Santander UK Group Holdings plc

Investor Update

for the twelve months ended 31 December 2023

January 2024

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Overview

- Supporting our customers with a range of products and initiatives
- Continued investment in our network with ongoing branch refurbishment and new Work Cafés
- Prudent approach to risk delivering good returns through the cycle
- Resilient balance sheet with strong capital, liquidity and funding
- Benefit from synergies being part of a global banking group

UK's 5th largest retail and commercial bank

14 million
active UK customers

7 million
digital customers[1]

444 branches
across the UK

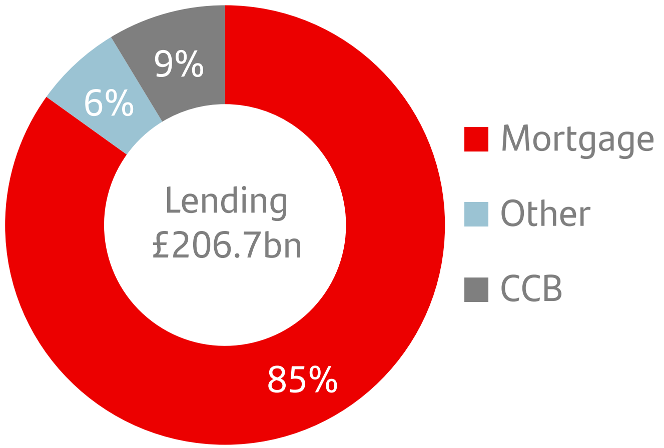
FY23 financial overview

2.20%
Banking NIM
(2022: 2.06%)

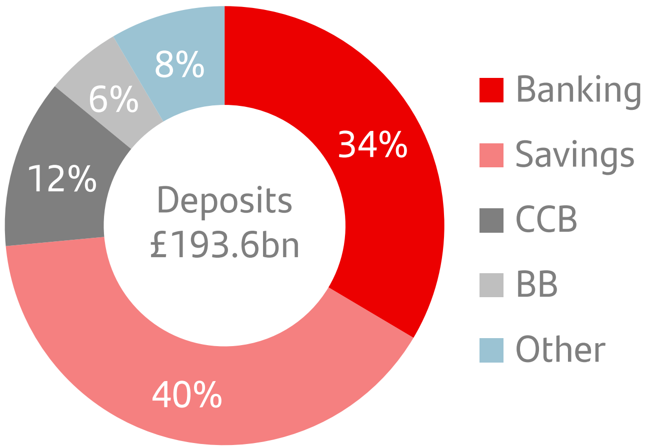
£2,149m
Profit before tax
(2022: £1,894m)

14.4%
Return on Tangible Equity
(2022: 12.0%)

Customer lending[2]



Customer deposits[3]



Note:
1. Users who have logged on in last month
2. Other includes Business Banking, unsecured retail lending, Consumer Finance and Corporate Centre
3. BB is Business Banking. Other includes Cater Allen, Investment & Pensions and Corporate Centre

Consistent delivery of strong returns

- Banking NIM increase largely driven by higher base rates and balance sheet management
- RoTE improved reflecting increased income, partly offset by higher costs
- CET1 capital ratio and UK leverage ratio well above regulatory requirements

Key metrics	2019	2020	2021	2022	2023
Banking NIM (%)[1]	1.64	1.63	1.92	2.06	2.20
CIR (%)[1]	61	63	56	47	48
Cost of risk (bps)	11	31	(11)	15	10
RoTE (%)[1]	5.6	3.4	11.2	12.0	14.4
CET1 capital ratio (%)	14.3	15.2	15.9	15.2	15.2
Leverage ratio (%)	4.7	5.1	5.2	5.2	5.1
LCR (%)[2]	142	150	166	163	162
Stage 3 ratio (%)	1.15	1.42	1.43	1.24	1.49

Note:
1. Non IFRS measure. See Appendix 1 of QMS for each year for details
2. Liquidity metrics reported for Santander UK, our Holding Company following adoption of CRR2 regulation from 2022

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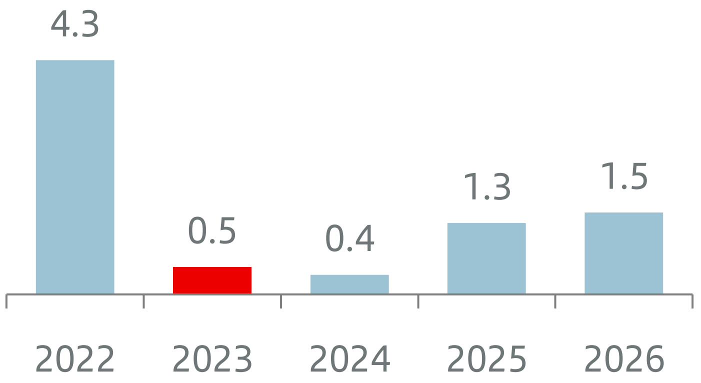
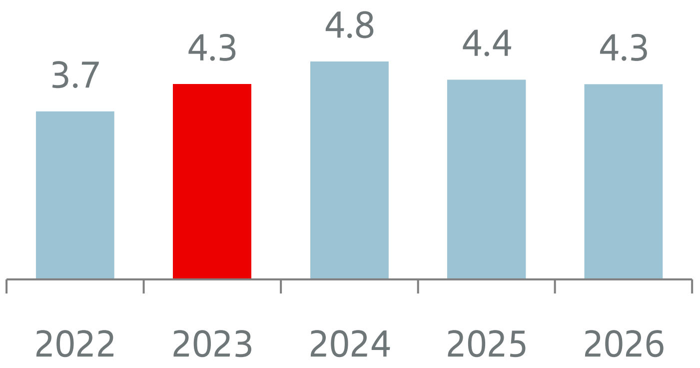
UK economic performance and outlook

- Another year of slow growth expected in 2024
- Inflation showed signs of easing in H2-23, and is expected to fall further towards target over 2024
- Consumer spending continues to be impacted by cost of living pressures and higher borrowing costs

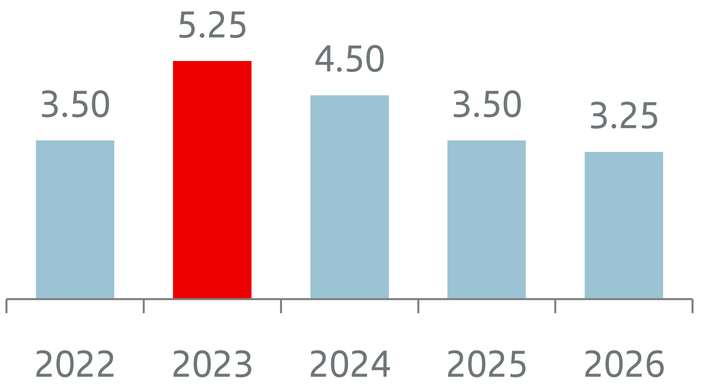
GDP[1] (%)



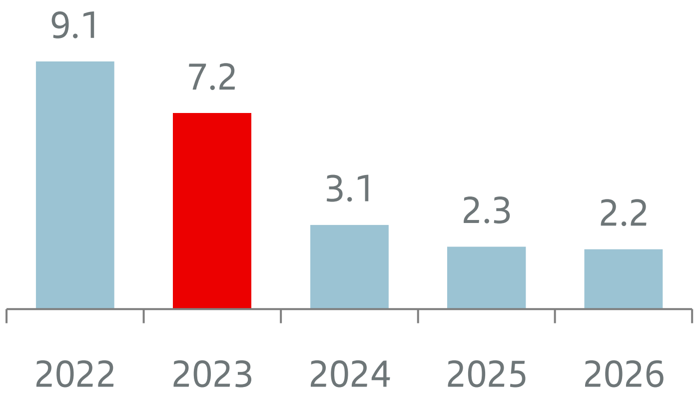
Unemployment[2] (%)



Base rate[2] (%)



CPI[3] (%)



Note:
1. Calendar year annual growth rate
2. At 31-Dec for each period
3. Consumer Price Index annual average

All forecasts are Santander UK base case.

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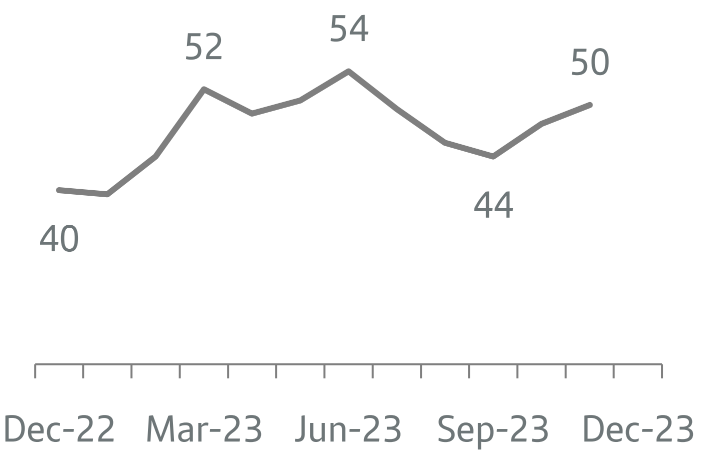
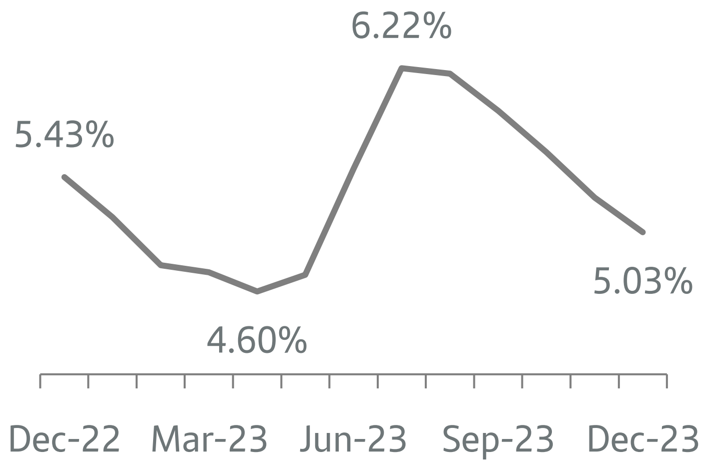
Housing market update

- UK housing market showed some signs of recovery in Q4-23, as mortgage rates and inflationary pressures began easing
- Mortgage approvals have remained below 2022 levels
- Modest 0.8% decline in HPI in 2023. Improvement on 9M-23 forecast of 7.0% decline following favourable data releases
- We expect another modest decline to house prices of 1% in 2024

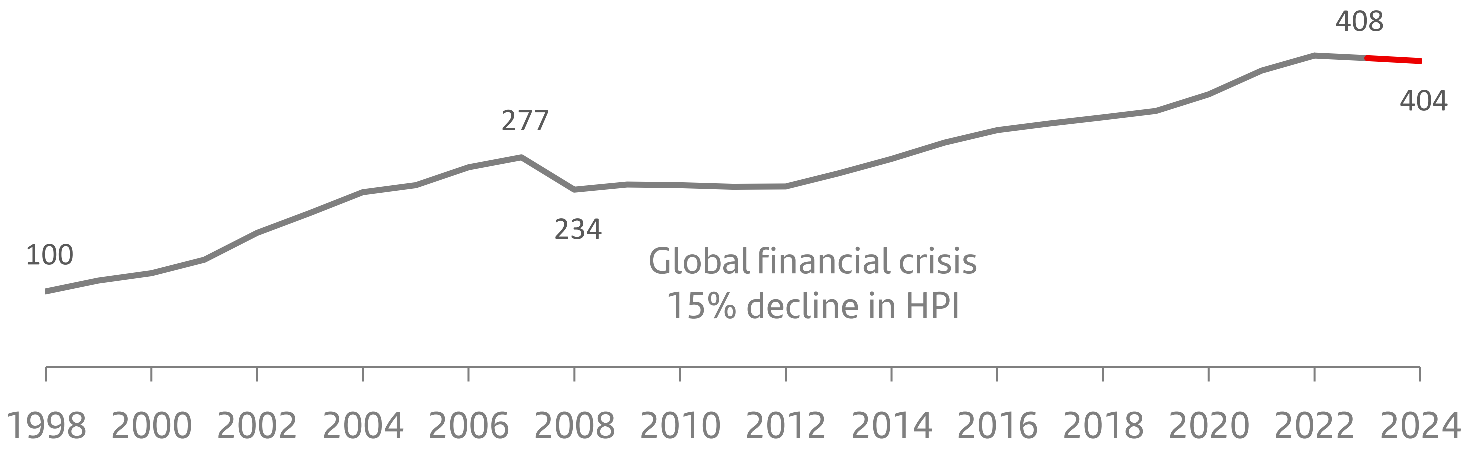
Approvals for house purchases[1] ('000)



Quoted mortgage rates[2] (%)



Halifax HPI[3, 4]

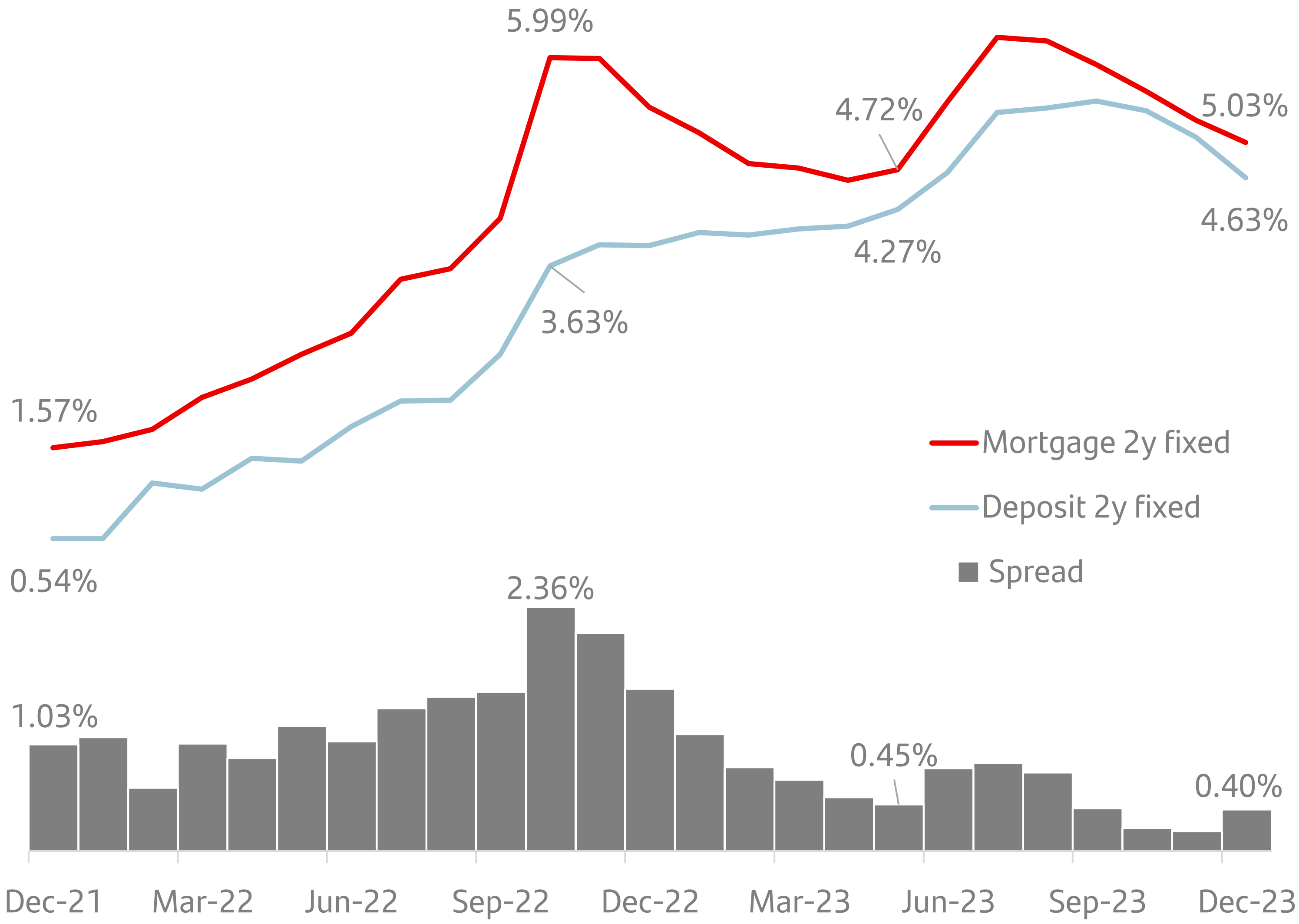


Note:
1. Number of Total Sterling Approvals for House Purchase to Individuals
2. Bank of England quoted 2 Year (75% LTV) Fixed Rate Mortgage
3. Halifax HPI Data Rebased at 1998. Santander UK forecast shown in red
4. 1% decrease for 2024 is San UK current HPI forecast

Compressed new business margins following sharp increase in policy rate

- New business rates for mortgages have started to ease through H2-23
- Term deposit acquisition rates have started to decrease slowly
- Competition for deposits remained high and funding costs increased notably this year

Quoted market interest rates and spread[1] (%)



Note:
1. Source: Bank of England. United Kingdom, Mortgage Lending Rates, Interest Rate of UK Monetary Financial Institutions (Excluding Central Bank) Sterling 2 Year (75% LTV)

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Consistent results with sustained high performance

- Profit before tax up 13%
- Net interest income up 4%, largely due to the impact of higher base rates
- Operating expenses up 5%, as inflationary pressures on costs were only partially offset by efficiency savings from the transformation programme
- Credit impairment charges down 36%, following an improved macroeconomic outlook

Income statement (£m)	FY22	FY23	Var #	Var %
Total operating income	5,006	5,176	170	3%
Operating expenses	(2,370)	(2,485)	(115)	5%
Credit impairment losses	(321)	(206)	115	(36%)
Provisions	(421)	(336)	85	(20%)
Profit before tax	**1,894**	**2,149**	**255**	**13%**

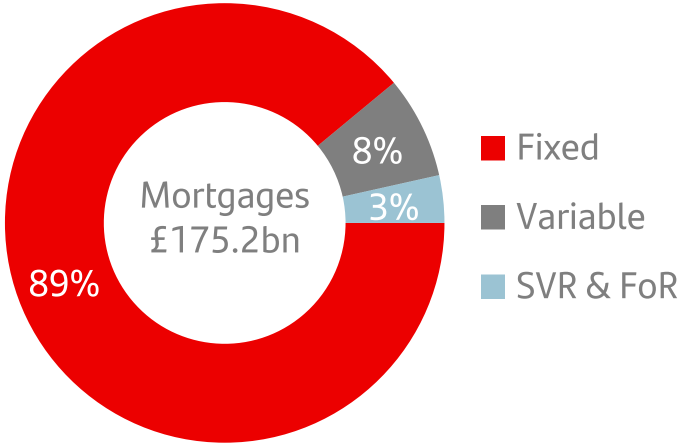
Other key metrics	FY22	FY23	Var #	Var %
Banking NIM (%)[1]	2.06	2.20	14bps	n/a
Customer Deposits (£bn)	196.5	193.6	(2.9)	(1%)
Customer Lending (£bn)	219.7	206.7	(13.0)	(6%)

Note:
1. Non IFRS measure. See Appendix 1 of QMS for each year for details

Prime UK mortgage book

- Stock LTV of 51% and new business LTV of 66%
- Average new loan size: £228k (2022: £237k)
- 77% of mortgages reaching the end of their incentive period were retained[1]
- BTL remains a small portion of the mortgage book at 9% (Dec-22: 9%)

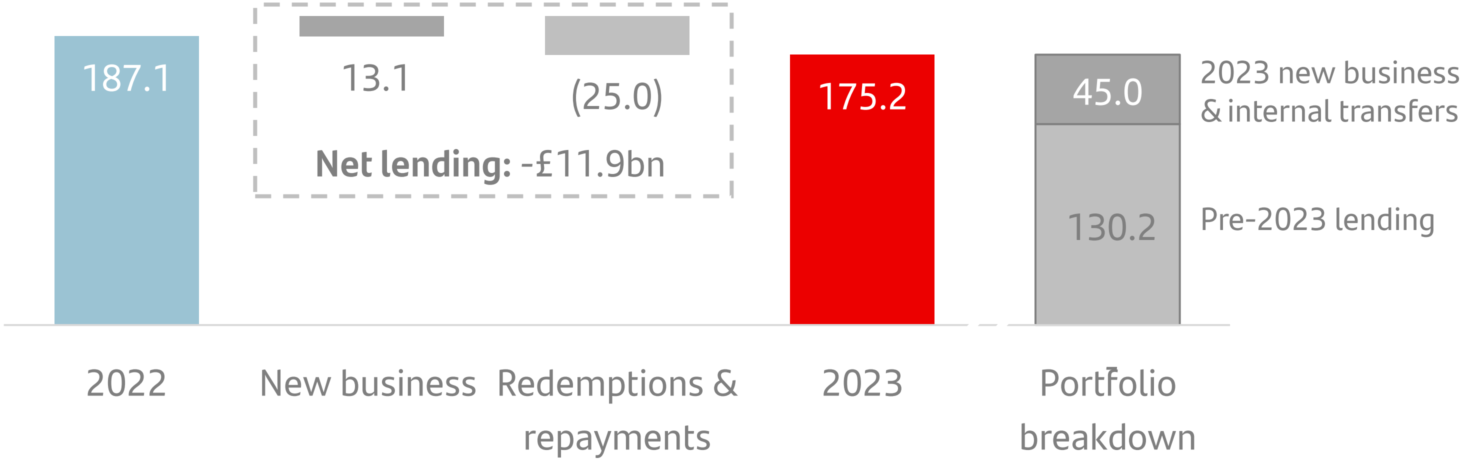
Interest rate profile (%)



Borrower profile[2] (£bn)

Home movers	73.0	42%
Re-mortgagers	49.1	28%
First time buyers	37.5	21%
BTL	15.6	9%
Total	**175.2**	**100%**

Mortgage lending breakdown[3] (£bn)

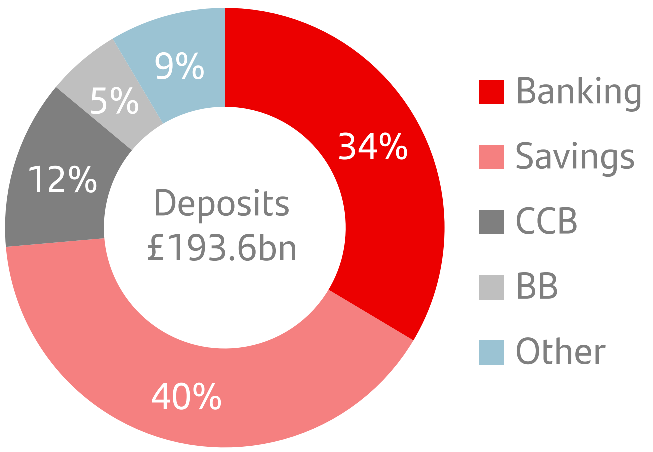


Note:
1. Applied to mortgages four months post maturity and is calculated as a 12-month average of retention rates to Sep-23
2. Borrowers profiled at loan inception
3. New Business includes further advances and drawdown on flexible mortgages

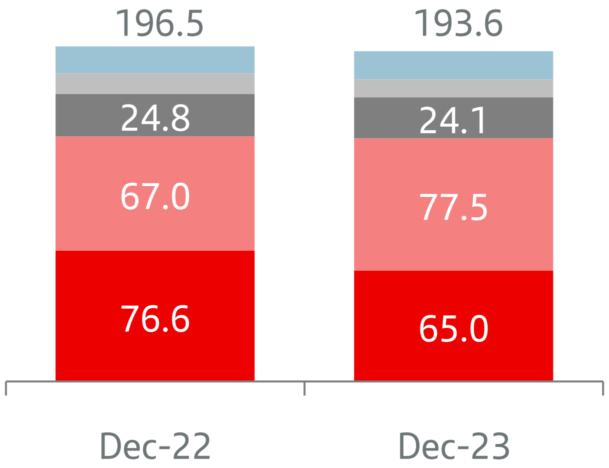
Diversified deposit base

- 14 million active customers: >95% personal
- Personal savings: average customer balance c£6,000
- 86% of core retail[2] deposits insured
- Deposits reduced from Dec-22 following market trends and disciplined pricing actions

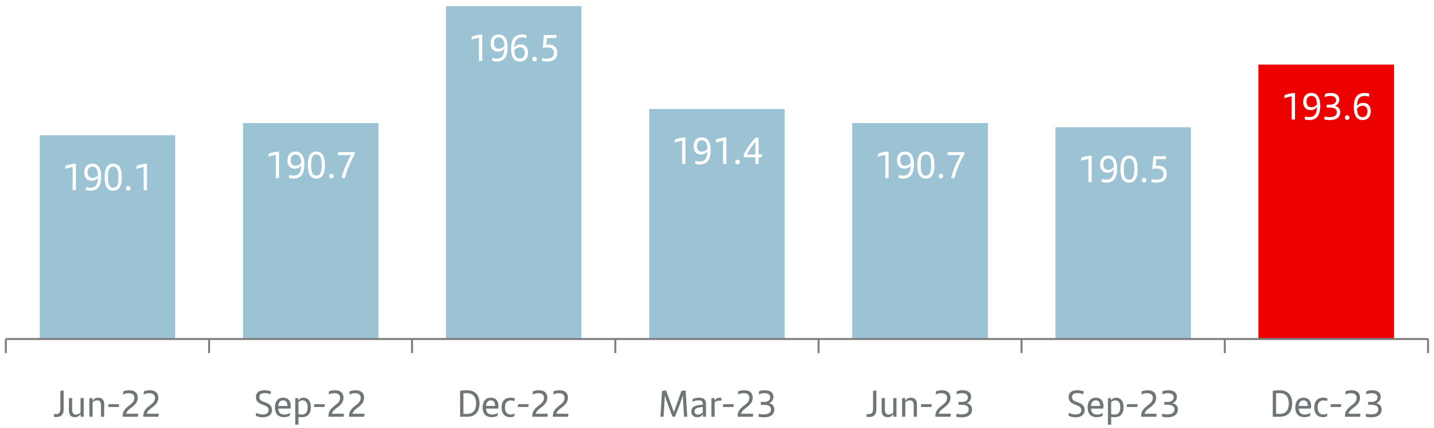
Customer deposit mix[1] (%)



Customer deposit shift (£bn)



Customer deposits (£bn)



Note:

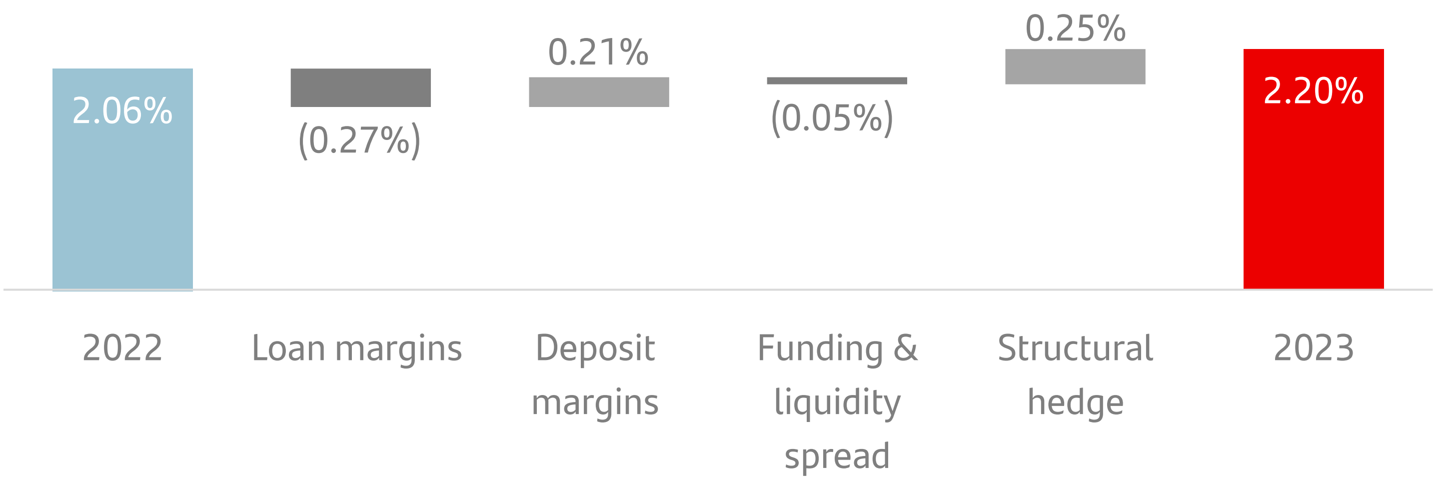
1. BB is Business Banking. Other includes Cater Allen, Investment & Pensions and Corporate Centre
2. Core retail is Retail Banking excluding Cater Allen and Santander Business Banking. Deposits in the Crown Dependencies aren't eligible for the FSCS

Higher banking NIM

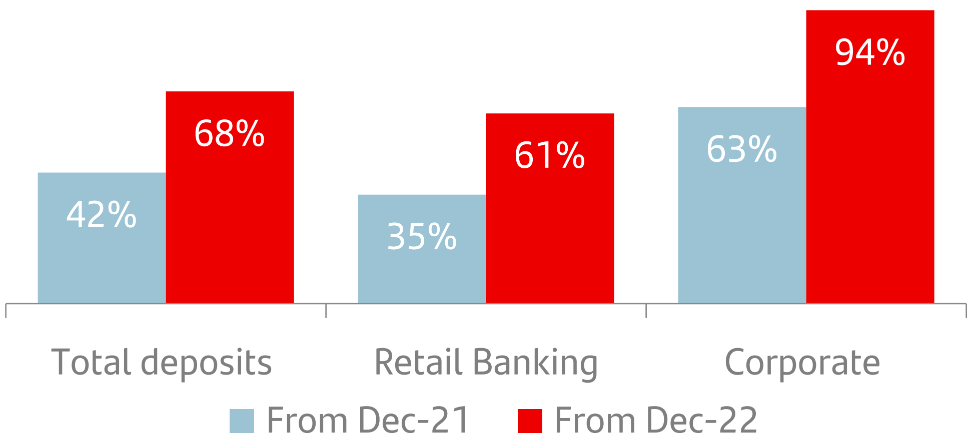
- Banking NIM of 2.20%, up 14 bps largely driven by higher base rate and balance sheet management, down from 9M-23 (2.23%)

- Our decision to optimise the balance sheet given higher funding costs contributed to a reduction of £11.9bn in mortgage lending

Banking NIM[1] (%)



Deposit betas[2] (%)



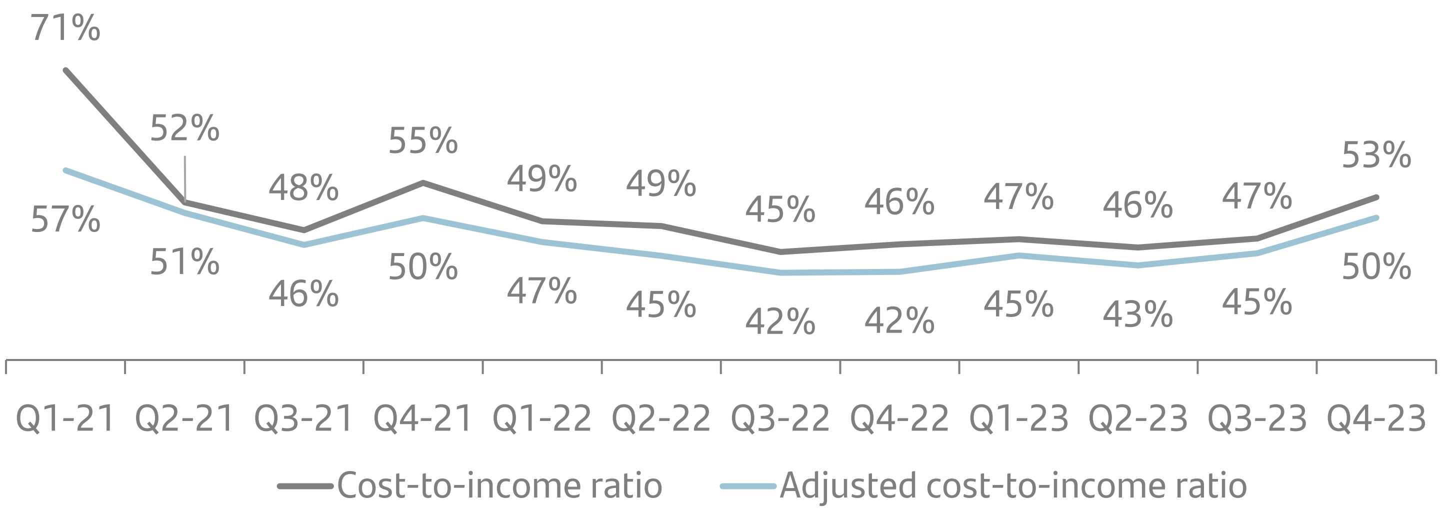
Note:

1. Banking NIM is calculated as adjusted net interest income divided by average customer assets. Loan margins and deposit margins calculated against the relevant risk-free rate. Structural hedge is gross yield only and associated liability costs in deposit margins. Funding and Liquidity includes cost of wholesale funding and income from liquid assets buffer
2. Change in the spot cost of customer deposits in the period divided by change in spot base rate to Dec-23

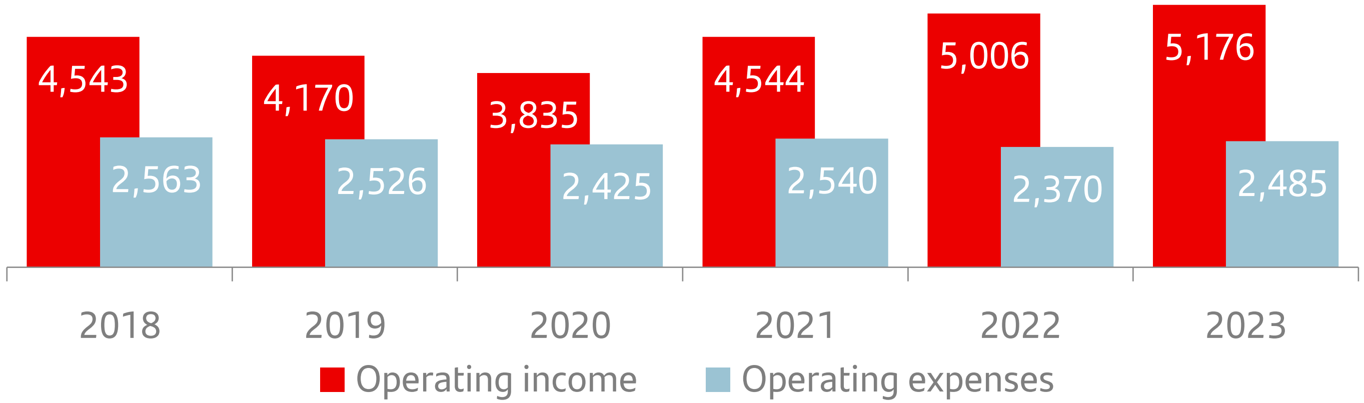
Increased efficiencies driven from higher income and cost saving initiatives

- Income increased largely due to the impact of higher base rates alongside active balance sheet management
- Transformation programme and ongoing efficiency savings partially offset inflationary pressures on costs
- Our multi-year transformation programme concluded with £794m reduction in costs so far following £1bn planned investment

Cost-to-income ratio[1] (%)



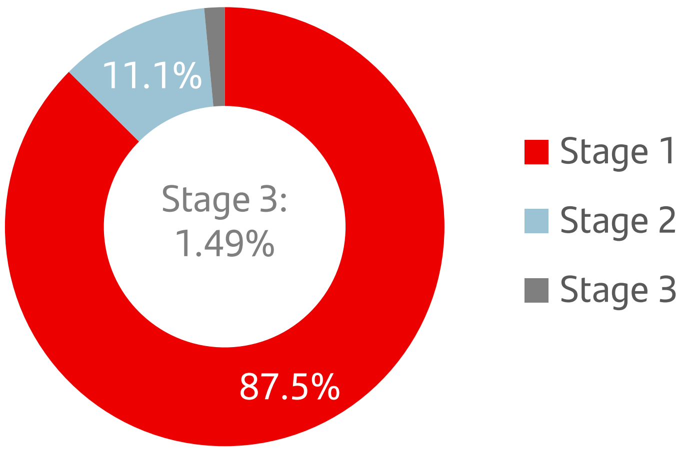
Operating income and expenses (£m)



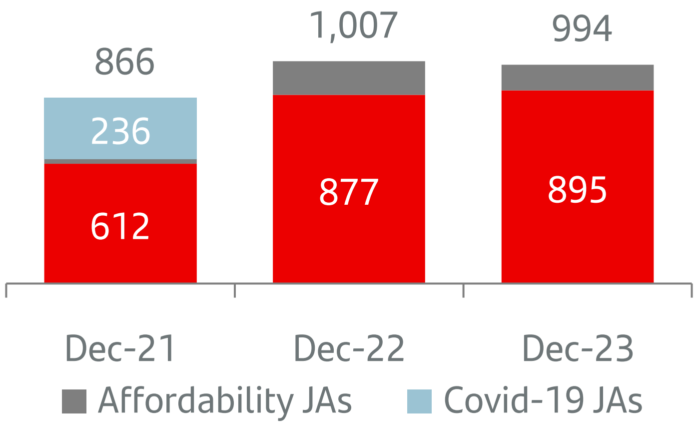
Credit quality

- Stage 3 ratio up to more normalised levels of 1.49% (Dec-22: 1.24%), with a modest increase in arrears and a smaller mortgage book
- Arrears remain at relatively low levels despite a slight increase across the portfolio
- ECL provision largely driven by economic outlook with coverage remaining prudently positioned

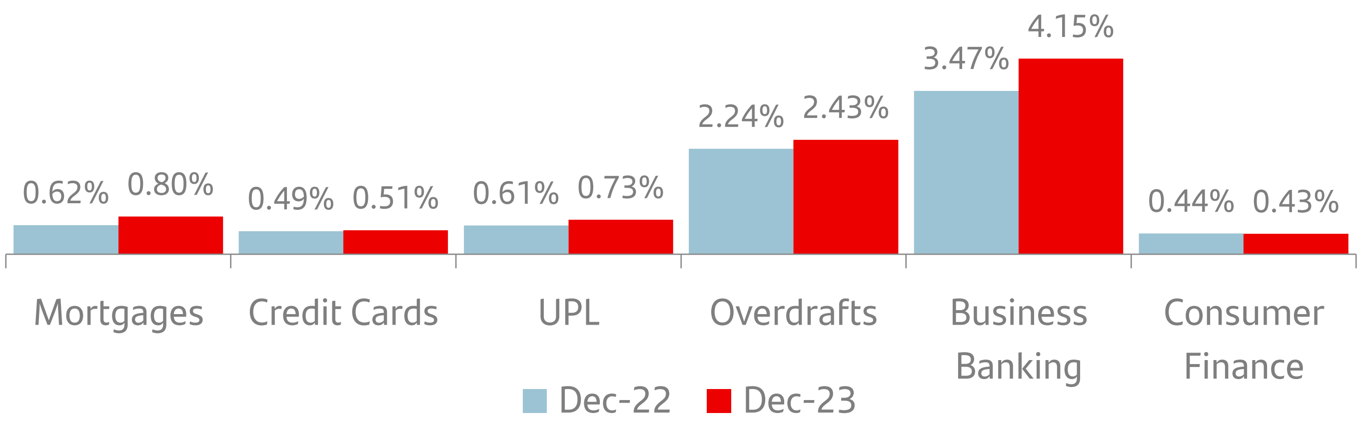
Customer loans by stage (%)



ECL provision (£m)



Arrears over 90 days rate[1] (%)

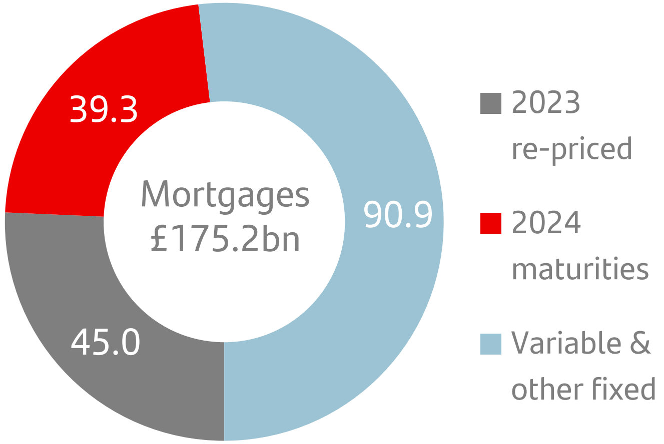


Note:
1. Pre-Covid-19 average mortgages arrears over 90 days past due for 9 years to Dec-19 was 1.31%

Mortgage maturity profile

- £45.0bn of new business and internal transfers were re-priced in 2023
- £39.3bn of fixed rate and tracker mortgages reach end of incentive period in 2024
  - 87% have an LTV below 75%
  - 2% have an LTV above 90%
- Current new business rates are below the minimum historical stress rate used for affordability assessments at origination

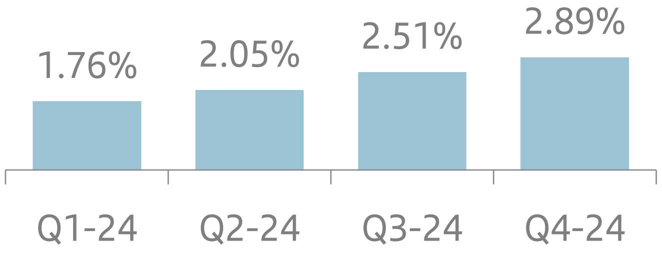
Mortgage maturity profile (£bn)



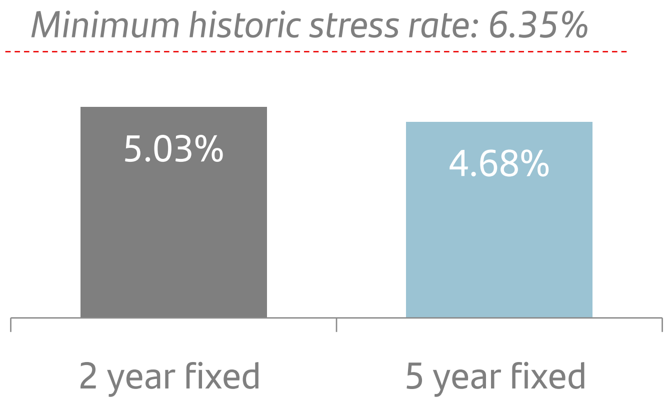
Mortgage maturities by LTV band (£bn)

LTV <50%	16.7
LTV 50-75%	17.6
LTV 75-90%	4.3
LTV >90%	0.7
Total maturities by end 2024	**39.3**

Mortgage maturities customer rate (%)



Current new business rates[1,2] (%)

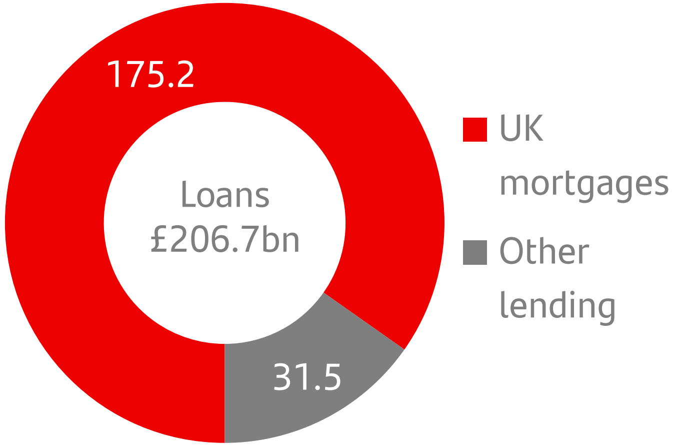


Note:
1. Mortgage application stress rate applied prior to Dec-21 only to fixed term below 5-years and excludes remortgages without additional lending
2. Dec-23 Bank of England quoted 2 & 5 Year (75% LTV) Fixed Rate Mortgage (latest available)

Resilient customer lending

- CCB delivered strong client growth and higher profitability in 2023
- Consumer Finance: 87% of lending is collateralised on the vehicle (Dec-22: 84%)
- Business Banking: includes £1.7bn of BBLS with 100% Government guarantee (Dec-22: £2.4bn)

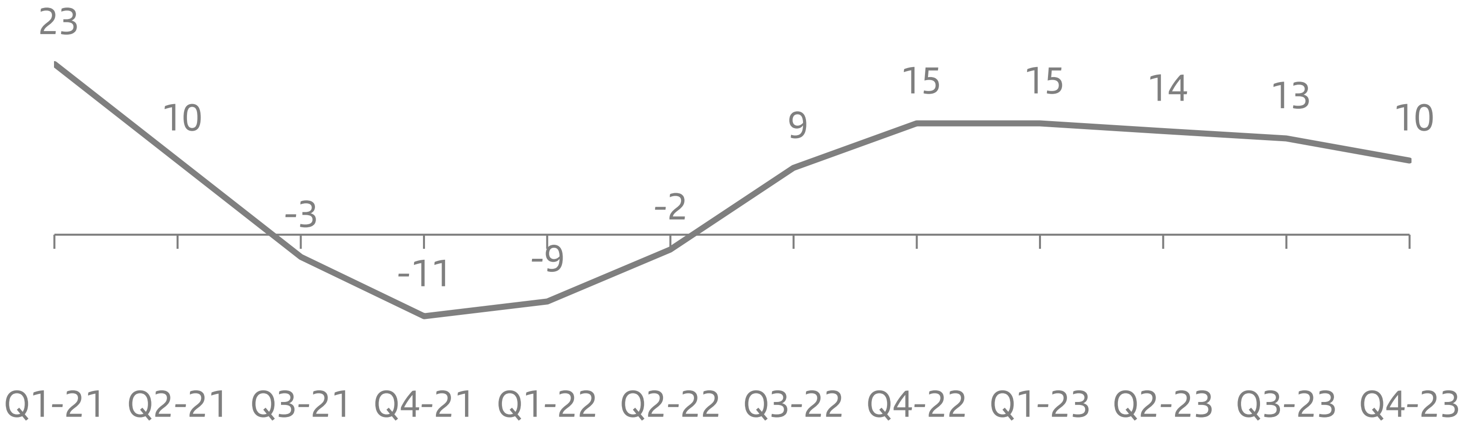
Customer lending split (£bn)



Other lending split (£bn)

CCB	17.9	57%
Unsecured Retail	5.3	17%
Consumer Finance	5.2	16%
Business Banking	1.8	6%
Corporate Centre	1.3	4%
Total	**31.5**	**100%**

Cost of risk (bps)



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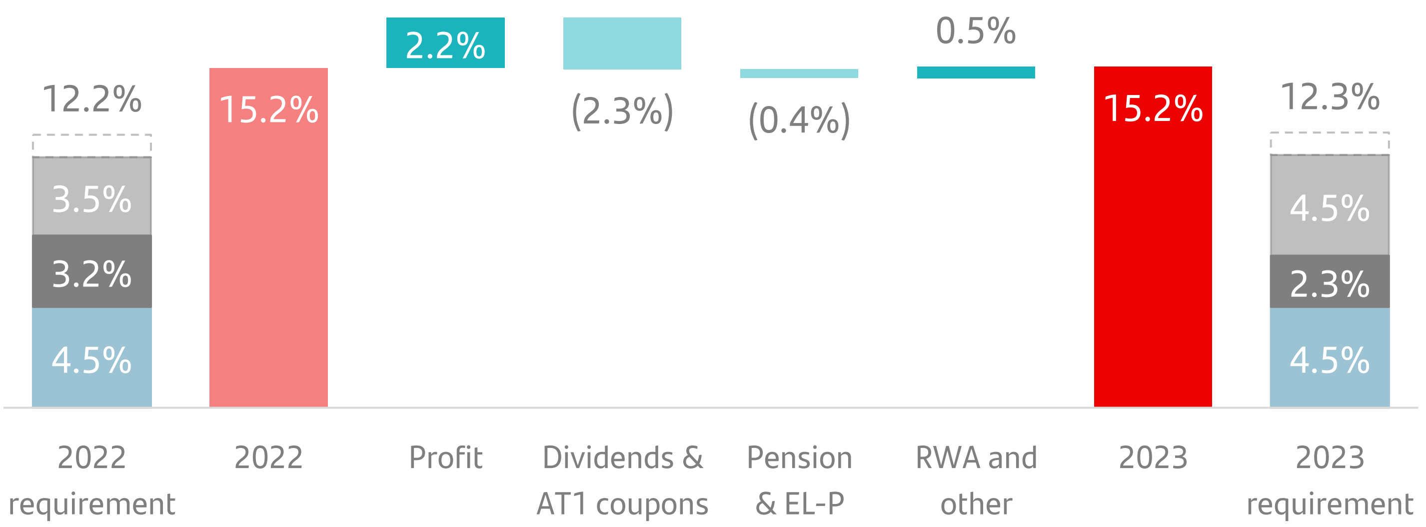
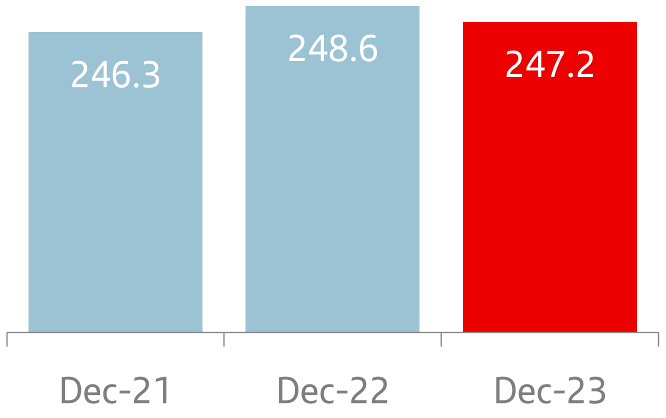
Stable capital buffer

- CET1 capital ratio remained stable at 15.2%
- Higher profit and a reduction in RWA exposure was partially offset by £1.5bn in dividends paid in 2023, including £750m special dividend
- CET1 capital requirements increased by 10bps in 2023 following changes in counter cyclical buffer (+100bps) and Pillar 2A (-90bps)
- RWAs decreased with lower mortgage lending and active balance sheet management

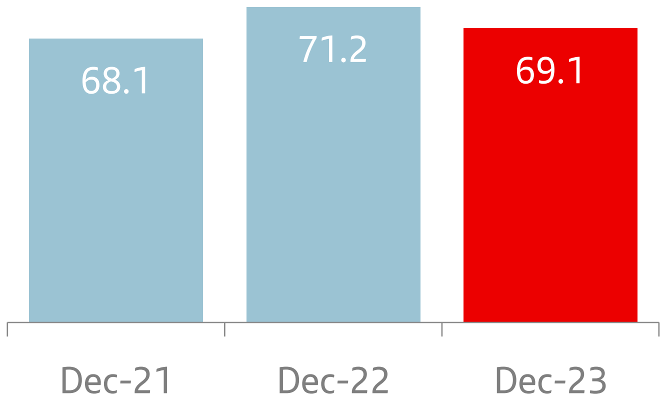
CET1 capital ratio change[1] (%)



Leverage exposure (£bn)



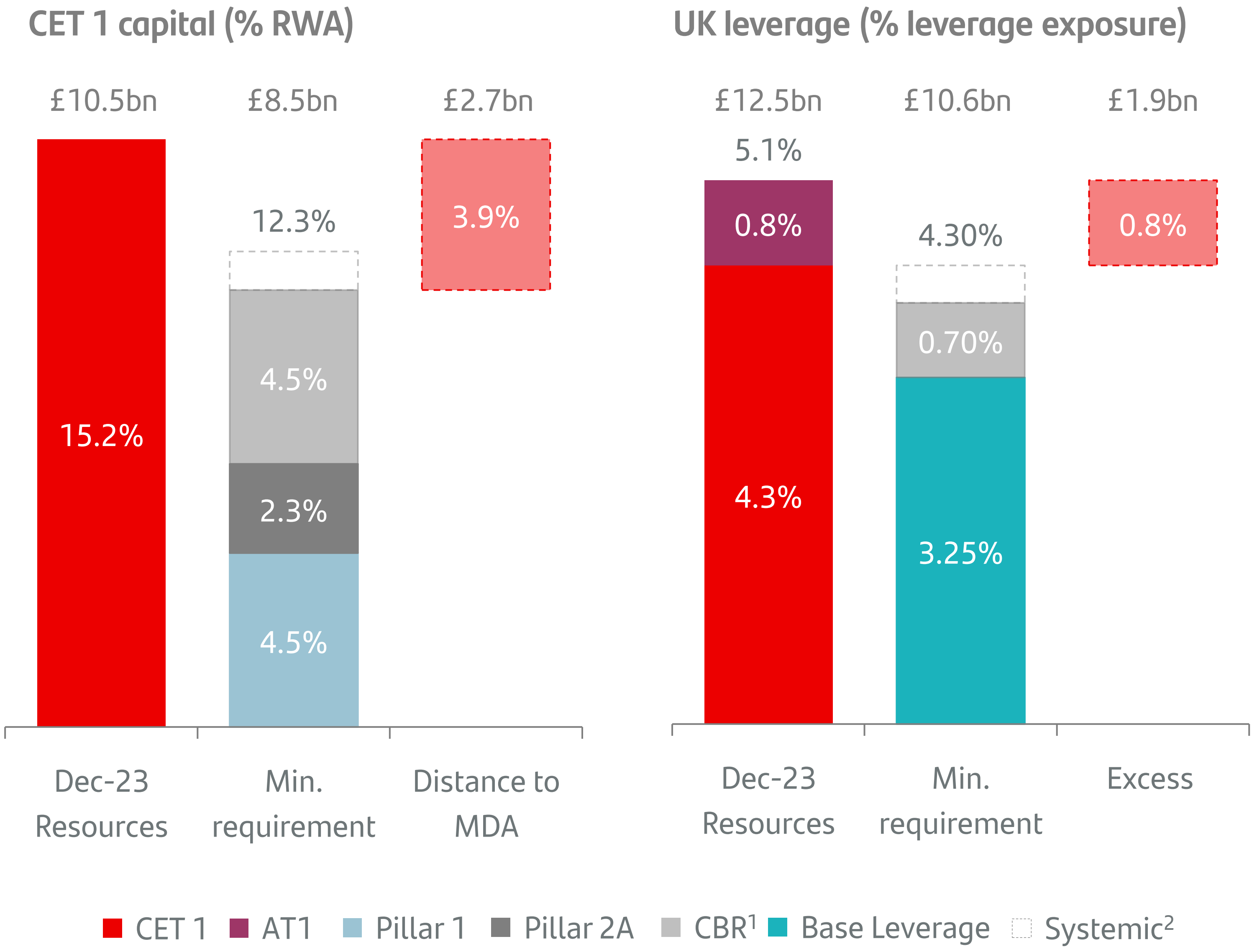
RWA (£bn)



Note:
1. Dividends & AT1 coupons includes (2.1%) movement for dividends and (0.2%) movement for AT1 coupons
2. Combined Buffer Requirement includes CCB and CCyB
3. O-SII requirement of 1% from RFB

Capital positioned for dual regulatory requirements

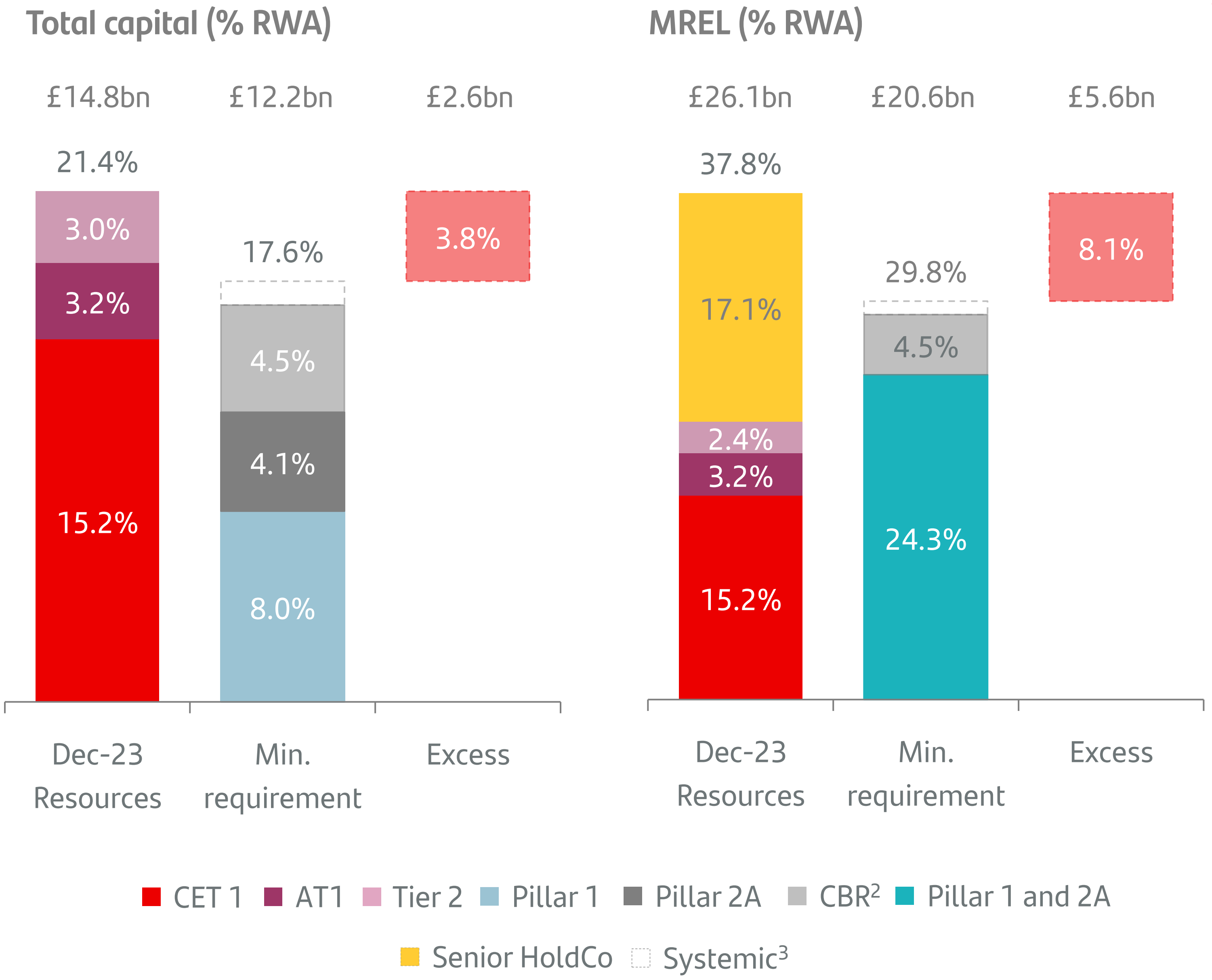
- Remain strongly capitalised with significant headroom to minimum requirements and MDA
- CET1 capital ratio headroom over regulatory minimum of 3.9pp at Dec-23



Note:
1. Combined Buffer Requirement includes CCB 2.5% and CCyB 2% and will be met exclusively with CET1
2. O-SII requirement from RFB

Total capital and MREL minimum requirements[1,2]

- From RWA perspective part of our T2 requirements are met with CET1 and AT1
- Total capital requirements lower because of a 1.6pp reduction in Pillar 2A. This results in lower MREL issuance requirements in 2024
- At 31-Dec-23 SanUK's P2A capital requirement remained with RWA percentage-based element
- Fully compliant with end state MREL requirements, being RWA constrained



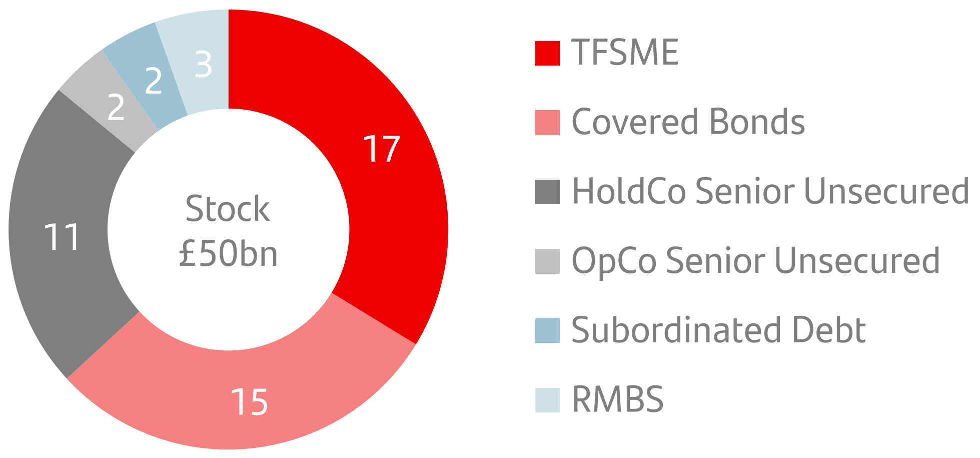
Note:
1. At 31 December 2023 Santander UK Group Holdings Pillar 2A requirements was 4.13%
2. Combined Buffer Requirement includes CCB 2.5% and CCyB 2% and will be met exclusively with CET1
3. O-SII requirement from RFB

Robust funding to refinance maturities and TFSME

- TFSME repayments to date:
  - 2022: £7bn
  - 2023: £8bn
- Expected TFSME repayment profile
  - 2024: c.£8bn
  - 2025: c.£5bn
  - 2027 to 2031: c.£4bn[1]
- Average duration of term funding is 3 years
- 2024 AT1 issuance requirements will be dependent on Jun-24 call

Note:
1. In line with extended term of BBLS

Term funding stock (£bn)



Funding overview	2024 YTD (£bn)	2024 Fct. (£bn)
AT1	-	0.4 to 0.5
Tier 2	-	-
HoldCo Senior Unsecured	-	0.5 to 1.0
OpCo Senior Unsecured	-	Up to 1.0
RMBS	0.8	1.0 to 1.5
Covered Bonds	1.3	3.5 to 4.5

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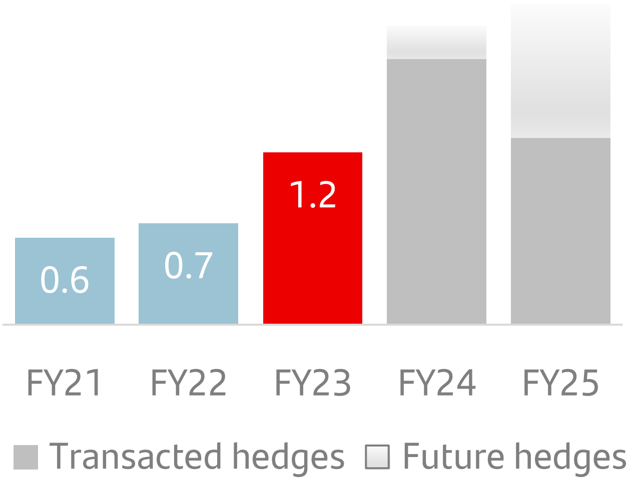
Structural hedge evolution

- The balance on the structural hedge fell to £106bn in 2023 (Dec-22: £108bn), reflecting lower non-rate sensitive liabilities
- Hedge duration of c.2.4 years (Dec-22: c.2.5 years)
- Going forward we expect structural hedge contribution to increase further, with >80% of hedge income already locked in for 2024
- Competitive pressure on liability passthrough impacted NII sensitivity

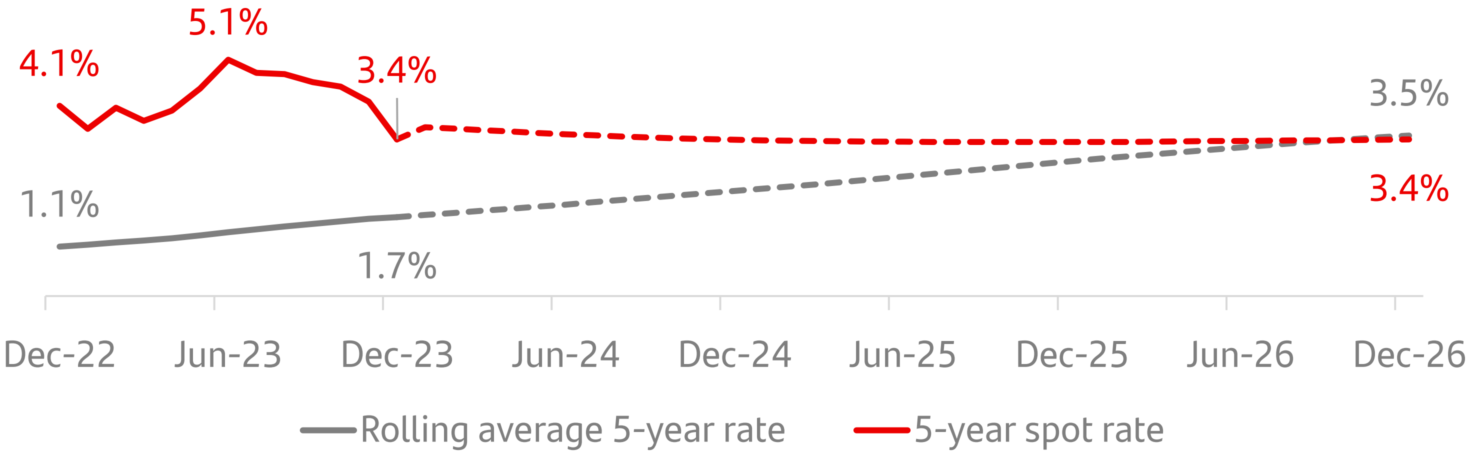
Gross structural hedge income (£bn)



12m NII sensitivity (£m) [1]

Rate shifts	Dec-22	Dec-23
+100 bps	238	218
-100 bps	(194)	(220)

5-year swap rate and 5-year rolling average versus spot rate (%) [2]

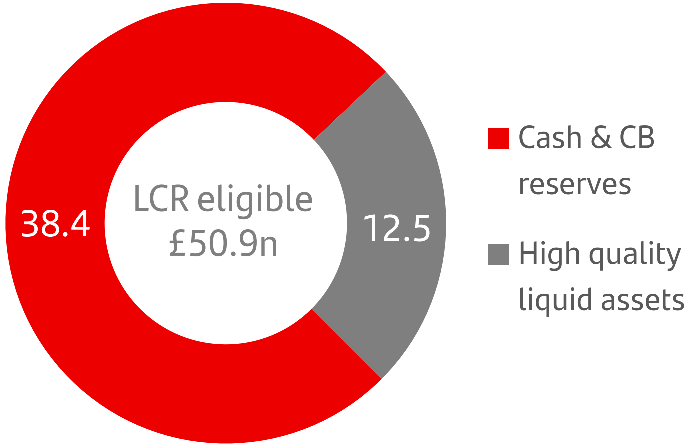


Note:
1. Based on modelling assumptions of repricing behaviour with a parallel applied instantaneously to the yield curve
2. Forward rates as of 17-Jan-24

Strong liquidity position

- Strong LCR of 162%, with a liquidity pool of £50.9bn of predominantly cash and central bank reserves
- Term duration in the liquidity pool is hedged with swaps to offset mark to market movements from interest rate changes
- NSFR of 138% (Dec-22: 137%)
- LDR reduced with lower customer lending and deposits after pricing actions

LCR eligible assets (£bn)

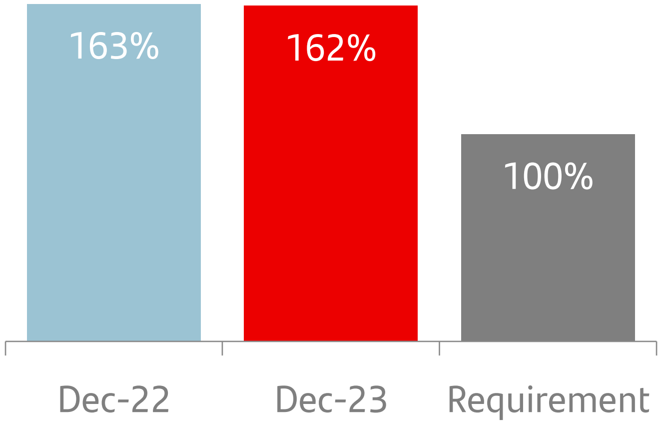


Securities held in LAB (£bn)

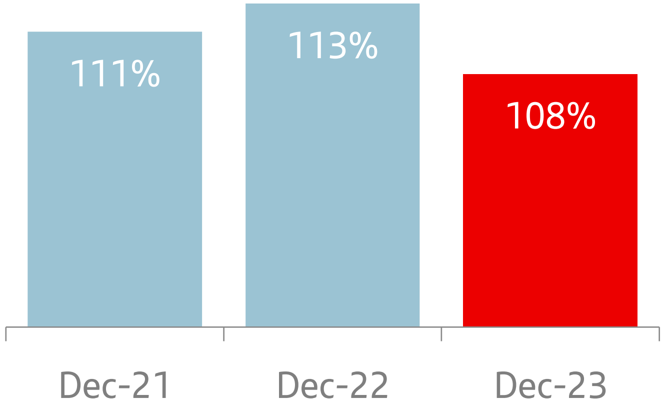
Level 1	10.5
Level 2	2.0
Total	**12.5**

Of which £8.0bn are short term securities financing transaction, with 78% maturing within 90 days.

Liquidity coverage ratio (%)



LDR (%)

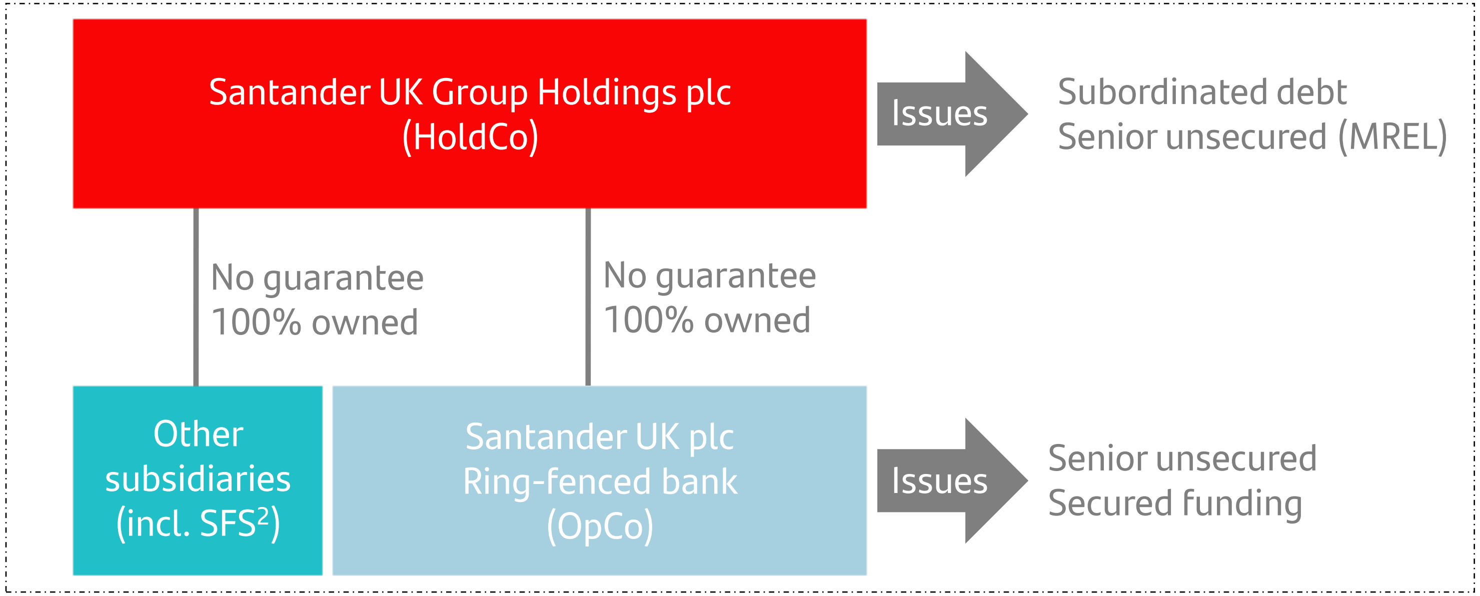


Santander UK Group down-streaming model

- Banco Santander SA holds a no guarantee 100% ownership over Santander UK Group Holdings plc
- S&P rating A / A-1 / Stable[1]
  Reviewed in Jun-23
- Fitch rating A+ / F1 / Stable[1]
  Reviewed in Dec-23
- Moody's rating A1 / P-1 / Stable[1]
  Reviewed in Oct-23

Note:
1. Santander UK plc ratings
2. Santander Financial Services

Wholesale funding model (*Single point of entry resolution group*)



Credit ratings

Instrument	Issuer	S&P	Fitch	Moody's
AT1	HoldCo	BB-	BBB-	Ba1
Tier 2	HoldCo	BB+	BBB+	Baa1
Senior Unsecured	HoldCo	BBB	A	Baa1
Senior Unsecured	OpCo	A	A+	A1
Covered Bond	OpCo	AAA	AAA	Aaa

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Building a more inclusive society

G Governance

Doing business the right way

Category	2022	2023	Target	Date
Green Finance[1]	£10.5bn	£13.3bn	£20.0bn	2025
Customers Supported to Become Greener	73k	105k	180k	2025
Female Senior Managers[2]	33.2%	33.9%	50% (+/- 10%)	2025
Ethnic Minority Senior Managers[2]	11.1%	12.8%	14% (+/- 2%)	2025
Low SocEc Senior Managers[2]	29%	29%	35%	2030
Financially Empowered People	2.1m	3.7m	3.0m	2025
Financial Education to Youth	1.7m	3.1m	2.2m	2025
Female Board Members[3, 4]	25%	36%	40%	2025

Notes:

1. Includes financing raised and facilitated to properties with an EPC of A & B, renewable energy and electric vehicles.
2. Includes c.1,400 senior managers and those in more senior positions.
3. HoldCo is in the process of ensuring an orderly succession plan for key Board positions.
4. HoldCo Board aligned with Santander UK plc from 1 January 2024.

Note:

- See ESG supplement for definitions and more information
- Absolute figures are all cumulative since 2021
- As targets are achieved, new targets will be developed and replace them

Clear focus on our communities and being a responsible & sustainable bank

E Environmental
Supporting the green transition

S Social
Building a more inclusive society

G Governance
Doing business the right way

Note:
1. Figures are for the year ending 31-Dec-23 unless stated otherwise
2. Detailed definitions can be found in our 2022 ESG Supplement
3. In line with Banco Santander's Sustainable Finance Classification System
4. In accordance with the Greenhouse Gas Protocol Corporate Standard
5. Includes c. 1,400 senior managers and those in more senior positions

Helping Customers Go Green

- **>£2.8bn Green Finance** raised & facilitated[3] in FY23 (***FY22:*** *>£6.5bn*)
- **>3,000 EnergyFact Reports** issued in FY23 (***FY22:*** *>5.6k*)

Going Green Ourselves

- **9% Reduction** (from 2021–2022) in our scope 1, 2 & 3 business travel emissions[4]
- **New Head Office** to be BREEAM certified

Managing Climate Risk

- **Climate Financial Risk Forum (CFRF)** proactive participation
- Completed internal **Climate Scenario Analysis**

Supporting Society

- **>9,750** people supported through volunteering in FY23 (***FY22:*** *,>6,350*)
- **>£7.2m** of donations and grants to higher education in FY23 (***FY22:*** *>£8m*)

Advice & Tools for Customers

- Financially empowering **>1.5 million** people in FY23 (***FY22:*** *>1.4 million*)
- **>1.4 million young people** financially educated in FY23 (***FY22:*** *>1.3 million*)

Supporting Society

- **Top 40 ranking** Stonewall's Workplace Equality Index (***2022:*** *Top 100*)
- **33.9%** female senior managers[5] (***2022:*** *33.2%*)

A Strong Culture

- **8.2/10** employee engagement (***2022:*** *7.8*)
- **10% of remuneration** for people and sustainability KPIs

An Independent & Diverse Board

- **64%** independent (***2022:*** *50%*)
- **36%** female (***2022:*** *25%*)
- Applies **UK Corporate Governance Code**

Santander

Contents

Economic scenarios[1]

- The economic outlook remains uncertain
- Inflation is forecast to remain above the 2% target rate in 2024, however easing from 2023 levels
- We expect house prices to decrease by 1% in 2024, remaining relatively stable

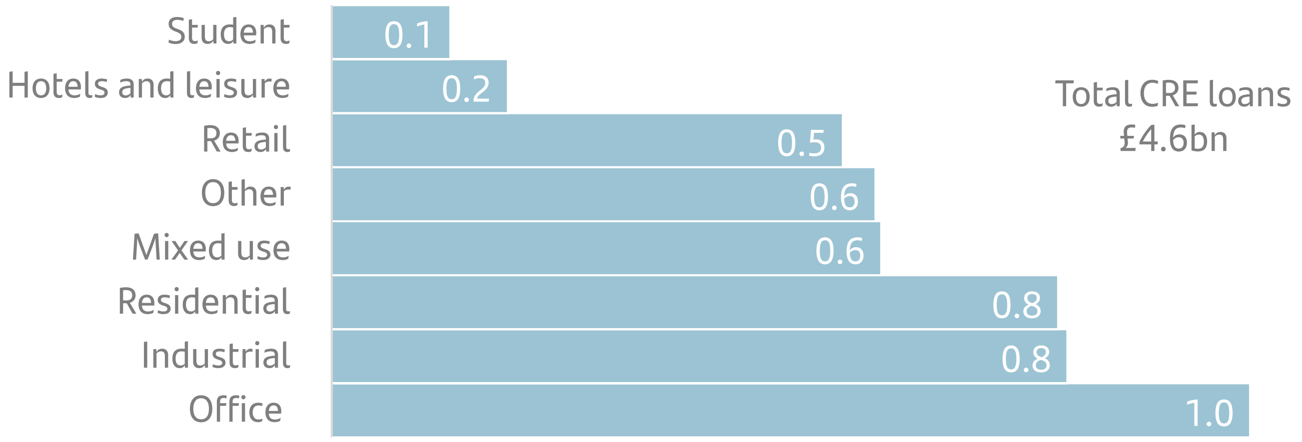
Key metrics (%)		Upside	Base case	Downside 1	Stubborn inflation	Downside 2
GDP[2]	2023	0.6	**0.5**	0.5	0.5	0.3
	2024	1.0	**0.4**	(0.1)	(1.8)	(3.3)
	2025	2.1	**1.3**	0.2	(0.9)	(1.4)
Base rate[3]	2023	5.25	**5.25**	5.25	5.25	5.25
	2024	4.25	**4.50**	5.25	6.50	3.75
	2025	3.25	**3.50**	4.00	5.00	2.00
HPI[4]	2023	(1.7)	**(2.2)**	(4.7)	(6.3)	(7.8)
	2024	2.0	**(1.0)**	(11.7)	(18.8)	(25.8)
	Peak to trough	(3.7)	**(6.5)**	(17.5)	(25.5)	(33.0)
Unemployment[3]	2023	4.3	**4.3**	4.3	4.3	4.4
	2024	4.3	**4.8**	4.8	5.6	8.5
	5-yr peak	4.5	**4.8**	5.5	6.2	8.5
Weight (%)		10	**50**	10	20	10

Note:
1. Santander UK's Q4-23 forecast used for ECL calculation
2. Calendar year annual growth rate
3. At 31-Dec for each period
4. Q4 annual growth rate

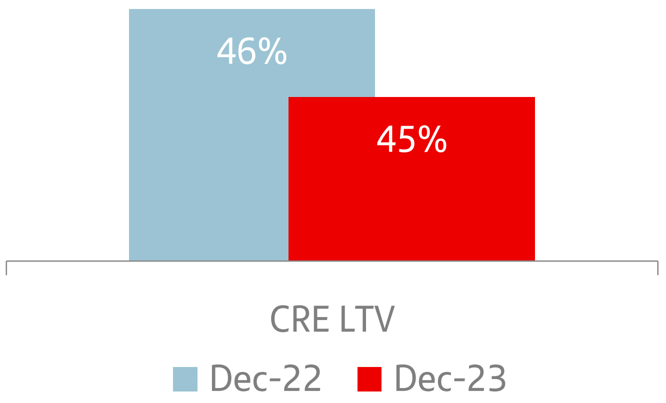
Diversified CRE portfolio

- The CRE portfolio is well diversified across sectors with no significant regional or single name concentration
- No CRE lending for standalone development purposes
- Well capitalised with all 2023 new business written at or below 60% LTV

CRE sector analysis[1] (£bn)



CRE LTV (%)



CRE portfolio features

Average term	2-3 Years
Average loan size	c. £2m
Stage 3 ratio	2.20%
2024 loan maturities[2]	c. £1bn

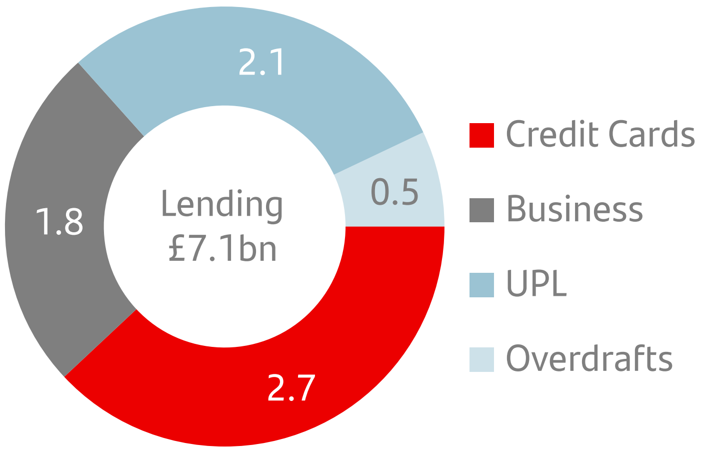
Note:
1. Other is mainly unsecured real estate and health related sectors
2. Contractual maturities as at 31 December 2023

Retail & Business Banking (RBB)[1]

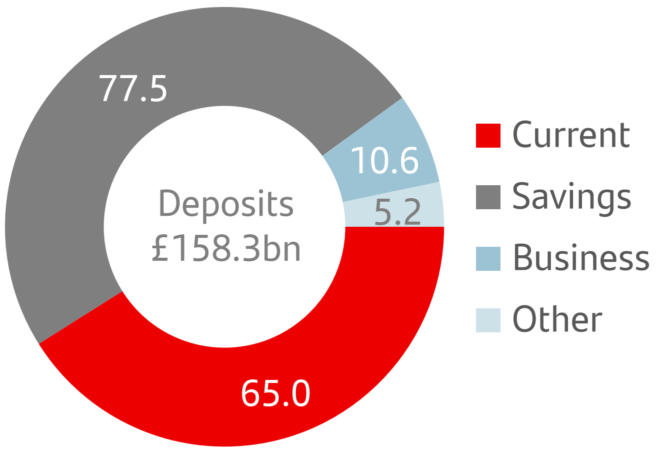
- Serves c.14m active customers in branch or through remote and digital channels
- Increased interest rates across our savings product range, offering market leading rates for customers
- Launched new Edge Up current account and made improvements to our mobile app, helping customers with their personal budget

Note:
1. Everyday Banking & Homes teams were combined to create a new business unit called Retail & Business Banking
2. Business includes £1.7bn of BBLS (100% government guaranteed)

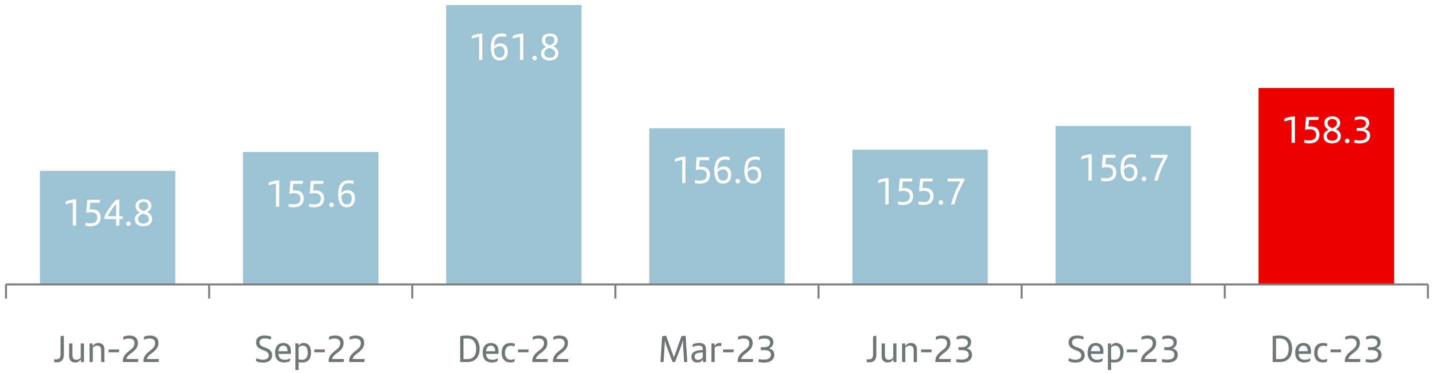
RBB lending[2] (£bn)



RBB deposits[2] (£bn)



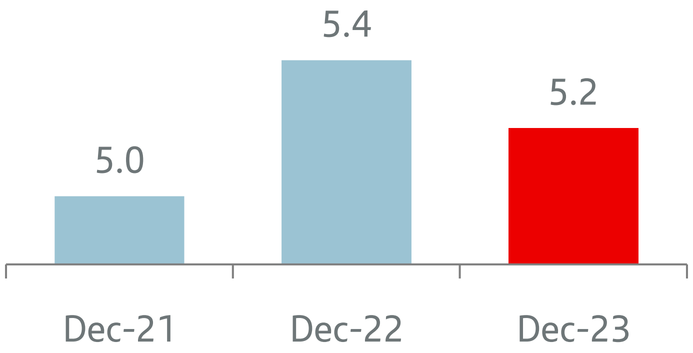
RBB deposits (£bn)



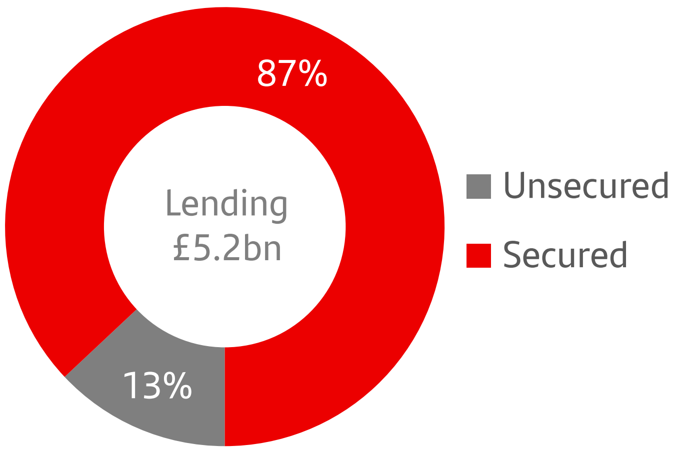
Consumer finance

- Prime lending portfolio
- 93% of assets in Stage 1, negligible Stage 3
- Significant customer equity in residual values
- 17% of new business was green assets such as electric vehicles[1]

Consumer finance lending (£bn)



Collateral held on loans (%)



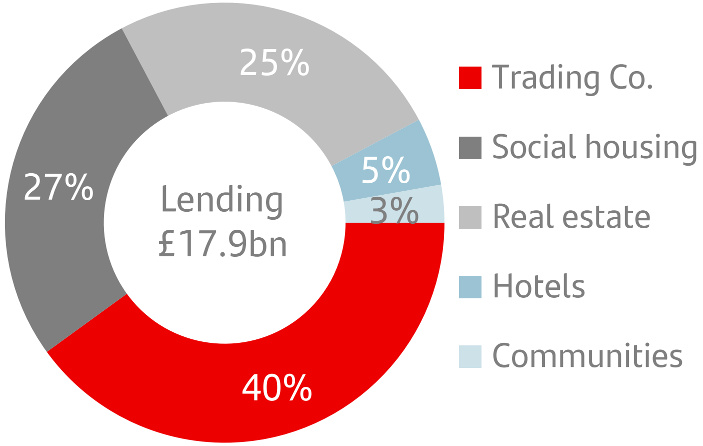
Partnerships & relationships

Note:
1. Vehicles that produce less than 50g/co2 per km and includes Electric vehicles, hybrids etc.

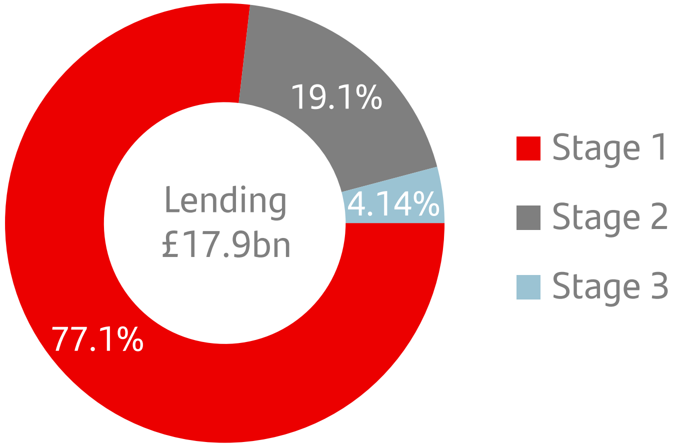
Corporate & commercial banking

- Focused strategy and decisive action on capital and costs since 2018
- Resilient portfolio and asset quality
- Focus on clients' international needs, connecting >1,500 companies to our global network to support their international growth in 2023

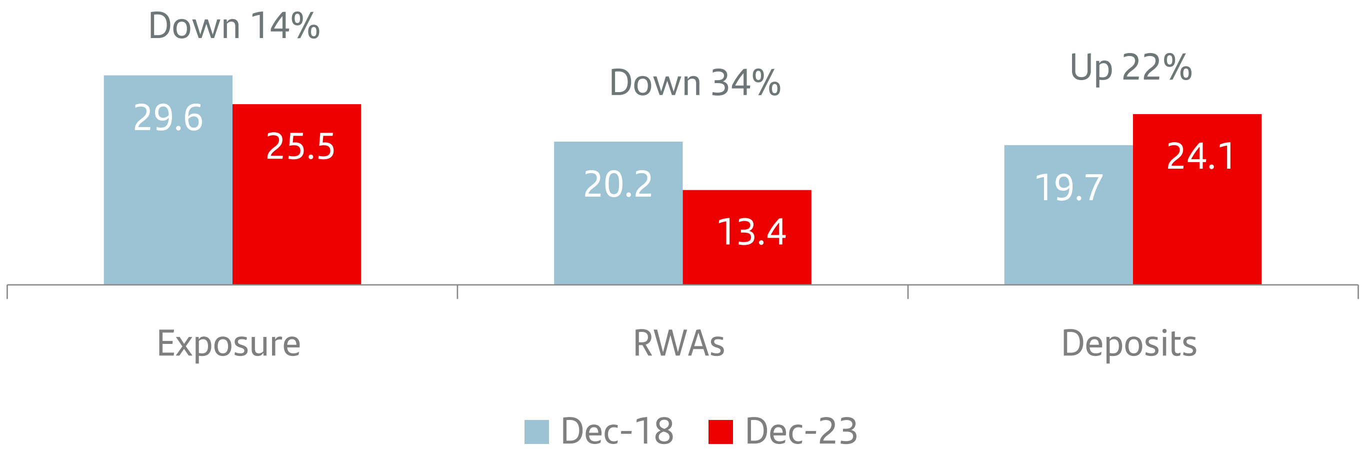
CCB customer lending by sector[1] (%)



CCB asset quality (%)



CCB track record of improved balance sheet utilisation (£bn)

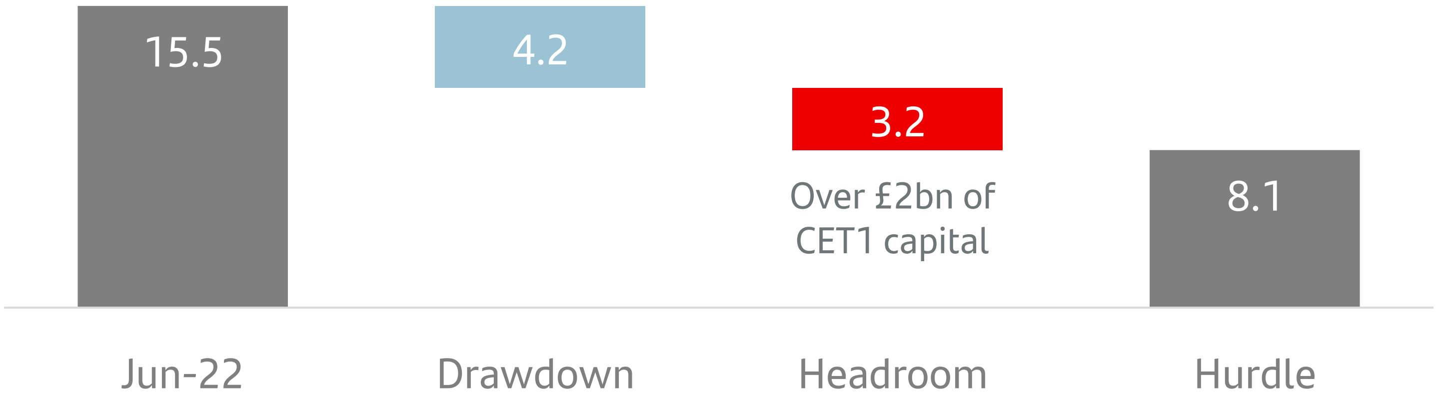


Note:
1. 'Trading Co.' covers multi-sector trading companies

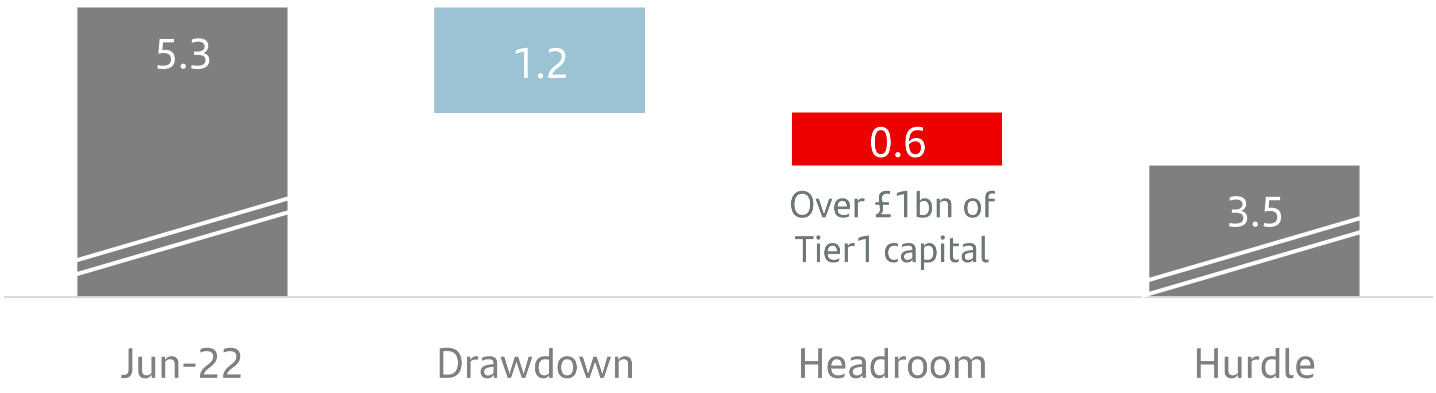
Jun-22 Bank of England ACS stress test results

- Passed stress tests without management actions. The test was based on a once in a hundred-year stress event
- 4.2% CET1 drawdown post stress equivalent to current buffer to MDA[1]
- Stress test scenario (%)
  - UK GDP Growth (5.0)
  - Unemployment 8.5
  - HPI (31.0)
  - CPI peak 17.0
  - Base rate 6.00

Historical impact on CET1 capital ratio (%)



Historical impact on leverage ratio (%)



Note:
1. Assuming in a stress test the historical 1% Counter Cyclical Buffer is set to zero and the 2.5% Capital Conservation Buffer is utilised, MDA headroom rises to 7.5%.

Abbreviations

ACS	Annual cyclical scenario
AT1	Additional Tier 1
Banco Santander	Banco Santander SA
Banking NIM	Banking Net Interest Margin
BBLS	Bounce Back Loan Scheme
BoE	Bank of England
BTL	Buy-To-Let
BB	Business Banking
CBR	Combined Buffer Requirement
CCB	Corporate & Commercial Banking
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CIR	Cost-To-Income Ratio
CoR	Cost of risk
CPI	Consumer Price Index
CRE	Commercial Real Estate
ECL	Expected Credit Losses
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
FSCS	Financial Service Compensation Scheme
FoR	Follow on Rate
GDP	Gross Domestic Product
HoldCo	Holding Company (Santander UK Group Holdings plc)
HPI	House Price Index

IFRS	International Financial Reporting Standard
JA	Judgemental Adjustments (previously Post Model Adjustments)
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio
LDR	Loan-to-Deposit Ratio
LTV	Loan-To-Value
MDA	Maximum Distributable Amount
MREL	Minimum Requirement for own funds and Eligible Liabilities
NII	Net interest income
NSFR	Net stable funding ratio
OpCo	Santander UK plc Ring-fenced bank
O-SII	Other Systematically Important Institutions
QMS	Quarterly Management Statement
RFB	Ring-Fenced Bank (Santander UK plc)
RMBS	Residential Mortgage-Backed Securities
RoTE	Return on Tangible Equity
RWA	Risk-Weighted Assets
Santander UK (San UK)	Santander UK Group Holdings plc
SFS	Santander Financial Services plc
SocEc	Socio-economic
SVR	Standard Variable Rate
TFSME	Term Funding Scheme with additional incentives for SMEs
UK	United Kingdom
UPL	Unsecured Personal Loans

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Key dates

Q1-24: 30 Apr 2024

Q2-24: 24 Jul 2024

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