

# Santander UK Group Holdings plc

Investor Update  
for the year ended  
31 December 2016

January 2017

**Simple  
Personal  
Fair**

What a bank should be



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Source: Santander UK Q4 2016 results "Quarterly Management Statement for the year ended 31 December 2016" 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](http://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.

# 2016 business and financial highlights

<b>Profit before tax</b>	£1,914m	+43%
<b>Retail current a/c balances</b>	£64.8bn	+£11.6bn
<b>Digital customers</b>	4.6m	+620,000
<b>Net lending</b>	+£1.5bn mortgages	+£0.9bn corporates
<b>NIM / Banking NIM</b>	1.48% 1.79%	-5bps -4bps
<b>Prudential ratios</b>	11.6% CET1	4.1% leverage

- Adjusted PBT of £2,031m, up 13%, excluding specific, gains and charges (£117m and £450m for 2016 and 2015, respectively)
- Continued growth with net positive inflows to the 11213 Current Account offsetting lower savings balances
- Front book: 36% of bank accounts opened online  
Back book: 41% of mortgages retained online
- Strong net inflows in Q116 and Q416 were driven by BTL lending and lower redemptions, respectively
- Lending to UK companies impacted by macro slowdown
- Banking NIM supported by retail liability margin improvement in Q416 partially offsetting SVR attrition
- Capital generation and RWA management, offset by long-term rates volatility impact on defined benefit pension schemes accounting position

# 2018 strategy creating value for all our stakeholders

1| Customer loyalty and market share growth

Customers

2| Operational and digital excellence

Shareholders

3| Consistent and growing profitability and a strong balance sheet

People

4| Live The Santander Way through our behaviours

Communities

5| Support communities through skills, knowledge and innovation

# Our 2016-18 commitments

	FY15	FY16	2018 target	
<b>Customers</b>	Loyal retail customers	3.7 million	3.7 million	4.7 million
	Loyal SME and Corporate customers	266,000	290,000	308,000
	Retail customer satisfaction (FRS) <i>average of 3 highest performing peers</i>	62.9% 62.0%	62.9% 62.5%	Top 3
	Digital customers	3.9 million	4.6 million	6.5 million
	Net fee and commission income CAGR	n/a	8%	5-10% <sup>2</sup>
<b>Shareholders</b>	Return on tangible equity (RoTE) <sup>1</sup>	8.2%	10.9%	8-10%
	Cost-to-income ratio (CIR) <sup>1</sup>	53%	50%	50-52%
	Non performing loan (NPL) ratio <sup>1</sup>	1.54%	1.50%	<2.0%
	CET1 capital ratio	11.6%	11.6%	c12%
	Dividend payout ratio	50%	51%	50%
<b>People</b>	Colleague engagement	71%	72%	Top 3 UK bank
<b>Communities</b>	People supported	n/a	196,300	600,000 <sup>3</sup>

For notes see Appendix 1 to the Santander UK Group Holdings plc Quarterly Management Statement for the year ended 31 December 2016 and for the reconciliation to the nearest IFRS measures. A glossary of the main terms used in the Quarterly Management Statement is available on our website at [www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary](http://www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary)

1. RoTE, CIR and NPL ratio 2018 targets were revised at the Banco Santander Group Strategy Update event for analysts and investors on 30 Sep 2016, reflecting revised economic forecasts, in particular lower for longer interest rates. Previous targets were: RoTE: 12-14%, CIR <50%, NPL ratio <1.50% | 2. Measured between FY15 and FY18. Compound annual growth rate (CAGR) | 3. Cumulative from 2016 to 2018

# 2017 outlook

- **UK's decision to leave the EU has led to economic uncertainty and financial market volatility.** The lower value of sterling, when combined with higher oil prices over the past year, we believe, is likely to lead to higher inflation, which could result in slower UK economic growth
- **Banking NIM for 2017 to remain broadly stable** from 1.79% in 2016, predicated on no change to base rate, with improvement in liability margin offsetting SVR attrition and pressures on new asset margins
- **Cost management remains a key focus.** Key initiatives include digitalisation, organisational simplification and streamlining for improved customer experience and greater operational efficiencies
- **Impairment charges** could be slightly higher than the cyclically low levels seen over recent years
- **Net mortgage lending** to be broadly in line with the market, with decline in SVR slightly lower than 2016
- **Corporate lending** will be slower than in recent years; consistent with forecasted slowdown in GDP growth and as we manage exposures to certain segments

**Putting the customer at the heart of our business**

# Well positioned as the only UK full-service scale challenger

Meaningful scale and opportunity...

## Retail

841 branches

c80% financial centre coverage

3<sup>rd</sup> UK Mortgage lender<sup>2</sup>

## Corporate

67 Corporate Business Centres

686 Relationship Managers<sup>1</sup>

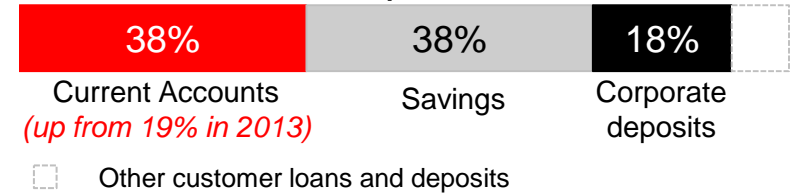
5<sup>th</sup> UK Commercial lender<sup>2</sup>

...a more diversified retail and commercial bank...

## £200bn customer loans

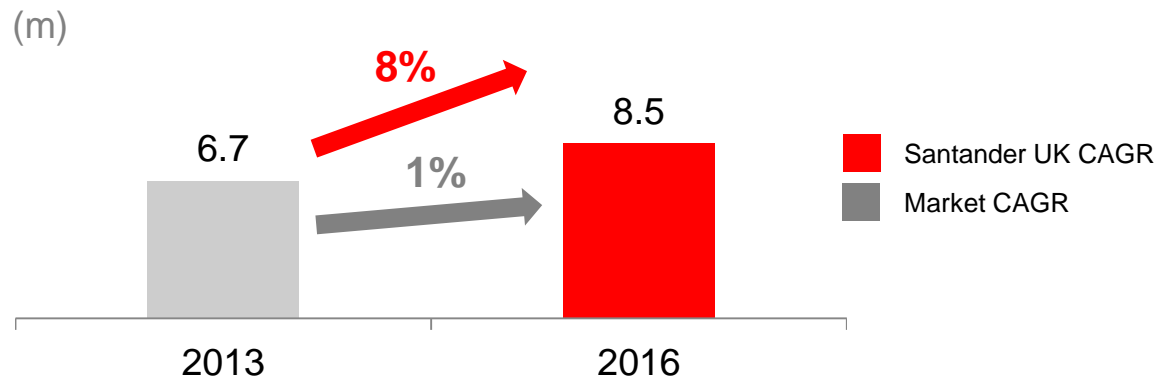


## £172bn customer deposits



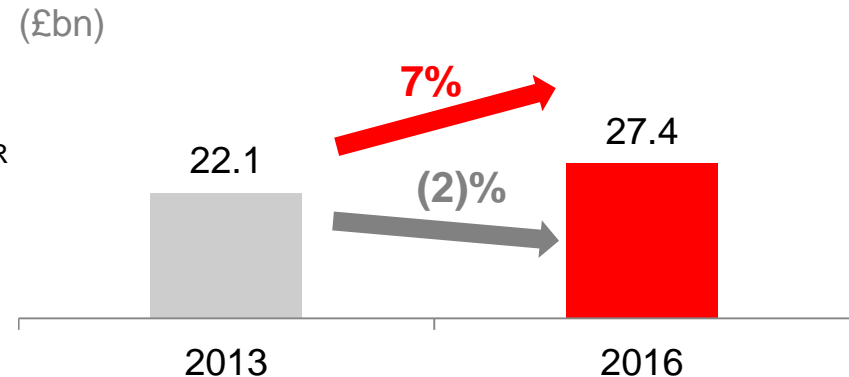
...a significant retail current account provider...

## Retail Current Account volumes<sup>3</sup>



...a full-service corporate market challenger

## Lending to UK companies<sup>4</sup>

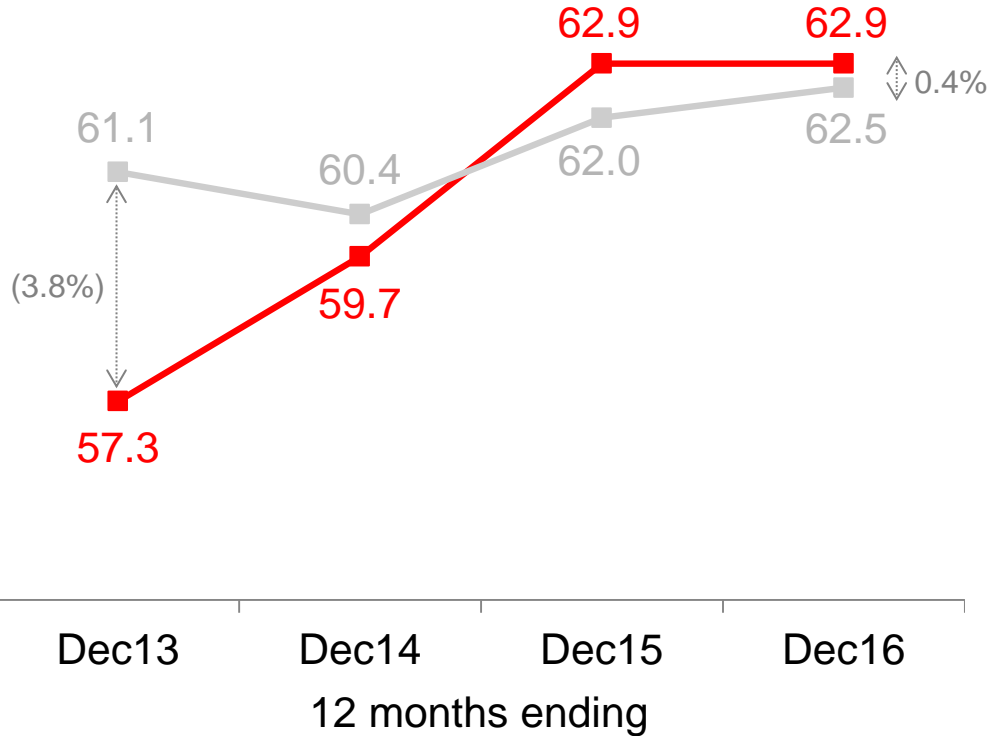


1. Excludes product and international relationship managers | 2. Santander UK analysis. Commercial lending refers to loans to small and mid sized corporate clients by UK retail and commercial banks and building societies | 3. Source: CACI's CSDB, Stock, Volume data for 2013 is December 2013, and for 2016 is October 2016 | 4. Source: Bank of England Bankstats (November 2016), Private Non-Financial Companies (PNFCs). Data for 2013 is December 2013 and for 2016 is December 2016

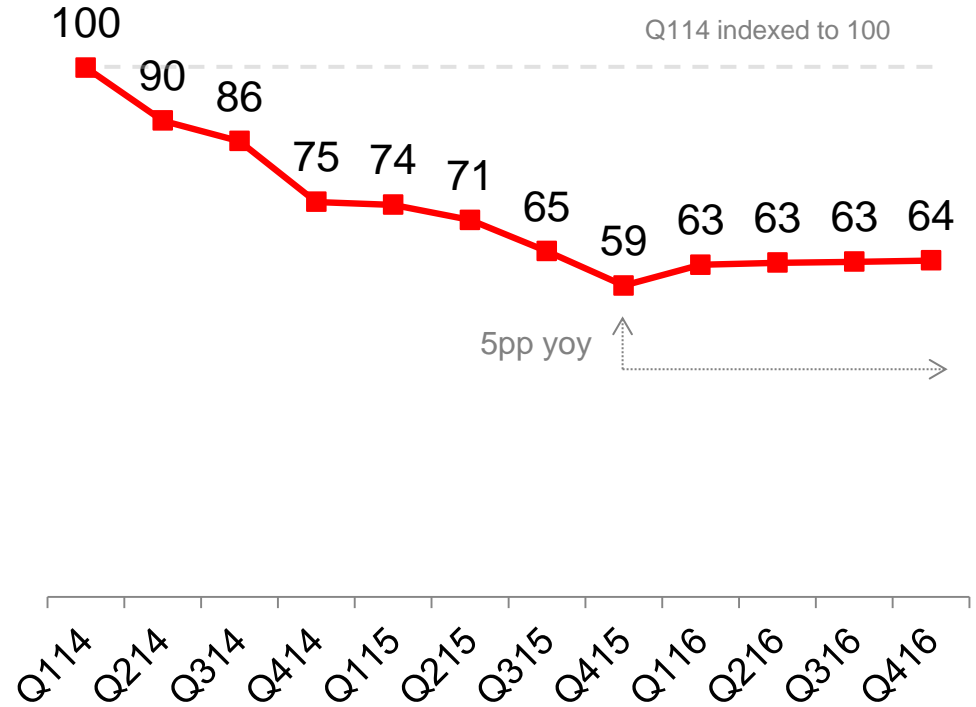


# Improving retail customer experience

Retail customer satisfaction (%)<sup>1</sup>



Retail complaints received (indexed)<sup>2</sup>



- Santander UK
- Average of 3 highest performing peers

1. As measured by FRS. Refer to Appendix 1 in the Q416 Quarterly Management Statement for a full definition and glossary at [www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary](http://www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary) | 2. Source: Santander UK management information. All unique core complaints included. Those relating to legacy issues e.g. PPI and advice related complaints are not included



# 1|2|3 Current Account remains an outstanding proposition

## Transformational to our franchise since 2012

- **Simple and transparent**  
Clear value offer supported by 1|2|3 calculator
- **Fee paying account**  
Adaptable to market conditions and interest rates
- **Front book and back book**  
Available to new and existing customers
- **Reduced customer attrition**  
Driving customer long-term transactionality

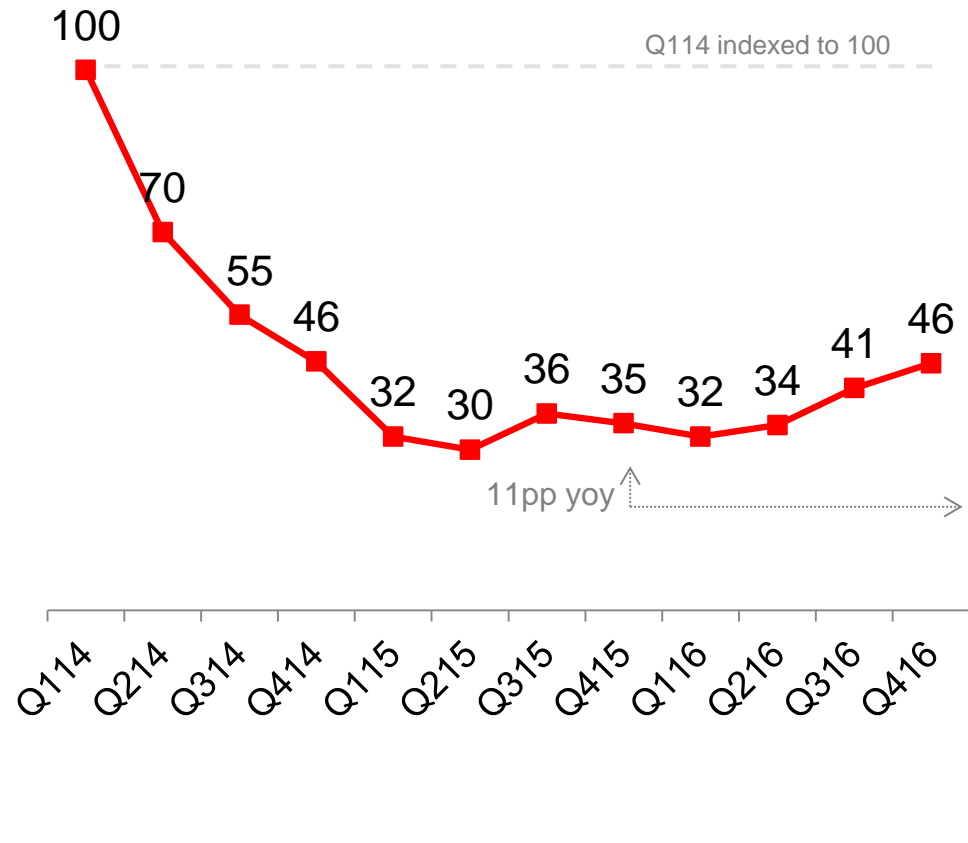
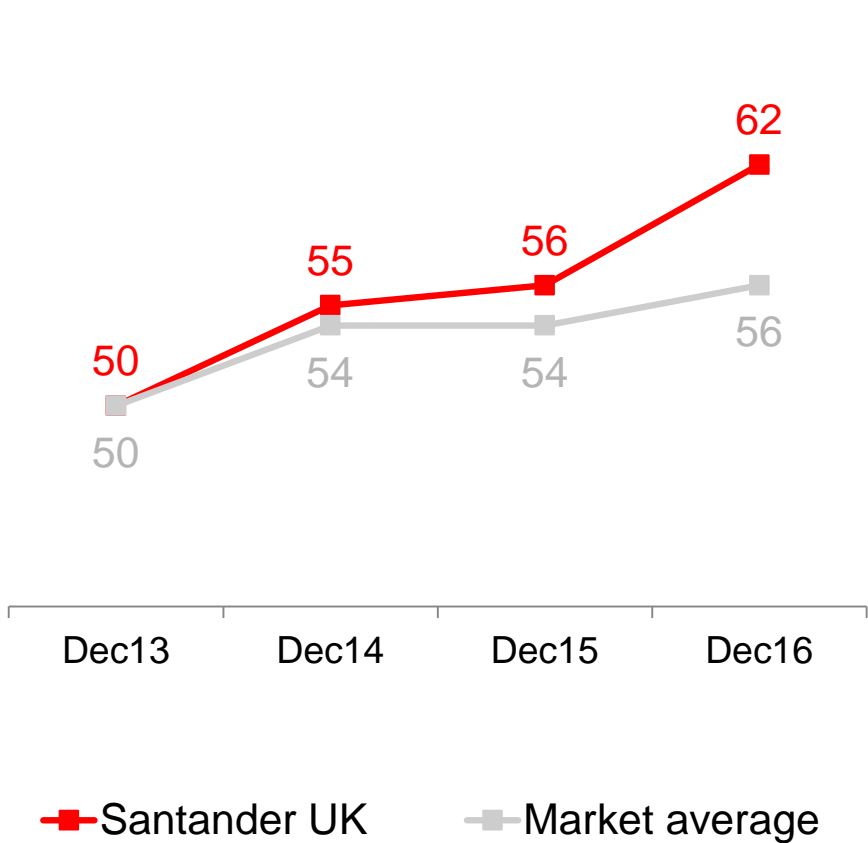


	Non 1 2 3 Current Account		1 2 3 Current Account
<b>Deeper relationships</b>	23%	loyal	68%
<b>Improved customer profiles</b>	6%	select / affluent	34%
<b>More valuable relationships</b>	1.5	products	2.1
<b>Improved liquidity stability</b>	1.0x	average balance	5.4x
<b>More satisfied customers (FRS)<sup>1</sup></b>	66.6%		73.3%

# Improving corporate customer experience

Corporate customer satisfaction (%)<sup>1</sup>

Corporate complaints received (indexed)<sup>2</sup>



1. Source: Charterhouse Business Banking Survey. Refer to Appendix 1 in the Q416 Quarterly Management Statement for a full definition and glossary at [www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary](http://www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary) | 2. Source: Santander UK management information. Complaints relate to our commercial and corporate banking businesses



# Utilising full service corporate and commercial offering

Annual turnover

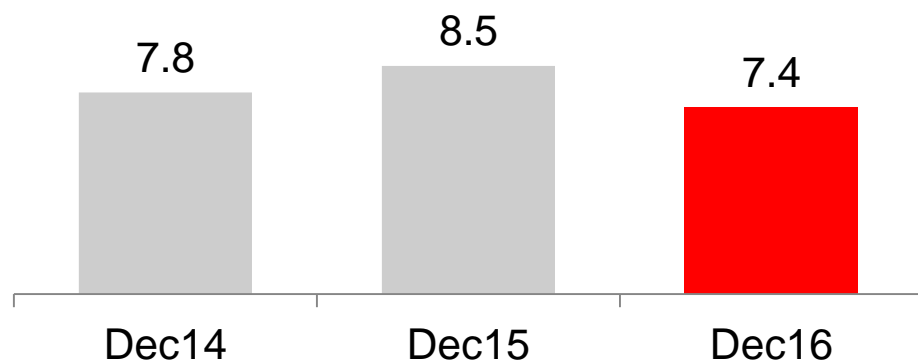
Customer loans

Business banking	< £6.5m	£2.3bn
SMEs	> £6.5m - £50m	£10.7bn
Mid corporates	> £50m - £500m	£8.7bn
Large corporates	> £500m	£5.7bn

Expanded footprint to be closer to our customers

	2012	2016
Relationship Managers	503	686 <sup>1</sup>
Corporate Business Centres	34	67

Commercial Banking new facilities (£m)



International expertise and differentiated offering

**BREAK THROUGH**



SANTANDER  
CONNECT



**Santander**

1. Excluding product and international relationship managers

# Further refining the GCB UK franchise

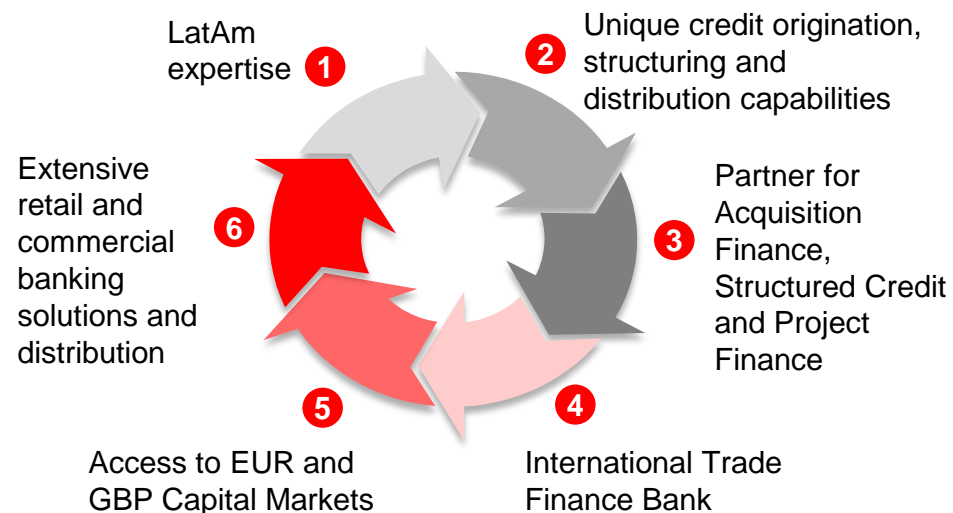
## Evolution of our UK franchise

- **Refining our client centric business model** to deepen relationships with clients and increase customer loyalty
- **Increasing connectivity across GCB units** in different geographies with an integrated client coverage
- **Transitioning towards a capital-efficient business model**, with opportunities for fee income growth and maximum return on capital with our transactional, FX and advisory services

## Part of a global group; a market leader in corporate finance

- **Banco Santander has a strong position in Europe and Latin America for syndicated corporate loans** with first level participation in significant transactions
- **Clear leaders in Structured finance in Latin America and Spain** providing both financing and advisory services on major deals and projects

## Our competitive advantage from leveraging the Banco Santander GCB network



## Strong credentials in chosen businesses

	2013	2016
UK housing associations bonds <sup>1</sup>	1st	1st
Arranger of UK renewable loans <sup>2</sup>	9th	2nd
UK syndicated loans MLA <sup>3</sup>	6th	5th
UK corporate bonds investment grade (£) <sup>3</sup>	5th	8th

# Customer behaviour is becoming increasingly digital

## Growing digital capability to meet changing needs

### ▪ Credentials

I have quick and easy access to services

### ▪ Buy

It is simple to open a new account

### ▪ See

I can see all Santander accounts

### ▪ Service

I can do basic transactions

### ▪ Mobile

I have digital services on the move

### ▪ Analytics

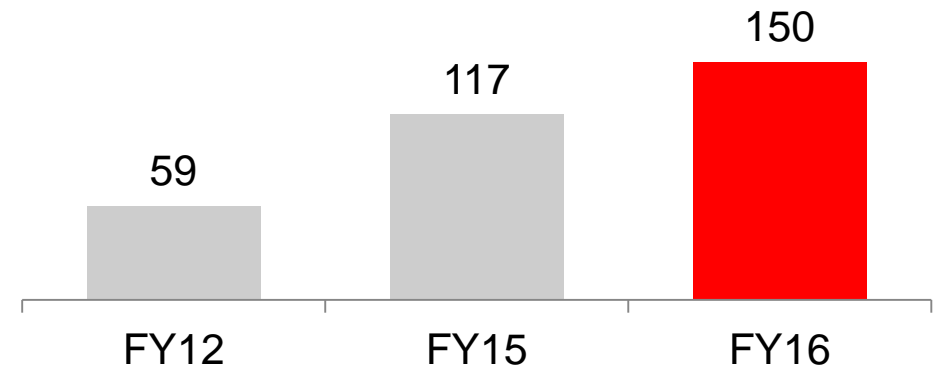
Enablers and analytics available for better journey



## Total digital customers (m)

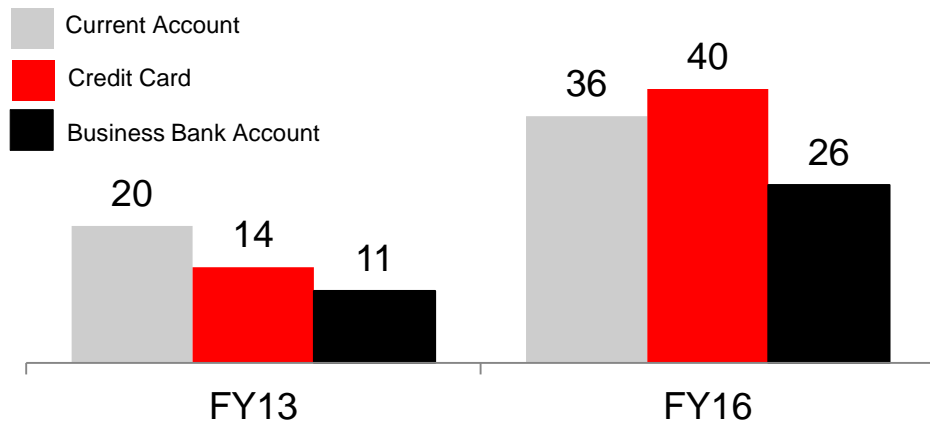


## Digital transactions (m)



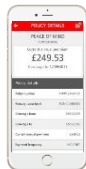
# Digital transformation for improved customer experience

## Digital openings (% of total openings)



## Key digital developments in 2016

- Investment Hub - new online platform for self investments
- Partnership with Kabbage - same day funding for UK SMEs
- Pioneered voice banking with SmartBank app
- Expanded mobile payment capabilities with Android Pay
- End-to-end online mortgage platform



## Impact of digitalisation

Then

Branch based mortgage application; process time of 3 hours

Account application only; via branches or telephone, physical documentation required

Online banking with only standard view available; without app features

Now

Digital end-to-end application; process time c50 mins

Online and mobile process; functionality to upload documents electronically for some products

Mobile apps; credit card spend and cash pooling, Personalisation, monitoring and analysis functions

**Consistently profitable, sustainable business**

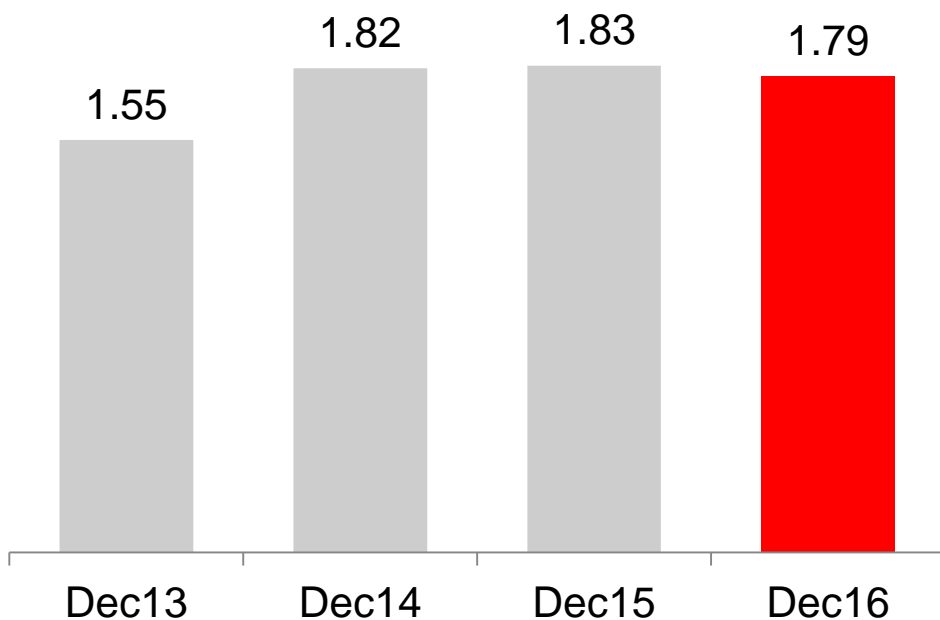


# Consistently profitable, sustainable business

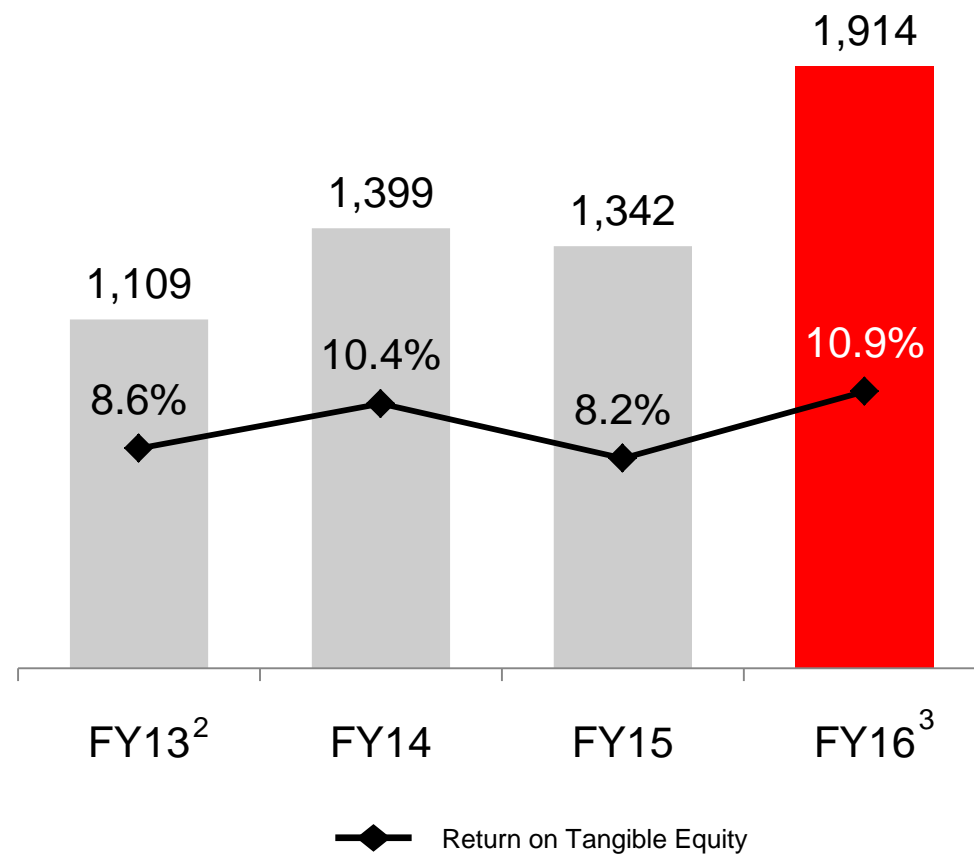
## Banking NIM (%)<sup>1</sup>

### NIM (%)

1.29	1.52	1.53	1.48
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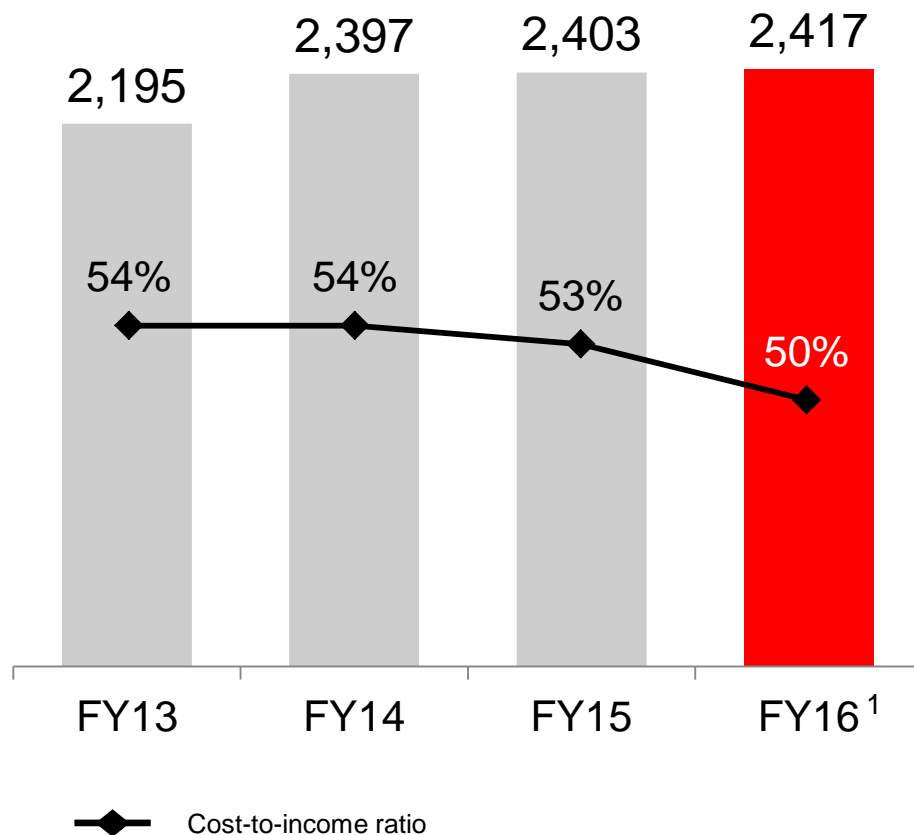
## Profit before tax (£m)



1. Banking NIM is calculated as annualised net interest income divided by average customer loans. NIM is considered the most comparable IFRS measure to Banking NIM. |  
 2. 2013 PBT excludes discontinued operations | 3. FY16 PBT excluding Visa Europe Limited gain of £119m, Banking Reform costs of £122m and PPI, including Plevin, charge of £114m would have been £2,031m. See Appendix 2 in the Q416 Quarterly Management Statement for a full definition.

# Operational efficiency well managed

## Operating expenses (£m)



## Efficiency improvements to continue

- Simplifying our organisation and processes, and digitalising across our businesses
- Omni-channel platform with optimised distribution, leading digital tools and remote service and advice
- Leveraging Banco Santander's scale through shared capabilities across countries

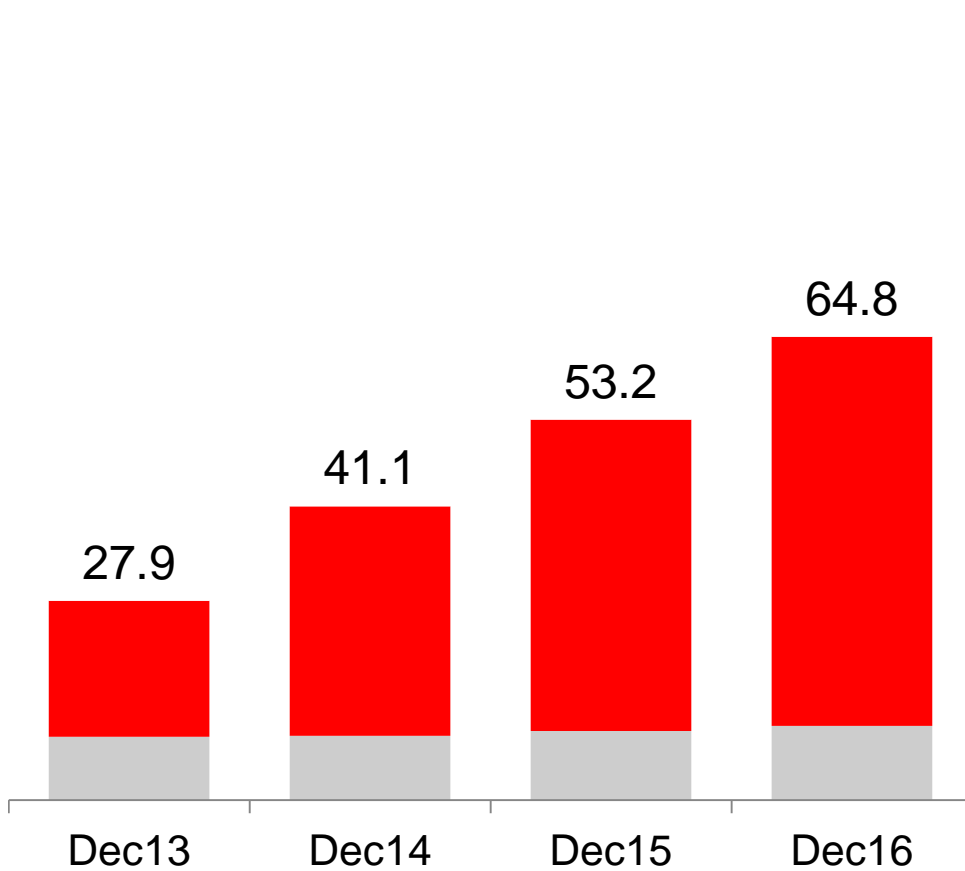
## Comprehensive programme of cost initiatives

- Making business more agile through organisational transformation and process re-engineering
- Targeting > £100m reduction in cost base by 2018, while continuing to grow the business

1. FY16 operating expenses include £122m Banking Reform costs. Adjusting for these costs, operating expenses would have been down 4% versus FY15

# Improved retail customer primacy and liability spread

Retail Banking current account balances (£bn)

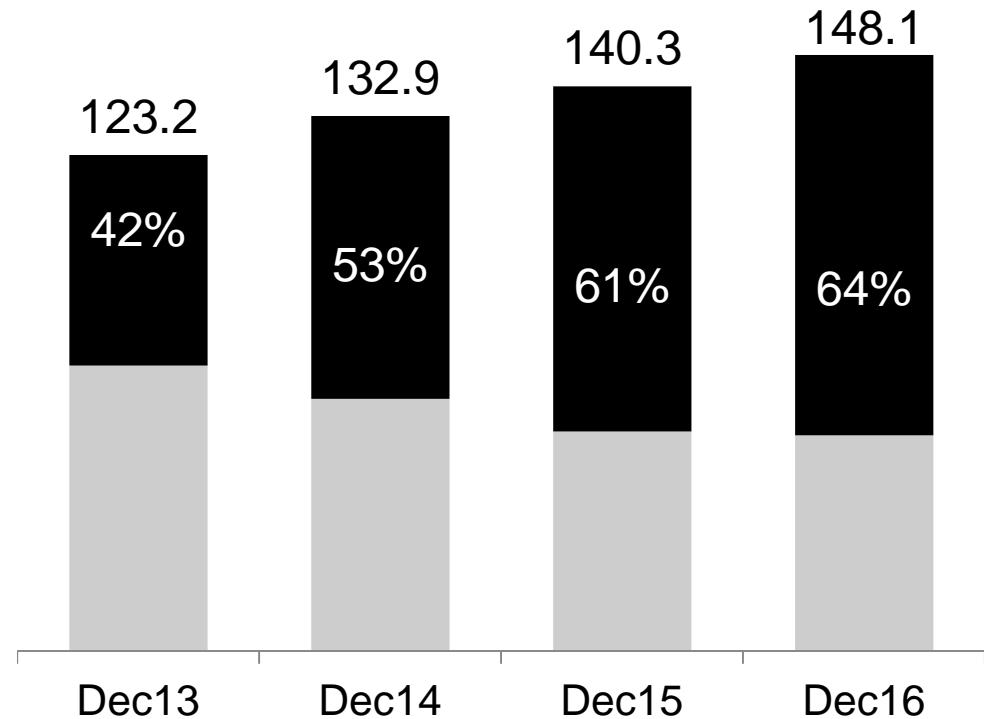


■ of which 11213 Current Account balances (adult accounts only)

Retail Banking deposits (£bn)

Deposits spread<sup>1</sup>

(1.18)%      (0.76)%      (0.63)%      (0.57)%

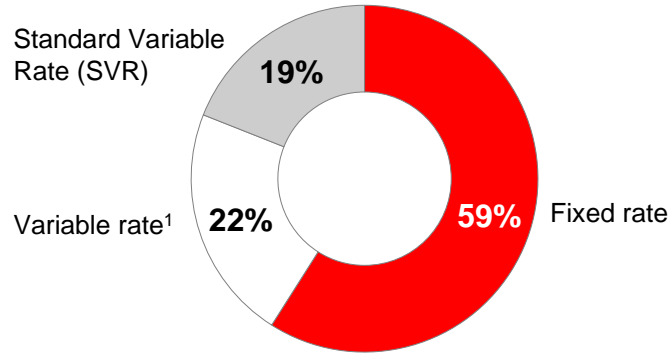


■ Banking and savings balances of customers with a primary 11213 Current Account or other primary current account

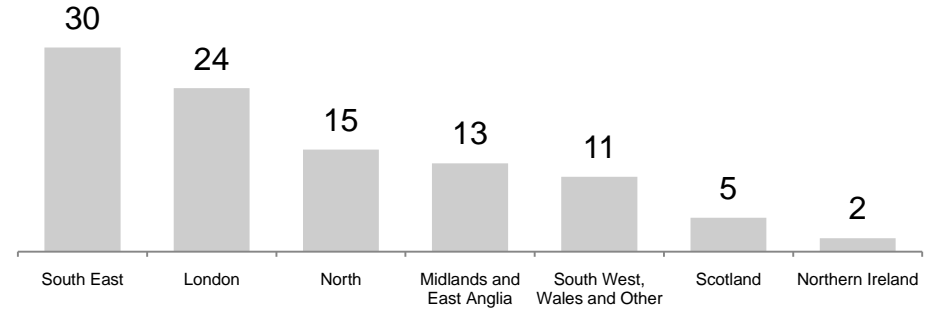
1. Retail Banking customer deposit spreads against the relevant swap rate or LIBOR. Retail Banking customer deposits include savings and bank accounts for personal and business banking customers, includes Jersey and Cater Allen

# Prime residential mortgage book of £154.3bn

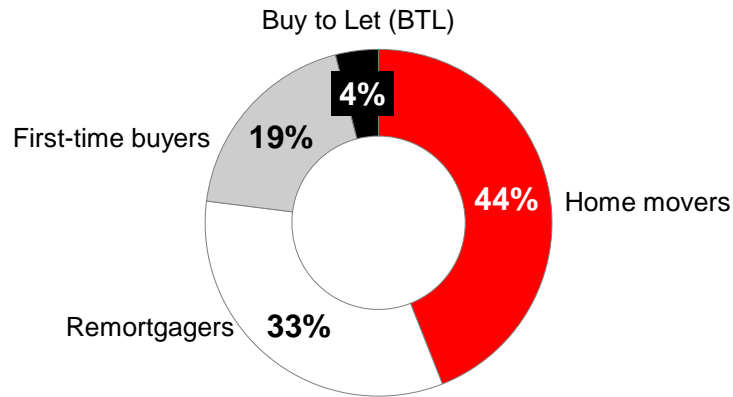
## Mortgage product profile (stock, Dec16)



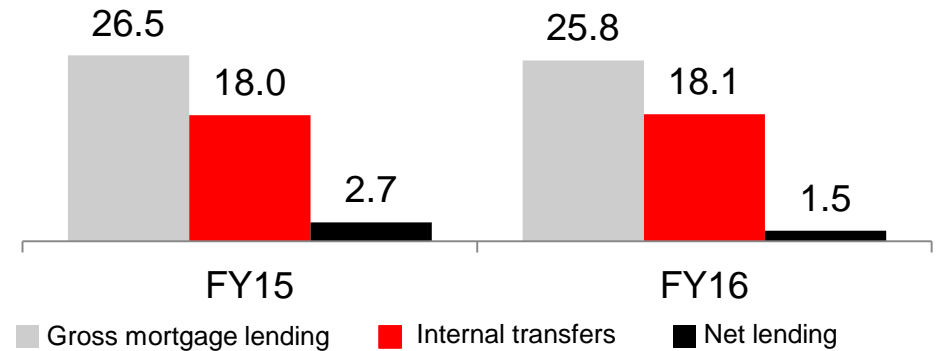
## Geographical distribution (stock %, Dec16)



## Mortgage borrower profile (stock, Dec16)



## Mortgage lending (£bn)



34% interest only mortgages (Dec15: 36%)<sup>2</sup>

c80% of maturing mortgages retained<sup>3</sup>

1. Variable rate includes tracker and base rate linked products | 2. Full interest only loans and the element of part-and-part attribution to interest only balances | 3. Refer to glossary at [www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary](http://www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary) for a full definition

# Consistently prudent mortgage lending criteria

## Mortgage loan distribution

Dec15

Dec16

### Loan size distribution (stock)

Less than £0.25m	75.0%	71.6%
£0.25m - £0.5m	19.0%	21.3%
£0.5m - £1m	5.2%	6.3%
£1m - £2m	0.7%	0.7%
Over £2m	0.1%	0.1%

### Average loan size distribution (new business)

London and South East	£248k	£264k
Rest of UK	£136k	£144k
All UK	£186k	£198k
Loan-to-income multiple <sup>1</sup>	3.10	3.16

## Loan to value (LTV)

Dec15

Dec16

### Simple average LTV<sup>2</sup>

new lending	65%	65%
stock	45%	43%

### Indexed LTV distribution (stock)

> 85% - 100%	6%	4%
> 100%	2%	1%

New lending % with LTV > 85%      16%      17%

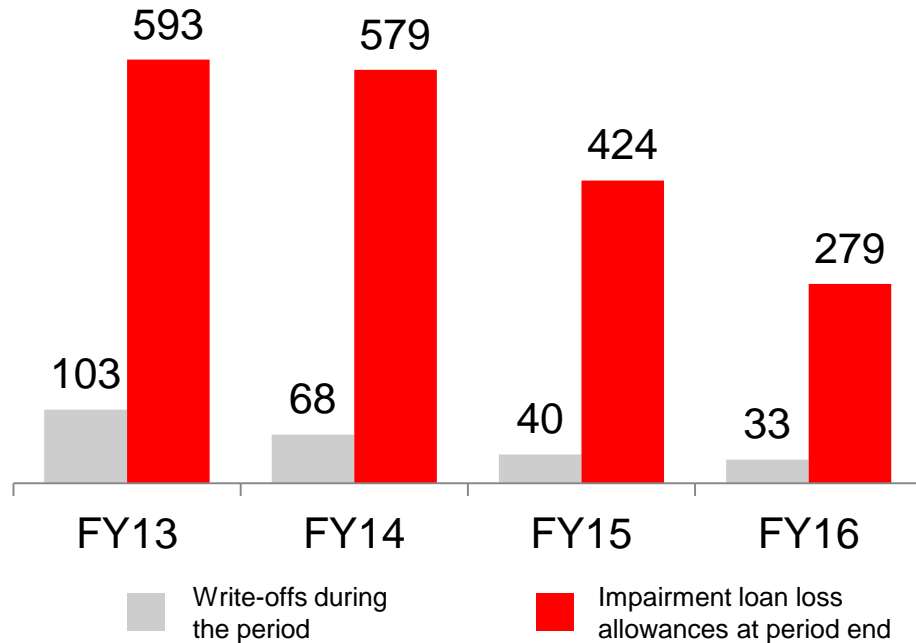
25,300 first-time buyers (£4.2bn gross lending)  
12,400 BTL mortgages (average LTV of 67%)

# Robust residential mortgage credit performance

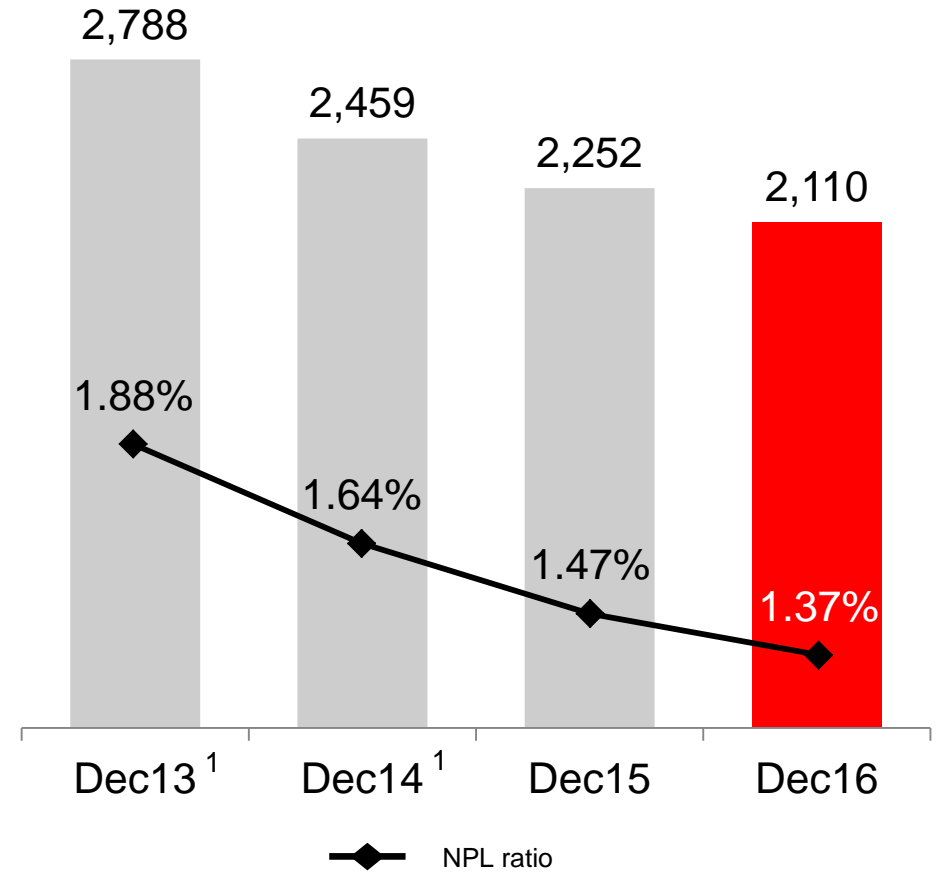
## Mortgage loan loss allowances and write-offs (£m)

### Balance (£bn)

148.1	150.1	152.8	154.3
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## Mortgage NPLs (£m)



1. Residential mortgages NPL ratio for Dec13 and Dec14 excludes PIPs

# Capturing opportunities in Consumer Finance

## Leading motor finance company in the UK...

- 7 manufacturer partners
- Collaboration with over 3,500 motor retailers
- Point of sale quotation and application system
- Assortment of 'value-added' products
- Flexible point of sale system for an extensive range of finance and related products
- Provision of stock and other dealer funding facilities

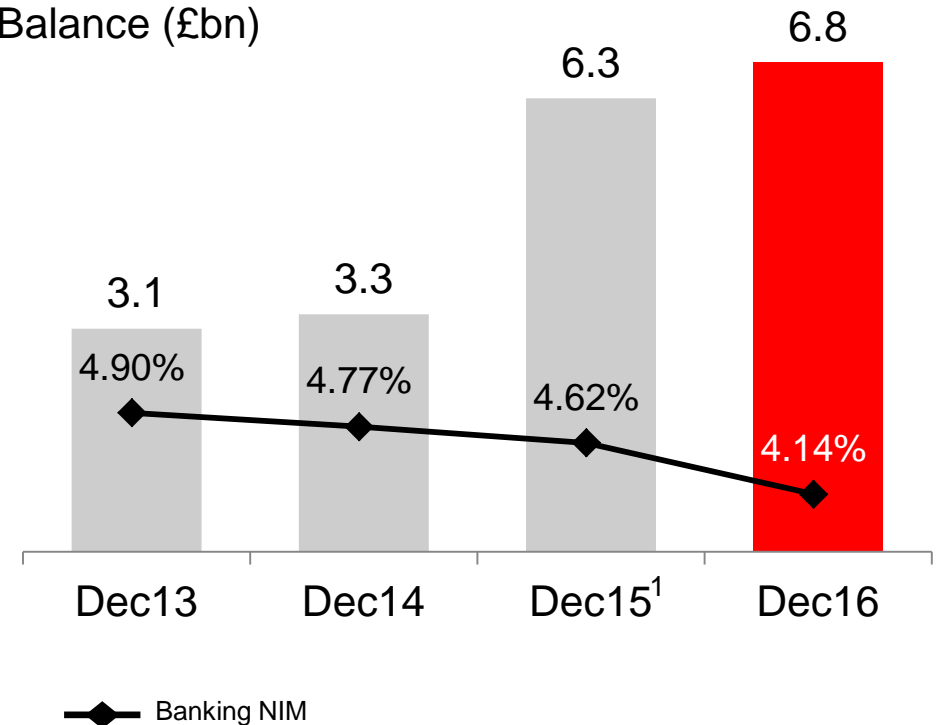


## ...with a low-risk and growing contribution

### NPL ratio (%)

0.47	0.45	0.44	0.47
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### Balance (£bn)



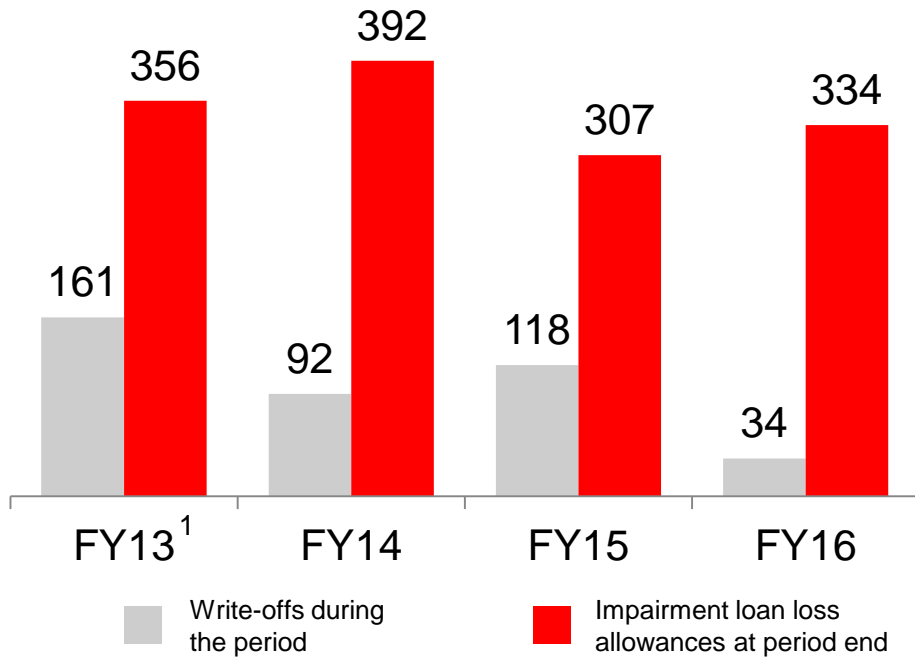
1. Consumer finance balances increased £2.7bn, following the commencement of the PSA cooperation in February 2015.

# Prudent approach in corporate lending

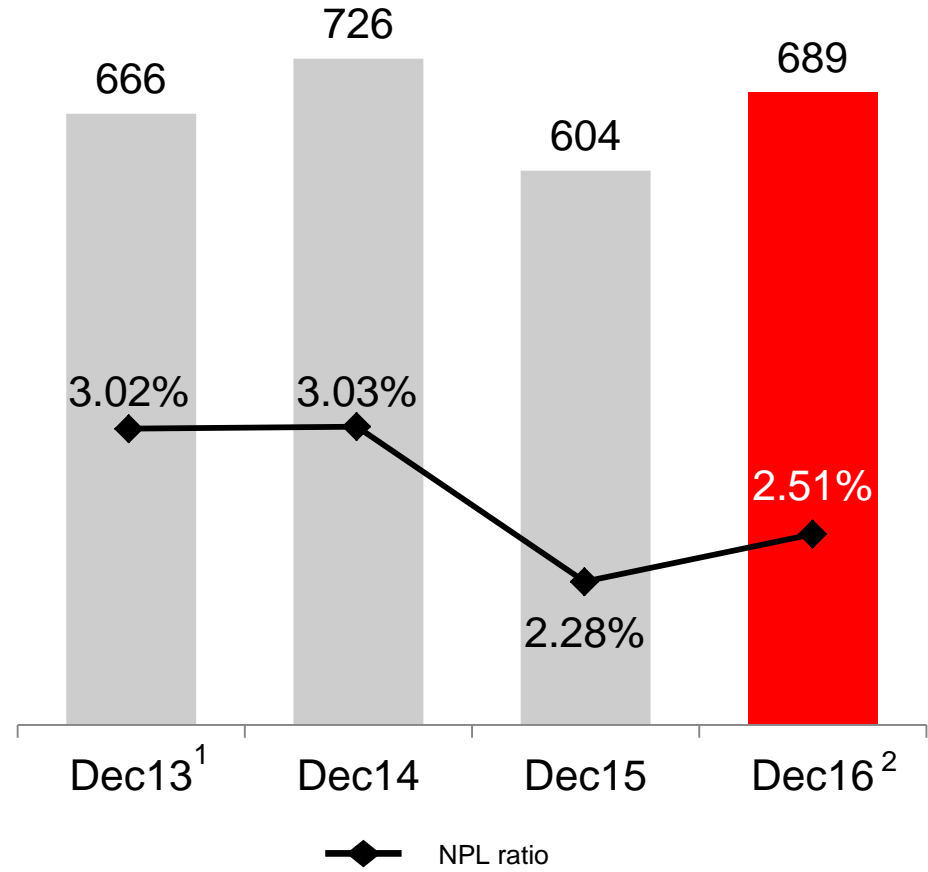
Corporate lending loan loss allowances and write-offs (£m)

Balance (£bn)

22.1      24.0      26.5      27.4



Corporate NPL (£m)



1. 2013 has not been restated to reflect changes to business segments | 2. The increase reflects a single loan in Commercial Banking and a single loan in Global Corporate Banking which moved to non-performance.



# Well diversified CRE portfolio

## Credit performance

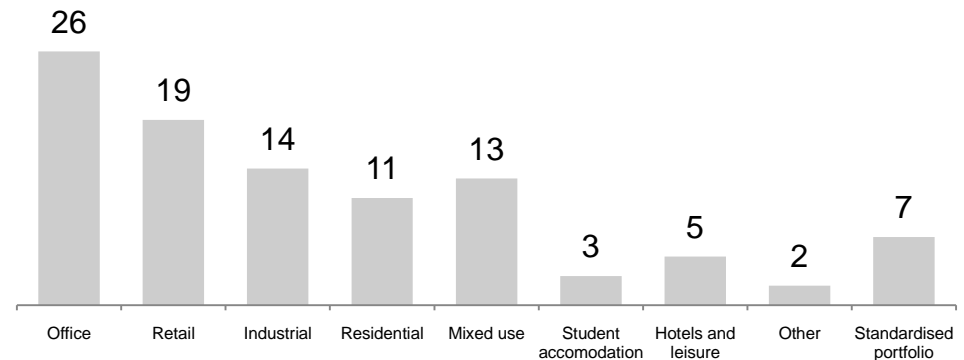
Dec15

Dec16

CRE customer loans	£9.2bn	£9.0bn
NPL ratio	1.83%	2.00%
NPL coverage ratio	43%	32%

Total committed exposure	£9.2bn	£9.0bn
Up to 70% LTV	86%	87%
70% to 100% LTV	3%	2%
> 100% LTV	-	1%
Standardised portfolio <sup>1</sup>	9%	7%
Total with collateral	98%	98%
Development loans	2%	2%
	100%	100%

## Sector analysis (stock %, Dec16)



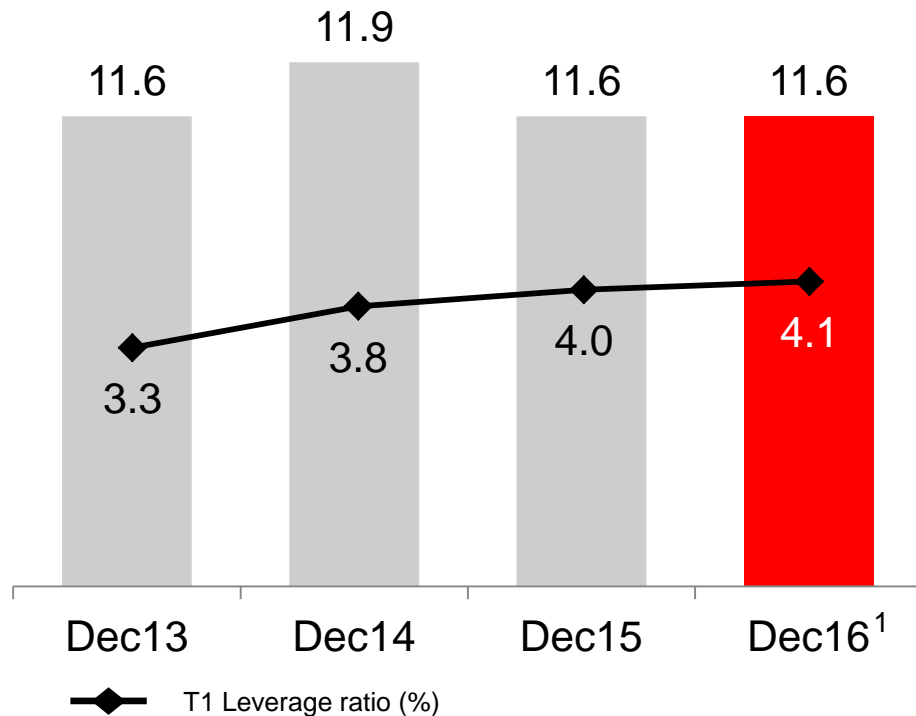
- The CRE portfolio of £9.0bn is 33% of corporate lending and 4% of total customer loans
- The portfolio is well diversified across sectors, with no significant regional or single name concentration
- Conservative approach to new lending in 2016:
  - no new business written >70% LTV
  - 95% written at or below 60% LTV
- Weighted average LTV on exposures Dec16: 50% (Dec15: 52%)<sup>2</sup>

**Strong capital, liquidity and funding position**

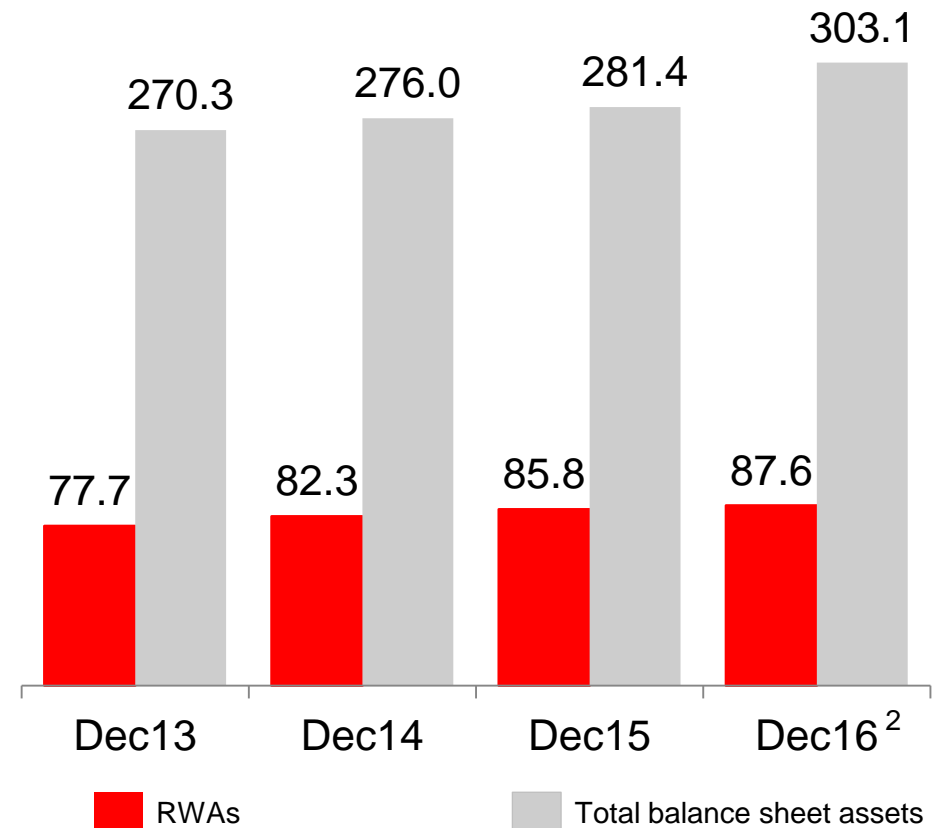
# Robust capital and leverage levels

## CET1 and T1 leverage ratio (%)

CET1 capital ratio was 11.6% with steady capital generation and RWA management, offset by long-term rates volatility on defined benefit pension schemes accounting position



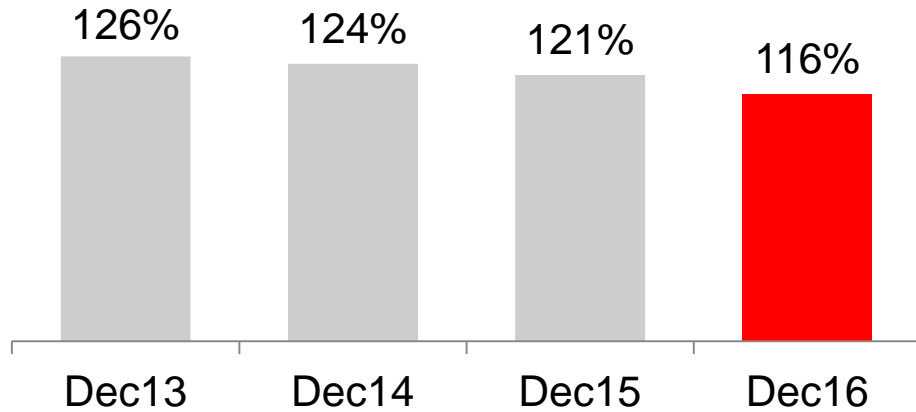
## Risk weighted assets and balance sheet assets (£bn)



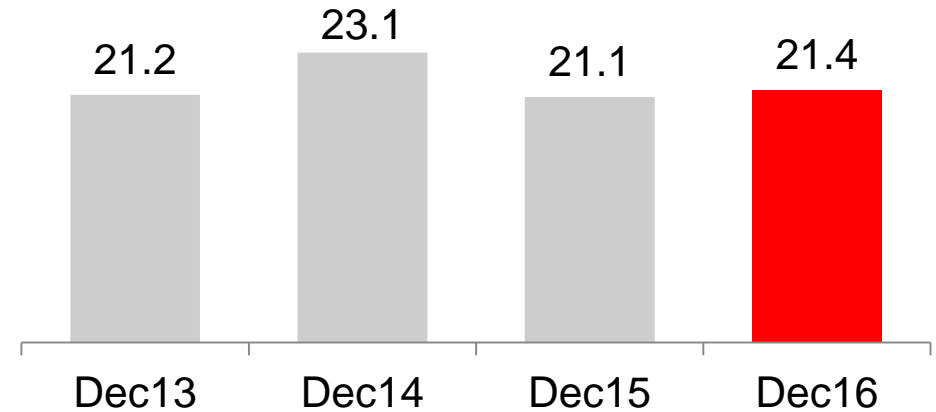
1. Dec16 leverage ratio was calculated applying the amended definition, as published in the Jul16 PRA statement. Under the previous definition, the leverage ratio would have been 3.8% | 2. The increase in total balance sheet assets reflects £20.1bn increase in assets held for liquidity purposes, a new portfolio of originated assets held to maturity and an increase in the fair value of interest rate and cross currency derivative assets as a result of market volatility

# Strong liquidity position

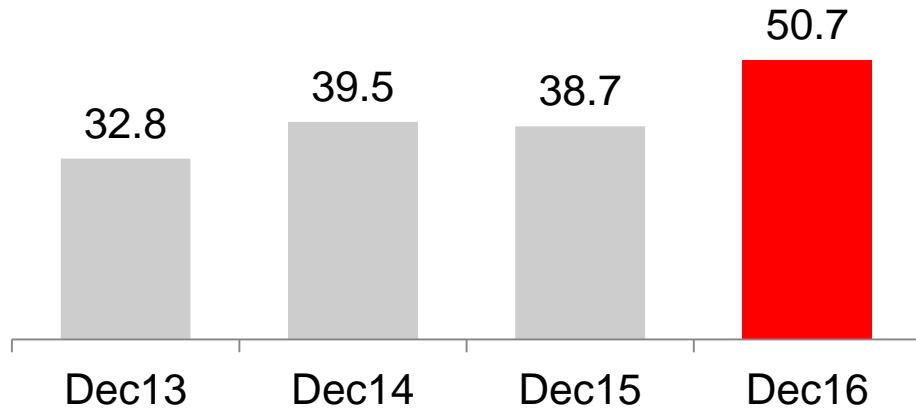
Loan-to-deposit ratio



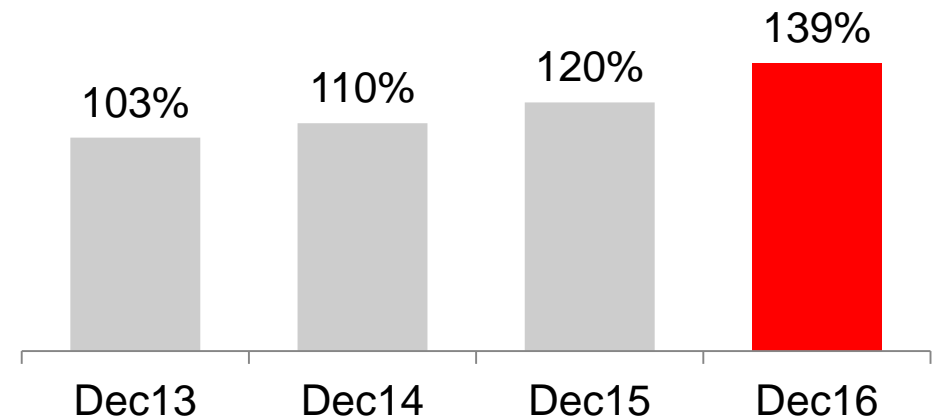
Wholesale funding with a residual maturity of less than 1 year (£bn)



LCR eligible liquidity pool (£bn)

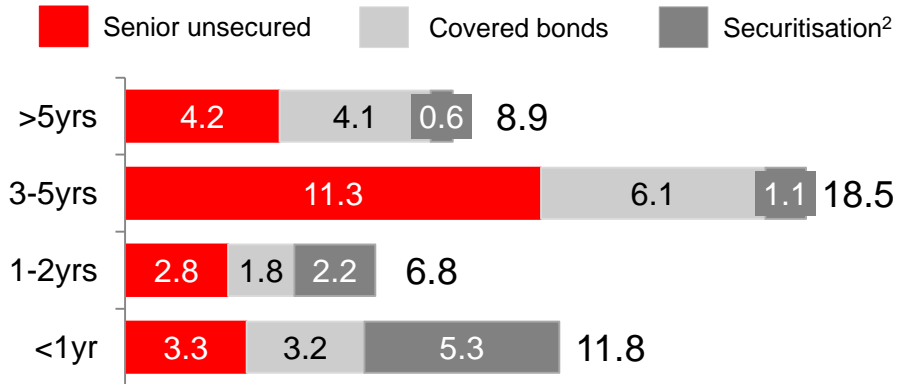


Liquidity coverage ratio (LCR)

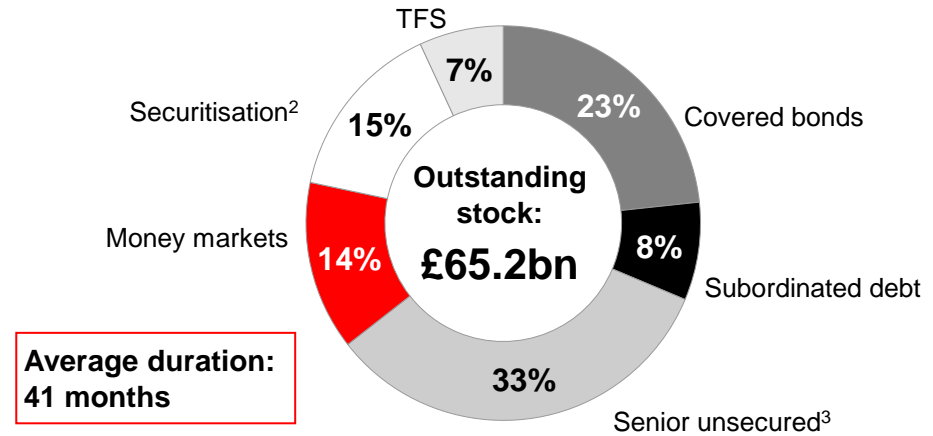


# Improved funding profile with reduced encumbrance

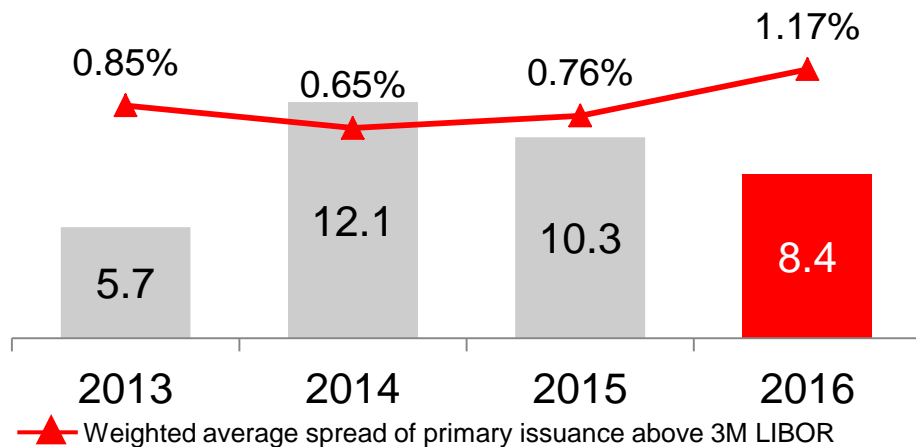
## MTF maturities (£bn, Dec16)<sup>1</sup>



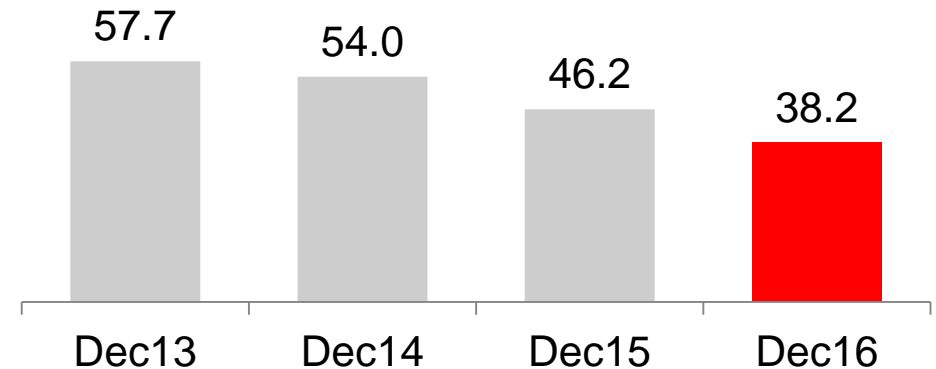
## Wholesale funding stock (Dec16)



## MTF issuance (£bn) and spread<sup>4</sup>



## Medium term funding encumbrance<sup>5</sup> (£bn)

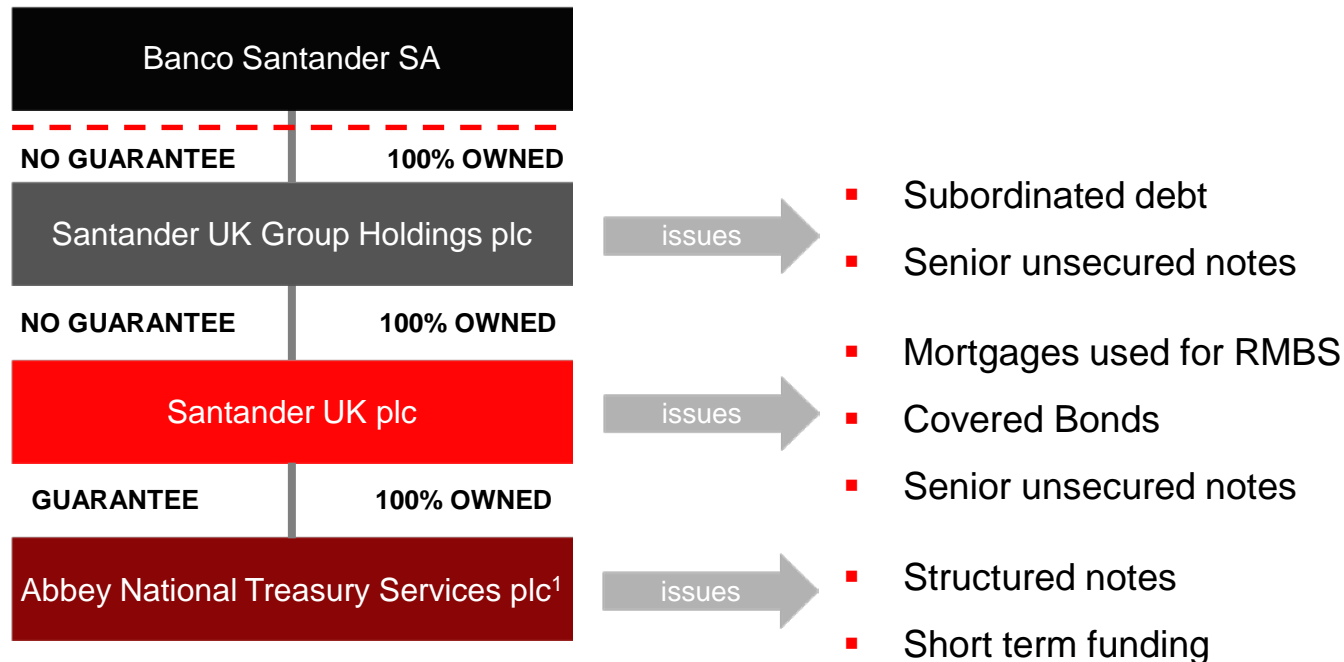


1. Includes issuances from Santander Consumer Finance UK and associated joint ventures | 2. Securitisation includes structured funding | 3. Senior unsecured includes structured notes | 4. Weighted average spread at time of issuance above GBP 3M LIBOR. Includes issuances from Santander Consumer Finance UK and associated joint ventures | 5. Mortgage encumbrance includes all mortgages assigned to Fosse, Holmes, Langton and covered bond programmes

# Existing wholesale funding issuance model

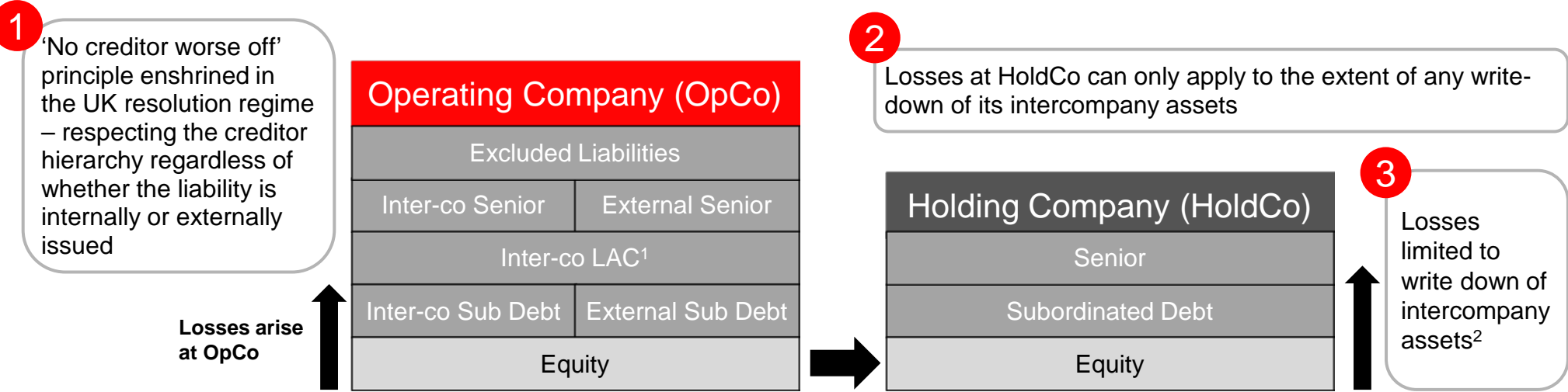
Banco Santander – multiple point of entry resolution group  
Santander UK Group Holdings plc – single point of entry resolution group

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



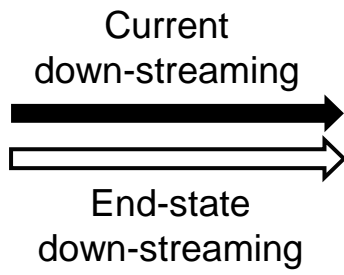
1. As Abbey National Treasury Services plc (ANTS) will no longer constitute the non ring-fenced bank. Its activities will be revised as part of the new ring-fencing model.

# UK resolution regime; transparent HoldCo downstream model



Under the end-state MREL / TLAC regime HoldCo senior unsecured debt will be down-streamed in a form that is subordinated to OpCo senior unsecured debt but senior to subordinated capital instruments

Santander UK Group Holdings plc	
Senior - £5.3bn <sup>3</sup>	
T2 - £1.2bn <sup>3</sup>	
AT1 - £1.55bn	



Santander UK plc	
Senior - £5.3bn <sup>3</sup>	OpCo Senior
Internal MREL	
T2 - £1.2bn <sup>3</sup>	Legacy T2
AT1 - £1.55bn	Legacy T1

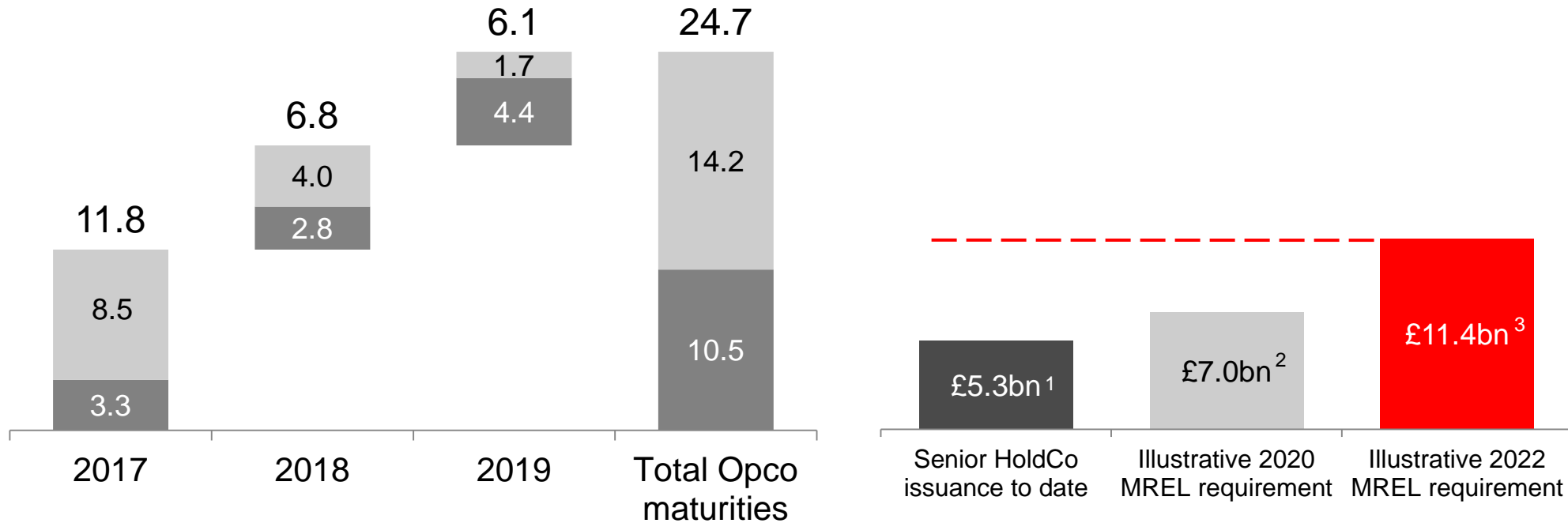
1. Inter-co Loss Absorbing Capacity (LAC) may require terms to be included in the intercompany trade to make it subordinated to non LAC senior liabilities | 2. The write-down of the intercompany assets will be determined by the relevant authority following valuations conducted per BRRD Art 36 | 3. Includes issuances up to 20 January 2017. GBP equivalent at 20 January 2017



# Well placed to meet end-point MREL requirement

■ Secured OpCo MTF maturities (£bn)

■ Unsecured OpCo MTF maturities (£bn)

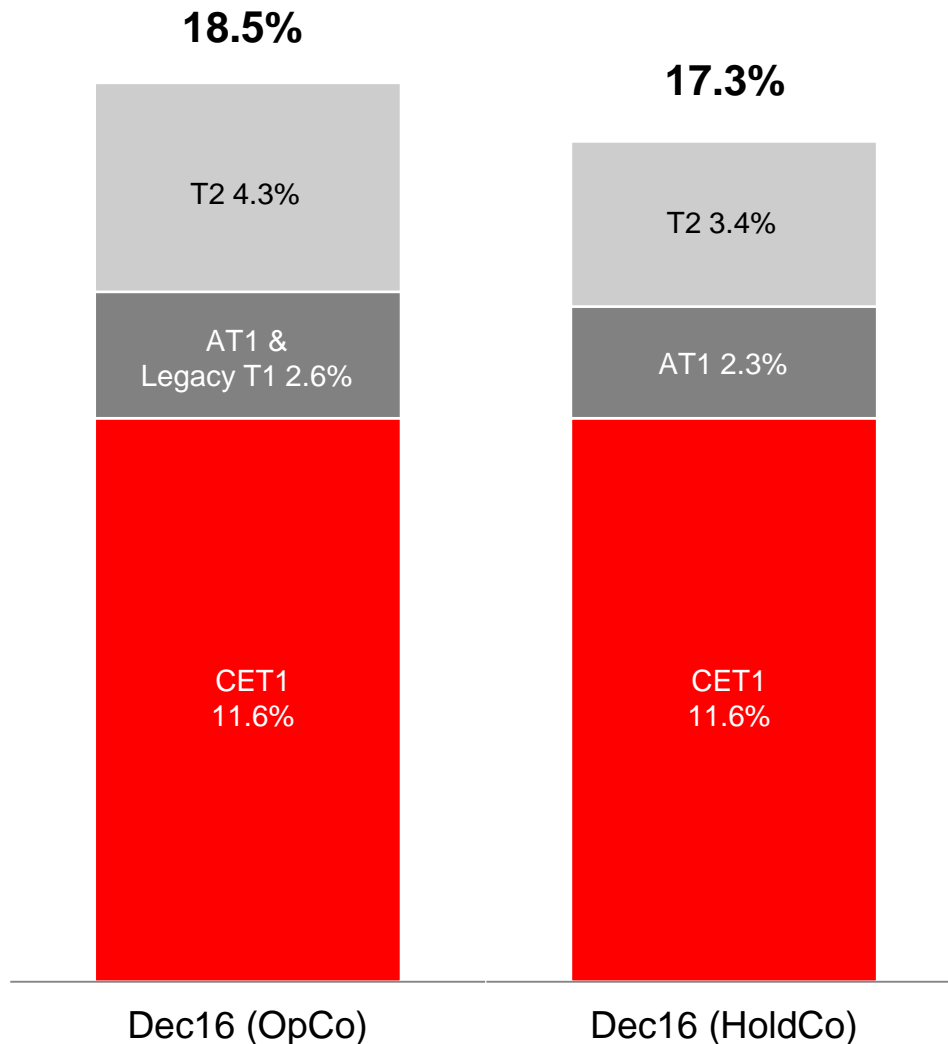


- BoE MREL requirements over and above regulatory capital minimum (recapitalisation amount) to apply from 1 Jan 2020, with transitional implementation
- The majority of our MREL recapitalisation requirement to be met through gradual refinancing of existing OpCo maturities. It will not be additive to wholesale funding requirements

1. Includes issuances up to 20 January 2017. GBP equivalent at 20 January 2017 | 2. £7.0bn represents 2x Pillar 1 and 1x Pillar 2A in terms of January 2017 Pillar 2A requirements | 3. £11.4bn represents 2x Pillar 1 and 2x Pillar 2A in terms of January 2017 Pillar 2A requirements



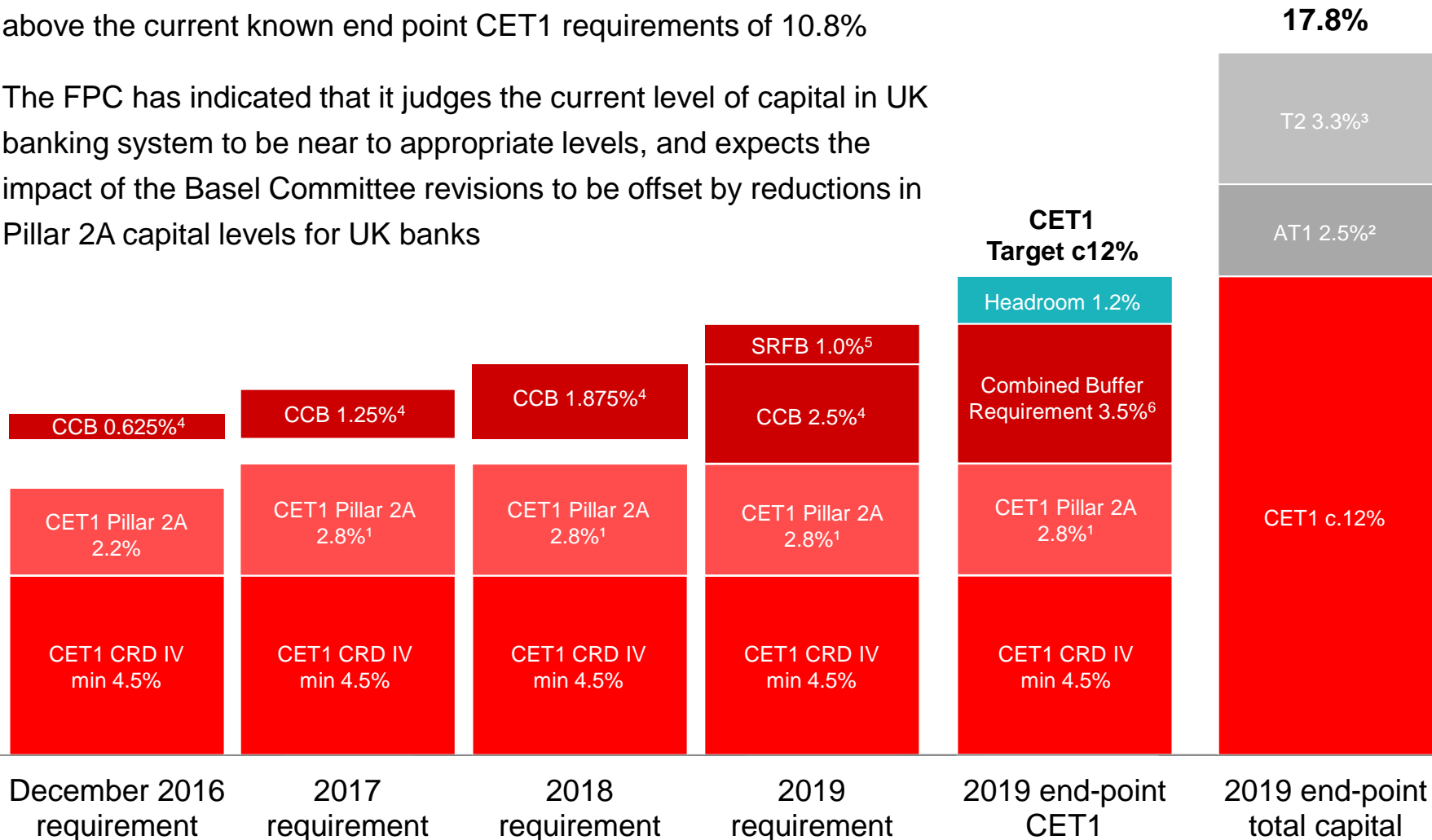
# Well placed to meet end-point capital requirement



- 18.5% of RWAs is the total subordination available to OpCo senior unsecured and downstreamed HoldCo senior unsecured bondholders
- 1.8% of the 2.3% HoldCo AT1 resources and 1.4% of the 3.4% HoldCo T2 resources was issued directly from HoldCo
- HoldCo and OpCo total capital difference is driven by the recognition of minority interests, as at December 2016 there was a 0.3% T1 and 0.9% T2 minority interest deduction at HoldCo
- At 31 December 2016, Santander Group Holdings plc had £4.2bn of distributable reserves

# Well placed to meet end-point capital requirement

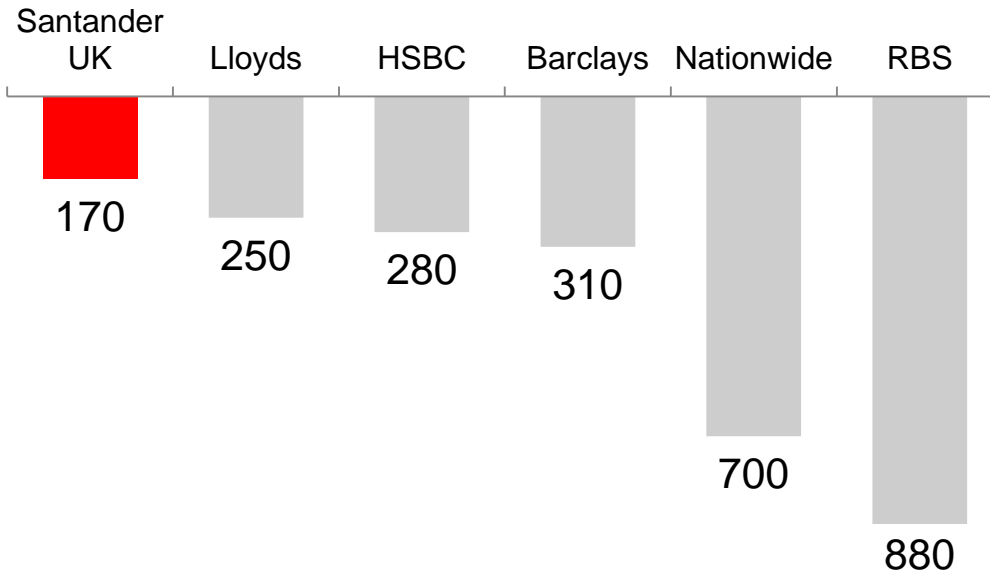
- Santander UK has a end 2018 target CET1 ratio of c12%, comfortably above the current known end point CET1 requirements of 10.8%
- The FPC has indicated that it judges the current level of capital in UK banking system to be near to appropriate levels, and expects the impact of the Basel Committee revisions to be offset by reductions in Pillar 2A capital levels for UK banks



1. Santander UK's Pillar 2A requirement was 5.0% at 1 January 2017, Pillar 2A guidance is a point in time assessment | 2. Current minimum AT1 regulatory requirement is Pillar 1 1.5% and Pillar 2A 0.95% | 3. Current minimum T2 requirement is Pillar 1 2.0% and Pillar 2A 1.25% | 4. 2.5% capital conservation buffer phased in from 2016-2018 | 5. 1% systemic risk buffer (note this applicable from 2019 for the ring-fence bank). | 6. Combined Buffer Requirement of 3.5% is made up of a 2.5% capital conservation buffer, a 1% systemic risk buffer. On 30 November 2016, the FPC reaffirmed that it expects to maintain a UK Countercyclical buffer rate at 0% until at least June 2017, in the absence of any material change in the economic outlook.

# 2016 PRA stress test - most resilient of UK banks

## CET1 drawdown (bps)<sup>1</sup>



## Santander UK results

- Significantly exceeded the PRA's stress test CET1 threshold requirement of 7.3%, with a stressed CET1 ratio of 9.9%
- Exceeded the leverage threshold requirement of 3.0%, with a stressed leverage ratio of 3.6% after allowed management actions
- The outcome of the stress test underlines the quality and strength of our UK-based balance sheet as well as our strong risk management practices

## 2016 PRA stress test assumptions

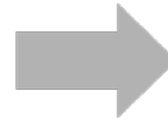
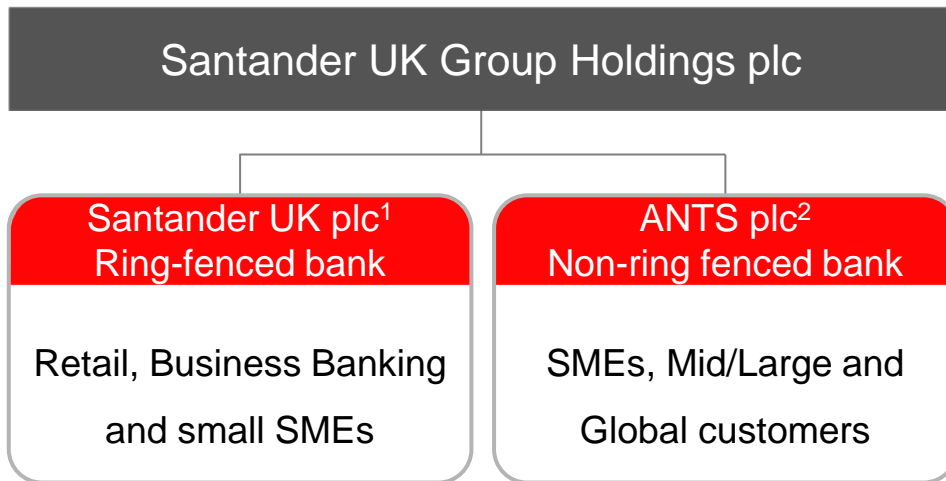
2016 GDP growth	(4.3)%
Unemployment rate	9.5%
Inflation	(0.2)%
House price inflation	(31)%
Base rate	0%

- Focused on the resilience of UK banks to a synchronised downturn in global economies, particularly those in developing markets
- Included a severe UK property market stress scenario, and rising unemployment
- Conduct and market risk stresses were layered on top of the economic stress

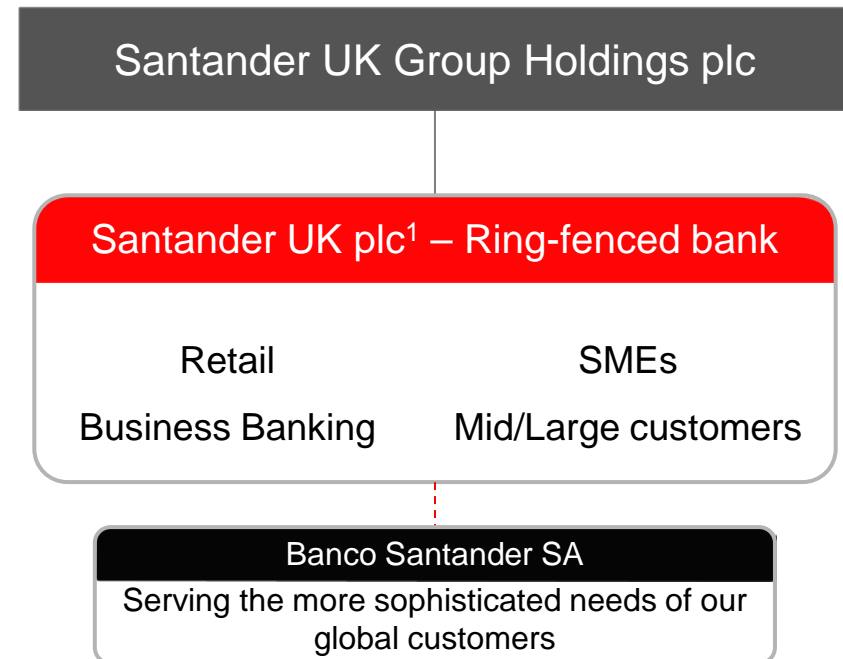
1. Source: Bank of England, Stress testing the UK banking system: 2016 results. CET1 drawdown is defined as CET1 ratio as at Dec15 less minimum stressed ratio (after the impact of 'strategic' management actions and conversion of AT1)

# Revised ring-fence model

## 'Narrow' ring-fence model



## 'Wide' ring-fence model



The Board of Santander UK recently approved a revised business model and legal entity structure, which provides greater certainty for our customers while ensuring minimal disruption. This also maintains longer term flexibility and leads to lower overall programme implementation cost with the migration now impacting fewer customers.

Implementation remains subject to regulatory and court approvals and various other authorisations.

1. Our revised plan is for Santander UK plc to be the legal entity for our ring-fenced bank. | 2. Abbey National Treasury Services plc (ANTS) will no longer constitute the non ring-fenced bank. Its activities will be revised as part of the new ring-fencing model.

# Credit ratings – January 2017

		S&P	Moody's	Fitch
<b>Santander UK Group Holdings plc</b>	Senior unsecured outlook	BBB stable	Baa1 negative	A positive
<b>Santander UK plc</b>	Senior unsecured outlook	A negative	Aa3 negative	A positive
	Short-term	A-1	P-1	F-1
	Standalone rating	bbb+	a3	baa1

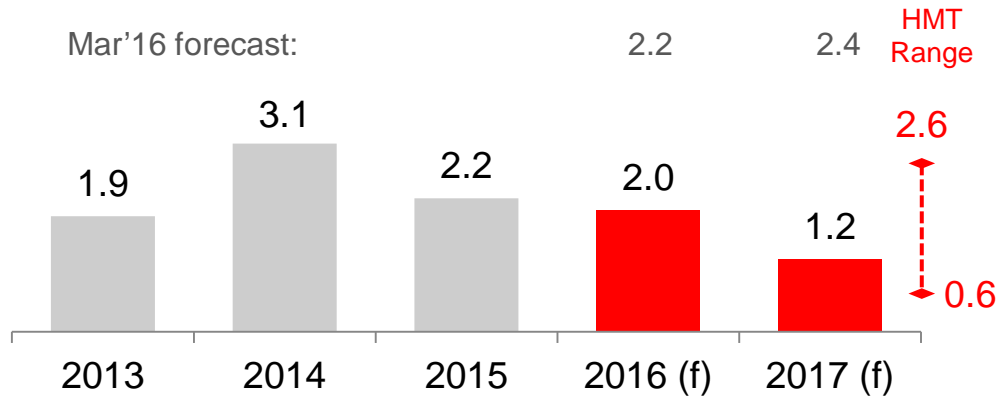
Ratings outlook on most major UK banks operating companies impacted by the UK referendum on EU membership:

- Moody's upgraded the long-term rating for Santander UK plc to Aa3. Outlook changed to negative from stable due to Moody's expectation of a prolonged period of uncertainty for the UK following the referendum
- S&P affirmed the long-term rating for Santander UK plc at A. Outlook changed to negative from stable
- Fitch affirmed the long-term credit rating for Santander UK plc to A with a positive outlook in May16

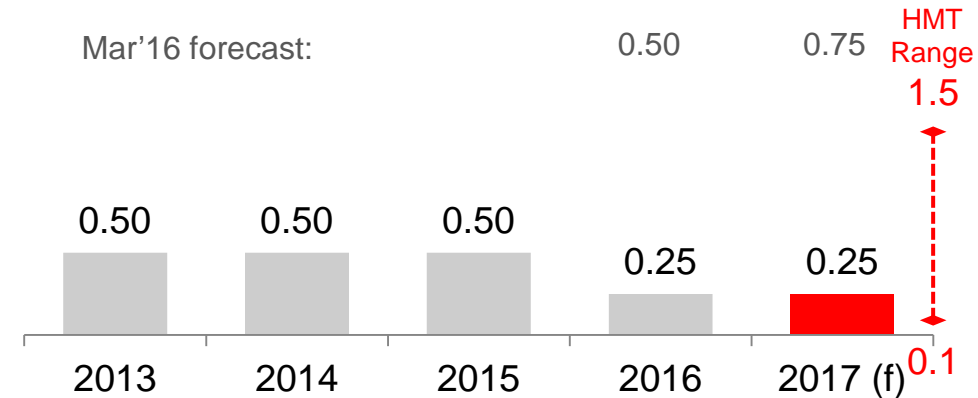
## UK economic outlook

# Uncertain UK economic outlook

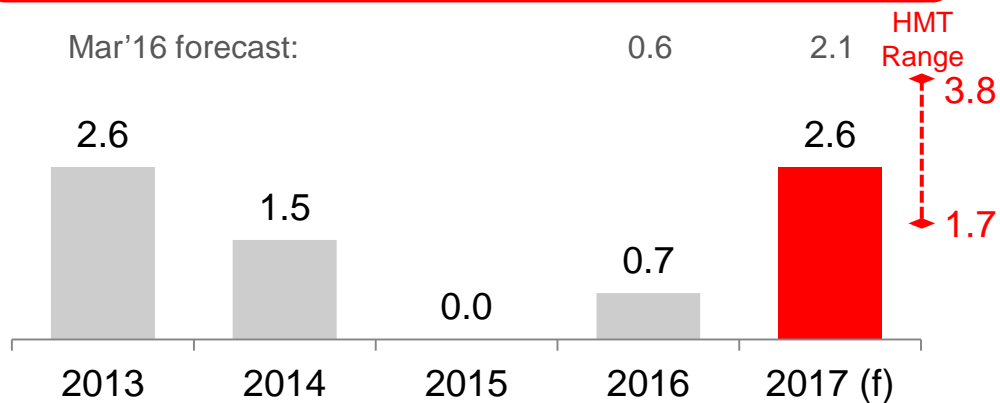
## Annual GDP<sup>1</sup> growth (% , annual average)



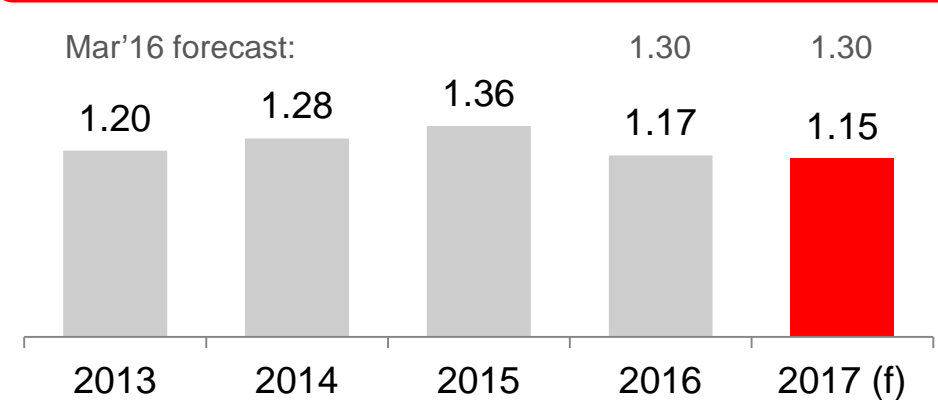
## Bank of England base rate (% , year end)



## Annual CPI<sup>2</sup> inflation rate (% , annual average)

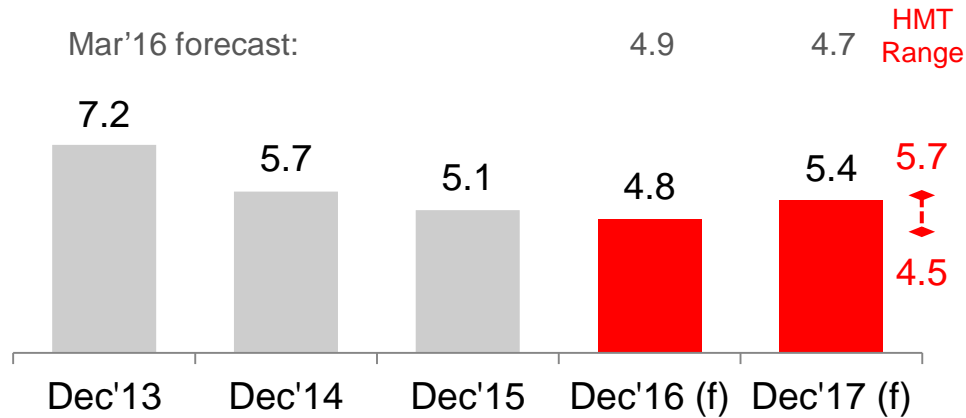


## GBP/Euro exchange rates (year end)

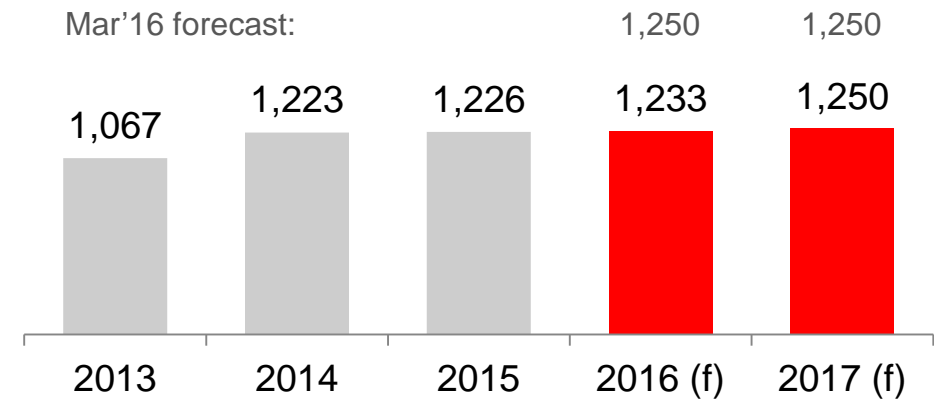


# Housing and labour markets could come under pressure

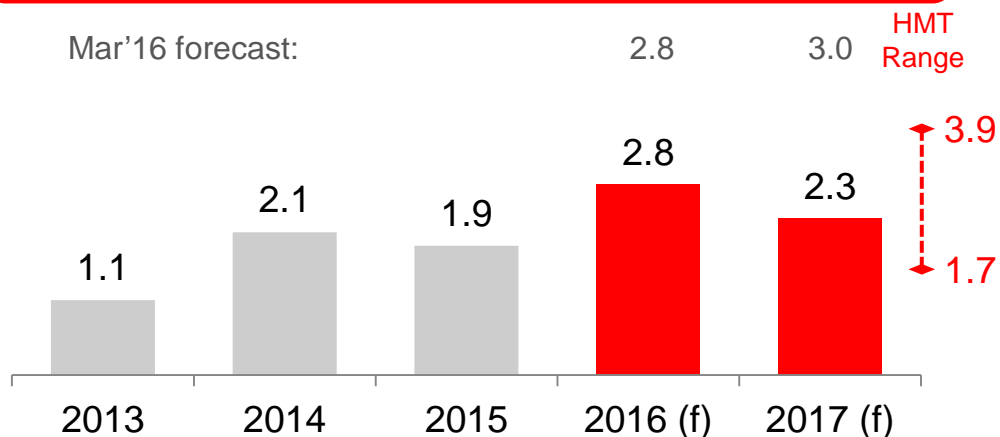
## Unemployment rate (ILO<sup>1</sup>)



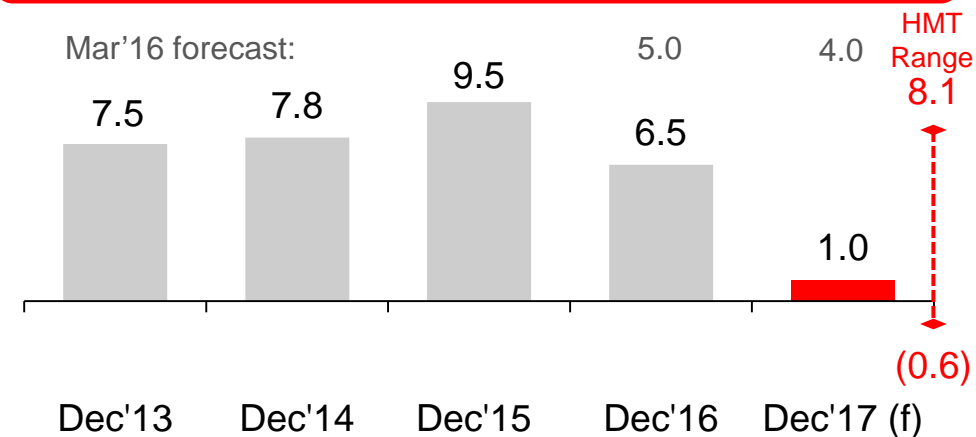
## Property transactions (sa<sup>2</sup>, oos)



## Average weekly earnings (annual, % inc. bonuses)



## House prices<sup>3</sup> (%)



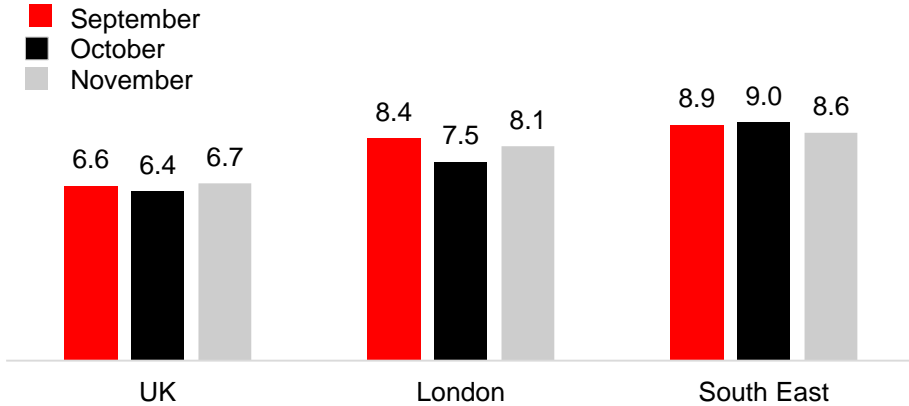
Source: Office for National Statistics and Bank of England. 2016 (f) and 2017 (f) are forecasts by Santander UK (November 2016). Dec16 (f) unemployment rate and 2016 (f) average weekly earnings forecasts are Nov2016 actual figures. External forecast ranges from HMT Treasury Consensus January 2017. Only forecasts made in the latest 3 months (Nov, Dec and Jan) have been included in the high / low range.

1. International Labour Organisation | 2. Seasonally adjusted | 3. Halifax house prices (Source: IHS Markit)

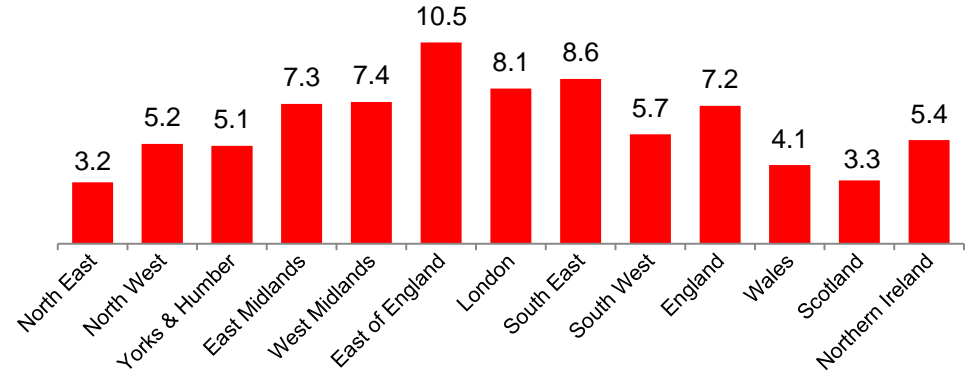


# Housing market expected to slow in H216

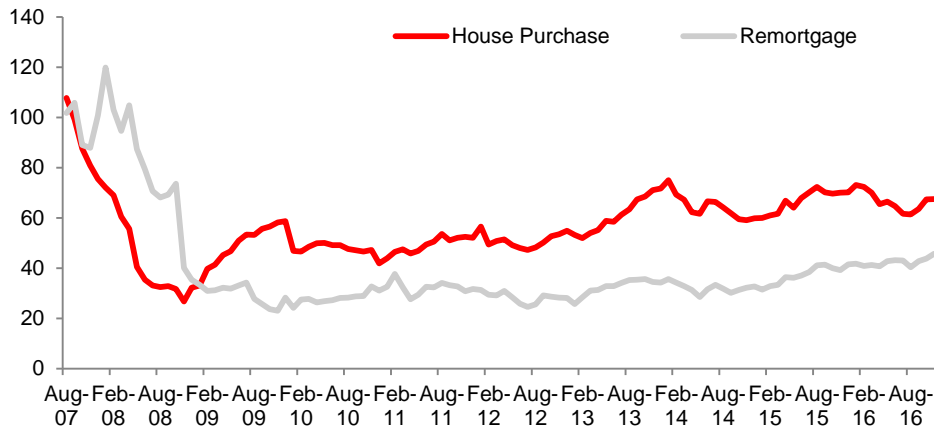
House price change  
(annual %, nsa<sup>1</sup>)



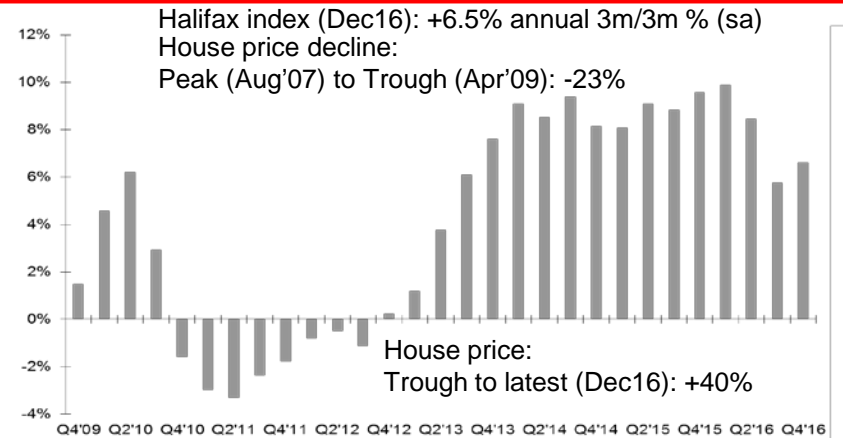
House price change by region  
Nov16 (annual %, nsa<sup>1</sup>)



House purchase and remortgage approvals  
(000s, sa<sup>2</sup>)



House price inflation  
(annual %, sa<sup>2</sup>)



Sources: House price change and House price change by region Nov16 (annual %, nsa): Office for National Statistics. House purchase and remortgage approvals to Nov16 (000s, sa): Bank of England. House price inflation (annual %, sa): Halifax (IHS Markit)  
1. nsa: not seasonally adjusted | 2. sa: seasonally adjusted



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[www.aboutsantander.co.uk](http://www.aboutsantander.co.uk)

- **Results and Presentations**

Quarterly, half yearly and annual financial results and presentations

- **Debt Investors**

Funding information and details of the covered bond, securitisation and other debt issuance programmes

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- **Glossary**

A glossary of the main terms is available at: [www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary](http://www.santander.co.uk/uk/about-santander-uk/investor-relations-glossary)

- **Key dates<sup>1</sup>**

Q117 results: 26 April 2017

Q217 results: 27 July 2017

Q317 results: 26 October 2017

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1. Indicative, dates subject to change.

