



# Investor Update Q1-24

for the three months ended 31 March 2024

Santander UK Group Holdings plc

Becoming a **digital bank** with a **human touch**  
through helping **people** and **businesses prosper**

Overview

Operating Environment

Performance Overview

Fixed Income

Appendix

- Mortgage focused lender, with a diversified retail deposit base
- Prudent approach to risk, delivering good returns through the cycle
- Resilient balance sheet with strong capital, liquidity and funding
- Benefit from being part of a global banking group

**14 million**  
active UK customers

**7 million**  
digital customers

**444 branches**  
across the UK

**2.07%**  
Banking NIM  
(Q1-23: 2.21%)

**£391m**  
Profit before tax  
(Q1-23: £547m)

**10.3%**  
Return on Tangible Equity  
(2023: 14.4%)

Customer lending (£bn)		
Mortgage	172.7	85%
CCB <sup>1</sup>	17.8	9%
Consumer	5.1	2%
Other	8.1	4%
<b>Total</b>	<b>203.7</b>	<b>100%</b>

Customer deposits (£bn)		
Banking	63.9	33%
Savings	78.7	41%
CCB <sup>1</sup>	25.1	13%
Other	25.6	13%
<b>Total</b>	<b>193.3</b>	<b>100%</b>

Note:

1. CCB is Corporate & Commercial Banking.

### Consistent delivery with a strong capital position

- Banking NIM peaked in Q3-23, with pressure on deposit costs seen in Q4-23 & Q1-24
- Cost of risk decreased reflecting improved economic outlook
- CET1 capital ratio and UK leverage ratio well above regulatory requirements

Key metrics					
Metric	2020	2021	2022	2023	Q1-24
Banking NIM (%) <sup>1</sup>	1.63	1.92	2.06	2.20	2.07
CIR (%) <sup>1</sup>	63	56	47	48	57
Cost of risk (bps)	31	(11)	15	10	8
RoTE (%) <sup>1</sup>	3.4	11.2	12.0	14.4	10.3
CET1 capital ratio (%)	15.2	15.9	15.2	15.2	15.2
Leverage ratio (%)	5.1	5.2	5.2	5.1	5.1
LCR (%) <sup>2</sup>	150	166	163	162	166
Stage 3 ratio (%)	1.42	1.43	1.24	1.49	1.57

**Note:**

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

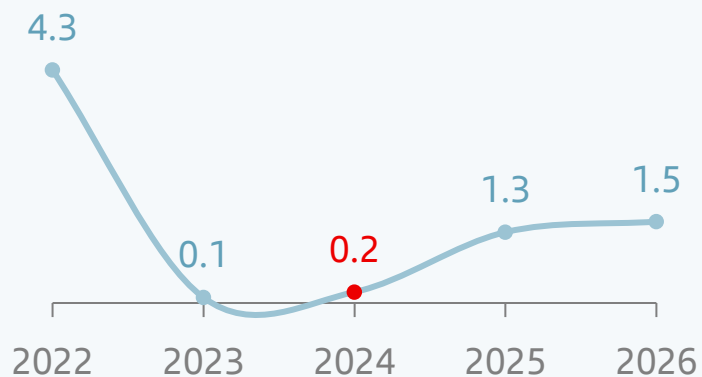
Overview

**Operating Environment**

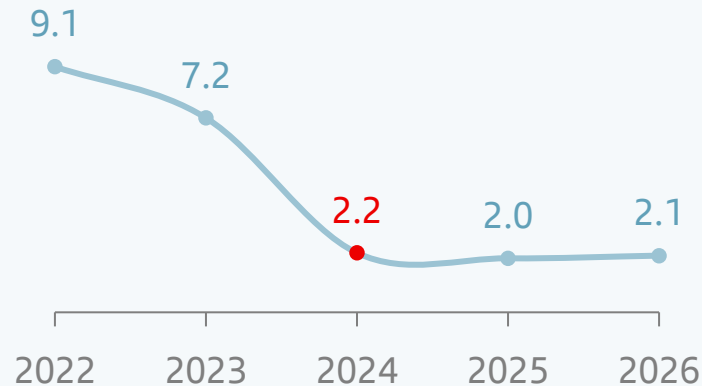
Performance Overview

Fixed Income

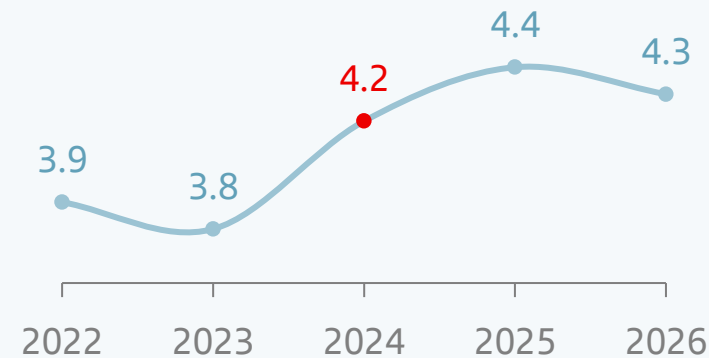
Appendix

GDP growth<sup>1</sup> (%)

- Another year of slow economic growth expected in 2024
- Consumer spending continues to be impacted by cost of living pressures and adjustment to higher borrowing costs

Annual CPI<sup>2</sup> (%)

- Inflation has continued to show signs of easing, following initial fall in H2-23
- Expected to fall towards target range over 2024
- Our base case forecast for BoE Base Rate at 31-Dec-2024 is 4.50%

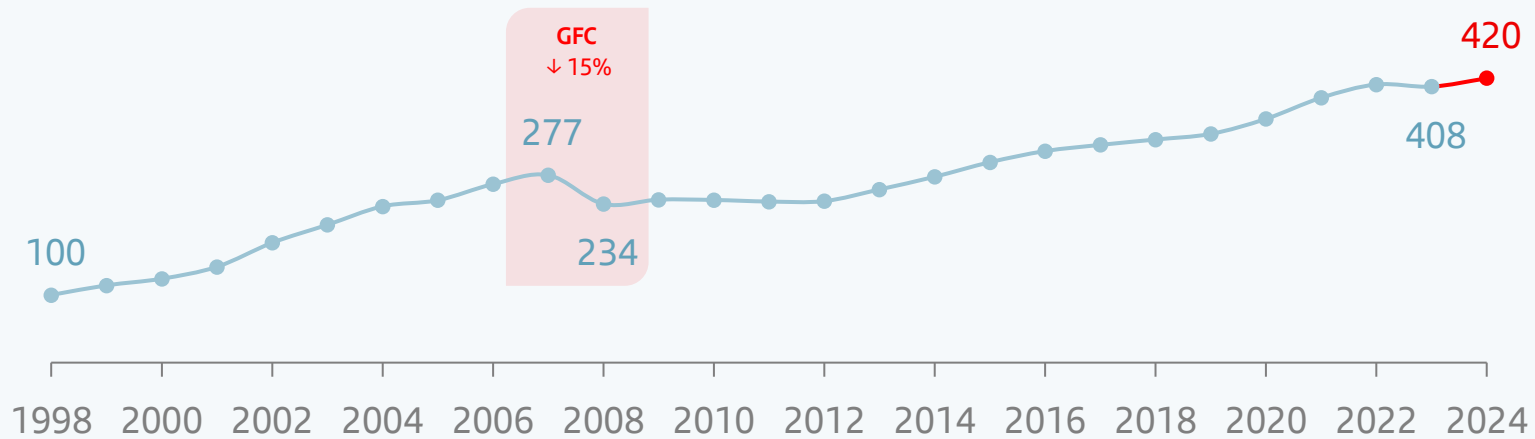
Unemployment<sup>3</sup> (%)

- Unemployment is forecast to increase to 4.2% in 2024
- Improvement from Q4-23 forecast of 4.8% at 31-Dec-2024

## Note:

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

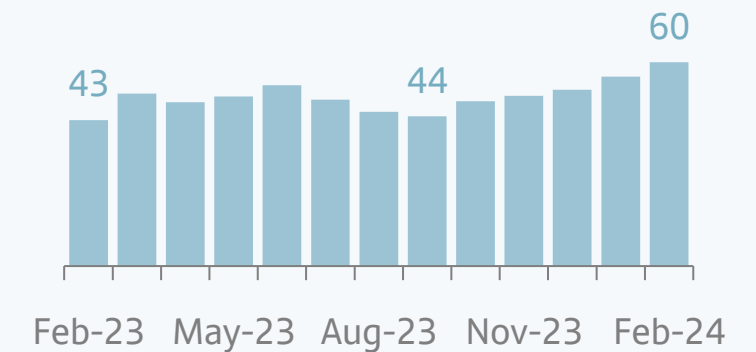
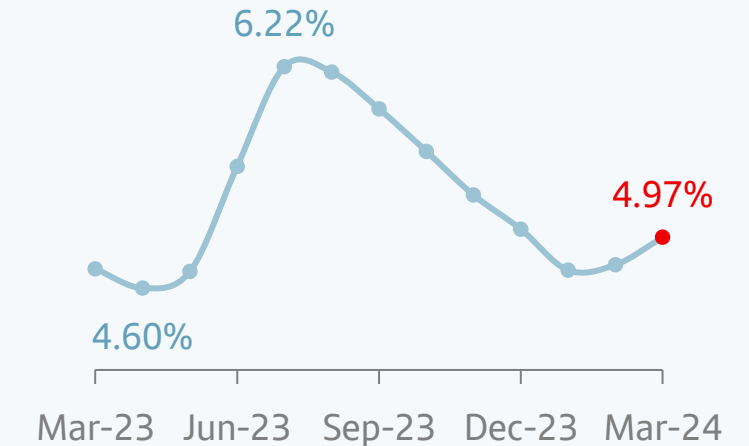
## Halifax HPI (rebased to 1998)



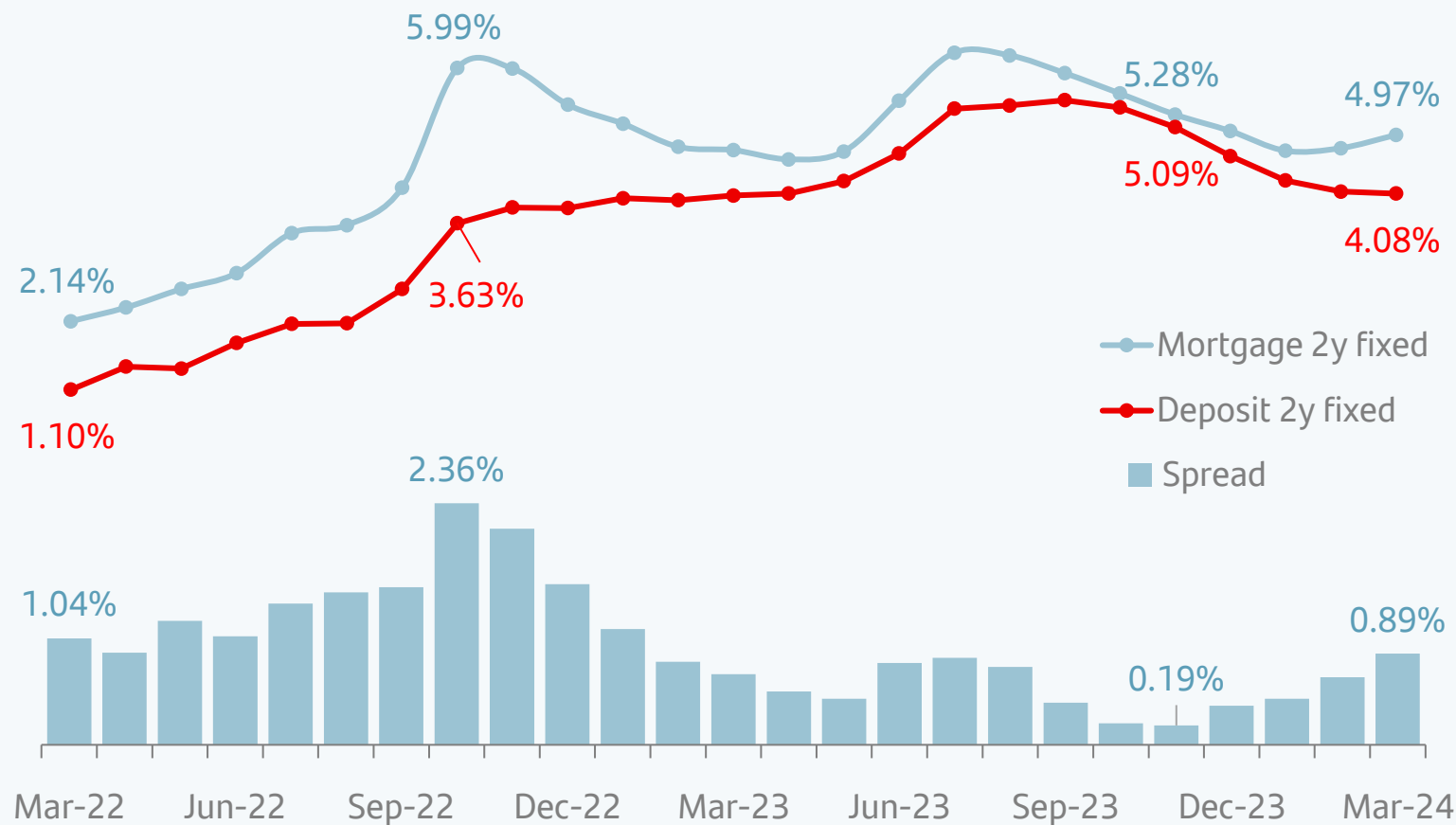
- Stronger than expected housing market performance over the last quarter
- Current HPI forecast (Santander UK base case) for 2024 shows a 3.0% increase, up from Q4-23 forecast of a 1.0% decrease
- Mortgage approvals are showing signs of recovery following a particularly weak 2023 summer, but have remained below 2022 average of 63k
- Assisted by rates falling from summer peak and inflationary pressures easing

## Note:

1. Bank of England quoted Calendar year annual 2 Year (75% LTV) Fixed Rate Mortgage.
2. Number of Total Sterling Approvals for House Purchase to Individuals. Mar-24 data unavailable at time of publication.

Mortgage rates<sup>1</sup> (%) & approvals<sup>2</sup> ('000)

- Spreads increased throughout Q1-24, following lows in Q4-23
- New business rates for mortgages increased slightly in late Q1-24, but remain below summer 2023 peak
- Term deposit acquisition rates have continued to decrease in Q1-24, although at a slower rate
- Competition for deposits continues to remain high

Quoted market interest rates<sup>1</sup> and spread (%)

## 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).



Overview

Operating Environment

**Performance Overview**

Fixed Income

Appendix

- Net interest income down 11%, largely due to higher customer deposit costs
- Operating expenses up 7%, with further investment in efficiency and customer experience, and following two years of high inflation
- Credit impairment charges down 69%, driven by the improved economic outlook

Income statement (£m)				
Key income lines	Q1-23	Q1-24	Var #	Var %
Net interest income	1,184	1,053	(131)	(11%)
Non-interest income	124	95	(29)	(23%)
Operating expenses	(614)	(655)	(41)	7%
Credit impairment losses	(61)	(19)	42	(69%)
Provisions for other liabilities	(86)	(83)	3	(3%)
<b>Profit before tax</b>	<b>547</b>	<b>391</b>	<b>(156)</b>	<b>(29%)</b>

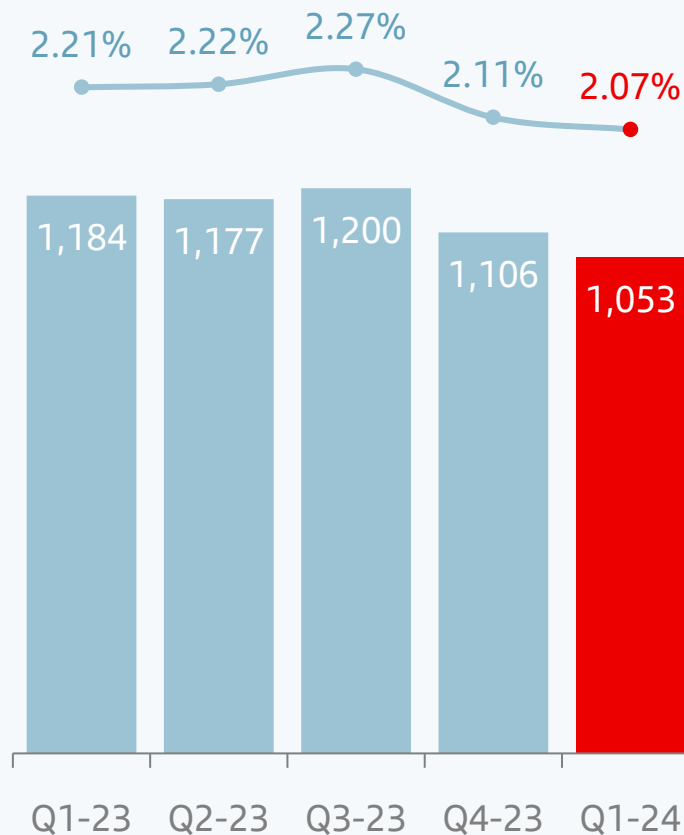
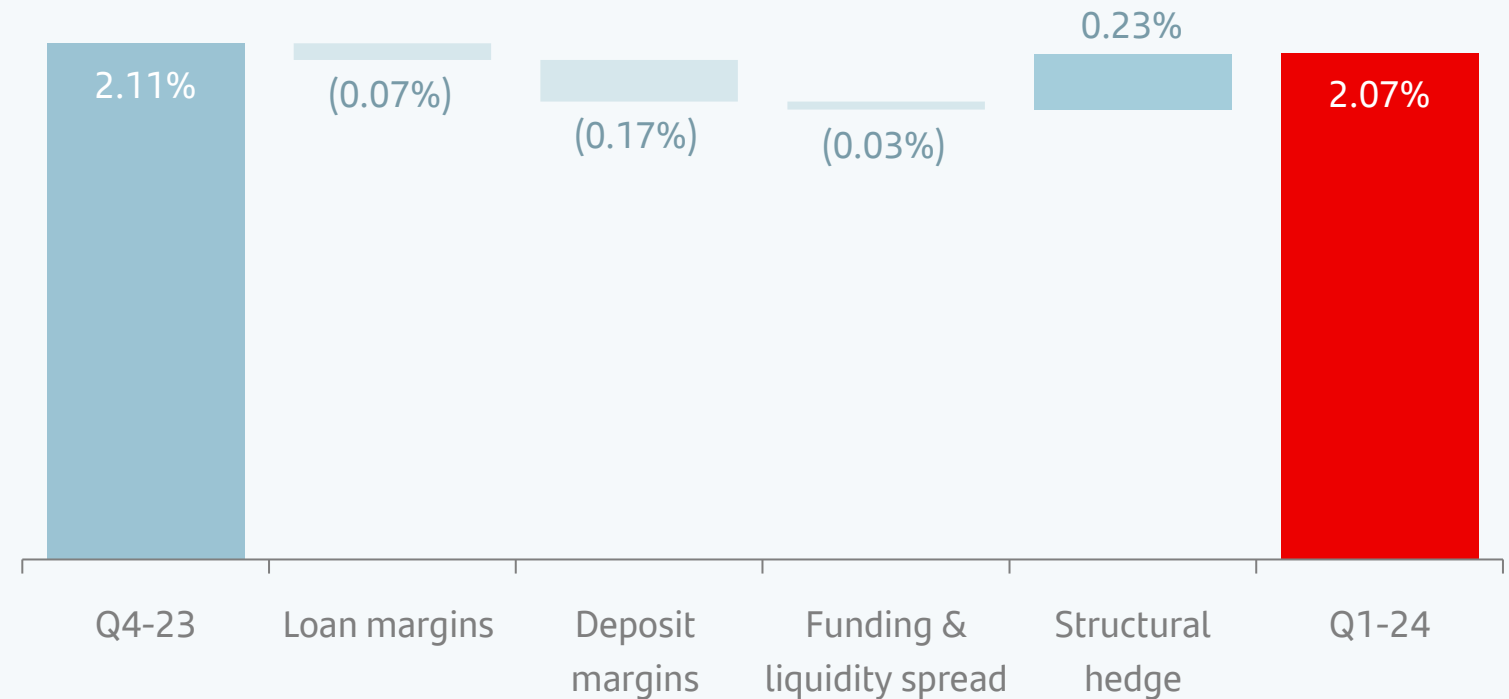
  

Other key metrics	Q1-23	Q1-24	Var #	Var %
Banking NIM <sup>1</sup> (%)	2.21%	2.07%	(14bps)	n/a
Cost-to-income ratio <sup>1</sup> (%)	47%	57%	10pp	n/a

**Note:**

1. Non IFRS measure. See Appendix of QMS for each period for details.

## NII (£m) and Banking NIM (%)

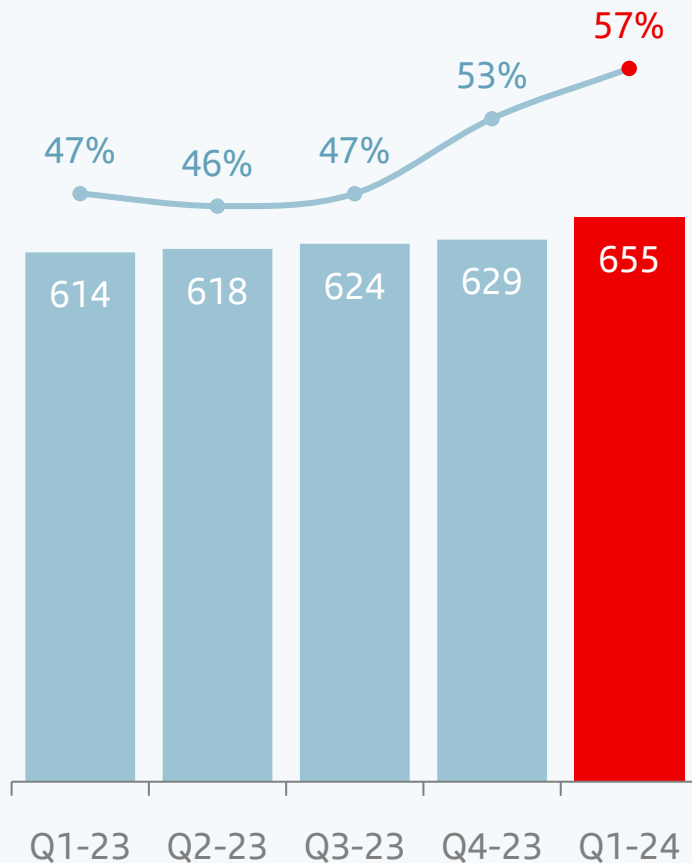
Banking NIM<sup>1</sup> bridge (%)

- Banking NIM down due to higher cost of deposits
- The impact of our pricing discipline and increased contribution to income from the structural hedge should positively impact Banking NIM in the second half of 2024

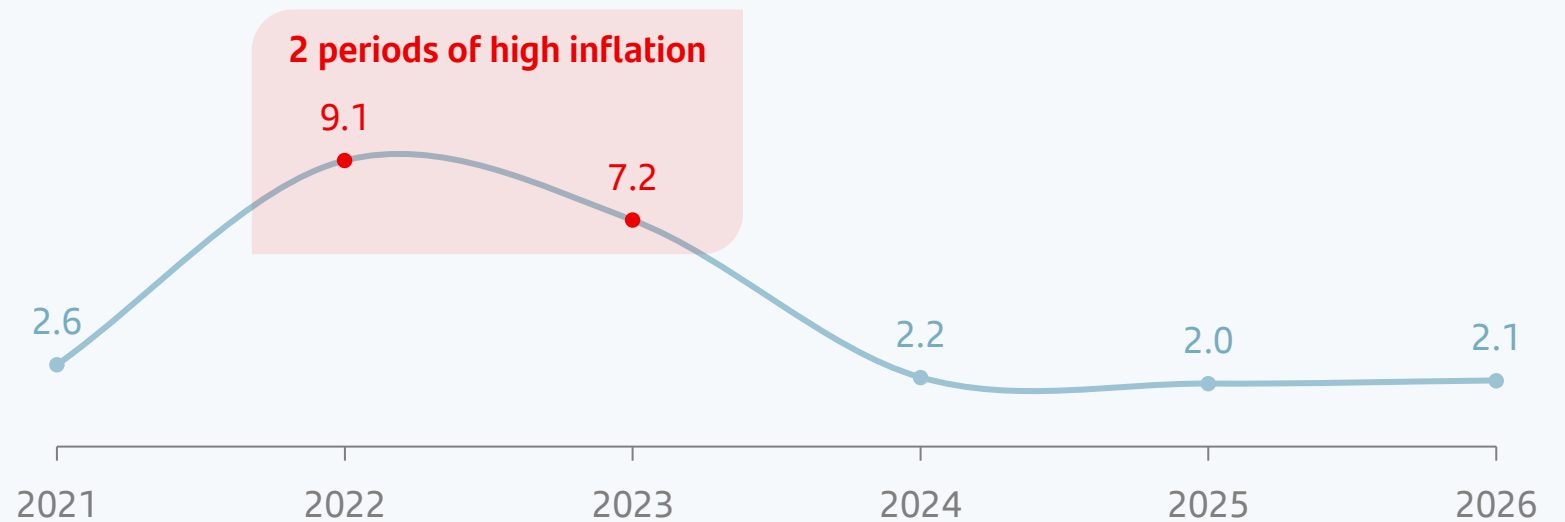
## Note:

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.

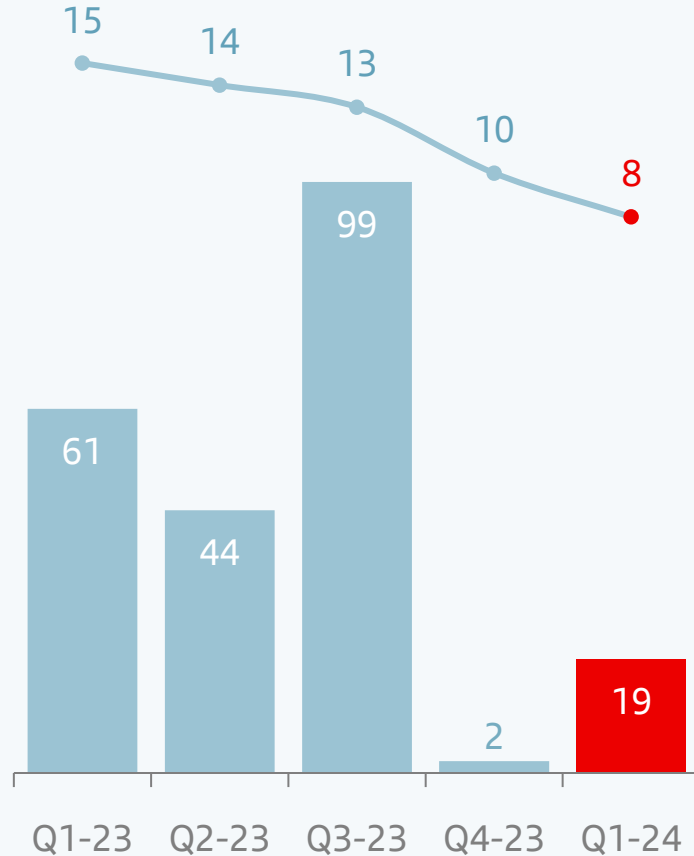
## Operating expenses (£m) and CIR (%)



## CPI link with cost growth (%)



- Two consecutive years of high inflation placing pressure on costs
- Lag effect on costs incurred in 2024 following expiration and renewal of fixed term contracts and annual pay increases to staff
- Continued focus on cost management and investment in efficiencies going forward

Credit impairment (£m) & CoR<sup>1</sup> (bps)

## Note:

1. Cost of risk is the sum of credit impairment (charges) or write-backs for the last 12-month period as a percentage of average customer loans for the last 12 months.

## ECL impact (£m)

Economic scenarios	Mar-24		Dec-23	
	ECL	Weighting	ECL	Weighting
Upside	834	10%	834	10%
Base Case	889	50%	898	50%
Downside 1	949	15%	993	10%
Downside 2	1,481	10%	1,412	10%
Stubborn inflation	1,118	15%	1,179	20%
<b>Weighted</b>	<b>967</b>	<b>100%</b>	<b>994</b>	<b>100%</b>

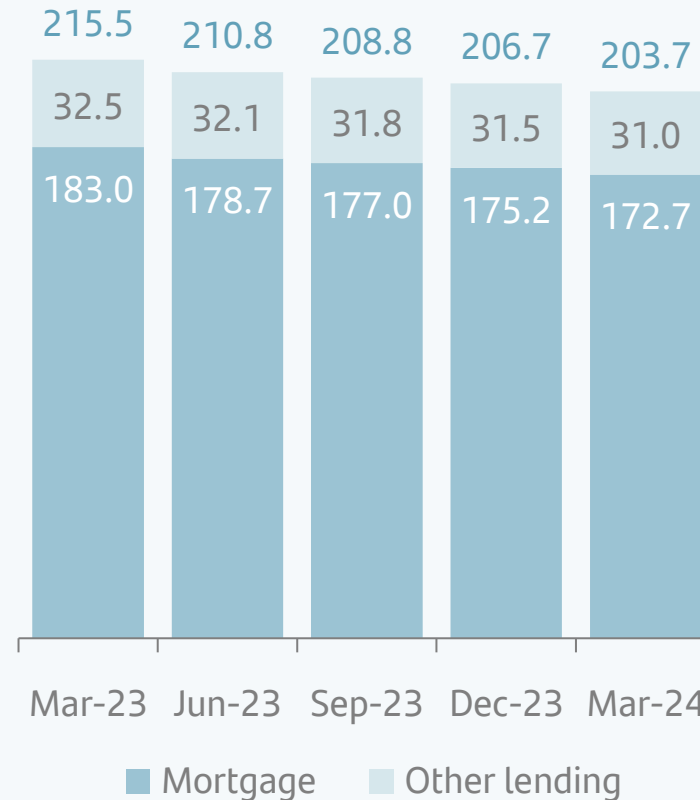
Decrease in credit impairment and cost of risk is being driven by:

- Improved economic outlook and positive adjustment in weightings
- Smaller loan portfolio & stable credit quality

### Resilient, low-risk and high-quality customer lending portfolio

- Reduction of the mortgage portfolio continues
- CCB portfolio continues to grow with new clients and higher profitability
- Limited exposure to CRE. BTL remains a small portion of our mortgage book at 9% (Dec-23: 9%)
- Stock LTV of 51% (Dec-23: 51%)

### Customer lending (£bn)



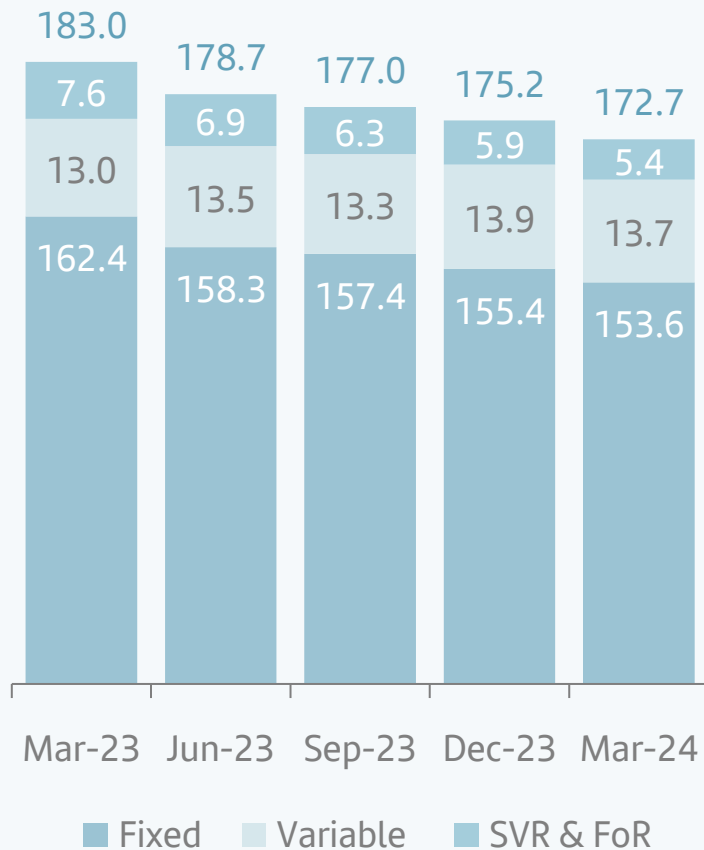
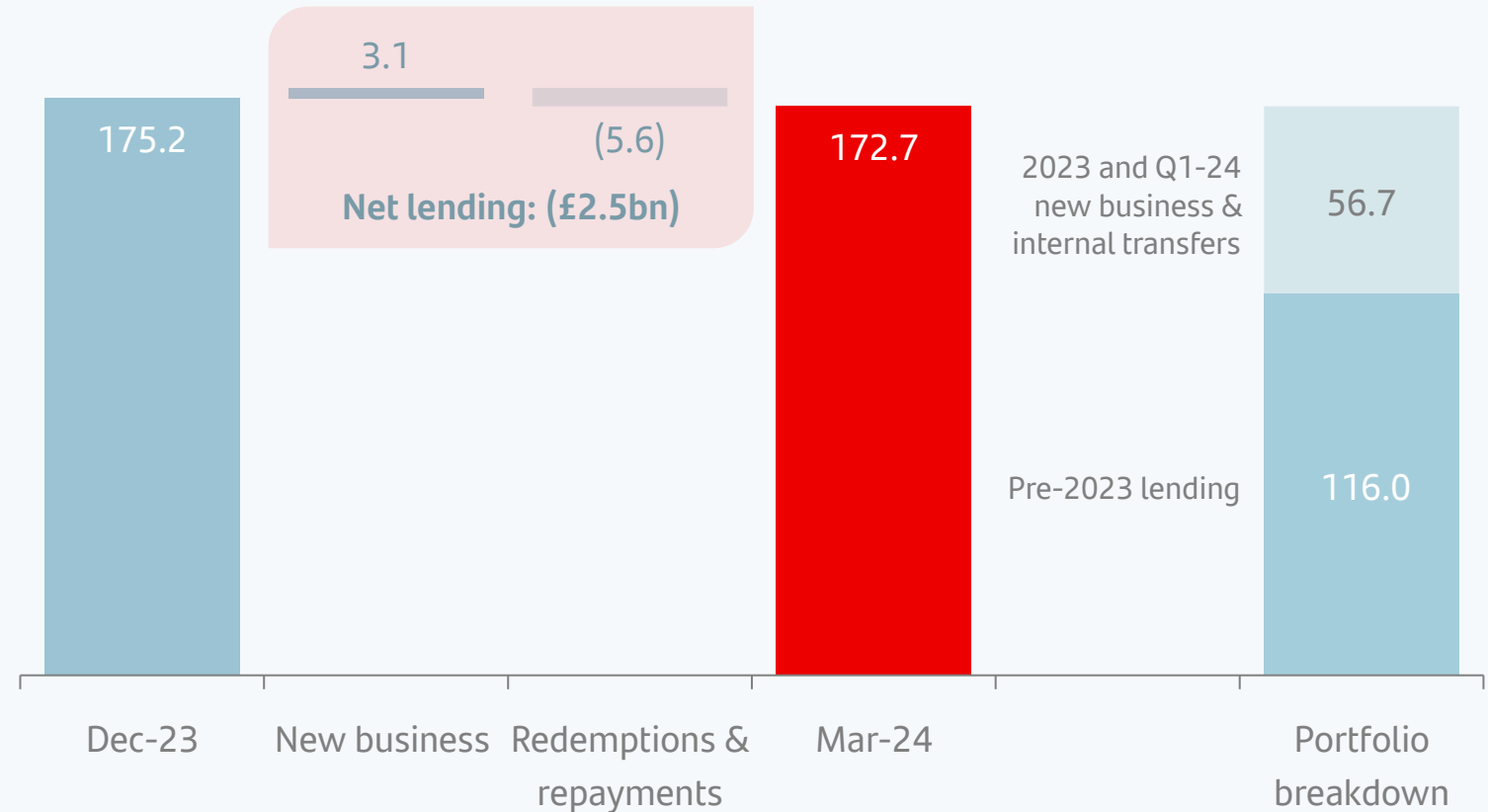
### Customer lending breakdown (£bn)

Segment	Mar-24
Retail & Business Banking	179.5
- Mortgage	172.7
- Business Banking <sup>1</sup>	1.7
- Credit cards	2.6
- UPL	2.1
- Overdrafts	0.4
Consumer Finance	5.1
CCB	17.8
Corporate Centre	1.3
<b>Total</b>	<b>203.7</b>

**Note:**

1. Business Banking includes £1.6bn of BBLS with 100% Government guarantee (Dec-23: £1.7bn).

## Interest rate profile (£bn)

Mortgage lending breakdown<sup>1</sup> (£bn)

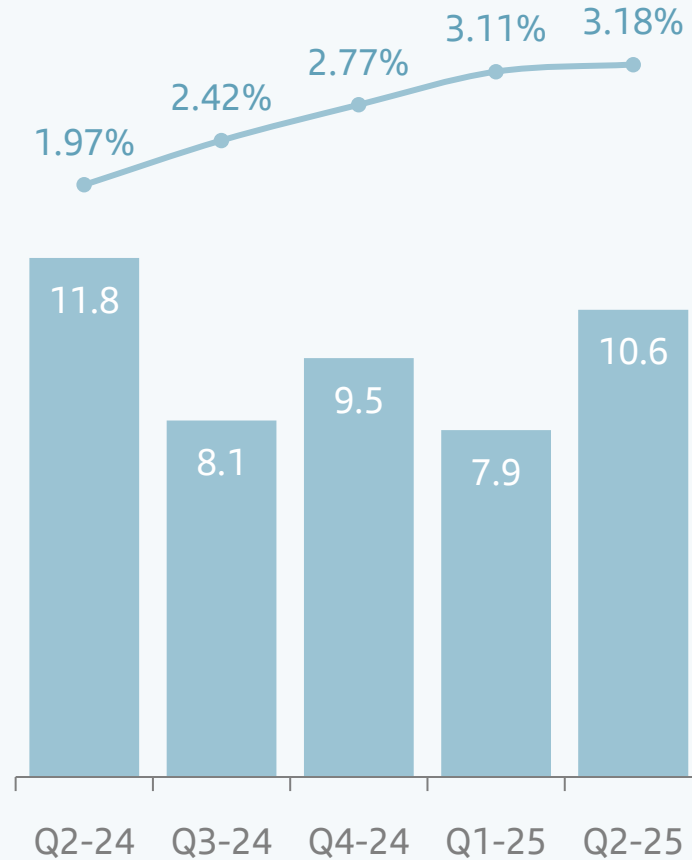
## Note:

1. New Business includes further advances and drawdown on flexible mortgages.

### Low risk profile for maturities, with maturing customer rates below historical stress rates

- c. 20% of the mortgage portfolio matures in the next 12 months
- 78%<sup>1</sup> of mortgages reaching the end of their incentive period were retained
- Current new business rates<sup>2</sup> (2 year fixed: 4.97%) are below the minimum historical stress rates<sup>3</sup> (c. 6.35%) used for affordability assessments at origination

#### Maturities (£bn) and customer rate (%)



#### 2024 maturities by LTV band (£bn)

LTV <50%	12.6
LTV 50-75%	13.0
LTV 75-90%	3.2
LTV 90-95%	0.4
LTV >95%	0.2
<b>Total</b>	<b>29.4</b>

#### Note:

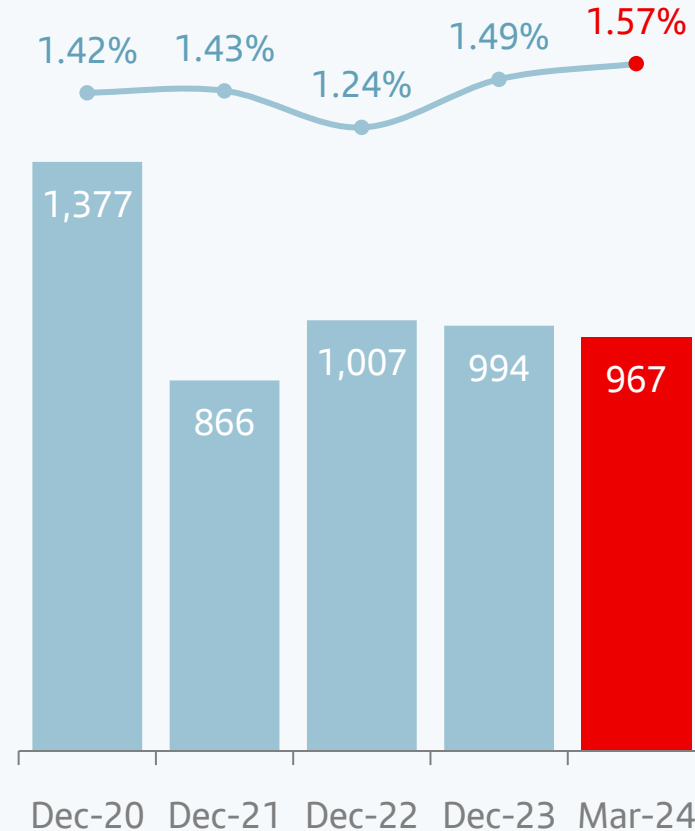
1. Applied to mortgages four months post maturity and is calculated as a 12-month average of retention rates to Dec-23.
2. Mar-24 Bank of England quoted 2 & 5 Year (75% LTV) Fixed Rate Mortgage (latest available).
3. Mortgage application stress rate applied prior to Dec-21, excluding lending with fixed rates for 5 or more years and remortgages without additional lending.



## Resilient loan portfolio

- ECL provision includes core post model adjustments, with Mar-24 including a £83m affordability adjustment
- Due to a smaller mortgage book and some single name cases in CCB, the stage 3 ratio increased to 1.57%
- Arrears remain low<sup>1</sup>, reflecting our prudent approach to risk despite the challenging environment for customers

### ECL provisions (£m) and stage 3 ratio (%)



### Arrears over 90 days rate (%)

Arrears Rate	Dec-23	Mar-24
Mortgages	0.80%	0.82%
Credit Cards	0.51%	0.58%
UPLs	0.73%	0.81%
Overdrafts	2.43%	2.60%
Business Banking	4.15%	4.20%
Consumer Finance	0.43%	0.49%
CCB	1.04%	1.06%

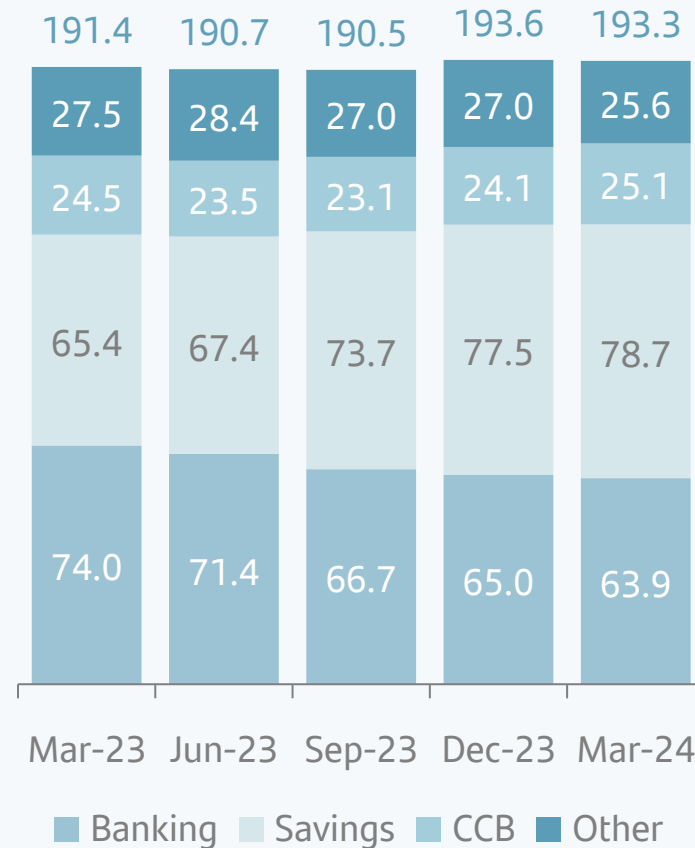
#### Note:

- Pre Covid-19 average mortgage arrears rate for the 9 years to Dec-19 of 1.31%.

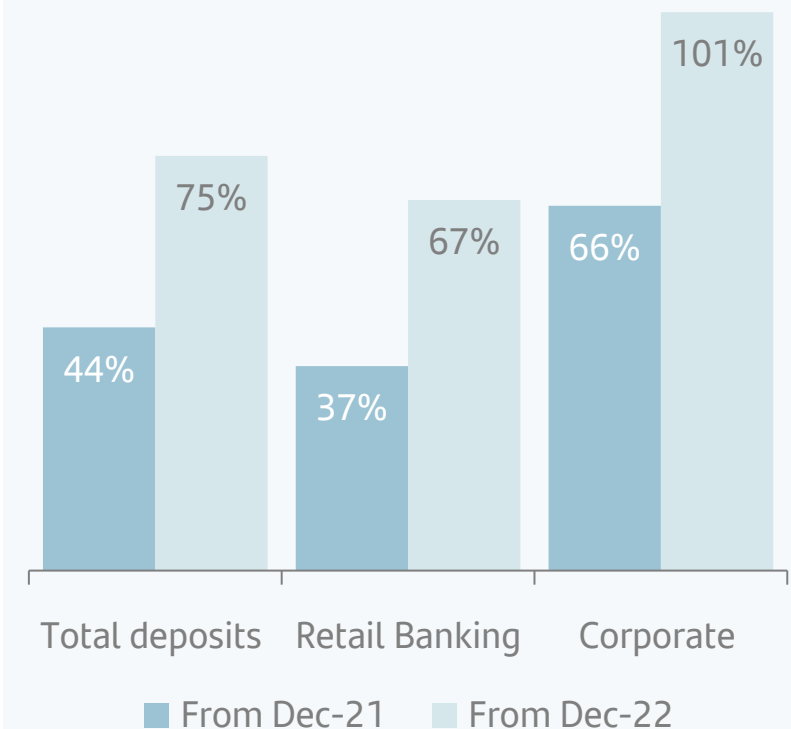
### Diversified deposit base

- Recent trend of customers moving current account balances to savings continued to slow in Q1-24
- 14 million active customers: >95% personal
- Personal savings: average customer balance c£6,000
- 86% of core retail<sup>1</sup> deposits insured

### Customer deposit mix<sup>2</sup> (£bn)



### Deposit Betas<sup>3</sup>



**Note:**

- Core retail is Retail Banking excluding Cater Allen and Santander Business Banking. Deposits in the Crown Dependencies aren't eligible for the FSCS.
- Other includes Business Banking, Other Retail and Corporate Centre.
- Change in the spot cost of customer deposits in the period divided by change in spot base rate to Mar-24.

Overview

Operating Environment

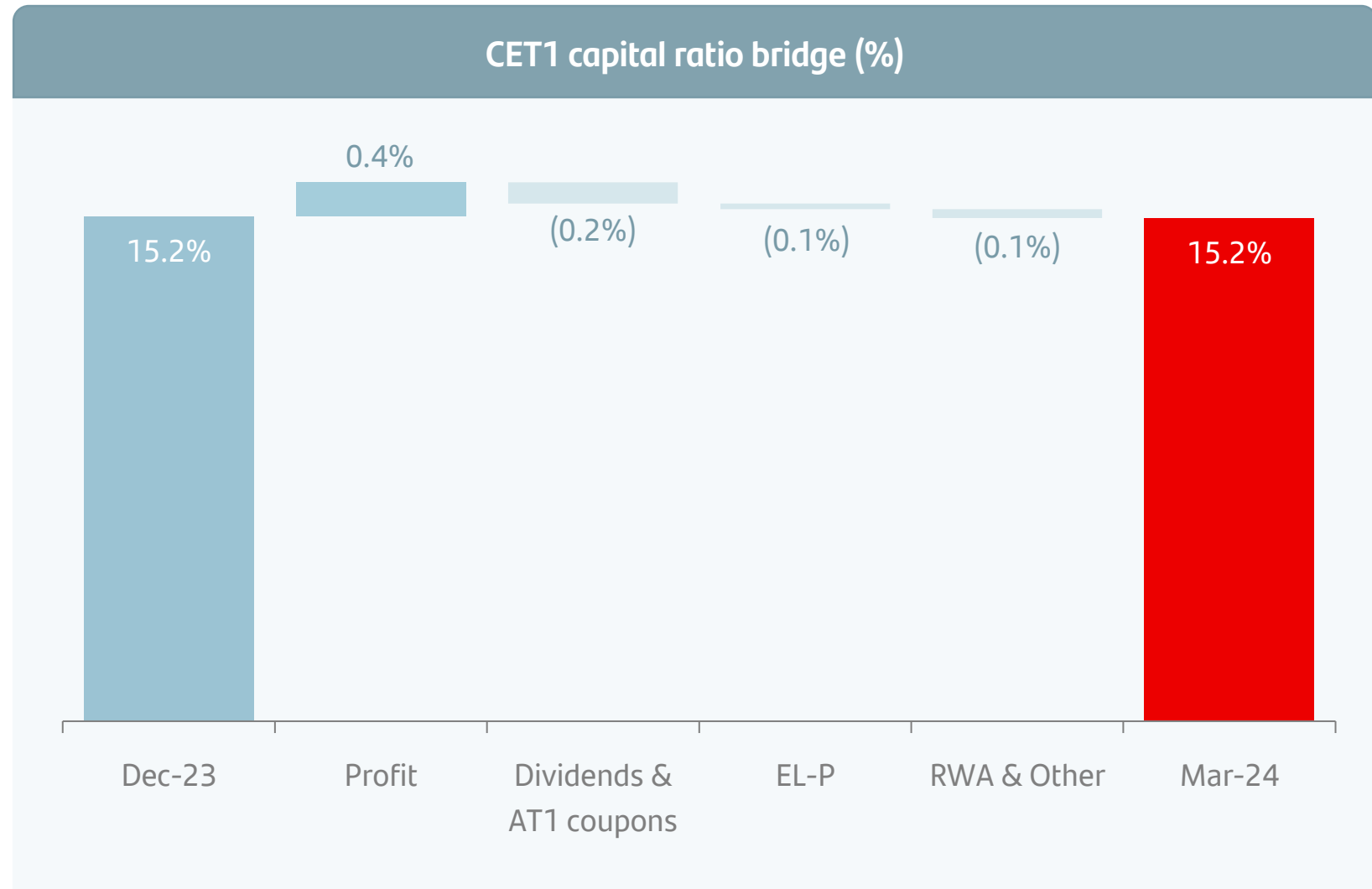
Performance Overview

**Fixed Income**

Appendix

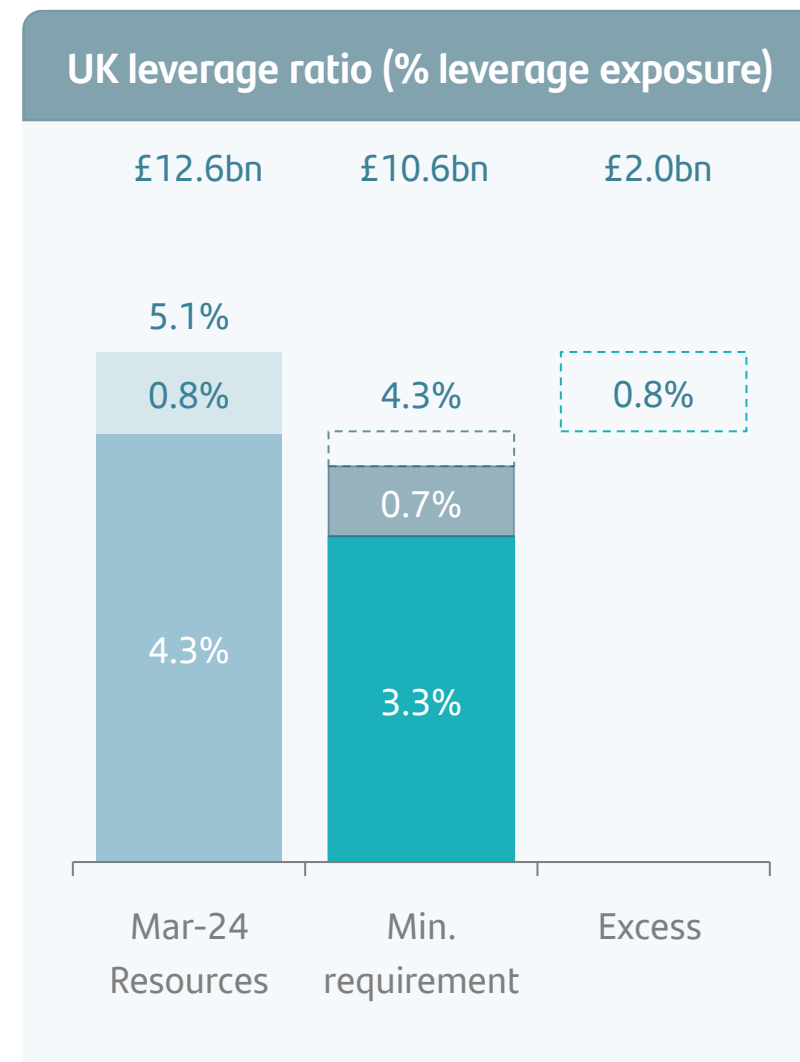
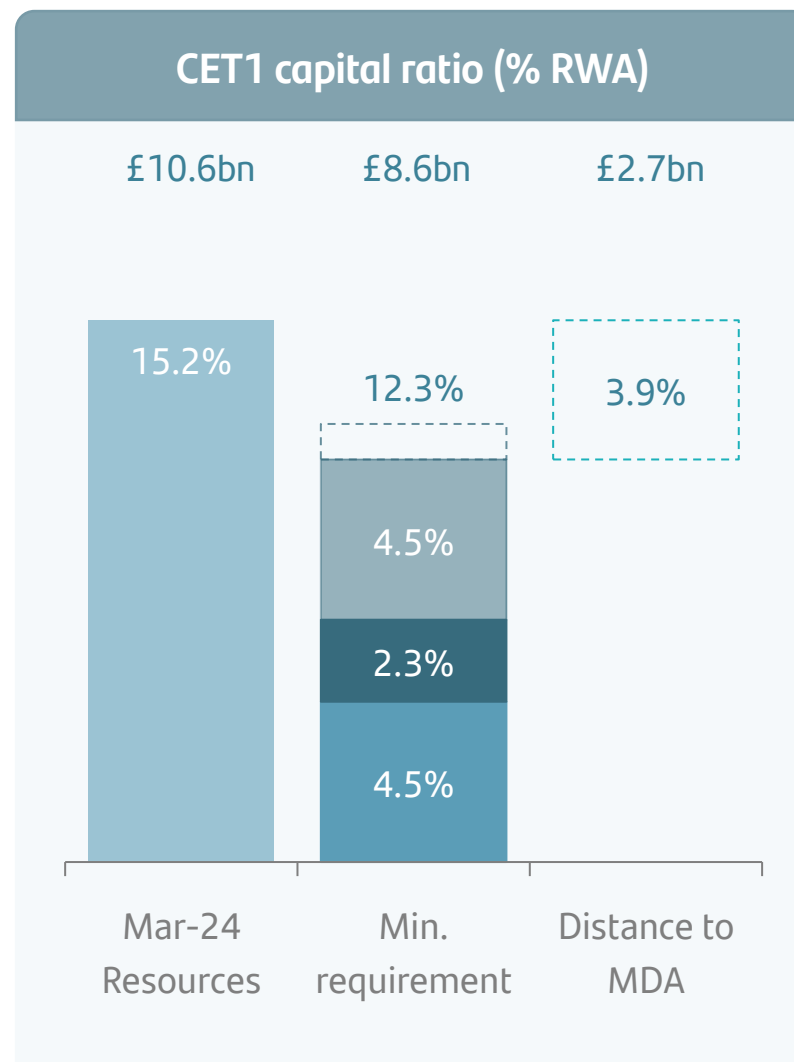
## We continue to remain strongly capitalised

- CET1 capital ratio remained stable at 15.2%
- Profits offset by accrued dividends and slight increase in RWAs



### Maintained capital buffer, with headroom to minimum requirements

- Remain strongly capitalised with significant headroom to minimum requirements and MDA
- CET1 capital ratio headroom over regulatory minimum of 3.9% of RWA at Mar-24
- Combined Buffer Requirement includes CCB 2.5% and CCyB 2% and will be met exclusively with CET1

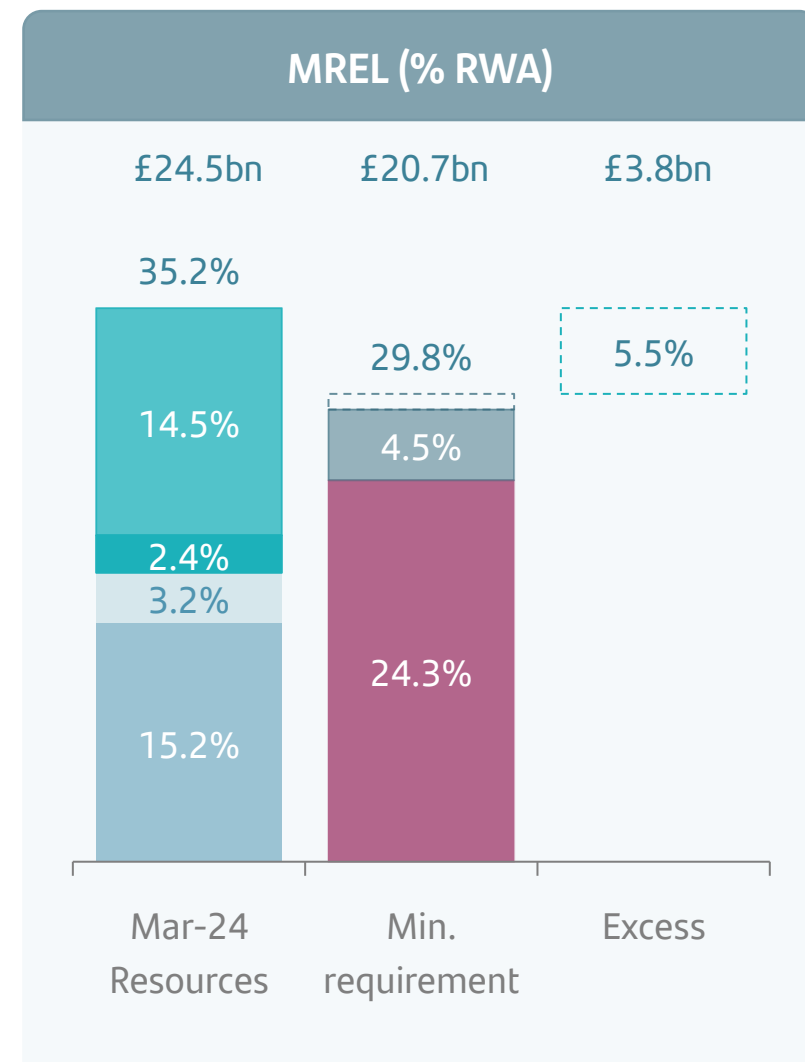
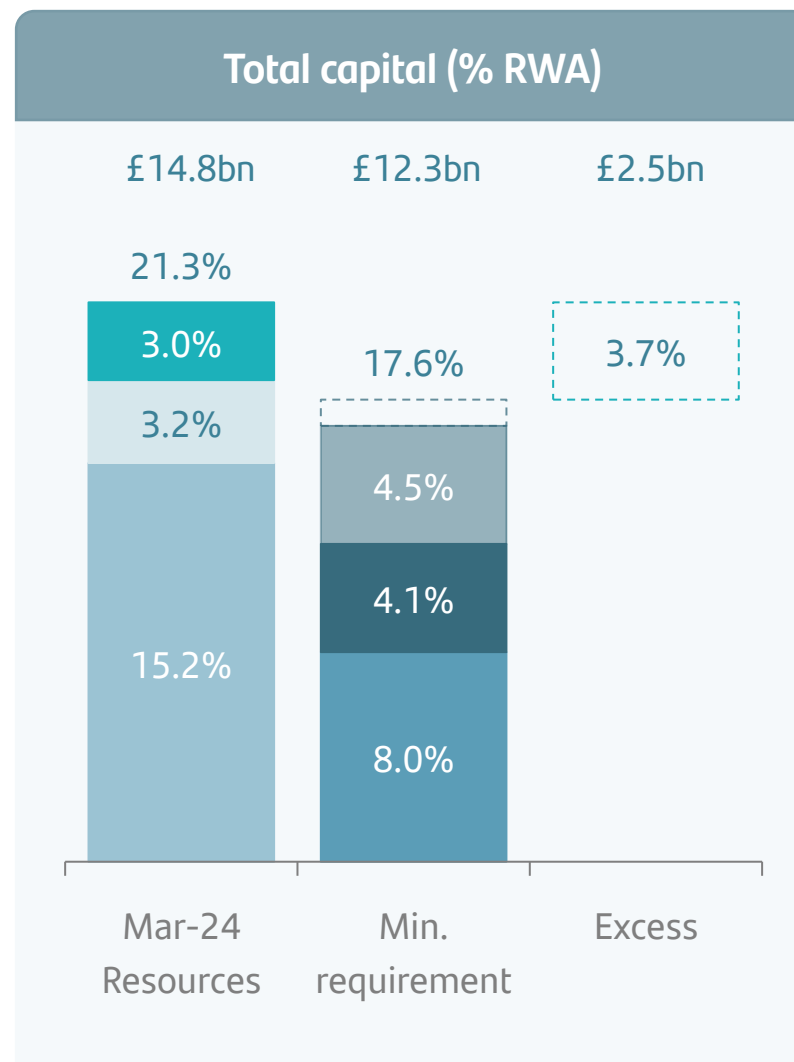


**Note:**

1. O-SII requirements from RFB.

### Capital and MREL above minimum requirements

- From RWA perspective part of our T2 requirements are met with CET1 and AT1
- At Mar-24 SanUK's Pillar 2A capital requirement remained with RWA percentage-based element
- Fully compliant with end state MREL requirements, being RWA constrained



Note:

1. O-SII requirements from RFB.

■ Pillar 1 and 2A ■ CET 1 ■ AT1 ■ Pillar 1 ■ Pillar 2A ■ CBR ■ Tier 2 ■ Senior HoldCo □ Systemic<sup>1</sup>

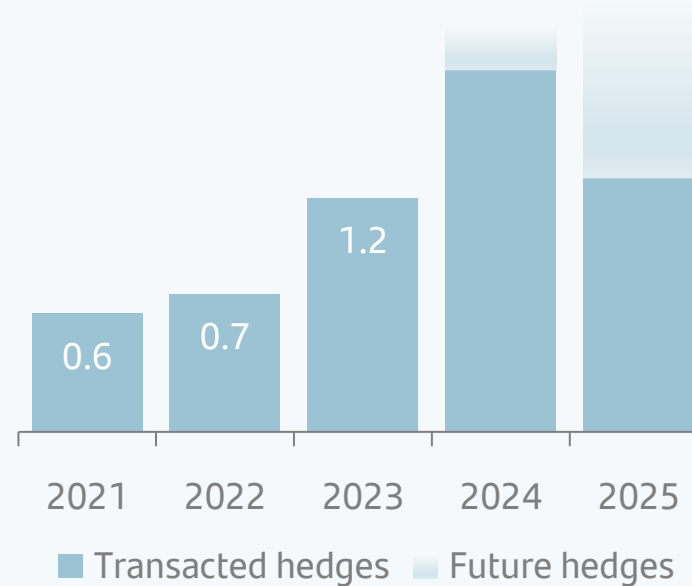
- £17bn of TFSME repayments made to date. Repayment profile for remaining TFSME
  - 2024: c.£6bn
  - 2025: c.£5bn
  - 2027 to 2031: c.£4bn
- Average duration of funding is 3 years

Term funding stock (£bn)	
Funding type	Mar-24
TFSME	15.0
Covered Bonds	16.6
HoldCo Senior Unsecured	9.9
OpCo Senior Unsecured	1.5
Subordinated Debt	2.2
RMBS	3.5
<b>Total</b>	<b>48.7</b>

2024 funding overview (£bn)		
Funding type	YTD	Forecast
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	2.8	4.0 to 5.0

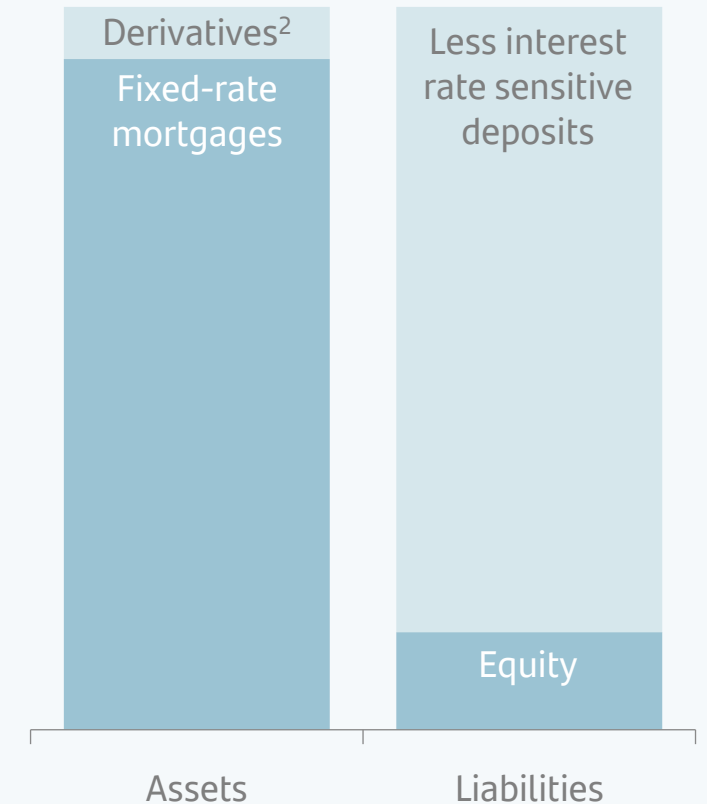
- The balance on the structural hedge grew to £111bn (Dec-23: £106bn)
- Hedge duration of c.2.4 years (Dec-23: c.2.4 years)
- In future periods we expect structural hedge contribution to stabilise
- >90% of hedge income already locked in for 2024

## Hedge income (£bn) and NII sensitivity



Rate shift <sup>1</sup> (£m)	Dec-23	Mar-24
+ 100 bps	218	196
- 100 bps	(220)	(196)

## Indicative structural hedge composition



## Note:

1. Based on parallel instantaneous shocks to the yield curve over a 12-month period.
2. Hedge accounted derivatives.

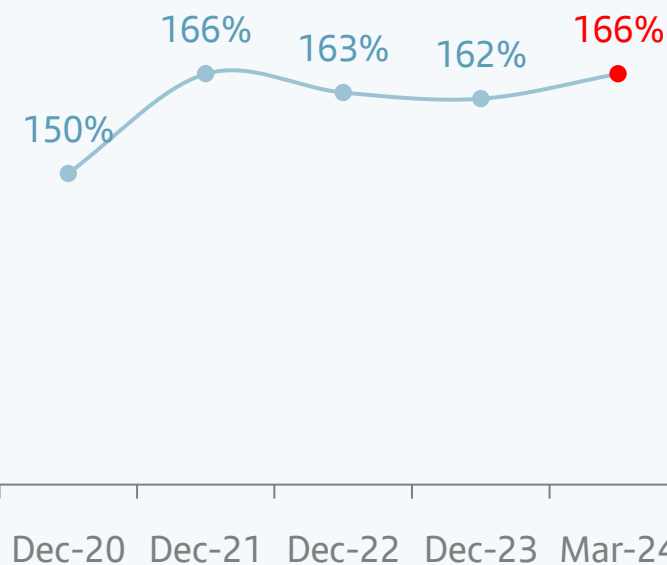


### Maintained strong liquidity position

- Term duration in the liquidity pool is hedged with swaps to offset mark to market movements from interest rate changes
- £10.5bn of high-quality liquid assets are short term securities financing transactions, with 76% maturing within 90 days
- NSFR of 137% (Dec-23: 138%)

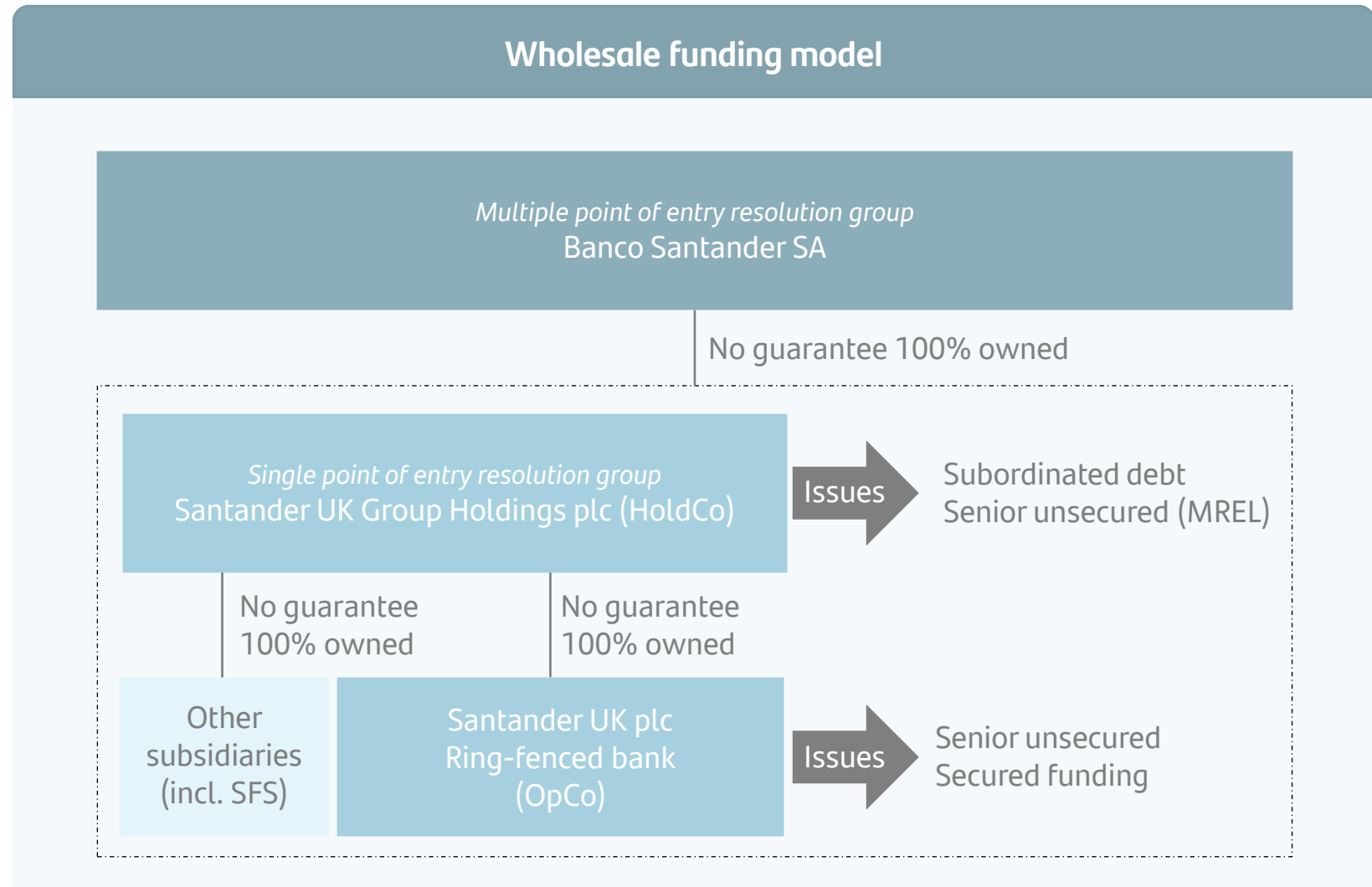
LCR eligible assets (£bn)	
LCR eligible assets	Mar-24
Cash and central bank reserves	40.0
High quality liquid assets	15.2
- Level 1	13.1
- Level 2	2.1
<b>Total</b>	<b>55.2</b>

### Liquidity coverage ratio (%)



### Santander UK Group down-streaming model

- Banco Santander SA holds a no guarantee 100% ownership over Santander UK Group Holdings plc
- Santander Financial Services (SFS) operate in the UK, the Isle of Man and Jersey



## Santander UK plc ratings

- S&P rating A / A-1 / Stable  
Reviewed in Jun-23
- Fitch rating A+ / F1 / Stable  
Reviewed in Dec-23
- Moody's rating A1 / P-1 / Stable  
Reviewed in Feb-24

Credit ratings				
Instrument	Issuer	S&P	Fitch	Moody's
AT1	HoldCo	BB-	BBB-	Ba1
Tier 2	HoldCo	BB+	BBB+	Baa2
Senior Unsecured	HoldCo	BBB	A	Baa1
Senior Unsecured	OpCo	A	A+	A1
Covered Bond	OpCo	AAA	AAA	Aaa

Overview

Operating Environment

Performance Overview

Fixed Income

Appendix

## Environment

### Aim

Contribute towards Banco Santander's ambitions to be net zero carbon by 2050 and meet all regulatory requirements

### Strategic pillars

- Aligning our portfolios to meet the Paris Agreement goals
- Supporting our customers in the green transition
- Reducing our environmental impact
- Embedding climate in risk management

## Social

### Aim

Support productive inclusive growth across our three key stakeholder groups:

- Customers
- Communities
- Our People

### Strategic pillars

- Make our customers better happen
- Help build better communities
- Thriving Workplace for our people

## Governance

### Aim

Be responsible in everything we do, with ethics and integrity being a solid foundation of our SRB strategy

### Material topics

- Reputation as a responsible bank
- Ethics and compliance
- Organisational culture and governance
- Privacy, data protection and cybersecurity
- Responsible supply chain and procurement

Read more on our SRB strategy in our 2023 Annual Report and 2023 ESG Supplement. Both documents can be found [here](#).

## 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 grow by 3.0% in 2024

Economic scenarios <sup>1</sup> (%)						
Key metric		Upside	Base case	Downside 1	Stubborn inflation	Downside 2
GDP	2024	0.7	<b>0.2</b>	(0.1)	(1.5)	(2.6)
Calendar year annual growth rate	2025	2.0	<b>1.3</b>	0.2	(0.8)	(2.5)
Base Rate	2024	4.25	<b>4.50</b>	5.50	6.00	3.75
At 31-Dec for each period	2025	3.25	<b>3.50</b>	4.25	5.75	2.00
HPI	2024	6.7	<b>3.0</b>	(4.3)	(11.8)	(15.6)
Annual growth rate at Q4 for each period	2025	7.5	<b>3.5</b>	(0.3)	(6.3)	(18.4)
Unemployment	2024	3.9	<b>4.2</b>	4.3	4.9	7.6
At 31-Dec for each period	2025	3.6	<b>4.4</b>	4.7	5.5	8.2
	5-year peak	4.2	<b>4.4</b>	5.9	6.1	8.5
Weight (%)		10	<b>50</b>	15	15	10

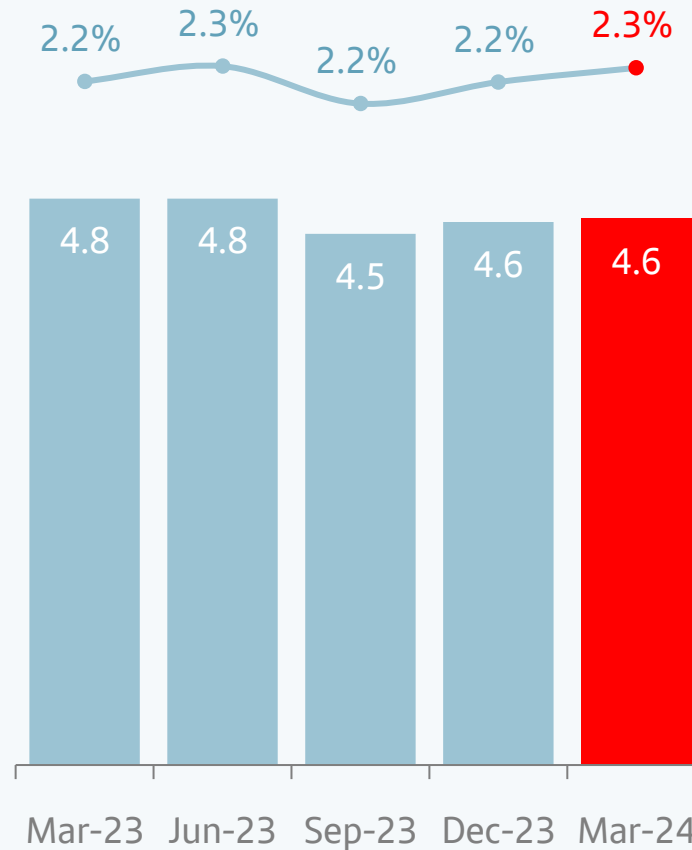
### Note:

1. Santander UK's Q1-24 forecast used for ECL calculation. See Q1-24 QMS for full 5-year forecast figures.

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 new business written at or below 60% LTV
- Stock LTV of 45%

### CRE portfolio (£bn) and % of book



### CRE sector analysis and features

Sector	£bn
Office	0.9
Industrial	0.8
Residential	0.8
Mixed use	0.7
Retail	0.6
Other <sup>1</sup>	0.9
<b>Total</b>	<b>4.6</b>

- Average term: 2-3 years
- Average loan size: c. £2m
- Stage 3 ratio: 2.20%

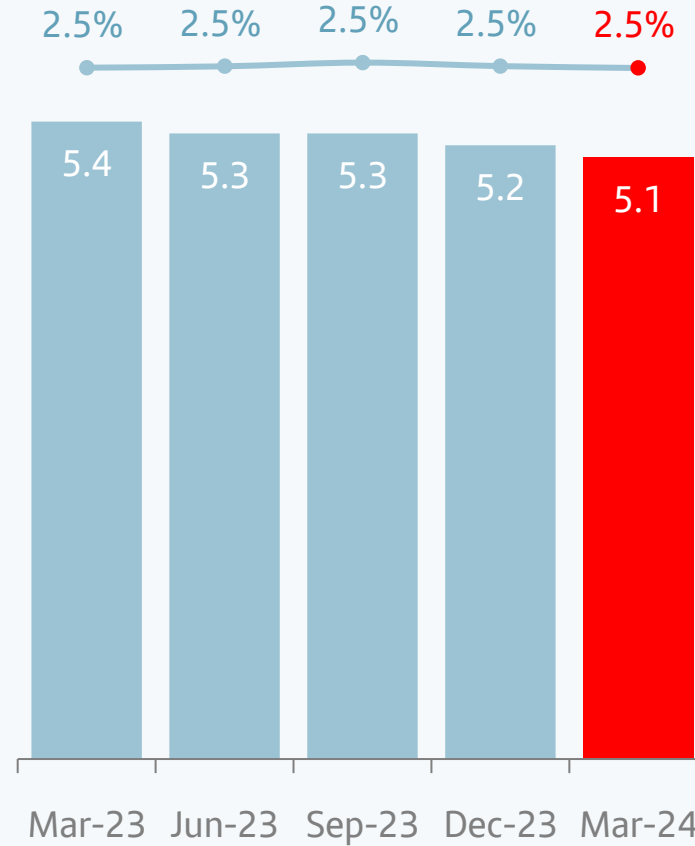
**Note:**

1. Other is mainly unsecured real estate and health related sectors calculation.

### Prime lending portfolio, with 91% of loans secured

- 93% of assets in Stage 1, negligible Stage 3
- Significant customer equity in residual values
- 24% of new business was green assets such as electric vehicles<sup>1</sup>

### Consumer portfolio (£bn) and % of book



### Partners and relationships



Polestar

CATERHAM CARS



INEOS

POLARIS

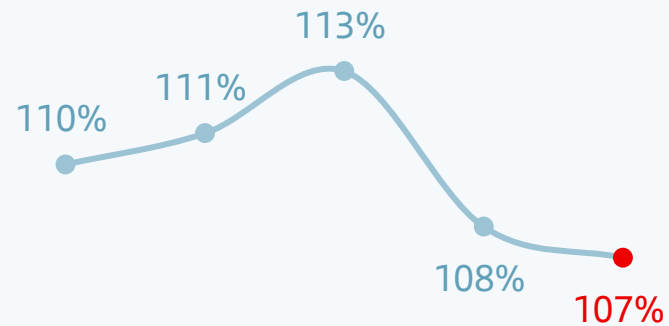


#### Note:

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

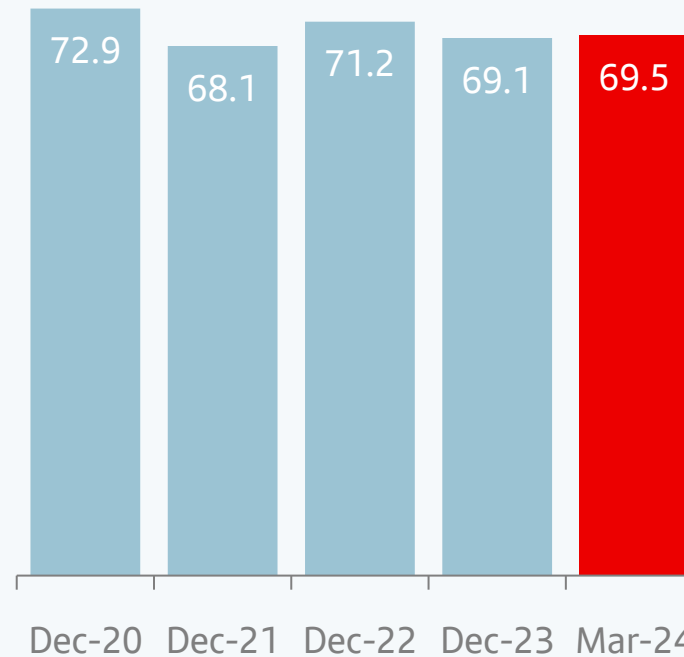


## LDR (%)



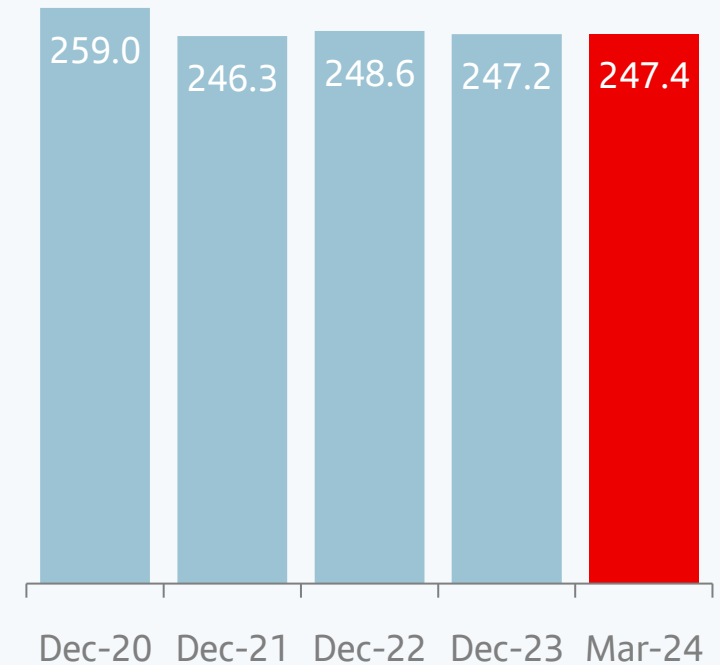
- LDR reduced with lower customer lending and deposits after pricing actions

## RWA (£bn)



- RWAs increased slightly, largely due to higher undrawn commitments

## Leverage exposure (£bn)



- UK leverage exposure remains broadly stable

## Glossary

AT1	Additional Tier 1	ESG	Environment, Social and Governance	NSFR	Net stable funding ratio
Banco Santander	Banco Santander SA	FSCS	Financial Service Compensation Scheme	OpCo	Santander UK plc Ring-fenced bank
BBLS	Bounce Back Loan Scheme	FoR	Follow on Rate	O-SII	Other Systematically Important Institutions
BoE	Bank of England	GDP	Gross Domestic Product	QMS	Quarterly Management Statement
BTL	Buy To Let	HoldCo	Santander UK Group Holdings plc	RFB	Ring-Fenced Bank
CBR	Combined Buffer Requirement	HPI	House Price Index	RMBS	Residential Mortgage-Backed Securities
CCyB	Countercyclical Capital Buffer	IFRS	International Financial Reporting Standard	RoTE	Return on Tangible Equity
CET1	Common Equity Tier 1	LCR	Liquidity Coverage Ratio	RWA	Risk-Weighted Assets
CIR	Cost To Income Ratio	LDR	Loan to Deposit Ratio	SFS	Santander Financial Services plc
CoR	Cost of Risk	LTV	Loan To Value	SRB	Sustainability & Responsible Banking
CPI	Consumer Price Index	MDA	Maximum Distributable Amount	SVR	Standard Variable Rate
CRE	Commercial Real Estate	MREL	Min Requirement for Eligible Liabilities	TFSME	Term Funding Scheme for SMEs
ECL	Expected Credit Losses	NII	Net Interest Income	UK	United Kingdom
EL-P	Expected Loss less Provision	NIM	Net Interest Margin	UPL	Unsecured Personal Loans

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## Sections &amp; detail

<b><u>Overview</u></b>	<b>2</b>	<b><u>Performance overview</u></b>	<b>9</b>	<b><u>Fixed income</u></b>	<b>19</b>	<b><u>Appendix</u></b>	<b>28</b>
<u>Santander UK overview</u>	3	<u>Overview</u>	10	<u>CET1 capital movement</u>	20	<u>SRB overview</u>	29
<u>Historical performance</u>	4	<u>NII and NIM</u>	11	<u>Capital &amp; MREL ratios</u>	21	<u>Economic scenarios</u>	30
		<u>Costs</u>	12	<u>Capital &amp; MREL ratios cont.</u>	22	<u>CRE portfolio</u>	31
<b><u>Operating environment</u></b>	<b>5</b>	<u>Credit impairment &amp; CoR</u>	13	<u>Funding overview</u>	23	<u>Consumer finance</u>	32
<u>UK economy overview</u>	6	<u>Customer lending</u>	14	<u>Structural hedge</u>	24	<u>LDR &amp; RWA</u>	33
<u>Housing market update</u>	7	<u>Mortgage portfolio</u>	15	<u>Liquidity position</u>	25	<u>Glossary</u>	34
<u>Margin and spreads</u>	8	<u>Mortgage maturity</u>	16	<u>Funding model</u>	26	<u>Contacts &amp; dates</u>	37
		<u>Credit quality</u>	17	<u>Credit ratings</u>	27		
		<u>Customer deposits</u>	18				

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## Key dates

**Q2-24 reporting:** 24-Jul-24**Q3-24 reporting:** 30-Oct-24

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Our culture is based on ensuring that everything we do is **Simple, Personal & Fair**.