareholders' equity	16,312		
Less average Additional Tier 1 (AT1) securities	(2,216)		
Less average non-controlling interests	(316)		
Average ordinary shareholders' equity (B)	13,780		
Average goodwill and intangible assets	(1,597)		
Average tangible equity (C)	12,183	61	12,244
Return on ordinary shareholders' equity (A/B)	9.9%		-
Adjusted RoTE (A/C)	-		13.2%

Specific income, expenses, charges

Details of these items are outlined in section a) of Appendix 1, with a total impact on profit from continuing operations before tax of £39m. The impact of these items on the taxation charge was £10m and on profit after tax was £29m. Tax is effected at the standard rate of corporation tax including the bank surcharge, except for items such as conduct provisions which are not tax deductible.

Equity adjustments

These adjustments are made to reflect the impact of adjustments to profit on average tangible equity.

d) Other non-IFRS measures and their calculations

- Banking NIM: Annualised net interest income divided by average customer assets (Q1-22: £212,065m; Q1-21: £207,633m).
- Cost of risk: Credit impairment charge for the 12-month period as a percentage of average customer loans.
- Cost-to-income ratio: Total operating expenses before credit impairment (losses) / write-backs, provisions and charges as a percentage of the total of net interest income and non-interest income.
- Non-interest income: Net fee and commission income plus other operating income.
- Stage 3 ratio: The sum of Stage 3 drawn and Stage 3 undrawn assets divided by the sum of total drawn assets and Stage 3 undrawn assets.

Appendix 2 - Supplementary consolidated information for Santander UK plc and its controlled entities

Santander UK plc is the principal subsidiary of Santander UK Group Holdings plc.

Summarised consolidated income statement	Q1-22	Q1-21¹
	£m	£m
Net interest income	1,039	913
Non-interest income ²	119	90
Total operating income	1,158	1,003
Operating expenses before credit impairment (losses) / write-backs, provisions and charges	(574)	(713)
Credit impairment (losses) / write-backs	(52)	3
Provisions for other liabilities and charges	(47)	(126)
Total operating credit impairment (losses) / write-backs, provisions and charges	(99)	(123)
Profit from continuing operations before tax	485	167
Tax on profit from continuing operations	(103)	(45)
Profit from continuing operations after tax	382	122
Profit from discontinued operations after tax	-	7
Profit after tax	382	129
Summarised balance sheet	31.03.22	31.12.21
	£bn	£bn
Total customer loans	210.3	207.3
Other assets	75.3	79.8
Total assets	285.6	287.1
Total customer deposits	185.1	186.2
Total wholesale funding	66.4	65.2
Other liabilities	17.8	19.6
Total liabilities	269.3	271.0
Shareholders' equity	16.3	16.1
Total liabilities and equity	285.6	287.1
Summarised consolidated capital	31.03.22	31.12.21
	£bn	£bn
Total qualifying regulatory capital	14.3	14.8
Risk-weighted assets (RWAs)	68.2	67.1
Total capital ratio	21.0%	21.9%
Liquidity	31.03.22	31.12.21
	£bn	£bn
LCR	171%	166%
LCR eligible liquidity pool	48.5	51.4

The information contained in this report is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2021 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

1. Q1-21 restated as a result of the CIB segment moving to SLB under a Part VII banking business transfer scheme, which completed on 11 October 2021.
2. Comprises 'Net fee and commission income' and 'Other operating income'.

Appendix 3 – Additional information

- **Retail Banking:** consists of two business units, Homes and Everyday Banking. Homes provides prime UK mortgage lending to owner occupiers and buy-to-let landlords with small portfolios. Everyday Banking provides banking services and unsecured lending to individuals and small businesses as well alongside wealth management for high-net-worth clients.
- **Consumer Finance** provides prime auto consumer financing for individuals, businesses, and automotive distribution networks.
- **Corporate & Commercial Banking (CCB)** provides banking products and services to SMEs, mid-sized and larger corporates, typically with annual turnovers of between £2m and £500m, as well as to Local Authorities and Housing Associations.
- **Corporate Centre** provides treasury services for asset and liability management of our balance sheet, as well as management of non-core and legacy portfolios.

Mortgage stock LTV distribution	31.03.22	31.12.21
>100%	-	-
>85-100%	2%	2%
>75-85%	7%	8%
>50-75%	46%	45%
Up to 50%	45%	45%
Average LTV stock	40%	41%

Mortgage new business LTV distribution	Q1-22	2021
London lending	60%	60%
Buy-to-let	66%	68%
Average LTV new business	64%	64%

Mortgage loan size	31.03.22	31.12.21
>£1.0m	2%	2%
£0.5m to £1.0m	9%	9%
£0.25m to £0.5m	30%	30%
<£0.25m	59%	59%
Ave. loan size (stock)	£177k	£174k
Ave. loan size (new business)	£237k	£234k

Mortgage borrower profile	31.03.22	31.12.21
Home movers	42%	43%
Re-mortgagers	29%	29%
First-time buyers	20%	20%
BTL	9%	8%
BTL balance	£15.7bn	£14.9bn

Interest rate profile	31.03.22	31.12.21
Fixed rate	86%	84%
Variable rate	9%	10%
SVR	4%	4%
FoR	1%	2%

Mortgage lending - geographical distribution	31.03.22		31.12.21	
	£bn	%	£bn	%
London	46.4	26	45.3	26
Midlands and East Anglia	24.7	14	24.1	14
North	23.8	13	23.5	13
Northern Ireland	3.0	2	3.0	2
Scotland	6.7	4	6.6	4
South East excluding London	57.5	31	56.4	31
South West, Wales and Other	18.8	10	18.4	10
Total mortgages	180.9	100	177.3	100

Retail Banking customer loans by portfolio	31.03.22	31.12.21
	£bn	£bn
Mortgages	180.9	177.3
Business banking	3.2	3.5
Other unsecured lending	4.8	4.8
Retail Banking customer loans	188.9	185.6

Retail Banking customer deposits by portfolio	31.03.22	31.12.21
	£bn	£bn
Current accounts	80.7	80.7
Savings	57.4	57.8
Business Banking	12.5	13.1
Other retail products	5.4	5.4
Retail Banking customer deposits	156.0	157.0

List of abbreviations

APM	Alternative Performance Measure
AT1	Additional Tier 1
BBLS	Bounce Back Loan Scheme
Banco Santander	Banco Santander S.A.
Banking NIM	Banking Net Interest Margin
BTL	Buy-To-Let
CAGR	Compound Annual Growth Rate
CBES	Climate Biennial Exploratory Scenario
CBILS	Coronavirus Business Interruption Loan Scheme
CCB	Corporate & Commercial Banking
CET1	Common Equity Tier 1
CIB	Corporate & Investment Banking
CIR	Cost-To-Income Ratio
CLBILS	Coronavirus Large Business Interruption Loan Scheme
COP26	Conference of Parties 26
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECL	Expected Credit Losses
ESMA	European Securities and Markets Authority
EU	European Union
FoR	Follow on Rate
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
GDP	Gross Domestic Product
HoldCo	Holding Company (Santander UK Group Holdings plc)
HPI	House Price Index
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
LCR	Liquidity Coverage Ratio
LTV	Loan-To-Value
MDA	Maximum Distributable Amount
MREL	Minimum Requirement for own funds and Eligible Liabilities
n.a.	Not applicable
n.m.	Not meaningful
PH	Payment Holiday
PMA	Post model adjustments
PRA	Prudential Regulation Authority
QMS	Quarterly Management Statement
QoQ	Quarter-on-Quarter
RFB	Ring-Fenced Bank (Santander UK plc)
RFB DoLSub	Santander UK plc Domestic Liquidity Sub-group
RoTE	Return on Tangible Equity
RWA	Risk-Weighted Assets
Santander UK	Santander UK Group Holdings plc
SFS	Santander Financial Services plc
SLB	Santander London Branch
SME	Small and Medium-Sized Enterprise
SVR	Standard Variable Rate
TFS	Term Funding Scheme
TFSME	Term Funding Scheme with additional incentives for SMEs
UK	United Kingdom
UNHCR	United Nations High Commissioner for Refugees
UPL	Unsecured Personal Lending
YoY	Year-on-Year

Additional information about Santander UK and Banco Santander

Santander UK is a financial services provider in the UK that offers a wide range of personal and commercial financial products and services. At 31 March 2022, the bank had around 18,000 employees and serves around 14 million active customers, via a nationwide branch network, telephone, mobile and online banking. Santander UK is subject to the full supervision of the FCA and the PRA in the UK. Santander UK plc customers' eligible deposits are protected by the FSCS in the UK.

Banco Santander (SAN SM, STD US, BNC LN) is a leading retail and commercial bank, founded in 1857 and headquartered in Spain and is one of the largest banks in the world by market capitalization. Its primary segments are Europe, North America, South America and Digital Consumer Bank, backed by its secondary segments: Santander Corporate & Investment Banking (Santander CIB), Wealth Management & Insurance (WM&I) and PagoNxt. Its purpose is to help people and businesses prosper in a simple, personal and fair way. Banco Santander is building a more responsible bank and has made a number of commitments to support this objective, including raising over €120 billion in green financing between 2019 and 2025, as well as financially empowering more than 10 million people over the same period. At the end of 2021, Banco Santander had more than 1.1 trillion euros in total funds, 152.9 million customers, of which 25.4 million are loyal and 47.4 million are digital, 9,900 branches and over 197,000 employees.

Banco Santander has a standard listing of its ordinary shares on the London Stock Exchange and Santander UK plc has preference shares listed on the London Stock Exchange.

None of the websites referred to in this Quarterly Management Statement, including where a link is provided, nor any of the information contained on such websites is incorporated by reference in this Quarterly Management Statement.

Disclaimer

Santander UK Group Holdings plc (Santander UK), Santander UK plc and Banco Santander caution that this announcement may contain forward-looking statements. Such forward-looking statements are found in various places throughout this announcement. Words such as "believes", "anticipates", "expects", "intends", "aims" and "plans" and other similar expressions are intended to identify forward-looking statements, but they are not the exclusive means of identifying such statements. Forward-looking statements include, without limitation, statements concerning our future business development and economic performance. These forward-looking statements are based on management's current expectations, estimates and projections and Santander UK, Santander UK plc and Banco Santander caution that these statements are not guarantees of future performance. We also caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. We have identified certain of these factors in the forward-looking statements on page 297 of the Santander UK Group Holdings plc 2021 Annual Report. Investors and others should carefully consider the foregoing factors and other uncertainties and events. Undue reliance should not be placed on forward-looking statements when making decisions with respect to Santander UK, Santander UK plc, Banco Santander and/or their securities. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, future share price or future earnings for any period will necessarily match or exceed those of any prior quarter. Santander UK is a frequent issuer in the debt capital markets and regularly meets with investors via formal roadshows and other ad hoc meetings. In line with Santander UK's usual practice, over the coming quarter it expects to meet with investors globally to discuss this Quarterly Management Statement, the results contained herein and other matters relating to Santander UK.

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