Santander UK Group Holdings plc

Investor Update

for the year ended 31 December 2020

February 2021

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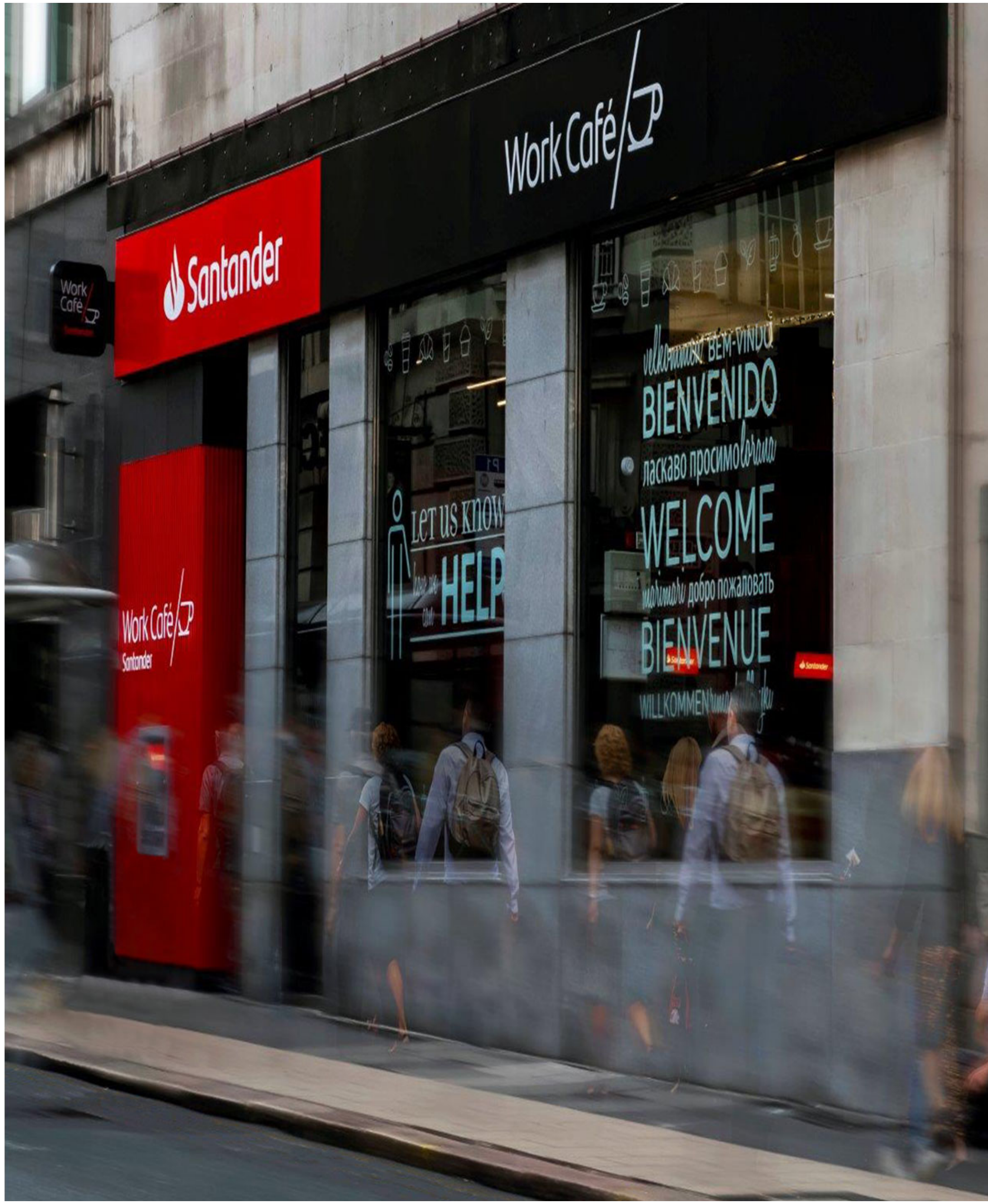

Delivering a very resilient performance despite the difficult operating environment

Impact of Covid-19 partially mitigated by strong net interest income improvement...

- 2020 PBT of £552m, down 44% YoY. Adjusted PBT of £710m, down 45%[1]
  £448m Covid-19 related provision for expected credit losses in 2020; credit impairment charges down 43% QoQ.
- Adjusted Banking NIM[1] down 1bp to 1.63% (+9bps QoQ) with deposit repricing actions
- Operating expenses down 2% YoY and adjusted operating expenses down 5%, through realised efficiency savings

We are confident in the resilience of our balance sheet ...

- Strong net mortgage growth of £4.4bn, with a rebound in application volumes after the Q220 housing market closure
- £4.6bn of government backed business loans to support customers through the pandemic
- CET1 of 15.2% (+90bps) and UK leverage ratio of 5.1% (+40bps), both significantly above regulatory requirements
- LCR of 150% (+10p.p.) with very strong customer deposit growth of £13.9bn (2019: £5.7bn)

Focus on our multi-year transformation programme

- Invested £332m and realised £244m of savings since programme start in 2019 with a strategic focus on improving returns while becoming more agile, efficient and responsive to the needs of our customers
- Learning from the Covid-19 crisis, including a reassessment of our business operations and adapting to the demands of our customers and employees by becoming more digital and being able to offer more flexibility to our people

1. The financial results were impacted by a number of specific income, expenses and charges with an aggregate impact on profit before tax of £158m in 2020 (2019: £319m). See Quarterly Management Statement for the year ended 31 December 2020 for further details of APMs and a reconciliation to PBT. Adjusted Banking NIM excludes the beneficial impact on an accounting adjustment made in Q420. See Quarterly Management Statement for the year ended 31 December 2020 for further details

Our focus has been on providing vital support to our customers, people and communities

Supporting our customers

373,000
payment holidays provided

£4.6bn lending through government schemes to our business and corporate customers

82,000 older, isolated and vulnerable customers contacted to offer support during lockdown

Supporting our people

95,000 visits to our *BeHealthy* wellbeing hub

14% of incoming customer calls[1] being taken by branch staff to support call centre colleagues

Doubled time allowed for community volunteering activities during work hours to 10 days p.a.

Supporting our communities

Donated **£7.5m** to Covid-19 research, and relief funds as well as

£300k to UK vaccine development programmes

c2,600 of our people became QuaranTea[2] volunteers to make a difference in their communities

1. Core Retail Banking calls. | 2. QuaranTea is a new initiative to help colleagues offer practical help in their local community.

Impact of Covid-19 partially mitigated by decisive management actions

Balance sheet highlights		Dec20 vs Dec19
Mortgage loans	↑	£169.8bn £4.4bn
Customer deposits	↑	£191.7bn £13.9bn
Adj. Banking NIM	↓	1.63% 1bps
Stage 3 ratio[1]	↑	1.42% 27bps
CET1 capital ratio	↑	15.2% 90bps

Adjusted income statement[2]		2020 vs 2019		Q420 vs Q320
Operating income	↓	£3,822m 6%	↑	£1,030m 3%
Operating expenses	↓	£2,258m 5%	↑	£556m 1%
Credit impairment losses	↑	£645m >100%	↓	£98m 43%
Provisions[3]	↑	£209m 31%	↑	£129m >100%
Profit before tax	↓	£710m 45%	↓	£247m 4%

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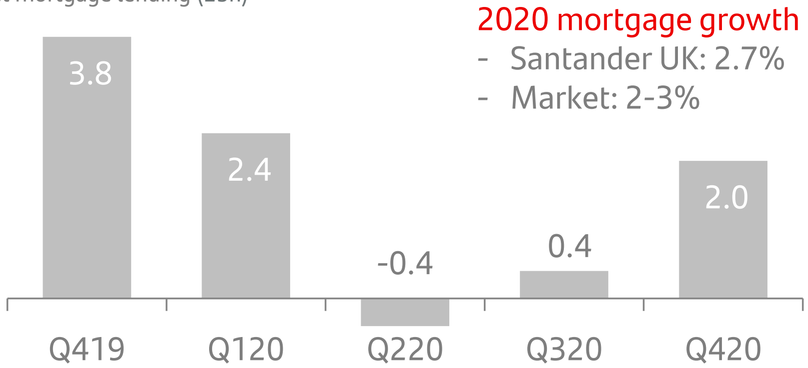
1. Stage 3 ratio is total stage 3 exposure as a percentage of customer loans plus undrawn stage 3 exposures. | 2. The financial results were impacted by a number of specific income, expenses and charges with an aggregate impact on profit before tax of £158m in 2020 (2019: £319m). See Quarterly Management Statement for the year ended 31 December 2020 for further details of APMs and a reconciliation to PBT. | 3. Q420 increase due to £74m UK Bank Levy which is charged annually in Q4

Key trends and 2021 outlook

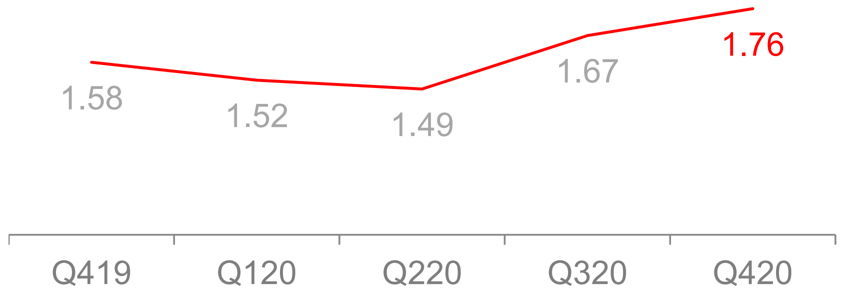
Mortgage growth expected to be in line with market

Net mortgage lending (£bn)



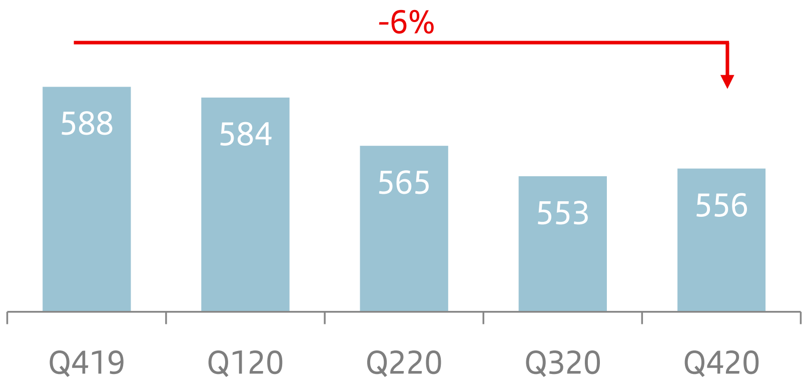
Banking NIM expected to be broadly in line with Q420

Adjusted Banking NIM (%)



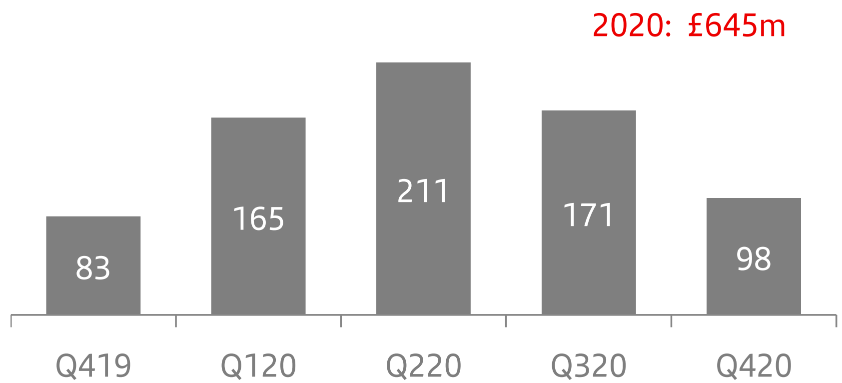
Operating expenses expected to continue to trend downward

Adjusted operating expenses (£m)

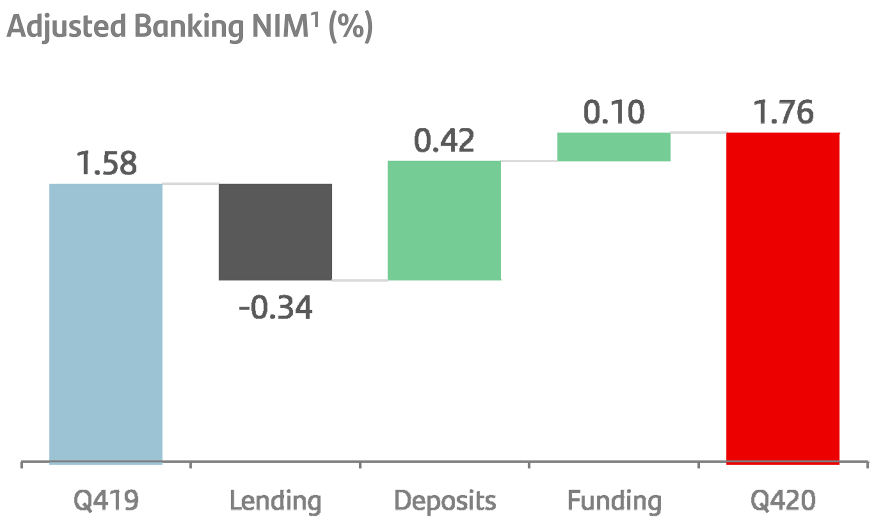


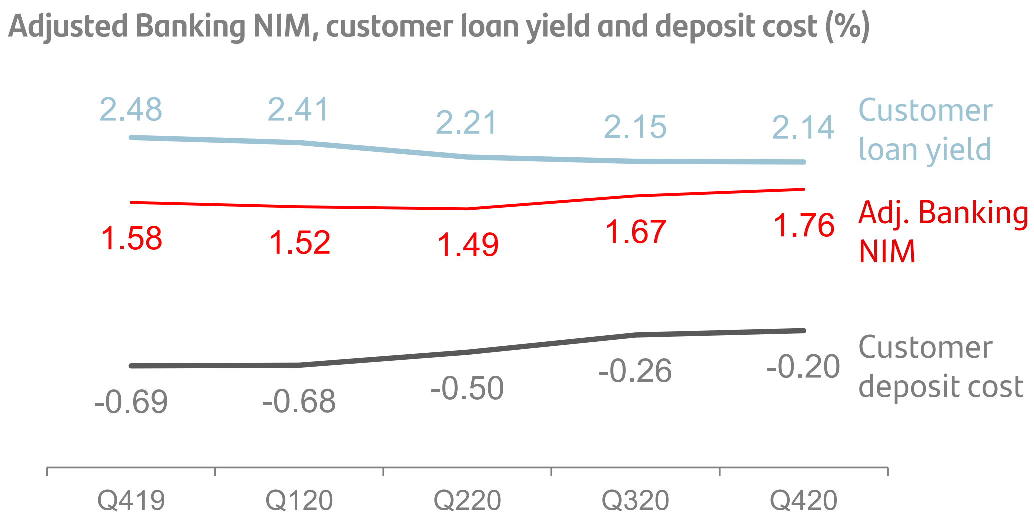
Credit impairment losses expected to be lower than 2020

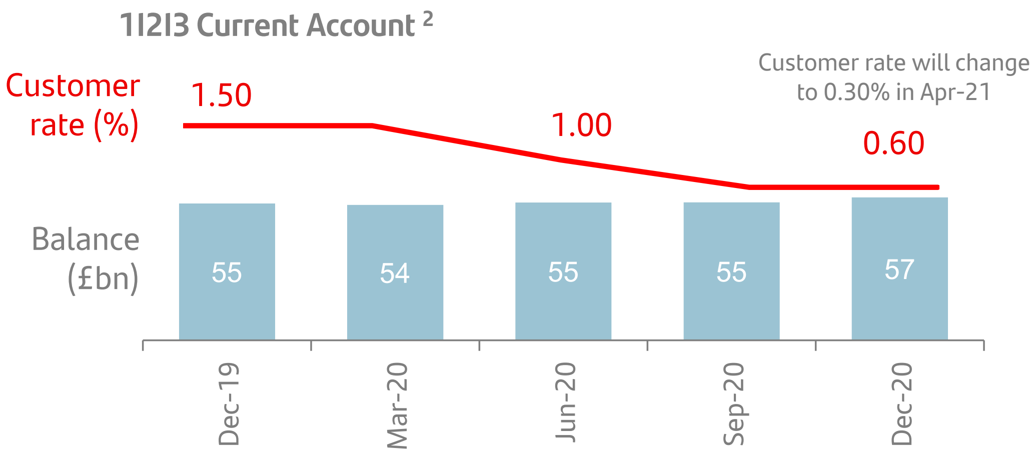
Credit impairment losses (£m)

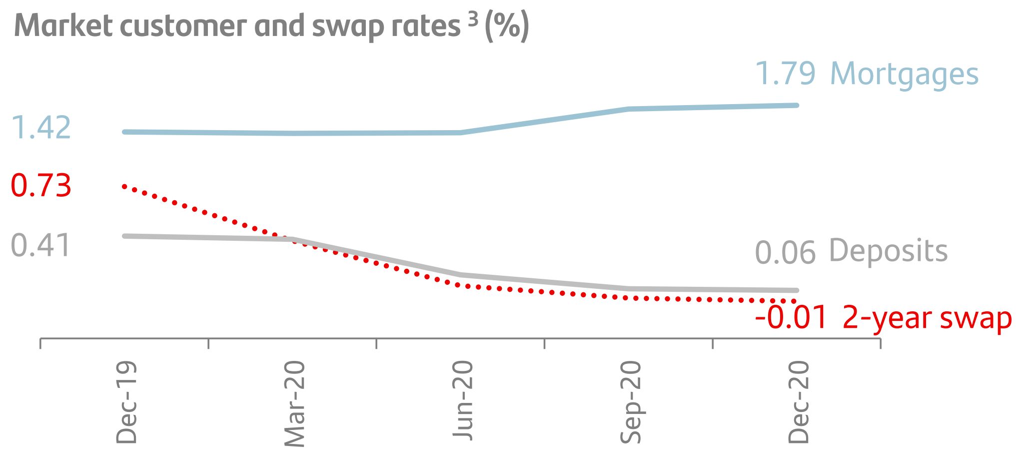


Banking NIM improvement driven by deposit repricing actions





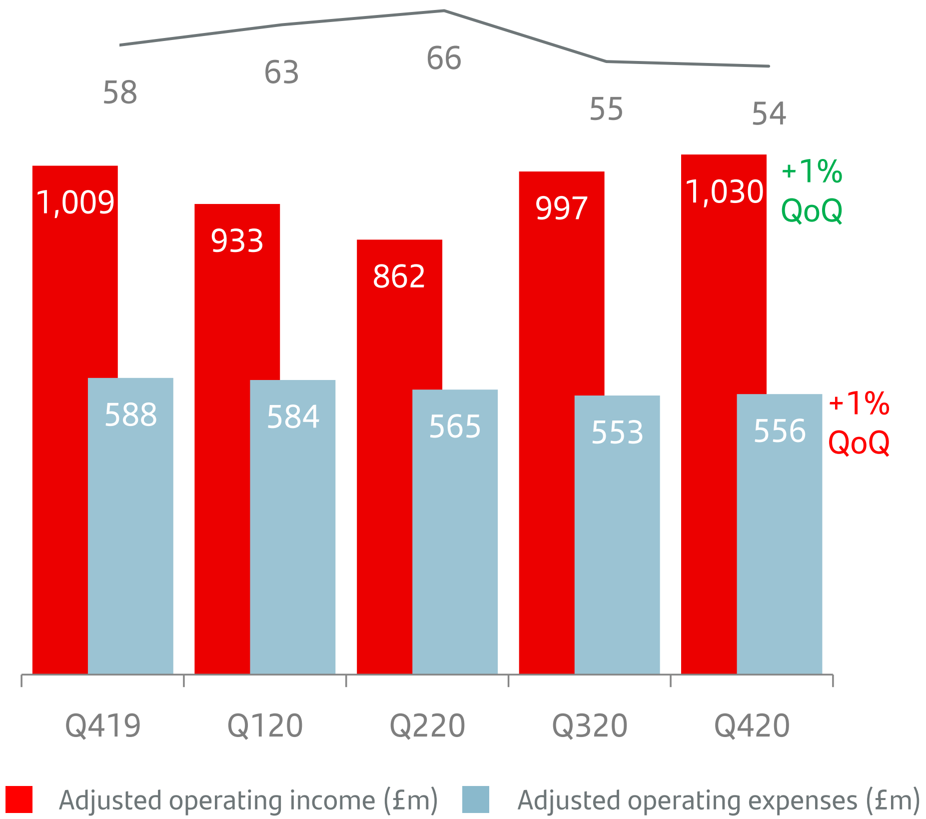




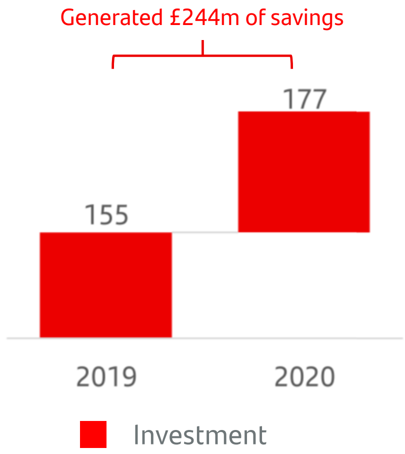
1. Adjusted Banking NIM is calculated as adjusted net interest income divided by average customer assets. | 2. Changes to 1|2|3 current account interest rate and cashback effective in May 2020 (-50bps) and August 2020 (-40bps). | 3. Source: Bank of England. Mortgages: 2 Year Fixed Mortgage (75% LTV), Instant Access Deposit incl. unconditional bonus.

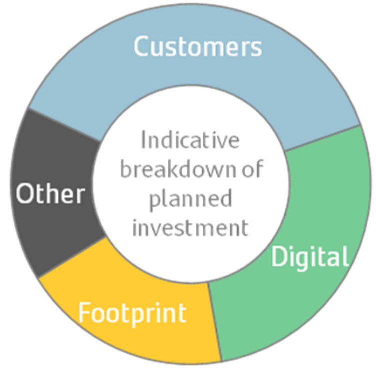
Focus on cost management through our multi-year transformation programme

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



Transformation programme investment (£m)





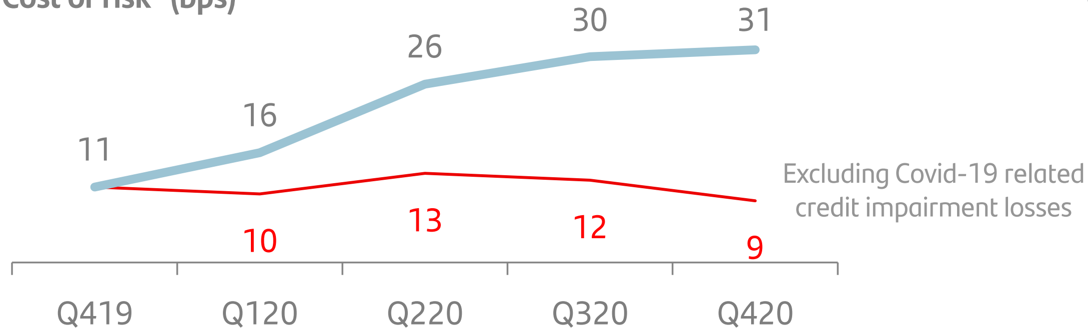
- Serving our customers better: more efficient network use, digital service model development
- Digitising the back office: end-to-end IT processes, automation, leverage technology such as cloud and big data
- Repositioning our corporate footprint: support agile working and collaboration, optimise how and where we work
- Other: initiatives to improve efficiency and simplification

Underpinned by delivery of *One Europe* group synergies

1. See Quarterly Management Statement for the year ended 31 December 2020 for further details and a reconciliation of adjusting items (transformation, operating lease depreciation and Covid-19 related expenses)

Credit impairments increased largely due to Covid-19; underlying performance resilient

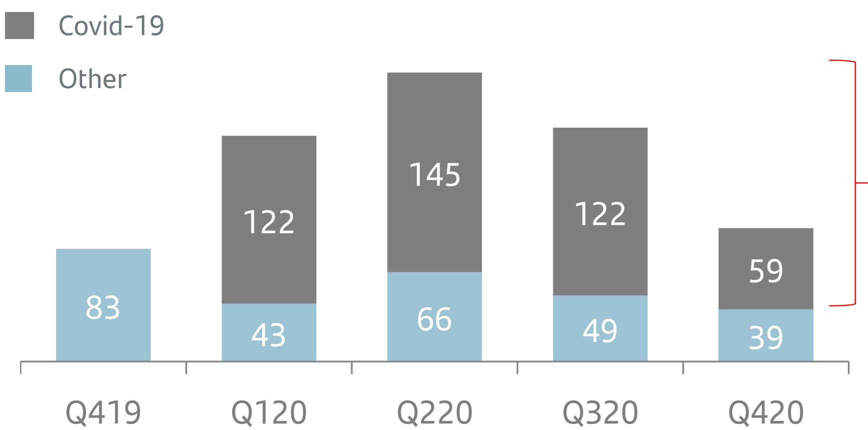
Cost of risk[1] (bps)



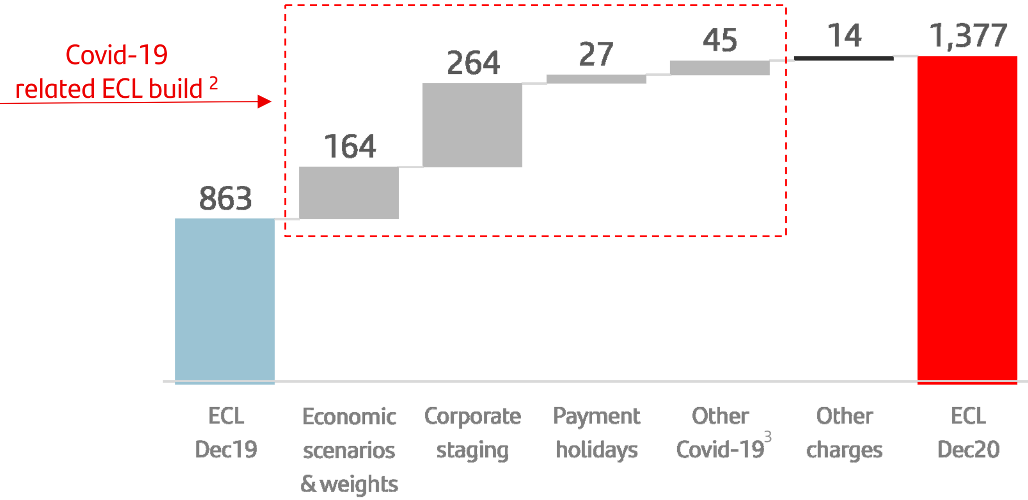
Credit impairments outlook remains highly uncertain

2019		2020
1.15%	Stage 3 ratio	1.42%
15.5%	Stage 3 coverage ratio	19.0%

Credit impairment losses (£m)



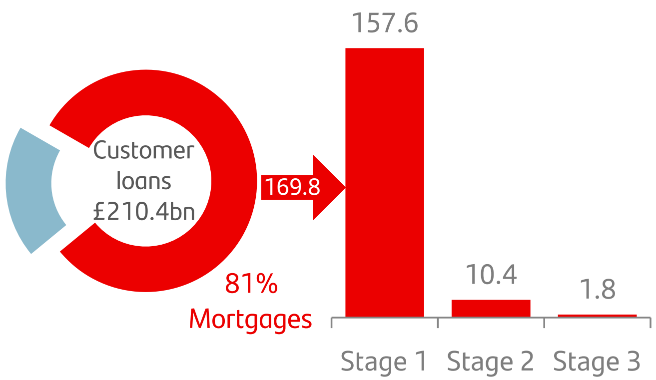
ECL provision build (£m)



1. Cost of risk (CoR) is rolling 12-month credit impairment losses as a percentage of average customer loans. | 2. Covid-19 related ECL build was £500m which equates to Covid-19 credit impairment losses of £448m after the benefit from corporate exposures securitisation. | 3. Other Covid-19 related management judgements

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

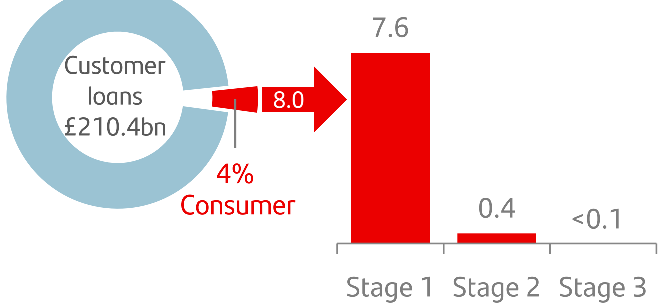
Mortgage lending (£bn)



	Stage 1	Stage 2	Stage 3
Coverage ratio [1]	0.01%	1.25%	7.28%

- 85% of customers have LTV of <75%
- New business LTV: 64%
  - London lending: 60%
  - Buy-to-let lending: 65%

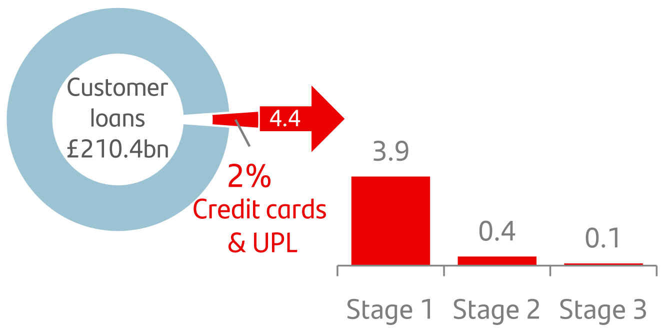
Consumer (auto) finance lending (£bn)



	Stage 1	Stage 2	Stage 3
Coverage ratio [1]	0.58	9.88%	62.76%

- Prime lending with 82% of the book secured on the vehicle

Credit card & UPL lending (£bn)



	Stage 1	Stage 2	Stage 3
Coverage ratio [1]	1.12	33.07%	47.70%

- 54% credit card customers pay-off balance in full each month
- 46% of UPL have average loan balance of <£5k

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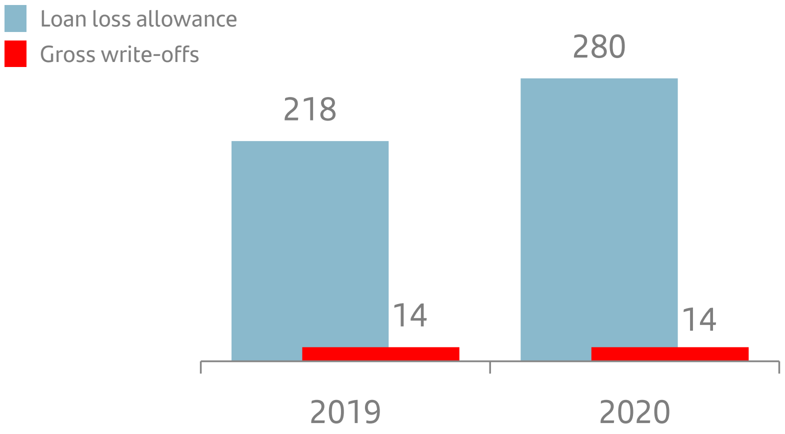
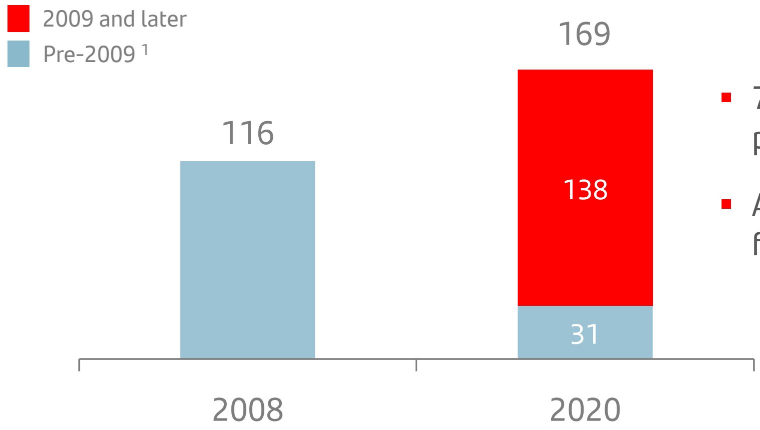
1. Coverage ratio is calculated as ECL divided by exposure.

Prime mortgage portfolio reflects our prudent approach to risk

Loan loss allowance and write-offs (£m)



Mortgage lending origination vintage split (£bn)



- 73% of stage 3 is pre-2009 lending
- Ave LTV 42%, from 51% in 2008

Stock LTV distribution		Mortgage loan size		Borrower profile		Interest rate profile	
>100%	<1%	>£2.0m	<1%	Home movers	42%	Fixed rate	80%
>85-100%	4%	£1.0 to £2.0m	1%	Re-mortgagers	31%	Variable rate	13%
>75-85%	11%	£0.5m to £1.0m	8%	First-time buyers	20%	Standard variable rate[3]	7%
>50-75%	41%	£0.25m to £0.5m	28%	BTL	7%		
Up to 50%	44%	<£0.25m	62%				
Average LTV	42%	Ave. loan size (stock)[2]	£165k	BTL balance	£11.6bn	SVR balance[3]	£12.6bn

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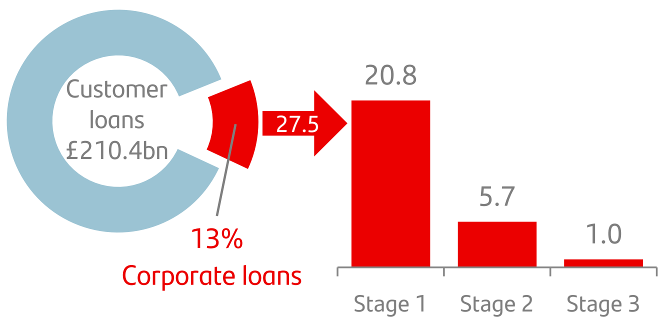
1. Pre-2009 lending in 2008 is Santander UK only. Pre-2009 lending in 2020 includes all books including those originated by Alliance & Leicester, Santander UK only is £27bn. | 2 Average loan size of new business £218k. | 3. Standard variable rate includes follow on rate.

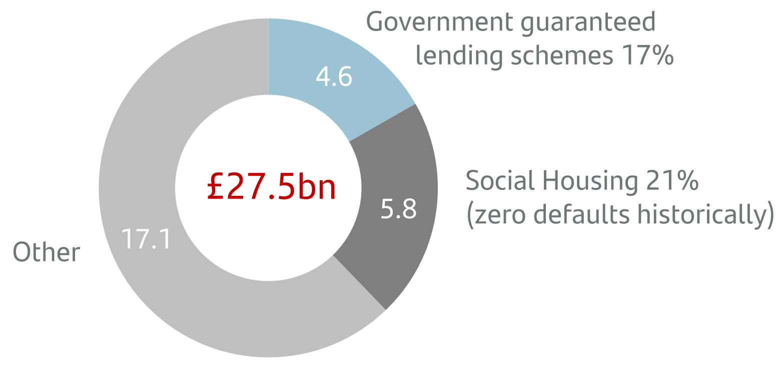
Diversified corporate portfolio with prudent coverage ratio

Corporate loans [1] (£bn)

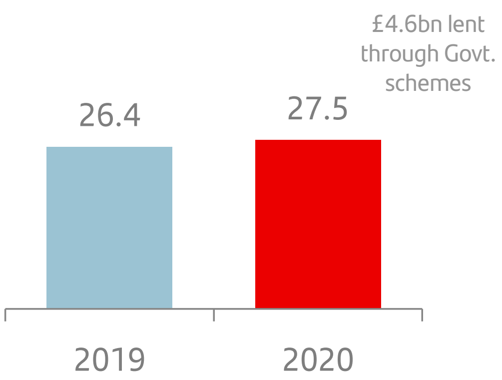


	Stage 1	Stage 2	Stage 3
Coverage ratio	0.49%	3.93%	34.42%

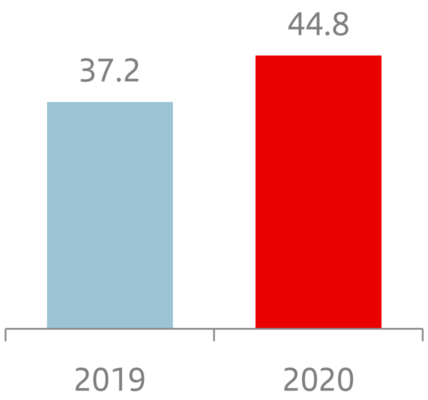
Corporate loans customer sector split (£bn)



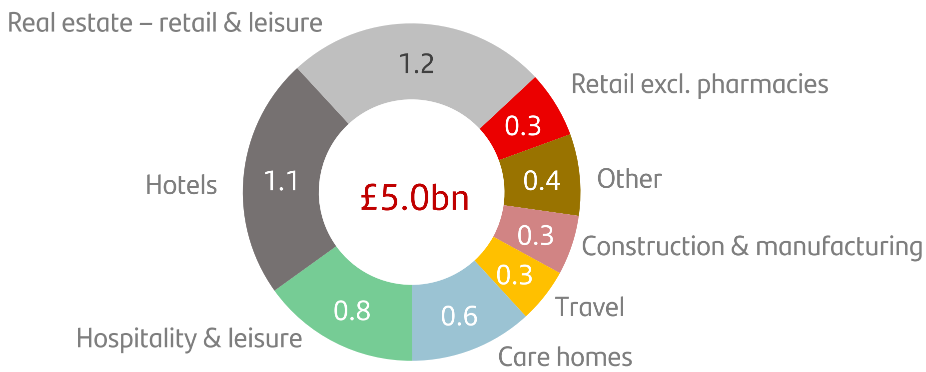
Corporate loans (£bn)



Corporate deposits[2] (£bn)



Exposure to most-at-risk Covid-19 sectors [3] (£bn)

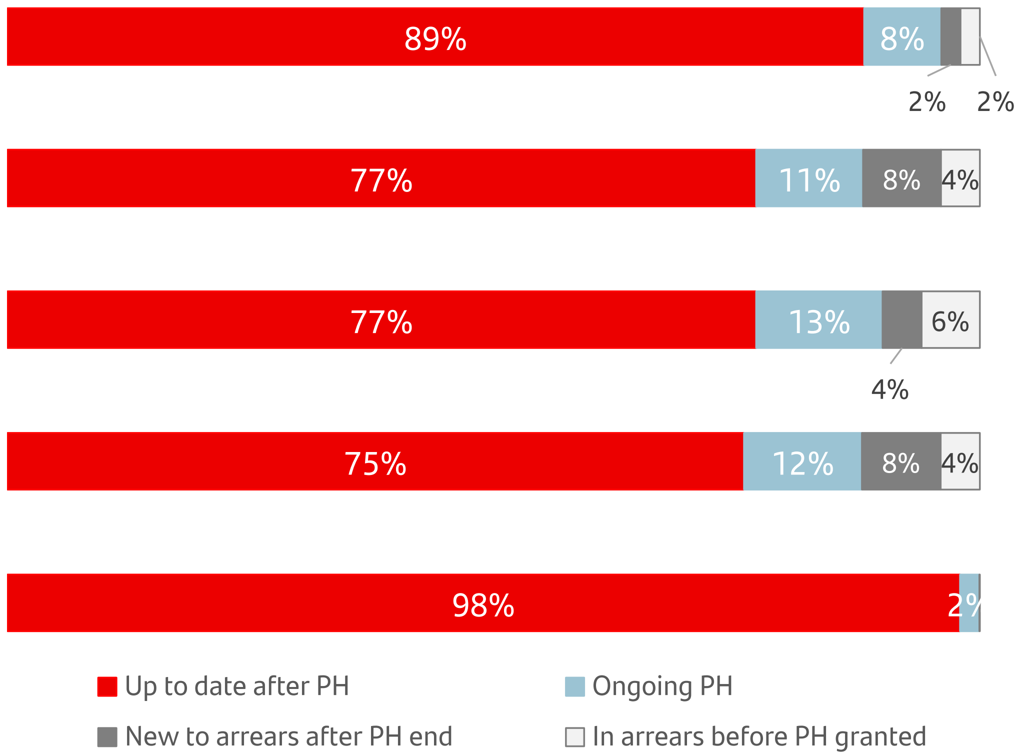


1.Corporate loans consists of £24.3bn of Corporate lending (CCB, CIB and Business Banking) and £3.2bn non-core loans in Corporate Centre (which is mostly Social Housing). | 2. Corporate deposits includes CCB, CIB and Business Banking. | 3. Exposure includes drawn and undrawn amounts, excludes lending through BBLS and SCIB

Supporting our customers through Covid-19 uncertainty with payment holidays

	Customers supported	Total PH granted[1] (£bn)	Outstanding PH (£bn)
Mortgages	251,000	37.1	2.5
Consumer (auto) finance	54,000	0.5	0.1
UPLs	34,000	0.2	<0.1
Credit cards	32,000	0.1	<0.1
Business & corporates	2,500	2.4	0.1

Breakdown of PH granted[1]



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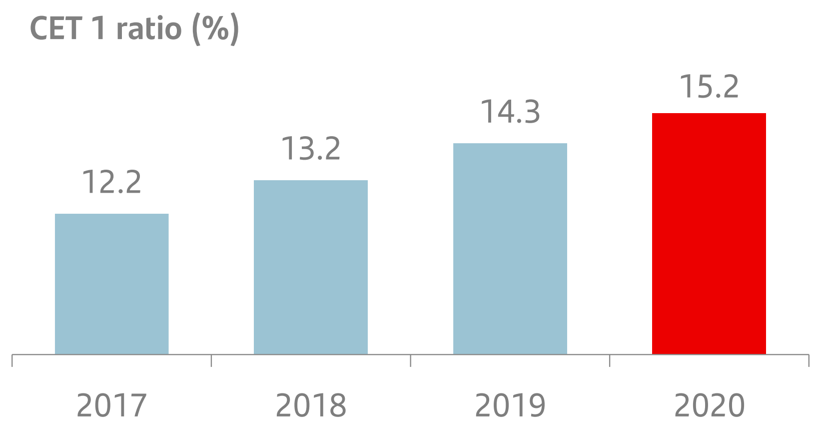
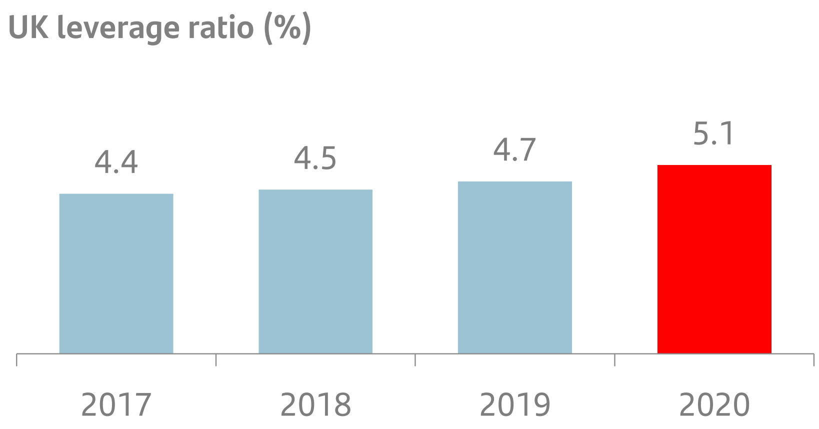
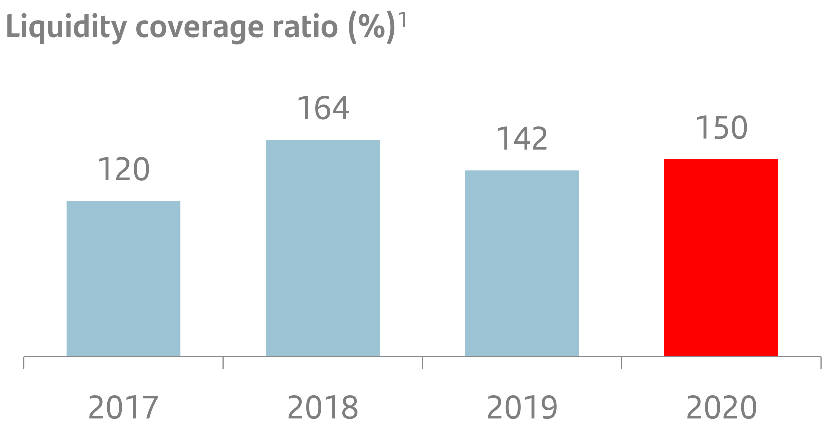
1. Breakdown of PH by value at 31 December 2020

Strong capital and liquidity positions







- CET1 ratio improved and remains significantly above regulatory requirements
- UK leverage ratio at 5.1%, was 1.5p.p. above the regulatory requirement
- LCR increase reflects very strong customer deposit growth of £13.9bn (2019: £5.7bn)

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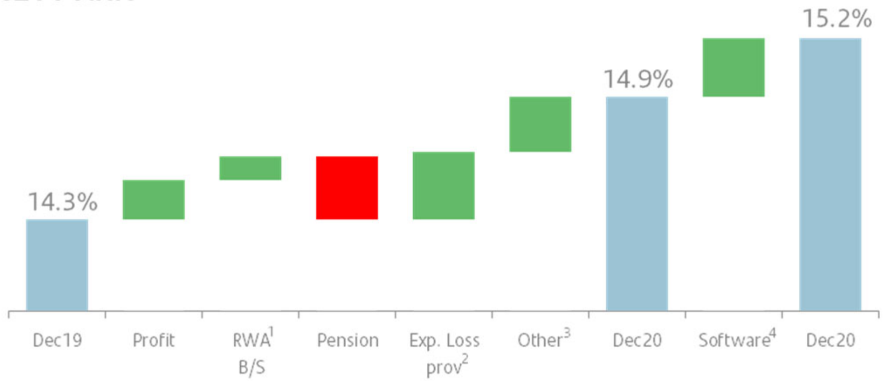
1. Santander UK plc. With effect from 1 January 2019, and in accordance with our ring-fence structure, SFS was withdrawn from Santander UK's Domestic Liquidity Sub-group. We now monitor and manage liquidity risk for Santander UK plc and SFS separately

Fixed Income Appendix

Resilient position through strong capital build and active RWA management

CET1 ratio



Capital and leverage

	Dec17	Dec18	Dec19	Dec20
CET1 ratio (%)	12.2	13.2	14.3	15.2
Leverage exposure (£bn)	287.0	275.6	269.2	258.9
UK leverage ratio (%)	4.4	4.5	4.7	5.1
RWAs (£bn)	87.0	78.8	73.2	72.9[5]
HoldCo total capital (%)	17.8	19.1	21.6	21.1
OpCo total capital (%)	19.3	20.3	21.7	21.2

- CET1 ratio improved by 90bps year on year, an increase to £11.1bn in CET1 capital
- The UK leverage ratio improved by 40bps year on year primarily through improvement in CET1 capital and active management of leverage exposures
- The impact of adverse market driven movements in the defined benefit pension schemes was offset by a lower deduction of regulatory expected loss amounts over credit provisions
- CET1 ratio includes a benefit of c.30bps and UK leverage ratio c.10bps from the change in treatment of software assets outlined in the EBA technical standard on the prudential treatment of software assets
- In line with the PRA recommendation on 10 December 2020, Santander UK paid an interim dividend for 2020

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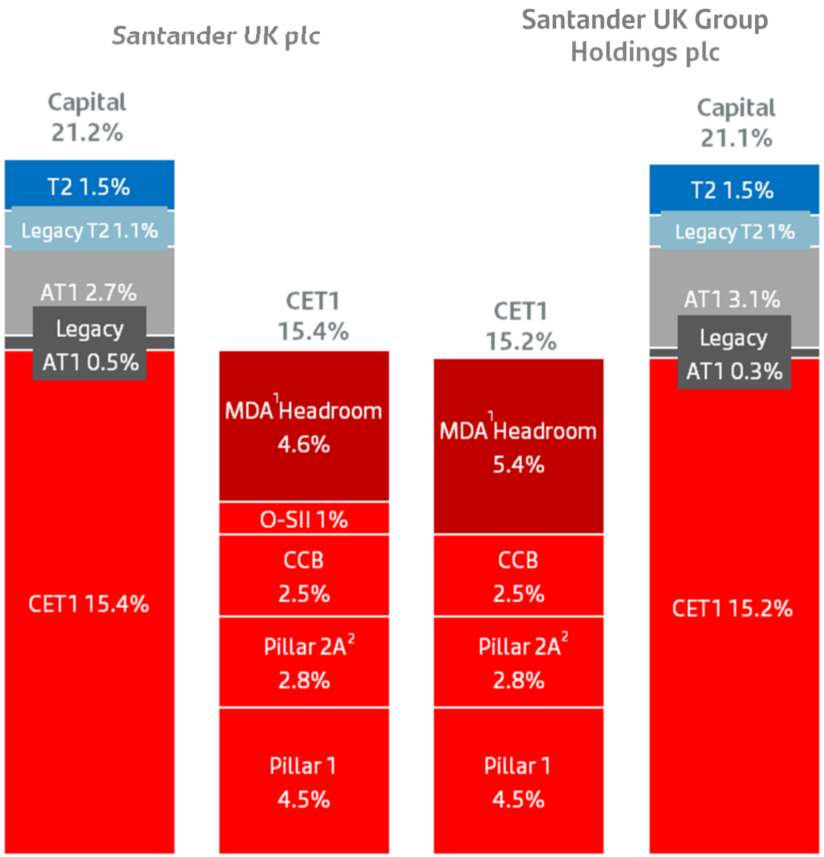
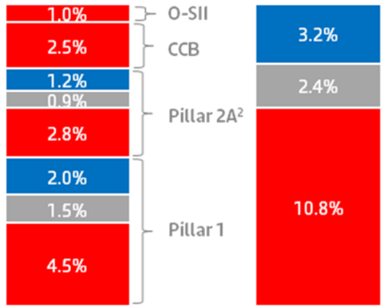
1. Net Balance sheet growth across Retail, Corporate and CIB. | 2. Lower deduction of negative amounts resulting from the calculation of regulatory expected loss amounts. | 3. IRFS9 adjustment and other intangible assets. | 4. Oct 2020 EBA technical standards specifying the prudential treatment of software assets likely to be reversed by UK regulator. | 5. RWA includes c£250m of change in treatment of software assets.

Maintaining resilient capital position in a changing regulatory environment

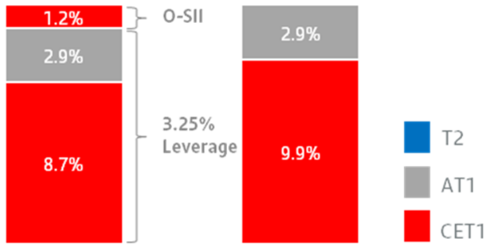
Total capital ratios - RWA



Capital requirements - RWA



Leverage – RWA Basis

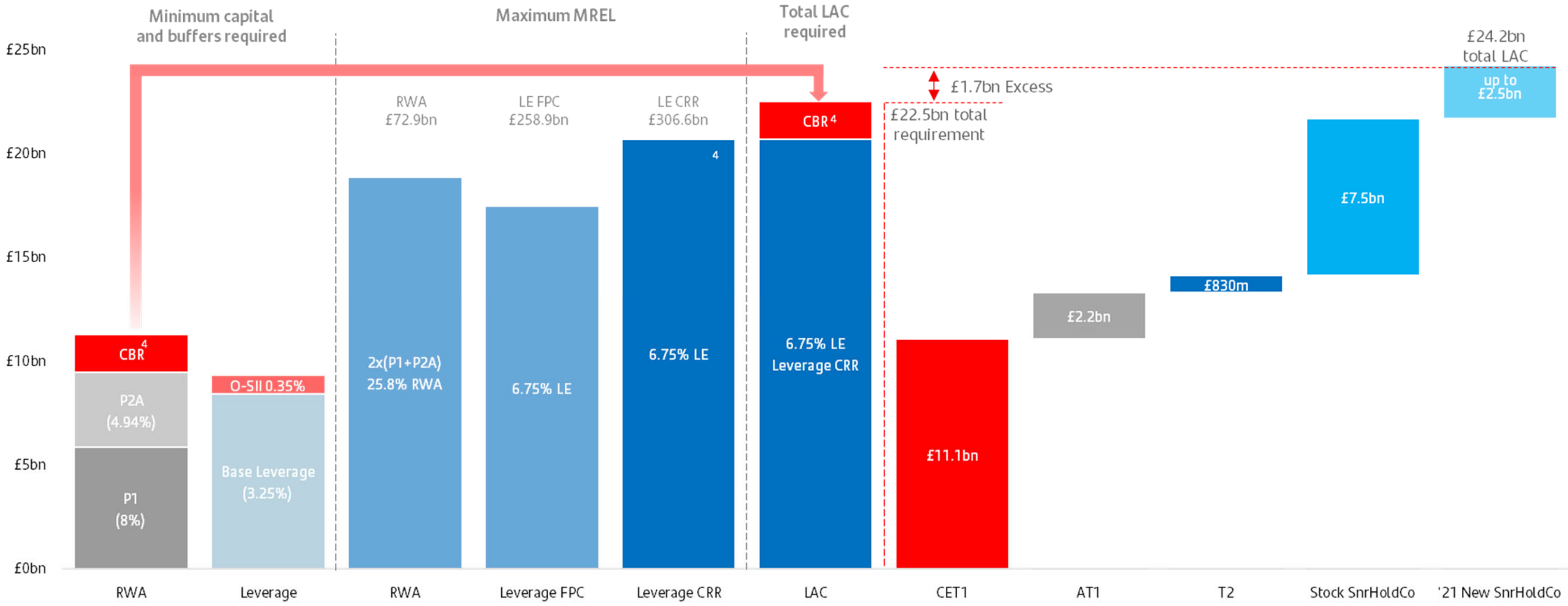


- Buffer to MDA increased to 5.4%, driven by the increase in CET1 and the reduction of the UK counter cyclical buffer (CCyB) to 0%
- At 31st Dec SanUK's P2A capital requirement remained with an RWA percentage based element
- During 2020 we continued to manage towards our end state capital structure, with the removal of c.£530m of legacy Opco capital instruments
- Our AT1 outstanding is sized on leverage ratio requirements

Santander 1. Distribution restrictions expected to apply if Santander UK's CET1 ratio fell between current Regulatory Minimum Capital level, equal to CRD IV 4.5% minimum plus Pillar 2A and the CRD IV buffers | 2. At 31 Dec 2020, Santander UK Group Holdings plc and Santander UK plc Pillar 2A requirements were 4.94% (2.8% CET1).

End state Loss Absorbing Capacity HoldCo requirements[1,2,3]

- Santander UK end state MREL is forecast to be driven by CRR leverage
- Combined Buffer Requirement (CBR) will always be fulfilled from CET1
- MREL recapitalisation management buffer size will be driven by the value of Holdco senior unsecured securities due to become MREL ineligible during the preceding 6 months



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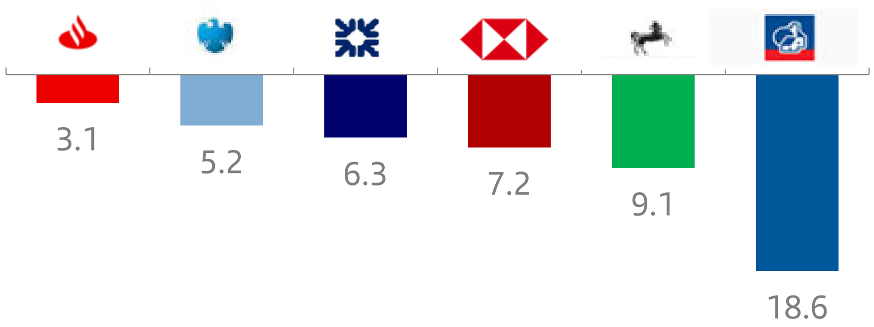
1. Assumes RWA and Leverage Exposure are as of the end of 2020 | 2. At December 2020, Santander UK Group Holdings Pillar 2A requirements was 4.94%. | 3. End state requirements as of Jan 2022 | 4. Combined Buffer Requirement includes CCB 2.5% & CCyB 0% and will be met exclusively with CET1

Proven resilience in Bank of England stress tests

Bank of England scenarios

	BoE Stress ACS 2019[1] %	BoE Covid-19 Desktop 2020[2] %	2019 Y/E %	2020 Y/E[3] %	2021 (f)[3] %
UK GDP Growth	(4.7)	(14)	1.3	(11.5)	4.5
Unemployment	9.2	8	3.8	6.8	7.5
House Price Inflation	(33)	(16)	2.3	3.8	(2.0)
Base rate	4.0	0.2	0.75	0.1	0.1

Performance at the BoE stress ACS 2019 test[4]

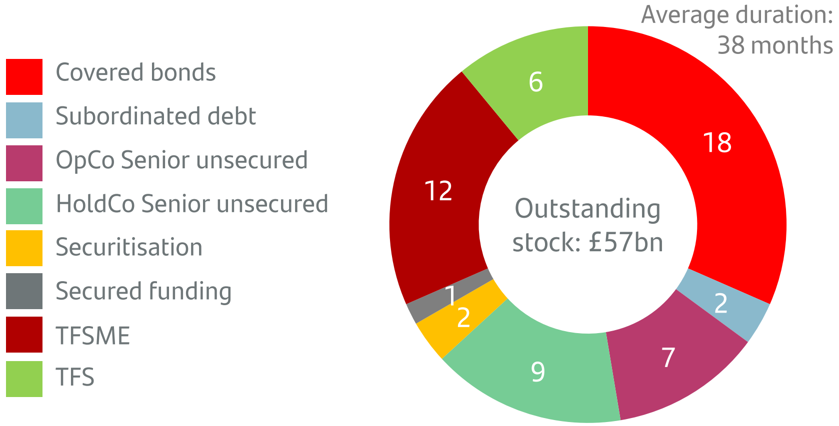


- In the 2019 ACS test, Santander UK had the lowest CET1 drawdown across UK banks, the 3.1% drawdown (post Non-dividend strategic management actions) compares favourably to our current 5.4% buffer to MDA
- In December 2020, the Financial Policy Committee (FPC) judged that UK banks, in aggregate, have capital buffers that allow them to lend in, and remain resilient to, a wide range of possible outcomes for the UK and global economies
- This 'reverse stress test' conducted by the FPC in August 2020, concluded that the macroeconomic scenarios required to generate such losses would need to be very severe, with UK unemployment peaking at around 15%

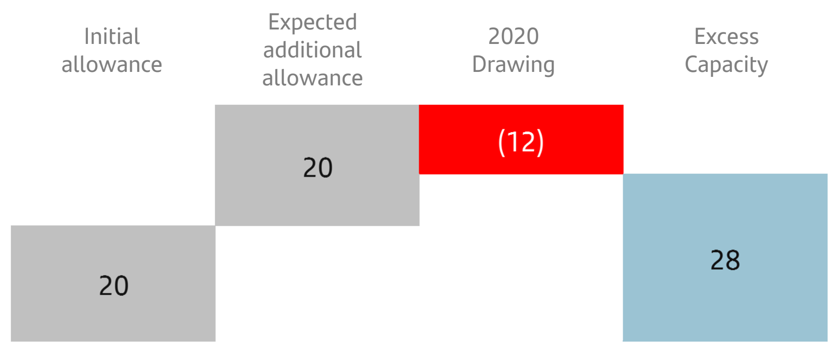
Santander 1. Source: BoE, Financial Stability Report, Dec 19. | 2. Source: BoE, Interim Financial Stability Report, May 2020. | 3. Santander UK IRFS9 Base case. | 4. CET1 drawdown is post Non-dividend 'strategic' management actions only.

Strong funding position across a diverse range of products

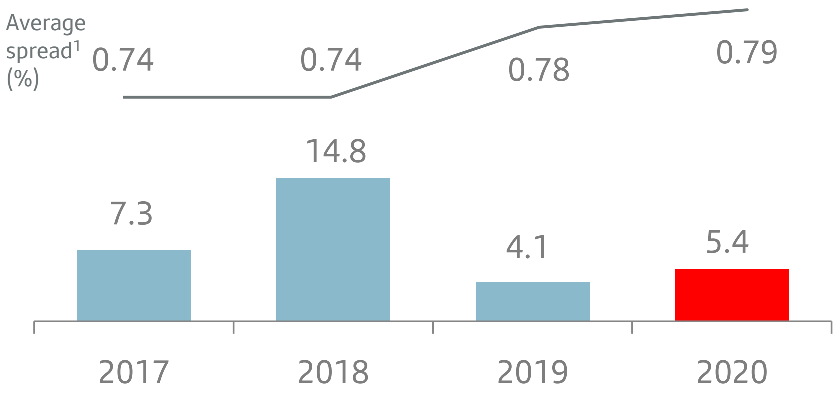
Term funding stock (£bn, Dec20)



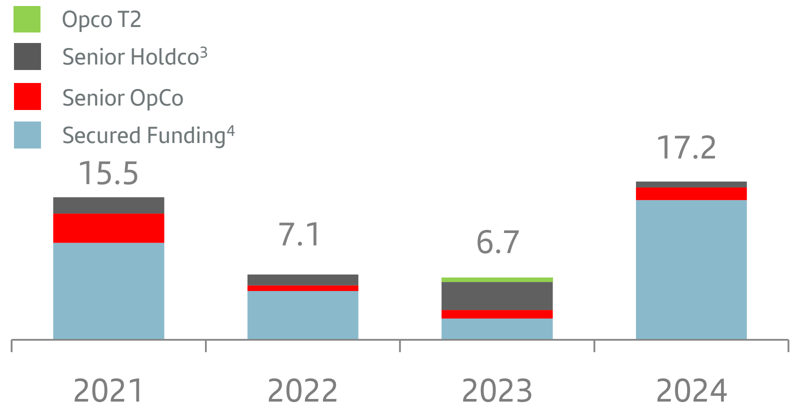
TFSME impact to funding



MTF issuance (£bn)



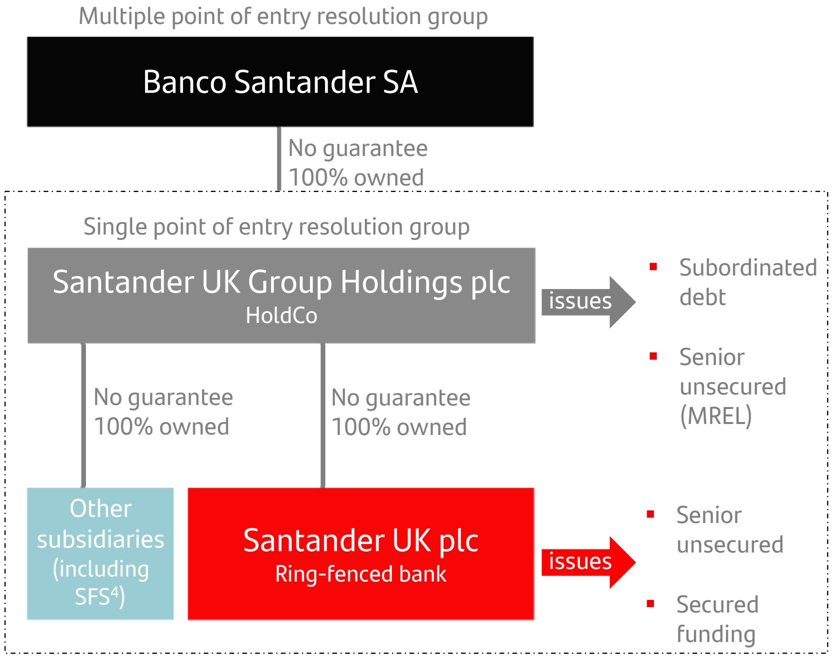
MTF maturities (£bn, Dec20)[2]



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

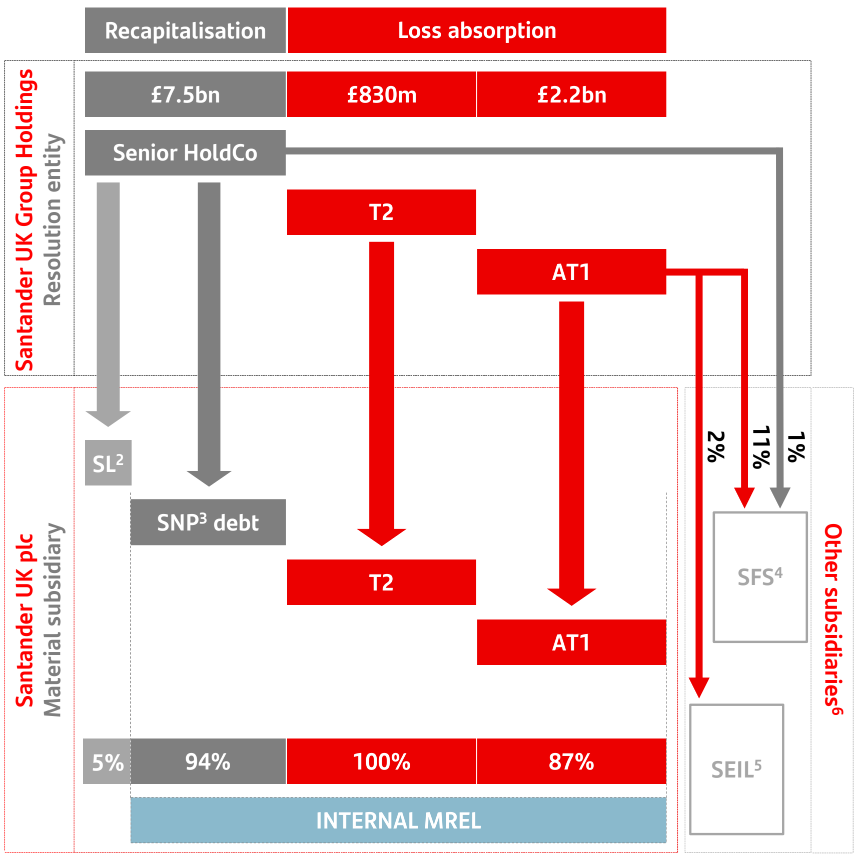
Santander UK group down-streaming model

Wholesale funding model



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

Current down-streaming of HoldCo issuance[1]



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1. Meeting MREL eligibility criteria and exchange rates at 31 Dec 2020. | 2. Senior loan. | 3. Secondary non-preferential. | 4. Santander Financial Services formerly ANTS. | 5. Santander Equity Investments Limited. | 6. Santander UK other subsidiaries will have limited on-going funding requirements.

Credit ratings – January 2021

S&P		A / A-1 / Negative
AAA	Opco	Covered Bond
AA+		
AA		
AA-		
A+		
A	Opco	Senior Unsecured
A-		
BBB+		
BBB	Holdco	Senior Unsecured
BBB-		
BB+	Holdco	Tier 2
BB		
BB-		
B+	Holdco	AT1

Moody's		A1 / P-1 / Negative
Aaa	Opco	Covered Bond
Aa1		
Aa2		
Aa3		
A1	Opco	Senior Unsecured
A2		
A3		
Baa1	Holdco	Senior Unsecured Tier 2
Baa2		
Baa3		
Ba1	Holdco	AT1
Ba2		
Ba3		
B1		

Fitch		A+ / F1 / Negative
AAA	Opco	Covered Bond
AA+		
AA		
AA-		
A+	Opco	Senior Unsecured
A	Holdco	Senior Unsecured
A-		
BBB+	Holdco	Tier 2
BBB		
BBB-	Holdco	AT1
BB+		
BB		
BB-		
B+		

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

Strategy and responsible banking update

Delivering on our strategic priorities

Our strategic priorities are aligned to Banco Santander's One Europe strategy, with a focus on customer loyalty, simplification, improved efficiency and sustainable growth, while aiming to be the best bank for all our stakeholders.

We are transforming the business for success in order to meet changing customer needs and deliver on our purpose to help people and businesses prosper.

Customers remain at the heart of what we do and a key part of our strategy although we have seen some deterioration in our KPIs for loyal customers and retail NPS this year. This followed 1I2I3 Current Account repricing actions linked to base rate reductions however balances have improved over the year and overall account numbers have remained broadly stable

	31.12.20	31.12.19
1. Grow customer loyalty by providing an outstanding customer experience		
Loyal customers (million)	4.4	4.6
Digital customers (million)	6.3	5.8
Retail net promoter score (NPS)	8th	4th
Business and corporate NPS	1st	1st
2. Simplify and digitise the business for improved efficiency and returns		
Adjusted RoTE	4.2%	7.8%
Adjusted cost-to-income ratio	59%	59%
3. Invest in our people and ensure they have the skills and knowledge to thrive		
Top 10 company to work for	Medium term aim	
4. Further embed sustainability across our business		
Financially empowered people	500,000	248,100

Further information on our strategy and how we measure success will be provided in our 2020 Annual Report due to be published in March 2021 alongside our ESG Supplement, detailing our sustainability strategy

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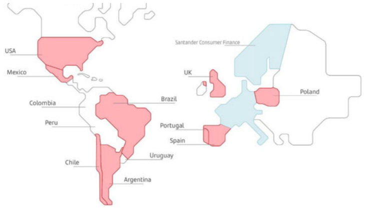
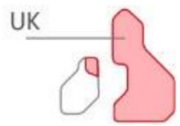
Our journey to become a more sustainable bank

Banco Santander



Above the timeline

Santander UK



Below the timeline

Above the timeline

- **2018:** Responsible banking chapter included in Annual Report
- **2019:**
  - Banco Santander issues €1 billion green bond to finance 360 renewable energy projects across Europe and the Americas
  - Responsible banking targets set including a commitment to provide more than €120bn in green finance by 2025
  - Committed to UN Principles for Responsible Banking
  - Awarded top ranking in DJSI World as most sustainable bank
- **2020:** No. 1 in Bloomberg Gender Equality index
- **2021:** 2021-2025 ESG targets

For more on ESG:

Below the timeline

2018

- Completed materiality assessment
- Launched new sustainability strategy
- Board Responsible Banking Committee established

2019

- Sustainability team moves to CEO office
- Set sustainability targets. Enhanced ESG disclosures
- Ongoing ESG investor engagement programme

2020

- Analysis of mortgage book for climate related physical risks
- Creation of Sustainability Business Partners
- *Times Top 50 Employer for Women 2020*

2021

- Deliver on the next stage of our strategy, including priority areas and ambition set by the Board, and set mid-term strategic targets
- Plan to publish our first Diversity Pay Report

For more on ESG:

2020 ESG Supplement to be published in March 2021

5-year plan to transition from philanthropic CSR to strategic sustainability

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Embedding ESG across our business and stepping up Covid-19 support

Creating a thriving culture

82%
of our people proud to work for Santander UK

32%
women in senior positions

Great Place to Work
accredited

Promoting sustainable economic growth

1.2 million [1]
properties assessed under initial climate change risk analysis

100%
renewable electricity used in 2019

> 99%
waste recycled or diverted from landfill

Driving financial inclusion

c82,000
older, isolated or vulnerable customers contacted to offer support

500,000
people financially empowered

x4 increase
online customer chat volumes (Q220 v Q120)

Helping our communities to prosper

£7.5m donated
for Covid-19 research and relief

> 10,000
scholarships granted

>1,700 attendees
online scam awareness courses

Additional support to help with Covid-19 crisis

Increasing customer contact throughout lockdown

- During lockdown we saw a significant increase in online customer chat volumes as people were unable to access our branches
- We trained and enabled branch staff to help deal with increased customer calls volumes
- We were concerned that many of our elderly and vulnerable customers would be isolated during lockdown and we proactively contacted those most at risk to offer support

Scam awareness to help our customers keep their money safe

- Fraud and scams cost people in the UK >£10bn p.a.
- We have been running online scam awareness events to help people spot the signs of common scams and keep their money safe. This is especially important as scammers have been more active and taking advantage of the Covid-19 crisis

Additional support for our charity partners

- £3m donation to our charity partners Age UK and Alzheimer's Society to help with immediate Covid-19 needs
- Focused on becoming the best 'dementia friendly' bank in the UK. 34% of our people completed Dementia Friend e-learning to help them support vulnerable customers and colleagues

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1. We have conducted an initial high-level analysis of climate change related impacts on credit portfolios based on various climate scenarios. We have c1.2 million properties in our mortgage book and we are studying and analysing climate related risks on these by working with partners to access to detailed property information

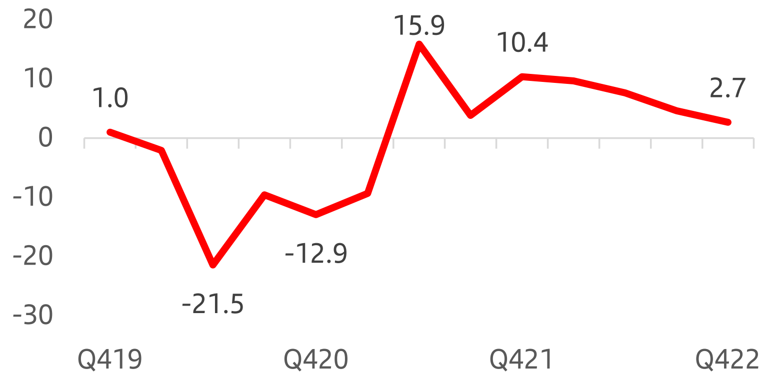
Appendix

Wide range of potential outcomes for the UK economy

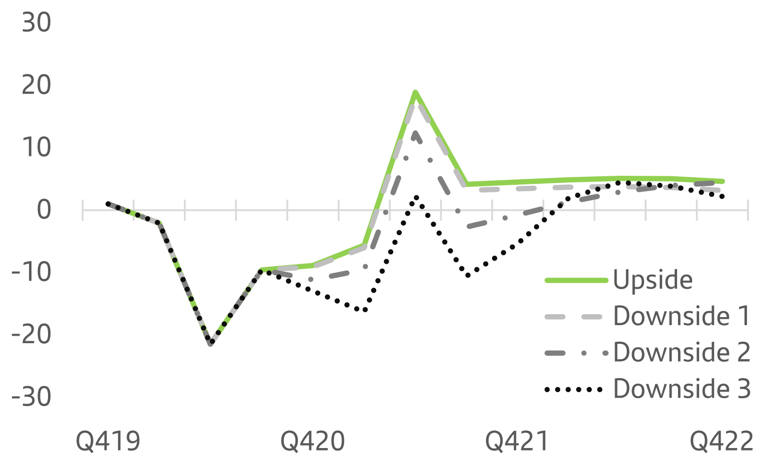
Economic scenarios (%)

		Downside 3	Downside 2	Downside 1	Base case	Upside
GDP	2020	(11.5)	(11.1)	(10.5)	(11.5)	(10.5)
	2021	(8.0)	(0.8)	4.0	4.5	4.8
	2022	3.1	3.2	3.6	6.1	4.9
Base rate	2020	0.10	0.10	0.10	0.10	0.10
	2021	(0.50)	0.75	0.10	0.10	0.25
	2022	0.0	1.75	0.10	0.10	0.75
House price inflation (HPI)	2020	3.5	3.7	3.7	3.5	3.7
	2021	(19.7)	(11.3)	(5.4)	(2.0)	(4.6)
	5-yr CAGR	(4.4)	(4.5)	(2.0)	1.4	0.5
Unemployment (ILO)	2020	6.8	6.3	6.3	6.8	6.3
	2021	11.4	8.5	6.5	7.5	6.1
	5-yr peak	11.9	8.8	6.5	7.9	6.3
Weighting		10	25	15	45	5

Base case GDP (%)



GDP scenarios (%)



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

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This presentation provides a summary of the unaudited business and financial trends for the year ended 31 December 2020 for Santander UK Group Holdings plc and its subsidiaries (Santander UK), including its principal subsidiary, Santander UK plc. Unless otherwise stated, references to results in previous periods and other general statements regarding past performance refer to the business results for the same period in 2019.

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In addition to the financial information prepared under IFRS, this presentation includes financial measures that constitute APMs, as defined in European Securities and Markets Authority (ESMA) guidelines. These measures are defined and reconciliations to the nearest IFRS measures are available in the appendix to the Santander UK Group Holdings plc Quarterly Management Statement for the year ended 31 December 2020.

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Contact details

Bojana Flint

Director of Investor Relations

+44 (0)7720 733 819

ir@santander.co.uk

Chris Heath

Head of Funding

+44 (0) 7715 802 609

mtf@santander.co.uk

Paul Sharratt

Head of Debt Investor Relations

+44 (0)7715 087 829

ir@santander.co.uk

Key dates

Q1'21 results: 28 April 2021

Q2'21 results: 28 July 2021

Q3'21 results: 27 October 2021

www.aboutsantander.co.uk