This report provides a summary of the unaudited business and financial trends for the three months ended 31 March 2023 for Santander UK Group Holdings plc and its subsidiaries (Santander UK), including its principal subsidiary Santander UK plc. The unaudited business and financial trends in this statement only pertain to Santander UK on a statutory basis (the statutory perimeter). Unless otherwise stated, references to results in previous periods and other general statements regarding past performance refer to the business results for the same period in 2022.

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

Santander UK Group Holdings plc

Quarterly Management Statement for the three months ended 31 March 2023

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Mike Regnier, Chief Executive Officer, commented:

"We have delivered a good set of results against a backdrop of turbulence in the global financial sector and ongoing challenges for the UK economy. We agree with the Bank of England that the regulatory regime means that UK banks are well-positioned to navigate such difficulties. Thanks to our measured and prudent approach to risk, we retain a resilient balance sheet and strong funding and liquidity.

"We have remained focused on providing real value for new and existing customers. Following rises in the base rate, we have seen the most competitive ISA period for several years and a further slowdown in the mortgage market. In this environment we continue to offer market-leading savings products and a broad range of mortgages.

"The economic outlook for 2023 remains uncertain with inflation predicted to remain above the 2% target meaning many households and businesses will continue to face difficult decisions in the months ahead. Providing the support they need across all our channels remains the priority for everyone at Santander UK."

Q1-23 financial and business highlights

Continued support for our customers

- Proactively contacted 2.5m customers, helping them to navigate the ongoing challenges in the current environment.
- Helped 14% more customers in the first two months of the year, with increased capacity in our financial support team.
- Doubled the number of customers using our innovative Santander Navigator platform to help them grow their business internationally.
- NPS ranked 5th for Retail and 1st for Business & Corporate. Customer service is integral to our strategy and remains a key area of focus[1].

Profit before tax of £547m (Q1-22: £495m) with higher income partially offset by higher costs, credit impairment charges and provisions

- Banking NIM[2] up 20bps to 2.21% (Q1-22: 2.01%), largely reflecting base rate increases.
- CIR improved to 47% (Q1-22: 49%) as increased net interest income more than offset cost inflation. Adj. CIR[2] of 45% (Q1-22: 47%).
- In Q1-23, we invested £56m in our transformation (Q1-22: £39m). Ongoing savings from this programme helped mitigate inflation.
- Credit impairment charges £9m up due to weaker UK economic environment. Cost of risk[2] of 15bps stable from Q4-22 (Q1-22: -9bps).
- Profit before tax up 11%, RoTE of 14.4% (2022: 12.0%). Adjusted profit[2] before tax up 13%, adjusted RoTE[2] of 15.0% (2022: 14.1%).

Customer loans and deposits reduced following market trends and disciplined pricing actions

- The mortgage market trends we saw at the end of 2022 have continued into 2023 with applications down 37%[3].
- Competition for deposits has increased and funding costs have risen notably over the last six months.
- Mortgage balances reduced by £4.1bn and customer deposits reduced by £5.1bn keeping our LDR broadly stable. Compared to last year both loans and deposits are up by £1.8bn and £0.7bn respectively.

Strong liquidity, funding and capital with prudent balance sheet management

- Strong LCR of 164% (2022: 163%) with liquidity pool of £49.6bn (2022: £49.0bn), 89% cash and central bank reserves (2022: 91%).
- Customer deposits predominantly retail with low average balances, 84% of these are covered by depositor guarantee scheme (FSCS).
- 85% of lending is prime UK retail mortgages with an average LTV of 51% (2022: 50%). Unsecured retail constitutes 3% of lending.
- Corporate customers are diversified across operating sectors. Stable CRE portfolio: 2% of customer loans and with 46% average LTV.
- Resilient asset quality with low arrears across all portfolios, Stage 3 ratio of 1.32% (2022: 1.24%).
- CET1 capital ratio of 15.4% (2022: 15.2%) and UK leverage ratio of 5.2% (2022: 5.2%), well above regulatory requirements.

Looking ahead

- The outlook remains uncertain, inflation is likely to reduce consumer spending further and we expect house prices to fall back to 2021 levels.
- We expect the LDR to trend lower in 2023 and Banking NIM[2] to be higher than 2022 reflecting base rate increases and disciplined pricing actions.
- Going forward we expect inflationary pressures to be partially offset by savings from the transformation programme.
- The challenges faced by households and businesses are expected to continue through 2023.

1. See Appendix for more on NPS including note on change in the peer set for Retail. Business & Corporate NPS is Dec-22, latest available.
2. Non-IFRS measure. See Appendix 1 for details and a reconciliation of adjusted metrics to the nearest IFRS measure.
3. Mortgage market applications year-on-year, source Bank of England.

Summarised consolidated income statement Q1-23 vs Q1-22	Q1-23	Q1-22	*Change*	Adjusted[2] Q1-23	Adjusted[2] Q1-22	Adjusted[2] *Change*
	£m	£m	*%*	£m	£m	*%*
Net interest income	1,184	1,053	*12*	1,184	1,053	*12*
Non-interest income[1]	124	122	*2*	121	125	*(3)*
Total operating income	**1,308**	**1,175**	***11***	**1,305**	**1,178**	***11***
Operating expenses before credit impairment (charges) / write-backs, provisions and charges	(614)	(581)	*6*	(583)	(548)	*6*
Credit impairment (charges) / write-backs	(61)	(52)	*17*	(61)	(52)	*17*
Provisions for other liabilities and charges	(86)	(47)	*83*	(58)	(44)	*32*
Profit before tax	**547**	**495**	***11***	**603**	**534**	***13***
Tax on profit	(145)	(105)	*38*			
Profit after tax	**402**	**390**	***3***			
Banking NIM[2]	2.21%	2.01%	20bps			
CIR	47%	49%	-2pp	45%	47%	-2pp

Profit before tax up 11%

- Total operating income up 11% largely due to the impact of higher base rate, increasing net interest income and Banking NIM[2].
- Operating expenses[3] up 6% largely due to inflation, partially offset by savings from the transformation programme.
- Credit impairment charges up 17% driven by the deterioration in the economic environment from a year ago with cost of risk of 15bps, unchanged from Q4-22 (Q1-22: -9bps).
- Provisions for other liabilities and charges up 83%, largely due to fraud redress of £30m related to the rise in scams (Q1-22: £26m) and higher transformation charges.
- Tax on profit from continuing operations increased to £145m as a result of both higher profits and an increase in underlying tax rates overall for the period. 2022 was also impacted favourably by a legislative reduction in the bank surcharge rate in that period to be effective from 1 April 2023 resulting in a remeasurement of deferred tax balances at this new rate.

Adjusted profit before tax up 13%: adjustments for transformation and property[2]

- Adjusted non-interest income[2] down 3%, a decrease of £4m.
- Adjusted operating expenses[2,3] up 6% due to inflationary pressures.
- Adjusted provisions for other liabilities and charges[2] up 32%, an increase of £14m largely due to fraud charges.

Summarised balance sheet	31.03.23	31.12.22
	£bn	£bn
Customer loans	215.5	219.7
Other assets[4]	75.6	72.5
Total assets	**291.1**	**292.2**
Customer deposits	191.4	196.5
Total wholesale funding	64.3	63.0
Other liabilities	20.0	18.0
Total liabilities	**275.7**	**277.5**
Shareholders' equity	15.4	14.7
Total liabilities and equity	**291.1**	**292.2**

1. Comprises 'Net fee and commission income' and 'Other operating income'.
2. Non-IFRS measure. See Appendix 1 for details and a reconciliation of adjusted metrics to the nearest IFRS measure.
3. Operating expenses before credit impairment (charges) / write-backs, provisions and charges.
4. 31 March 2023 and 31 December 2022 includes £49m of property assets classified as held for sale.

Customer deposits by segment	31.03.23	31.12.22
	£bn	£bn
Retail Banking	156.6	161.8
- Current accounts	*74.0*	*76.6*
- Savings accounts	*65.4*	*67.0*
- Business banking accounts	*11.4*	*12.2*
- Other retail products	*5.8*	*6.0*
Corporate & Commercial Banking	24.5	24.8
Corporate Centre	10.3	9.9
Total	**191.4**	**196.5**

Prudent approach to risk evident across product portfolios

- Mortgages: average stock LTV of 51% (2022: 50%) and average new loan size of £230k (2022: £237k).
- Credit cards: 56% (2022: 55%) of customers repay full balance each month.
- UPL: Average customer balances £6k (2022: £6k).
- Business Banking: includes £2.2bn (2022: £2.4bn) of BBLS with 100% Government guarantee.
- Consumer Finance: 85% (2022: 84%) of lending is collateralised on the vehicle.

Arrears over 90 days past due	31 March 2023	31 December 2022
	%	%
Mortgages	0.64	0.62
Credit cards	0.53	0.49
UPL	0.64	0.61
Overdrafts	2.36	2.24
Business Banking	3.19	3.47
Consumer Finance	0.39	0.44

Q1-23 ECL provision increased by £22m to £1,029m (Dec-22: £1,007m)

- Modest increases in Retail Banking and further impacts of the single name cases that emerged in CCB in Q4-22.
- 3-month gross write-off utilisation of £42m (12-month 2022: £157m).

Credit Performance	31 March 2023				31 December 2022			
	Total	Stage 1	Stage 2	Stage 3[1]	Total	Stage 1	Stage 2	Stage 3[1]
Customer loans	£bn	%	%	%	£bn	%	%	%
Retail Banking	190.3	*91.3*	*7.6*	1.14	194.6	*91.5*	*7.4*	1.08
- Mortgages	183.0	*91.6*	*7.4*	1.04	187.1	*91.8*	*7.3*	0.99
- Credit cards	2.5	*85.2*	*13.3*	2.61	2.5	*85.7*	*12.9*	2.53
- UPL	2.0	*87.0*	*11.9*	1.11	2.0	*87.3*	*11.7*	1.07
- Overdrafts	0.5	*32.7*	*61.8*	6.25	0.5	*33.5*	*61.0*	5.93
- Business Banking	2.3	*88.2*	*5.5*	6.35	2.5	*88.3*	*5.3*	6.55
Consumer Finance	5.4	*92.9*	*6.6*	0.49	5.4	*93.0*	*6.5*	0.54
Corporate & Commercial Banking	18.6	*77.3*	*19.5*	3.41	18.5	*78.3*	*18.8*	3.08
Corporate Centre	1.2	*99.7*	*0.2*	0.10	1.2	*99.6*	*0.3*	0.10
Total	**215.5**	***90.2***	***8.6***	**1.32**	**219.7**	***90.4***	***8.4***	**1.24**

1. Stage 3 ratio is the sum of Stage 3 drawn and Stage 3 undrawn assets (£0.1bn) divided by the sum of total drawn assets and Stage 3 undrawn assets.

Updated economic scenarios, with scenario weights unchanged in the quarter

- The economic outlook for 2023 remains uncertain. Inflation is forecast to be above the 2% target rate for 2023 putting further pressure on real disposable income. We expect house prices to decrease by 10% in 2023, falling back to 2021 levels.
- The stubborn inflation scenario is based on higher inflation which is persistently above the Bank of England target. This results in base rate peaking at 6%, further adding to the cost of living crisis and reducing consumer demand.
- The other downside scenarios capture a range of risks, including continuing weaker investment reflecting the unstable environment; a larger negative impact from the EU trade deal and a continuing and significant mismatch between job vacancies and skills, as well as a smaller labour force.

Economic scenarios 31-Mar-23		Upside 1 %	Base case %	Downside 1 %	Downside 2 %	Stubborn Inflation %	Weighted
GDP (calendar year annual growth rate)	2022	4.0	4.0	4.0	4.0	4.0	4.0
	2023	-0.3	-0.7	-1.0	-4.8	-1.6	-1.3
	2024	1.7	0.9	0.1	0.1	-1.6	0.2
	2025	2.4	1.6	0.5	0.5	0.1	1.1
	2026	2.4	1.5	0.3	0.8	0.6	1.1
	Peak to trough[1]	-0.5	-0.9	-1.5	-5.2	-3.3	-1.9
Base rate (At 31 December)	2022	3.50	3.50	3.50	3.50	3.50	3.50
	2023	3.50	4.25	4.75	3.50	6.00	4.56
	2024	3.00	3.50	4.25	2.75	5.50	3.91
	2025	2.50	2.75	3.25	2.75	3.50	2.96
	2026	2.25	2.50	2.75	2.50	3.00	2.63
	5 yr Peak	4.25	4.25	4.75	4.25	6.00	4.68
HPI (Q4 annual growth rate)	2022	4.9	4.9	4.9	4.9	4.9	4.9
	2023	-8.9	-10.0	-8.6	-12.5	-9.0	-9.8
	2024	0.1	0.0	-6.3	-11.1	-8.2	-3.7
	2025	5.0	2.0	-2.7	-4.2	-2.2	0.0
	2026	5.8	3.0	-0.1	1.5	1.6	2.2
	Peak to trough	-13.3	-12.9	-19.0	-27.5	-20.3	-16.8
Unemployment (At 31 December)	2022	3.7	3.7	3.7	3.7	3.7	3.7
	2023	4.4	4.6	4.7	7.6	5.0	5.0
	2024	4.0	4.9	5.0	8.2	5.9	5.4
	2025	3.8	4.5	5.4	7.6	6.3	5.3
	2026	3.6	4.3	5.8	7.0	6.5	5.2
	5yr Peak	4.4	4.9	5.8	8.5	6.5	5.7
Weighting:		5%	50%	15%	10%	20%	100%

ECL 31-Mar-23 (100% weight to each scenario)	Upside 1 £m	Base case £m	Downside 1 £m	Downside 2 £m	Stubborn Inflation £m	Weighted £m
Retail Banking	502	518	565	768	633	552
Consumer Finance	70	71	69	73	73	71
Corporate & Commercial Banking	369	381	412	484	446	406
Corporate Centre	-	-	-	-	-	-
Total	**941**	**970**	**1,046**	**1,325**	**1,152**	**1,029**

1. Peak is taken from GDP data at Q2-22.

Treasury

Highly liquid balance sheet

- Strong LCR of 164%, (Dec-22: 163%), with £19.3bn LCR eligible liquid assets surplus to minimum requirement.
- LCR eligible liquidity pool of £49.6bn (Dec-22: £49.0bn), includes £44.1bn cash and central bank reserves (Dec-22: £44.5bn). Remaining assets predominantly Sterling and USD denominated government bonds and covered bonds.
- Term duration in the LCR eligible liquidity pool is hedged with swaps to offset mark to market movements from interest rate changes.

Strong and diversified funding

- LDR broadly stable with lower customer lending and deposits after pricing actions in Q4-22 to optimise the customer balance sheet.
- Term funding stock of £58.3bn across well-established covered bond, RMBS, senior unsecured and SEC registered issuance programs.
- As a contingency in 2021 we took all TFSME available and began repayments in 2022. At end Mar-23, TFSME outstanding was £25.0bn with £21.1bn due for repayment by 2025 and the remaining £3.9bn due for repayment between 2027 and 2031.
- In Q1-23 we issued c£3.3bn Sterling equivalent medium term funding, including c£1bn of MREL issuance and c£2.3bn of other secured issuance from Santander UK plc. We also issued £300m of 10 year Tier 2 (non-call 5 year) which was bought by Banco Santander.
- We expect to issue £1.5bn to £2.5bn of MREL in 2023.

Capital ratios well above regulatory requirements

- The CET1 capital ratio increased 20bps to 15.4%. This was largely due to higher profit. We remain strongly capitalised with significant headroom to minimum requirements and MDA.
- The UK leverage ratio remained stable at 5.2%. UK leverage exposure remained broadly stable at £249.1bn (2022: £248.6bn).
- Total capital ratio remained broadly stable at 20.5% (2022: 20.4%).

Key metrics	**31 March 2023**		**31 December 2022**	
	£bn	**%**	**£bn**	**%**
LCR	49.6	164	49.0	163
CET1 capital	11.0	15.4	10.8	15.2
Total qualifying regulatory capital	14.6	20.5	14.5	20.4
UK leverage	13.2	5.2	13.0	5.2
RWA	71.3	-	71.2	-
Loan to deposit ratio	-	114	-	113
Total wholesale funding and AT1	66.5	-	65.2	-
- term funding	58.3	-	57.8	-
- TFSME	25.0	-	25.0	-
- with a residual maturity of less than one year	12.2	-	11.0	-

Summarised changes to CET1 capital ratio	
Retained earnings	+0.21pp
Pension	-0.05pp
RWA	-0.03pp

CET1 capital ratio MDA trigger (headroom 4.2%)	**Minimum %**
Pillar 1	4.5
Pillar 2A	3.2
Capital conservation buffer	2.5
Countercyclical capital buffer	1.0
Current MDA trigger	**11.2**

Appendix 1 – Alternative Performance Measures

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

In Q1-23, we removed the adjustment for operating lease depreciation in the adjusted profit metrics which also impacted adjusted CIR. Prior periods have been amended accordingly.

a) Adjusted profit metrics

As shown in the table below, profit before tax is adjusted for items management believe to be significant. We adjust for these to facilitate operating performance comparisons from period to period.

	Ref.	Q1-23 £m	Q1-22 £m
Non-interest income			
Reported	(i)	124	122
Adjust for transformation related net loss / (gain) on sale of property		(3)	3
Adjusted	**(ii)**	**121**	**125**
Operating expenses before credit impairment (charges) / write-backs, provisions and charges			
Reported	(iii)	(614)	(581)
Adjust for transformation		31	33
Adjusted	**(iv)**	**(583)**	**(548)**
Provisions for other liabilities and charges			
Reported		(86)	(47)
Adjust for transformation		28	3
Adjusted		**(58)**	**(44)**
Profit before tax			
Reported		547	495
Specific income, expenses and charges		56	39
Adjusted		**603**	**534**

Net loss / (gain) on sale of property: previously named 'net gain on sale of London head office and branch properties', now also includes subsequent sale of property under our transformation programme.

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

Adjusted CIR

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

	Ref.	Q1-23	Q1-22
CIR	(iii) divided by the sum of (i) + net interest income	47%	49%
Adjusted CIR	**(iv) divided by the sum of (ii) + net interest income**	**45%**	**47%**

b) Adjusted RoTE

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

	Q1-23 £m	Specific income, expenses and charges £m	As adjusted £m
Profit after tax	402	40	442
Annualised profit after tax	1,630		1,792
Phasing adjustments			(59)
Less non-controlling interests of annual profit	-		-
Profit / adjusted profit due to equity holders of the parent (A)	1,630		1,733

	Q1-23 £m	Equity adjustments £m	As adjusted £m
Average shareholders' equity	15,041		
Less average Additional Tier 1 (AT1) securities	(2,196)		
Less average non-controlling interests	-		
Average ordinary shareholders' equity (B)	12,845		
Average goodwill and intangible assets	(1,551)		
Average tangible equity (C)	11,294	232	11,526
Return on ordinary shareholders' equity (A/B)	12.7%		-
RoTE (A/C)	**14.4%**		**15.0%**

	2022 £m	Specific income, expenses and charges £m	As adjusted £m
Profit after tax	1,423	254	1,677
Less non-controlling interests of annual profit	(17)		(17)
Profit / adjusted profit due to equity holders of the parent (A)	1,406		1,660

	2022 £m	Equity adjustments £m	As adjusted £m
Average shareholders' equity	15,545		
Less average Additional Tier 1 (AT1) securities	(2,194)		
Less average non-controlling interests	(118)		
Average ordinary shareholders' equity (B)	13,233		
Average goodwill and intangible assets	(1,548)		
Average tangible equity (C)	11,685	63	11,748
Return on ordinary shareholders' equity (A/B)	10.6%		-
RoTE (A/C)	**12.0%**		**14.1%**

Specific income, expenses, charges

Details of these items are outlined in section a) of Appendix 1, with a total impact on profit before tax of £56m. The impact of these items on the taxation charge was £16m and on profit after tax was £40m. Tax is calculated at the standard rate of corporation tax including the bank surcharge, except for items such as conduct provisions which are not tax deductible.

Equity adjustments

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

c) Other non-IFRS measures and their calculations

- Banking NIM: Annualised net interest income divided by average customer loans for the first quarter. (Q1-23: £217,569m; Q1-22: £212,065m).
- Cost of risk: Credit impairment (charges) / write-backs for the 12-month period as a percentage of average customer loans for the last 12 months. (Q1-23: £217,874m; Q1-22: £210,432m).
- Cost-to-income ratio: Total operating expenses before credit impairment (charges) / write-backs, provisions and charges as a percentage of the total of net interest income and non-interest income.
- Non-interest income: Net fee and commission income plus other operating income.
- Stage 3 ratio: The sum of Stage 3 drawn and Stage 3 undrawn assets divided by the sum of total drawn assets and Stage 3 undrawn assets.

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

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

Summarised consolidated income statement	**Q1-23**	**Q1-22**
	£m	**£m**
Net interest income	1,183	1,039
Non-interest income[1]	111	119
Total operating income	**1,294**	**1,158**
Operating expenses before credit impairment (charges) / write-backs, provisions and charges	(607)	(574)
Credit impairment (charges) / write-backs	(60)	(52)
Provisions for other liabilities and charges	(86)	(47)
Total operating credit impairment (charges) / write-backs, provisions and charges	**(146)**	**(99)**
Profit before tax	**541**	**485**
Tax on profit	(147)	(103)
Profit after tax	394	382

Summarised balance sheet	**31.03.23**	**31.12.22**
	£bn	**£bn**
Total customer loans	211.6	215.7
Other assets[2]	72.2	69.5
Total assets	**283.8**	**285.2**
Total customer deposits	184.6	189.9
Wholesale funding	64.1	62.9
Other liabilities	20.0	18.0
Total liabilities	**268.7**	**270.8**
Shareholders' equity	15.1	14.4
Total liabilities and equity	**283.8**	**285.2**

Other information	**31.03.23**	**31.12.22**
Total qualifying regulatory capital	£14.4bn	£14.3bn
Risk-weighted assets (RWAs)	£70.2bn	£70.1bn
Total capital ratio	20.5%	20.4%
RFB LCR	156%	157%
RFB DoLSub LCR	151%	152%
Stage 3 ratio	1.34%	1.26%
ECL provision	£1,027m	£1,006m

The information contained in this report is unaudited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

1. Comprises 'Net fee and commission income' and 'Other operating income'.
2. 31 March 2023 and 31 December 2022 includes £49m of property assets classified as held for sale.

Appendix 3 – Additional information

Mortgage metrics	31.03.23	31.12.22
Stock average LTV[1]	51%	50%
New business average LTV[1]	66%	69%
London lending new business average LTV[1]	64%	66%
BTL proportion of loan book	9%	9%
Fixed rate proportion of loan book	89%	89%
Variable rate proportion of loan book	7%	7%
SVR proportion of loan book	3%	3%
FoR proportion of loan book	1%	1%
Proportion of customers with a maturing mortgage retained[2]	81%	81%
Average loan size (stock)	£185k	£184k
Average loan size (new business)	£230k	£237k

Customer loans by segment	31.03.23	31.12.22
	£bn	£bn
Retail Banking	190.3	194.6
- Mortgages	*183.0*	*187.1*
- Other (Business Banking and unsecured lending)	*7.3*	*7.5*
Consumer Finance	5.4	5.4
Corporate & Commercial Banking	18.6	18.5
Corporate Centre	1.2	1.2
Total	**215.5**	**219.7**

Interest rate risk

NII sensitivity[3]	Q1-23	2022
	£m	£m
+100bps	222	238
-100bps	(227)	(194)

Well positioned in a rising interest rate environment

- Our structural hedge position decreased, with c.£104bn at Mar-23 (Dec-22: c.£108bn), and duration of c.2.4 years (Dec-22: c.2.5 years).
- The table above shows how our net interest income would be affected by a 100bps parallel shift (both up and down) applied instantaneously to the yield curve. Sensitivity to parallel shifts represents the amount of risk in a way that we think is both simple and scalable.

1. Balance weighted LTV.
2. Applied to mortgages four months post maturity and is calculated as a 12-month average of retention rates to December.
3. Based on modelling assumptions of repricing behaviour.

List of abbreviations

APM	Alternative Performance Measure
AML	Anti-money laundering
AT1	Additional Tier 1
BBLS	Bounce Back Loan Scheme
Banco Santander	Banco Santander S.A.
Banking NIM	Banking Net Interest Margin
BTL	Buy-To-Let
CET1	Common Equity Tier 1
CIB	Corporate & Investment Banking
CIR	Cost-To-Income Ratio
CRE	Commercial Real Estate
CRR	Capital Requirements Regulation
ECL	Expected Credit Losses
EDB	Everyday Banking
ESMA	European Securities and Markets Authority
EU	European Union
FoR	Follow on Rate
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
GDP	Gross Domestic Product
HPI	House Price Index
IFRS	International Financial Reporting Standards
JAs	Judgemental Adjustments (previously Post Model Adjustments)
LCR	Liquidity Coverage Ratio
LDR	Loan-to-deposit Ratio
LTV	Loan-To-Value
n.m.	Not meaningful
MDA	Maximum Distributable Amount
MREL	Minimum Requirement for own funds and Eligible Liabilities
NPS	Net Promoter Score
PRA	Prudential Regulation Authority
QMS	Quarterly Management Statement
RFB	Ring-Fenced Bank (Santander UK plc)
RFB DoLSub	Santander UK plc Domestic Liquidity Sub-group
RMBS	Residential Mortgage Backed Security
RoTE	Return on Tangible Equity
RWA	Risk-Weighted Assets
Santander UK	Santander UK Group Holdings plc
SLB	Santander London Branch
SVR	Standard Variable Rate
TFSME	Term Funding Scheme with additional incentives for SMEs
UK	United Kingdom
UPL	Unsecured personal loans

Retail NPS: Our customer experience research was subject to independent third party review. We measured the main banking NPS of 12,744 consumers on a six month basis using a 11-point scale (%Top 2 – %Bottom 7). The reported data is based on the six months ending 31 March 2023, and the competitor set included in the ranking analysis is Barclays, Halifax, HSBC, Lloyds Bank, Nationwide, NatWest Group and TSB. RBS was amalgamated into NatWest Group from January 2023 resulting in a reduced number of competitors from 9 to 8 (including Santander).
March 2023: NPS ranked 5th for Retail, we note a margin of error which impacts those from 3rd to 5th and makes their rank statistically equivalent.
December 2022: NPS ranked 6th for Retail, we note a margin of error which impacts those from 4th to 6th and makes their rank statistically equivalent.

Business & Corporate NPS: Business and corporate NPS is measured by the MarketVue Business Banking from Savanta. This is an ongoing telephone based survey designed to monitor usage and attitude of UK businesses towards banks. 14,500 structured telephone interviews are conducted each year among businesses of all sizes from new start-ups to large corporates. The data is based upon 8,706 interviews made in twelve months ended 16 December 2022 with businesses turning over from £0 - £500m per annum and are weighted by region and turnover to be representative of businesses in Great Britain. NPS recommendation score is based on an 11-point scale (%Top 2 - %Bottom 7). The competitor set included in this analysis is Barclays, RBS, HSBC, Lloyds Bank and NatWest. As at time of publication, March 2023 Business & Corporate NPS rank is not available, December 2022 latest available.
December 2022: NPS ranked 1st for Business & Corporate.
December 2021: NPS ranked 1st for Business & Corporate.

Additional information about Santander UK and Banco Santander
Santander UK is a financial services provider in the UK that offers a wide range of personal and commercial financial products and services. At 31 March 2023, the bank had around 19,600 employees and serves around 14 million active customers, 7 million digital customers via a nationwide 446 branch network, telephone, mobile and online banking. Santander UK is subject to the full supervision of the FCA and the PRA in the UK. Santander UK plc customers' eligible deposits are protected by the FSCS in the UK.

Banco Santander (SAN SM, STD US, BNC LN) is a leading retail and commercial bank, founded in 1857 and headquartered in Spain and is one of the largest banks in the world by market capitalization. Its primary segments are Europe, North America, South America and Digital Consumer Bank, backed by its secondary segments: Santander Corporate & Investment Banking (Santander CIB), Wealth Management & Insurance (WM&I) and PagoNxt. Its purpose is to help people and businesses prosper in a simple, personal and fair way. Banco Santander is building a more responsible bank and has made a number of commitments to support this objective, including raising over €120 billion in green financing between 2019 and 2025, as well as financially empowering more than 10 million people over the same period.
At 31 December 2022, Banco Santander had more than 1.3 trillion euros in total funds, 160 million customers, of which 27 million are loyal and 51 million are digital, over 9,000 branches and over 200,000 employees.

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

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

Disclaimer
Santander UK Group Holdings plc (Santander UK), Santander UK plc and Banco Santander caution that this announcement may contain forward-looking statements. Such forward-looking statements are found in various places throughout this announcement. Words such as "believes", "anticipates", "expects", "intends", "aims" and "plans" and other similar expressions are intended to identify forward-looking statements, but they are not the exclusive means of identifying such statements. Forward-looking statements include, without limitation, statements concerning our future business development and economic performance. These forward-looking statements are based on management's current expectations, estimates and projections and Santander UK, Santander UK plc and Banco Santander caution that these statements are not guarantees of future performance. We also caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. We have identified certain of these factors in the forward-looking statements on page 271 of the Santander UK Group Holdings plc 2022 Annual Report. Investors and others should carefully consider the foregoing factors and other uncertainties and events. Undue reliance should not be placed on forward-looking statements when making decisions with respect to Santander UK, Santander UK plc, Banco Santander and/or their securities. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, future share price or future earnings for any period will necessarily match or exceed those of any prior quarter.
Santander UK is a frequent issuer in the debt capital markets and regularly meets with investors via formal roadshows and other ad hoc meetings. In line with Santander UK's usual practice, over the coming quarter it expects to meet with investors globally to discuss this Quarterly Management Statement, the results contained herein and other matters relating to Santander UK.

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