Santander UK plc

2024 Annual Report

Part of the Banco Santander group

Important information for readers

Santander UK plc (the Company) and its subsidiaries (collectively Santander UK or the Santander UK group) operate primarily in the UK, and are part of the Banco Santander group (comprising Banco Santander SA and its subsidiaries). Santander UK plc is regulated by the UK Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and certain other companies within the Santander UK group are regulated by the FCA and the PRA.

This Annual Report contains forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. See Forward-looking statements on page 201.

Santander UK Group Holdings plc is the immediate parent company of Santander UK plc. The two companies operate on the basis of a unified business strategy, albeit the principal business activities of the Santander UK Group Holdings plc group are carried on by Santander UK plc and its subsidiaries.

The Santander UK Group Holdings plc Corporate Governance and Risk Frameworks have been adopted by the Company and its subsidiaries to ensure consistency of application.

Strategic report

The strategic report outlines the key elements of the Annual Report and provides context for the related financial statements.

It is also designed to help members of the Company assess how the Directors have performed their duty under section 172 of the Companies Act 2006. The report highlights key financial and non-financial metrics which help to explain our performance over the past year. It also highlights the external environmental factors affecting the business along with Santander UK's positions in the UK banking market.

William Vereker
Chair
7 March 2025

In this section

Our business model and overview

We follow the Santander Way

Our aim: to be the **best open financial services platform**, by acting **responsibly** and earning the **lasting loyalty** of our people, customers, shareholders and communities.
Our purpose: to **help people and businesses prosper**.
Our how: everything we do should be **Simple, Personal and Fair**.

We create value for all
An engaged and talented **team**
generates...
customer loyalty
leading to...
strong financial results for our **shareholders**
so we deliver...
support for our **communities**
which motivates...
an engaged and talented **team**...

Santander UK

We provide financial products and services
Mortgages, consumer auto finance, unsecured loans, credit cards, banking and savings accounts, investment and insurance products for individuals and growth-focused support and services for companies

Competitive advantage
Scaled and established bank in the UK.
Strong balance sheet with a prudent approach to risk.
Part of a **global banking group**.
A **talented** and **motivated team**.

Strategic priorities
Be **customer centric** and increase customer activity.
Focus on **simplification**, **automation** and **digitalisation**.
Create **value** and be **disciplined** with capital allocation.
Be a **responsible** and **sustainable bank**.

Our behaviours
We live our values of Simple, Personal and Fair through great behaviours and our people leaders.
T - Think Customer
E - Embrace Change
A - Act Now
M - Move Together
S - Speak Up

At a glance
14 million active UK customers.
444 branches
c18,000 full time equivalent employees
£165.2bn in mortgage lending
£176.7bn in customer deposits

Our sustainability strategy
Environment: Supporting our customers' transition, aligning our activities with the Paris Agreement and embed climate risk
Social: Promote inclusive and sustainable growth and help people gain the skills they need to thrive
Governance: Act responsibly through strong culture, governance and conduct

A significant part of the Santander UK Group Holdings plc group
The Company and its subsidiaries represent almost all the business and operations of its immediate parent Santander UK Group Holdings plc. More information on the Santander UK Group Holdings plc group, including the role of the Company as a ring-fenced bank, can be found in the Santander UK Group Holdings plc 2024 Annual Report, which does not form part of this report.

Our market overview

Improving economic environment

What we have seen
In the UK, we saw economic conditions improve despite another year of slow growth (0.9% in 2024 based on the latest data available, 0.4% in 2023).

Inflation fell towards the Bank of England's target rate over the year. The housing market in the UK performed better than expected in 2024 (House Price Index: 4%) and showed signs of increased activity as the year progressed.

This led to the Monetary Policy Committee (MPC) cutting the Bank Rate twice in the second half of 2024 to 4.75% (50bps below 2023).

Our response and looking ahead
As we exit two years of high inflation and continue the rate-cut cycle, cost management became a significant focus industry-wide. We continued to deliver our transformation through simplifying, automating and digitising processes, helping to manage our operating expenses in line with CPI for the year.

We remained focused on supporting our customers and delivering products and services that help them make the most of their money, and for those who needed extra help we continued to provide the support they needed.

Looking ahead, we expect the Bank of England to cut the Bank Rate over 2025 by 100bps (including the 25bps cut in Feb-25) to support growth. As this occurs and affordability improves for our customers, we expect to see activity in the mortgage market increase further.

Competitive UK market

What we have seen
M&A increased in the UK in 2024 and the banking sector is likely to see further consolidation in the near term.

Nationwide and Barclays completed acquisitions of Virgin Money and Tesco's retail banking arms respectively in 2024, while Coventry Building Society's acquisition of Co-op Bank's retail banking arm completed in early 2025, with NatWest's acquisition of Sainsbury's retail banking arm due for completion in 2025.

Nonetheless, the market remained highly competitive while operating in a higher rate environment. Established international and digital challengers continued to compete for deposits and lending in the market in addition to our traditional peers.

2024 marked the second year in a row of over 1 million customers in the UK using the Current Account Switch Service.

Our response and looking ahead
2024 saw another year of pricing discipline and continuation of the strategic deleveraging of our portfolio. Over the year, customer lending decreased by £8.6bn to £194.5bn and our customer deposits decreased by £10.7bn to £176.7bn.

We continued to monitor competitors' products and invested in our multi-channel offerings throughout the year, to bring customers to Santander UK.

Looking forward, we expect large peers to continue investing in their product offerings to retain and attract customers, while we expect digital challengers to continue in their pursuit of market share.

Customers becoming digital

What we have seen
2024 was another year of customers moving towards digital banking over traditional banking channels.

Our digital customer base grew again in 2024 to 7.2 million users, with 88% of our retail current account openings in the year made through digital channels.

Our response and looking ahead
Following the pilot of our new mobile banking offering in 2023, OneApp became available to all our customers in 2024. OneApp is now being used by over six million customers in the UK and provides our customers with faster and enhanced functionality, including personal insights into their spending.

We also launched new products to support our customers' changing needs, including the latest edition of our Edge offerings – the Edge Credit Card.

Whilst digital banking is becoming embedded in our customers' everyday lives, we remain committed to delivering customer engagement through our branch and telephony channels.

In 2024, we completed 50 branch refurbishments, and made significant progress with planning two new Work Cafés in support of this commitment.

Looking ahead to 2025, we look forward to the opening of those two new Work Cafés as we continue to review our customers' needs and provide them with products and services that meet their requirements, while continuing to evolve our digital offerings and in person services.

Deployment of AI technology

What we have seen
The market has evolved rapidly, which has provided opportunities to accelerate deployment of AI as well as challenges in how we manage risk.

Across the industry, banks have adopted a cautious approach, focusing on initial use cases with a 'human in the loop' to ensure outputs are reviewed before being communicated to customers.

Most of these use cases have helped improve productivity without introducing material risk to our operations.

Our response and looking ahead
We delivered several new machine learning and generative AI solutions in 2024, including Agent Assist and Sandi.

Agent Assist gives our people access to knowledge bases through generative AI, allowing them to provide faster and more accurate responses to customers.

Sandi is our internal AI search tool helping our employees search and find answers to People & Culture related questions. Since its launch in November 2024, it has answered 98% of the questions asked, with only 2% requiring additional 'human touch'.

An internal working group supported the deployment of this technology and developed a stringent governance framework with the right controls.

In 2025, we expect industry use of AI to continue to grow and we plan to expand our use of it, allowing our colleagues to focus on the more complex customer cases.

Evolving regulatory landscape

What we have seen
Regulatory change continues to be significant within the financial services sector, with 2024 seeing new proposals and interventions from UK regulators.

The FCA remained particularly active, continuing to monitor and engage with firms on Consumer Duty, while introducing new rules and guidance to address issues on wider access to banking.

The Payments Systems Regulator (PSR) introduced mandatory reimbursement for Authorised Push Payment (APP) fraud, providing significantly increased protections to consumers. The publication of a National Payments Vision and wider exploration of innovation in the payments sector helped contribute to the regulatory space in 2024.

While there has been substantial activity, there has also been a wider recognition of the burden of regulation on the industry and the impact this has on economic growth.

Our response and looking ahead
Phase 2 of the FCA's Consumer Duty was implemented for closed book products in July 2024, in addition to our work to meet new Basel capital requirements.

We welcome the UK government's commitment to improving the balance of regulation, with a focus on driving growth and international competitiveness, we look forward to continue working closely with the regulators to help drive growth in 2025.

The FCA's review of its rulebook is a positive start to simplifying the current regulatory landscape.

Delivering on our ESG ambitions

What we have seen
Customers, governments, regulators, NGOs, and investors continue to scrutinise ESG activities with a real focus on the say-do gap of organisations, which in turn is beginning to drive real-world action.

Our response and looking ahead
In 2024, we advanced our climate strategy by launching six retail green finance propositions to support our customers. We also enhanced our portfolio analysis, reporting financed emissions from commercial real estate lending for the first time, in addition to focusing on aligning our activities with the UN Paris Agreement.

In the social space, we continued to proactively reach out to over 2.6 million customers showing potential early signs of financial difficulty and strengthened our focus on education, employability, and entrepreneurship. This includes the launch of a free adult education initiative which aims to equip people above the age of 18 with the skills needed to power the economy of the future. Within our business, we increased our gender and ethnicity senior level representation with senior female representation at 34.1% and senior minority ethnic representation at 14.7%.

In 2024, we approved our new Governance Strategy focused on clear and robust governance with well-defined accountability promoting the success of our business, customers, and stakeholders.

Looking ahead, we will continue to evolve how we report on ESG matters. This involves updating our ambitions with a focus on real world impact.

Our strategic priorities

Focused on customer loyalty, improved efficiency and sustainable growth

Customer centric & customer activity
Initiatives focused to better serve and engage our customers by leveraging technological and operations synergies from the global Banco Santander group, enabling access to financial services for our customers through several channels.

2024 progress: expanded our Edge portfolio for our customers through the launch of Edge Credit Card and Edge Home which enables live mortgage tracking for all our broker partners. For our corporate customers, we launched a Virtual Account Management platform supporting the needs of our clients in the legal, real estate, property and pensions sectors.

Simplification, automation & digitalisation
Reduce complexity, decrease friction and increase automation to streamline our products and processes. This is supported by becoming a 'digital bank with a human touch'.

2024 progress: launched OneApp which is now being used by over six million customers and achieved a customer rating of above 4.7 stars out of 5. We merged our four legacy mortgage platforms into one and simplified payments operations by moving to Banco Santander's PagoNxt platform as part of simplifying our business. Lastly, we delivered several new AI solutions across the business including Agent Assist and Sandi.

Value creation & disciplined capital allocation
Focus on value creation for all (customers, employees, shareholders and communities) while managing risk and profitability and being disciplined with capital allocation.

2024 progress: continued strategic deleveraging of our balance sheet delivering profits in line with expectations for our shareholder. We maintained significant headroom on regulatory capital requirements and delivered substantial dividends back to Banco Santander.

Be a responsible and sustainable bank
Initiatives aimed at supporting our customers with a secure and just transition to a sustainable economy and helping them get the skills they need to thrive.

2024 progress: continued to develop our new social strategy with a distinct focus on Education and Skills whilst also launching several test and learn initiatives to support our customers in retrofitting their homes.

Our performance and key performance indicators

The directors of the Company's immediate parent, Santander UK Group Holdings plc, manage the operations of the Santander UK Group Holdings plc group (which includes the Santander UK group) on a business division basis. Key performance indicators are not set, monitored or managed at the Santander UK group level. As a result, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company.

The development, performance and position of the business of the Santander UK group is set out in the Financial review.

The key performance indicators of the Santander UK Group Holdings plc group can be found in its 2024 Annual Report, which does not form part of this report.

Risk management overview

Supporting our customers and business growth through simpler and improved processes was a key focus throughout 2024 and remains a key priority in 2025.

By simplifying and automating processes, using digital tools and designing smarter solutions, we are supporting the delivery of good customer outcomes and business growth

Top Risks

We monitor our Top Risks quarterly at the Executive Risk Control Committee (ERCC) and Board Risk Committee (BRC).

In 2024, our focus shifted away from Inflationary and Supply Chain pressures to Margin Compression, with UK headline inflation falling towards 2% and markets implying a peak in the UK Bank Rate.

We made further changes to our Top Risks by introducing three new areas (Resiliency, Payments Transformation, and AI/Machine Learning) and removing two existing Top Risks (Ring-Fencing and People risk), although we continue to closely monitor human resource impacts as part of Strategic Transformation.

Conduct and Regulatory
In 2024, we continued to have significant regulatory engagement, notable among these were with respect to: Financial Crime, Technology risk, Regulatory Models, Payments Services regulation, Outsourcing and Third-Party risk, Data Privacy, Operational Resiliency, Consumer Duty embedding, and Historical Motor Finance Commissions. We have reduced our regulatory risk profile including closing issues related to Financial Crime, IT risk and Change Management projects, and implementation of Regulatory Capital models.

Economic Crime
Financial Crime (FC) risk remains a key focus area for senior management and the Board. In 2024, we continued to mature our oversight capabilities and Centre of Excellence operations to further integrate FC risk management into the business. We also continued to review our processes to address complex global sanctions regimes and enhance our use of technology in screening processes.

Fraud losses continue to be a significant proportion of our overall operational losses, in line with the wider UK financial services industry. However, these losses were significantly lower in 2024 compared to 2023, with the design and implementation of new fraud prevention tools to complement our existing systems and controls. As part of our Fraud Transformation programme, we are taking action to reduce losses and case volumes.

Technology
The importance of IT risk management and control remains at the centre of our activities. We continued to progress our bank-wide programme to address risks that could arise from obsolete technology and a Single Point of Failure (SPOF) in our network. We delivered further risk reduction in 2024 and closely monitored these improvements through our risk governance framework. In parallel we leveraged business transformation, where both platform and application obsolescence coincide.

Margin Compression
Implied Bank Rate fell in 2024 and risks appear to be skewed more towards downwards movements in rates, although higher for longer is a viable scenario should inflation remain sticky. Regulatory pressure remains around deposit pricing and Consumer Duty and has the potential to increase deposit market competition. Our Treasury team executed a Margin Compression investment strategy in 2024, approved by our Asset and Liability Committee (ALCO), which mitigated our risk exposure. There is regular engagement between Treasury, Risk and the business to ensure key market and pricing assumptions and the strategy remain appropriate.

Operational Resiliency
In 2024, we progressed our Operational Resilience and Recovery Plan (ORRP) which will enable us to meet a key regulatory deadline in March 2025. We also prioritised scenario testing in key areas to reduce risk and to ensure we identify and remediate potential vulnerabilities in a timely fashion (we remain on-track to meet the March 2025 regulatory deadline), although execution risk is elevated due to complexity. We continue to actively engage with industry working groups to ensure we are cognisant of common vulnerabilities and third-party service providers.

Cybersecurity
In 2024, key drivers of risk included geopolitically motivated cybersecurity attacks where ransomware is inserted into supply-chains, posing a critical risk, and exploitation of critical vulnerabilities. Our remediation plans drove improvements to our cybersecurity risk profile throughout 2024. This strengthened our overall cybersecurity controls and improved our resilience, within a cybersecurity threat landscape which continues to evolve.

Data Quality
In 2024, we enhanced our Data Operating and Ownership models, end-to-end data management controls, and governance for measuring and escalating data quality issues. We have remediation plans in place as part of our Data Management Programme to further enhance data quality, data privacy and protection.

Outsourcing and Third-Party
Under Operational Resilience regulations, loss of a critical third-party (SPOF) is deemed a severe but plausible scenario. Our ORRP programme addresses these risks, along with the creation of specific playbooks which are cross-checked to business area continuity plans.

Strategic Transformation
Key areas of concern related to our plans include: potential risk of material disruption and incidents; insufficient funding to deliver critical business priorities; and the risks arising from implementing cost driven efficiencies.

We have set up a taskforce with Risk participation to provide a review of, and challenge, project costs. Savings initiatives undergo rigorous governance and risk assessment processes. Operational risk provides enhanced oversight on moderate and higher risk projects, which require risk assessments and mitigations to be in place.

Regulatory Capital
The level of capital we have to hold is highly sensitive to regulatory decisions on the implementation and interpretation of capital rules. Further complexity arises due to dual regulation of Santander UK by the PRA and the ECB. Basel 3.1 'near-final' rules have been published which could impact us, although they will not apply until 1 January 2027. However, our current and projected CET1 Capital surpluses provide significant capacity to absorb adverse capital movements.

Climate Change

There are clear regulatory expectations on the embedding of climate risks in our risk management processes, strategies and remuneration targets.

In 2024, we made significant strides in integrating climate risk management into our business. For the first time, we ran internal models and scenarios for Climate Internal Scenario Assessment (CISA), which considered the broader impacts of physical and transitional risks in addition to our internal climate transition plan and green finance plan.

There are execution risks around these programmes, as well as regulatory risks. To address this, we are enhancing our data and governance processes to support risk management and reporting.

Payments Risk Transformation
The payments industry landscape is rapidly evolving with new regulatory requirements, scheme changes and adoption of new technology and standards. Risks arise from the scale and pace of transformation of payment systems which pose a challenge to capacity and capability to deliver. In 2024, we continued to progress an improvement plan to address these requirements.

Artificial Intelligence (AI) & Machine Learning
AI developments in the banking industry will test preparedness to safely manage and respond to its evolution given the velocity, pace and scale of change.

We have a planned phased approach to AI over our three-year plan period. To support this, we are improving data quality to enable model development, which is being progressed primarily under our Data Management Programme.

We plan to incorporate AI into our Non-Financial risk structure, along with adopting a specific AI policy standard.

Emerging Risks

We monitor these risks using our Risk Radar and regularly provide updates to the ERCC and BRC.

Highlighted below are our Emerging Risks in 2024 and our associated management actions.

Most Emerging Risks we face are systemic risk issues which also impact our peers. Santander UK may be exposed to more idiosyncratic risk in areas impacting regulation, where we face dual regimes, principally the PRA and FCA in the UK and the ECB in Europe.

In 2024, our portfolio of Emerging Risks was broadly unchanged, but we have identified and categorised specific Emerging Risks under the most significant drivers below.

Strategic and business related risks are addressed under our risk types and cover the broader challenges in the banking sector including Market Competition. Under Emerging Risks we focus on emerging digital business risks and opportunities which also impact market competition.

Uncertain Regulatory Agenda
UK Regulatory Demand on Banking Sector: adverse impacts on sector investability are likely to continue in the medium-term given the level of regulatory stretch relative to the EU and US.
Whilst the PRA's proposed Basel 3.1 rules have been received positively, total levels of capital in the UK banking system remain materially higher than in other jurisdictions. This coupled with Consumer Duty, Financial Ombudsman Service determinations on complaints, normal course of business inspections of our operations such as Liquidity Supervisory Review and Evaluation Process, and retrospective action on banking activity, is negatively impacting the UK banking sector's international competitiveness. Our Public Affairs and Regulatory Policy teams have been fully engaged with regulators and the UK Government to prompt action to redress the balance.

Net Zero transition: given the UK Government's acceleration of the clean power action plan from 2035 to 2030, there are potential risks to the economy if this is not achieved. We have included a delayed transition scenario in our climate stress testing that assesses potential adverse economic impacts of carbon taxes, which could be introduced to speed up transition, but inadvertently cause an economic shock. We also support Banco Santander with data for their mandatory disclosures under CSRD, and align our qualitative and quantitative data as much as possible, although Santander UK is not subject to CSRD itself.
Chevron Deference: the US Supreme Court overturned a doctrine that ambiguity in a statute implied delegation of interpretive authority to a relevant federal government agency. As such, long-standing positions of regulatory agencies in the US may be subject to change, and lead to regulatory uncertainty which we may need to be cognisant of in certain areas such as capital markets.

Increased uncertainty in Macroeconomic and Geopolitical Environment

UK Political risks: the banking sector was spared some measures to increase related taxes in the October 2024 budget, such as the Bank Levy and payment of interest on commercial reserves.
However, there will be increased costs to businesses as a result of increased employer's National Insurance (NI) which will also flow through to customers and the wider economy. Our Public Affairs team regularly engages with government officials to understand policy direction and we consider potential financial and other impacts in our business plans.

US Political risks (Deregulation): although the new Republican administration's policy agenda is still evolving, there are directional signals: increased energy production; lower corporation tax rates; variable trade tariff rates on imports; and deregulation policies.
Deregulation is likely to be a feature of the new Republican administration and could further increase UK banks' uncompetitiveness should US banks gain further regulatory advantage.

Trade Tariffs, Sanctions and Supply Chains: increased trade tariffs and/or sanctions either on specific nations or more broadly, given elevated geopolitical tensions, could impede critical supply chains in the UK, reigniting inflationary concerns and a negative economic outlook.
In such a scenario, it is likely the MPC would have to hold rates rather than enact cuts to mitigate inflation. We consider the potential impacts of such a scenario in our stress testing for Capital (ICAAP) and in our Operational Resilience planning and testing. Our third-party suppliers could be impacted through retaliatory measures including cyber-attacks, which might then impact us.

Quantitative Tightening: driven mainly by Quantitative Easing (QE), the total stock of Bank of England (BoE) reserves reached a peak of £978bn in January 2022. Since then, the MPC has been selling assets to unwind QE. The size of the BoE's balance sheet is determined by the amount of reserves supplied, implying that reserves will shrink going forwards. We are now undertaking asset purchases and lending through short-term and long-term repo operations as part of Liquidity Management. As QE unwinds there could be unintended consequences for markets and financial stability.
Eurozone Sovereign Bank contagion: the ECB warned of Eurozone sovereign debt risks in its November 2024 Financial Stability Review. Elevated debt levels and high budget deficits, coupled with weak long-term growth potential, increase the risk that market concerns over sovereign debt sustainability will reignite. The banking and corporate sectors are not immune as rising sovereign bond yields could ultimately drive-up both banks' and companies' funding costs. We monitor sovereign credit spreads and potential for market contagion via daily Market and Structural risk reports and at our ALCO.

Markets, Competition & Technology

Digital Bank challengers: market competition continues to intensify with challengers, having achieved improved profitability and viability, posing a significant medium-term challenge to the business. Our investments in digital and data capabilities are ongoing to enhance digital offerings, including: our new mobile banking app, which has been well received by customers, pre-approved aggregator credit card sales, and enhanced customer relationship management capabilities to leverage our insights into customer behaviour.
Digital Pound (Central Bank Digital Currency): our initial concerns over adverse market liquidity and funding implications were fed back to the BoE in 2023, along with our peers. The BoE now appears to be more receptive to the use of Central Bank Digital Currencies in the Wholesale sphere, which may benefit retail use cases, in which we have an aspiration to develop. We are working with our peers on the Regulated Liability Network programme to develop an alternative retail offering, and to the Digital Pound. Our Regulatory Policy team monitors developments in this area with the business and risk.
Digital Risks: the banking sector is accelerating innovation and elevating business and market competition through adopting technologies that are shaping the present and future of financial services. These include: AI, Quantum Computing, Crypto & Blockchain, Open Banking/Finance, and Cloud Computing. These innovations will likely result in enhanced regulatory scrutiny and disclosure requirements and a fully fledged regulatory/supervisory framework. We are enhancing our risk management approach to these broader digital risks, as well as leveraging potential business opportunities and will track progress via our top and Emerging Risk updates.

Environmental and Social

Environmental and Social related risks are increasing. Significant wealth disparity both within nations and globally is driving geopolitical fragmentation, with emerging pushback to international regulations and globalisation, as well as mass migration to the US and Europe.

Climate Change and Biodiversity concerns are prominent, including more frequent extreme weather events and related risks such as natural resource shortages and global pandemics. Environmental regulations are also becoming more disruptive, although there are emerging signs of a significant pushback to these generally.

There are potential implications for economic stability, our customers and colleagues, which we will carefully consider in our business and resource planning.

Financial overview

Summarised Consolidated Income Statement

	2024 £m	2023 £m
Net interest income	4,312	4,658
Non-interest income[1]	345	438
Total operating income	**4,657**	**5,096**
Operating expenses before credit impairment charges, provisions and charges	(2,548)	(2,456)
Credit impairment charges	(71)	(205)
Provisions for other liabilities and charges	(689)	(335)
Profit before tax	**1,349**	**2,100**
Tax on profit	(378)	(559)
Profit after tax	**971**	**1,541**

1. Comprises 'Net fee and commission income' and 'Other operating income'.

A more detailed Consolidated Income Statement is contained in the Consolidated Financial Statements.

2024 compared to 2023

Profit before tax fell to £1,349m in 2024, a 36% decrease from 2023. This decrease reflects market wide pressures on customer deposit costs and was impacted by the £295m charge for historical motor finance commission payments made in the year.

- Net interest income decreased 7%, largely due to higher customer deposit costs and a reduction in mortgage loans.
- Non-interest income was down 21%, driven by the 2023 revaluation gain of our shares in Euroclear which was not repeated in 2024.
- Operating expenses before credit impairment charges, provisions and charges increased by 4%, due to further investment in efficiency and customer experience and two years of high inflation.
- Credit impairment charges were down 65% to£(71)m, given the improved economic outlook with lower unemployment rate and higher house prices expected.
- Provisions for other liabilities and charges were up£354m, driven by the £295m charge for historical motor finance commission payments in the third quarter of 2024, as well as higher transformation costs.
- Tax on profit decreased 32%, reflecting the reduction in profit in 2024.

The FCA Motor Finance review

Following the FCA's Motor Market review in 2019, we received a number of claims and complaints in respect of our historical use of discretionary commission arrangements (DCAs) prior to rule changes made in 2021.

In January 2024, the FCA commenced a review of the use of DCAs between lenders and credit brokers (the FCA review) and in July 2024 announced that it expected to share the outcome of its review by May 2025.

In October 2024, the Court of Appeal handed down a judgment in relation to cases against other lenders involving DCAs that was unexpected and materially changed the expectations of the FCA review.

What this means for us

In light of the Court of Appeal judgment, we recognised a provision of £295m in the third quarter of 2024, materially impacting our 2024 financial performance.

This provision included estimates for operational and legal costs and potential awards, based on various scenarios using a range of assumptions.

There remain significant uncertainties as to the nature, extent and timing of any remediation action required, and the outcomes of the FCA review will provide the market with more clarity and guidance.

Ultimately, the total financial impact remains unknown and could be materially higher or lower than the amount provided.

Summarised segmental balance sheet

At 31 December (£bn)	2024	2023
Customer loans by segment		
Retail & Business Banking	171.7	180.0
Consumer Finance	4.8	5.2
Corporate & Commercial Banking	18.0	17.9
Corporate Centre	0.0	0.0
Customer loans	**194.5**	**203.1**
Loans to JVs, accrued interest, ECL and other	4.9	4.3
Loans and advances to customers	**199.4**	**207.4**
Cash, repos, other financial assets and other assets non-interest earning	60.5	68.0
Total assets	**259.9**	**275.4**
Customer deposits by segment		
Retail & Business Banking	151.8	158.3
Corporate & Commercial Banking	22.1	24.1
Corporate Centre	2.8	5.0
Customer deposits	**176.7**	**187.4**
Deposits from JVs, accrued interest and other	4.3	3.5
Deposits by customers	**181.0**	**190.9**
Financial liabilities, repos and other liabilities non-interest earning	65.2	69.9
Total liabilities	**246.2**	**260.8**
Shareholders' equity	13.8	14.6
Total liabilities and equity	**259.9**	**275.4**

A more detailed Consolidated Balance Sheet is contained in the Consolidated Financial Statements.

Segmental profit before tax

Profit / (loss) before tax (£m)	2024	2023
Retail & Business Banking	1,224	1,703
Consumer Finance	(175)	174
Corporate & Commercial Banking	351	570
Corporate Centre	(51)	(347)
Total	**1,349**	**2,100**

2024 compared to 2023

Retail & Business Banking
- Customer loans and deposits reduced with disciplined pricing.
- Profit before tax was down, largely due to higher customer deposit costs and a reduction in customer balances.

Consumer Finance
- Lower lending was driven by a decision to focus on value and capital generation.
- Loss before tax was driven by the £295m provision relating to historical motor finance commission payments.

Corporate & Commercial Banking (CCB)
- We continued to focus on high-value and international business, with over 500 new clients onboarded in 2024. Over 1,000 new users are now on our Santander Navigator platform
- Profit before tax was down, largely due to pressures on income from higher deposit costs and inflationary pressures on operating expenses.

Corporate Centre
- loss before tax was down, mainly due to transformation expenses in 2023 which were not repeated in 2024.

Sustainability overview

We are working with our stakeholders to support a secure and inclusive transition to a more sustainable society. Our Sustainability strategy sets out how Santander UK will tackle the challenges identified by the 2024 double materiality assessment (DMA). It is also aligned with Banco Santander's Sustainability strategy.

More detailed information on our Sustainability strategy, goals, and progress is set out in our 2024 ESG Supplement. The Supplement is published on our website and does not form part of this Annual Report. It also includes the results of a limited assurance exercise on specific ESG metrics. Banco Santander lists all of its ESG reports and disclosures on its website.

Section 172: Stakeholder voice

The Boards of the Company and Santander UK plc (the RFB and the Boards) have identified our customers, employees, regulators, communities and investors as our key stakeholder groups on the basis of their importance in ensuring the continuing success of Santander UK. While not a stakeholder in the strictest sense, we also take into account our impact on the environment and climate given its criticality to life and business in general, and as required by s172 Companies Act 2006 (s172).

Balancing the interests of these stakeholder groups alongside the interests of Santander UK is key to ensuring that we operate as a sustainable, responsible and profitable business, and we therefore seek to ensure that this is embedded in our strategy and culture.

To support the Boards and their Committees in their considerations, our Board paper template and training includes a specific focus on the directors' duties arising from s172 and how management's preparation of their papers plays a key role in ensuring that the Directors can discharge their responsibilities in a fully informed manner.

In 2024, the Boards continued to spend time, inside and outside of formal meetings, engaging with stakeholders and discussing their interests, including visiting branches, contact centres and offices around the UK to better understand the needs of our customers, employees and communities. You can read more about Directors' engagement with employees in 2024 on the following page.

Each Director meets with our principal regulators, the PRA and FCA, on a periodic basis to understand their views, and these regulators also attend our Board meetings from time to time. The Board meets regularly with members of management and the directors of Banco Santander SA, the Company's shareholder, and, as usual, the Board held its February 2024 Board cycle in Madrid in order to strengthen relations and understand Banco Santander's views more clearly.

Employee voice in the boardroom

Section 172 matters	A. The likely consequences of any decision in the long term B. The interests of the company's employees C. The need to foster the company's business relationships with suppliers, customers and others D. The impact of the company's operations on the community and the environment E. The desirability of the company maintaining a reputation for high standards of business conduct
Stakeholders considered	Customers, Employees, Regulators

Background
The Board has appointed a designated director for employee engagement, Lisa Fretwell, who drives the Board's employee engagement programme and reports quarterly to the Board Responsible Banking Committee on Directors' findings.

How the Board approached it
Again in 2024, the Board had a full programme of employee engagement opportunities including listening sessions where employees were encouraged to speak openly about their views of Santander UK, and their experiences working here and supporting our customers. In addition, each of our employee Networks has a non-executive Director sponsor who attends events and champions their cause.

Outcome
As well as reporting to RBC at each of its quarterly meetings on the key messages from non-executive Directors' listening sessions, Lisa also passed on these findings to management: We find that this is another helpful way of receiving positive and constructive feedback from employees which allows for actions to be taken where necessary. For example, following a branch visit, management took a number of actions designed to improve support and security for employees as well as customers' access to cash machines. In another instance, management took actions to improve the process for the final stages of our graduate recruitment programme.

Non-Financial and Sustainability Information Statement

The Company's disclosures under Section 414CA and 414CB of the Companies Act 2006, are included in the Strategic Report in Santander UK Group Holdings plc's Annual Report which reports on behalf of that company and its subsidiaries, including the Company.

Sustainability

In this section

Sustainability overview

Climate-related financial disclosures

Banco Santander has set out ambitions to be a net zero bank by 2050. We are implementing the recommendations of the TCFD, and taking action to meet the expectations set by the PRA, BoE and FCA. This requires wide-ranging collaboration both within the bank and externally to develop the tools and methodologies needed. As such, we adopted a unified approach across the Santander UK Group Holdings plc group and therefore present TCFD disclosures on that basis in the Santander UK Group Holdings plc Annual Report.

Streamlined Energy and Carbon Reporting (SECR)

We continue to monitor and evaluate our energy and carbon footprint in line with the SECR regulation. Our emissions are calculated using the UK Government Department for Energy Security and Net Zero (DESNZ) conversion factors. In 2024, we used 89,511,0411 kWh of energy, compared to the 92,907,880 kWh used in 2023. This change was due to reductions in our gas consumption. We emitted 5466 tCO2e market-based greenhouse gas emissions, compared to 5299 tCO_2e in 2023.

Our total Scope 1, 2, and 3 emissions for 2024 are set out in the SECR table. The slight increase in Scope 2 location-based emissions was due to the opening of Unity Place, our head office building, and an increase in staff returning to offices across the estate. However, we saw reductions in natural gas in 2024, mainly due to rationalisation across our Head Office Estate. Business travel also continued to rise in 2024 leading to an increase in Scope 3 emissions. As a result, in 2024 our overall scope 1, 2 and 3 business travel emissions increased compared to 2023. Refurbishments at Triton Square our London office, are close to completion. These include replacing lower efficiency mechanical, electrical and plumbing items (i.e. pumps, LED lights, fan coil units, air handling units (AHUs), HVAC replacements). Our Bradford and Sheffield sites completed energy saving projects in 2024. Redhill and Glasgow started projects in 2024 that will continue into 2025.

	2024	2023	2022
Scope 1 tCO_2e	**2,456**	2,814	4,512
Scope 2 tCO_2e (Location-based)	**16,195**	16,127	15,571
Scope 2 tCO_2e (Market-based)	**1.13**	0.34	0.4
Scope 3 tCO_2e (Business Travel)[1]	**3,009**	2,485	1,383
Total[1]	**5,466**	5,299	5,895
YoY %	**3 %**	(10)%	(7)%
Total emissions per employee (tCO_2e/FTE)[1]	**0.3**	0.27	0.32

(1) Employees that had left Santander UK or were temporarily absent during the 2023 reporting period had been excluded from Scope 3 business travel but should have been included. We have estimated this exclusion based on available data. This estimation also impacts the Total CO_2e emissions, CO_2e emissions per employee, and year-on-year percentage for 2023. This excluded population has been included for the related data points in 2024 but 2023 data was not updated due to confidence in the previous calculation based on available data.

Additional notes on GHG emissions calculations

Boundary

Scope 1-3 GHG emissions include the activities and facilities owned and/or under operational control of Santander UK plc.

Calculation

Scope 1: GHG emissions from oil, gas, direct transport, and fugitive gas emissions. Consumption and transport data is extracted from relevant source systems and records. Data is sourced from internal systems, including meter readings, maintenance records, and internal travel systems, as well as external systems such as bill validation systems and external supplier invoices. Emissions calculated for gas, oil, direct travel, and fugitive gases follow the GHG Protocol Corporate Standard. We use the relevant UK Government Department for Energy Security and Net Zero (DESNZ) conversion factors and collate emissions into a total Scope 1 emissions figure. We use billing invoices, meter readings, mileage claims, and maintenance records to obtain our consumption data.

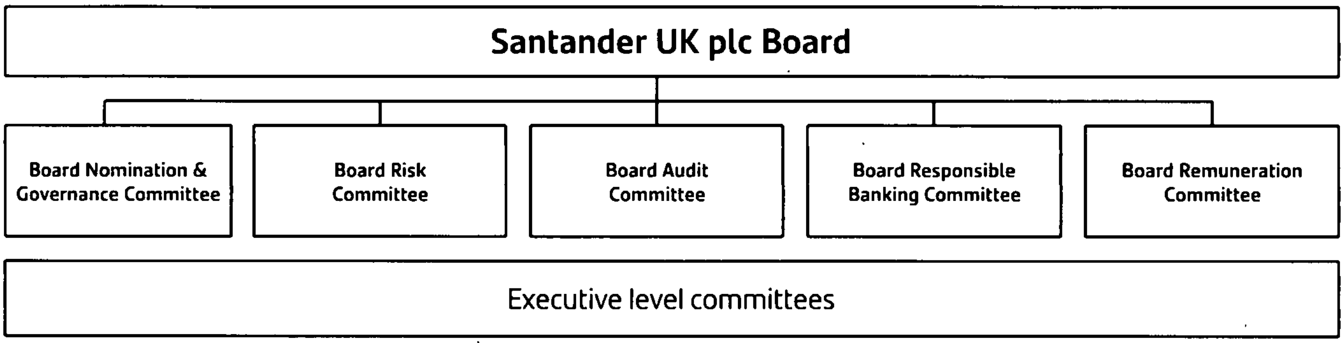
Scope 2: GHG emissions from purchased electricity, electric fleet and company cars. For Santander UK, we use the market-based approach to quantify our emissions, meaning we use emissions factors provided by our electricity suppliers. For our Scope 2 emissions, this reflects the emissions from electricity we have purchased via green tariffs. These provide electricity from renewable sources including biomass and wind generation. Scope 2 emissions for electricity consumption are calculated using the relevant UK Government DESNZ conversion factors and guidance. Emissions from the electric fleet are calculated using the Residual Mix from DESNZ Fuel Mix Disclosure. Data for electricity consumption and travel for electric fleet and company cars are extracted from relevant source systems.

Scope 3 – Business travel: This includes indirect travel emissions created through our value chain that have not been included in Scope 1 and 2. Our Scope 3 reporting encompasses emissions from business travel (air, road, and rail). Business travel records are extracted from relevant internal systems or provided by our third-party travel admin operator. The distance in kilometres travelled is converted into carbon emissions using relevant factors from UK Government DESNZ and collated into a total Scope 3 emissions figure. Car data is based on engine size, flight figures are based on average cabin seat class, and for rail they are based on average cabin seat class. Rail figures are based on national rail conversion factors. We source data from mileage claims and third-party travel reports. Taxi travel is excluded due to the lack of mileage data.

Governance

In this section

Governance overview



Due to the alignment in Board membership, the Santander UK Group Holdings plc and Santander UK plc Board and Board Committees meet substantively simultaneously. As such, this report details the governance arrangements, practices and activities of both Santander UK Group Holdings plc's and Santander UK plc's Boards and Board Committees.

Board changes in 2024

1 January	5 March	1 September	1 December	13 December
Mark Lewis, Dirk Marzluf and Nicky Morgan appointed[1]	Angel Santodomingo appointed	David Gledhill appointed	David Oldfield appointed	Announced the appointment of Enrique Alvarez[2]

1. Santander UK Group Holdings plc only – following changes to the Santander UK ring-fencing rule modifications
2. Appointment effective from 12 February 2025

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2018 (the Code) sets out the framework for premium listed companies in the UK. We feel that it is appropriate for a Company of our size and systemic importance to the UK economy to adopt the Code and as such, this Governance section details how we comply with its principles and provisions. Any sections of the Code that we do not comply with are explained in the Directors' Report.

Chair's report on corporate governance

Our approach

Board and governance structure

Maintaining high standards of corporate governance is vital to ensuring effective decision making by the Board and therefore the ongoing success of the Company. We also adhere to various internal governance frameworks and practices which ensure that we have the right systems and controls in place to allow the Board to effectively oversee the business and provide challenge where needed. These include:

- The UK Group Framework, which defines clearly our responsibilities and relationship with Banco Santander SA, our ultimate shareholder, taking account of our fiduciary and regulatory responsibilities. This gives us the autonomy to discharge our responsibilities in the UK in line with best practice as an independent board while providing Banco Santander SA with the oversight it needs. Clarity of roles and responsibilities is key to ensuring proper accountability for decisions and outcomes.
- The Corporate Governance Framework (CGF), which is designed to support the Boards in discharging their responsibilities and ensuring an appropriate degree of delegation throughout the Santander UK group.

We review the CGF regularly to confirm that governance arrangements remain effective and appropriate. The corporate governance structure is supported by internal control and risk management systems. An important principle applied throughout the CGF is the delegation of executive authority from the Board to the CEO, who further delegates aspects of their authority to Executive level committees or other individuals. This supports effective decision making and accountability in discharging their responsibilities.

Santander UK group structure and ring-fencing governance arrangements

The substantive business of the Santander UK group continues to be conducted by Santander UK plc, our principal ring-fenced bank (RFB). Ring-fenced banks operate within governance rules defined and overseen by the PRA who granted Santander UK plc certain ring-fencing governance rule modifications, recognising our ownership structure and chosen ring-fencing business model. As set out in last years' report, with effect from 1 January 2024, the PRA approved revisions to our ring-fencing rule modifications which simplified our governance arrangements, including the ability to have common Santander UK Group Holdings plc and Santander UK plc Board and Board Committee memberships, subject to certain safeguards. As such, Mark Lewis, Dirk Marzluf and Nicky Morgan were appointed to the Board of Santander UK Group Holdings plc, and the composition of the Board Committees was aligned.

One of the safeguards agreed is that if a conflict matter (as defined by the PRA) arises between the two companies, three INEDs holding PRA senior management functions (SMF) will have veto rights on Board decisions. These INEDs are Nicky Morgan, Mark Lewis and Ed Giera. David Oldfield will succeed Ed Giera in this role with effect from 10 March 2025. Nicky Morgan will chair the RFB Board meeting in the event of a conflict matter decision.

The role and responsibilities of the Board

The Board is collectively responsible for promoting the success of Santander UK for the benefit of its stakeholders, taking into account the likely impact of our decisions in the long-term, as well as balancing the interests of our other stakeholders and our contribution to wider society. Our Section 172: Stakeholder voice statement in the Strategic Report explains how we engaged with our stakeholders in the year.

The key decisions and matters reserved for the Board's approval, such as the long-term strategy and priorities, are set out in the CGF. A copy of the Schedule of Matters Reserved for the Board is also available on our website at aboutsantander.co.uk, which does not form part of this Annual Report.

As Chair, I have overall responsibility for the leadership of the Board, for ensuring its effectiveness in all aspects of operation and for promoting a culture of openness and debate. These responsibilities are formalised in the CGF. The composition of the Board helps to ensure that no one individual or small group dominates the Board's decision-making. The diversity of skills, experience and background of Directors enables them to provide constructive challenge, strategic guidance and offer specialist advice.

There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the business. The responsibilities of the Chair, CEO, Senior Independent Director (SID) and Non-Executive Directors (NEDs) are agreed by the Board and set out in separate role statements within the CGF and are available on our website at aboutsantander.co.uk, which does not form part of this Annual Report. The Board is also supported by its Committees, who make decisions and recommendations on specific responsibilities delegated to them. This enables the Board to spend more of its time on strategic, forward-looking matters.

Board Committees

The Committees play an essential role in supporting the Board, giving focused oversight of key areas and aspects of the business. Their roles and responsibilities are set out in their Terms of Reference which are available at aboutsantander.co.uk and which do not form part of this Annual Report. The Terms of Reference are regularly reviewed by each Committee to make sure they remain appropriate. Cross-Committee memberships provide visibility and awareness of matters relevant across the Committees, and the chair of each Committee reports back to the Board on its activities after each meeting.

In addition to our five core Board Committees, shown on the previous page, the Board are also supported by committees which are stood up as needed to allow dedicated time for topics at a more focused forum. In December 2024, we created a Board Special Projects Committee to focus on remediation, special projects and transformation matters.

Each of the core Committees is chaired by and comprised of only INEDs, except for the Board Nomination & Governance Committee, where Pamela Walkden, a Banco Santander group appointed NED (GNED) is a member.

How governance contributes to the delivery of our strategy

Our governance arrangements contribute to the development and delivery of our strategy by promoting accountability and responsibility, and ensuring information flows and independent insight from the NEDs.

While all Directors are collectively responsible for the success of the Company, the NEDs exercise objective judgement in respect of Board decisions, and scrutinise and challenge management constructively. They also have responsibilities on the integrity of financial information, internal controls and risk management.

As a Board, we are responsible for ensuring that the business is purpose-led and that our decision making and activities reflect our core purpose to help people and businesses prosper. We do this by setting and developing our strategy, approving risk appetite and policies and overseeing their delivery and implementation by management. The Board is accountable to our shareholders for the proper conduct of the business and seeks to represent the interests of all stakeholders.

The Board has identified the following key stakeholders: Customers, Employees, Regulators, Communities and Investors. For more on how the Board balances the interests of these stakeholders, see our Section 172: Stakeholder voice statement in the Strategic Report.

Culture and hearing the views of the workforce at the Board

The Board recognises that culture plays a fundamental role in delivering our strategic priorities and ensuring the success of the business, we are ultimately responsible for ensuring that our activities reflect the culture we wish to instil throughout the business to deliver on our values of simple, personal and fair.

Our Code of Conduct sets out how we and all employees of Santander UK should act and behave towards everyone we encounter through our work. This, alongside our TEAMS behaviours - Think Customer, Embrace Change, Act Now, Move Together and Speak Up - contribute to drive our culture and maintain the standards that underpin it. All new employees are required to complete training on the Code of Conduct and annual refresher training is required for all employees.

Our employees are central to delivering our strategy, and the Board ensures continuous engagement with them to create a culture of inclusivity and belonging, and a healthy working environment.

Chair's report on corporate governance continued

Throughout the year, the Board received feedback from colleagues via a number of mechanisms including reports from Peakon employee voice surveys, considering matters such as future ways of working. Directors also engaged with colleagues directly, participating in employee listening and management forums, including workshops with our eight people networks which each have a Board sponsor. These activities were led by the designated workforce NED, Lisa Fretwell, who also had regular meetings with the Chief People Officer and Head of Culture and Experience to discuss results and emerging themes from the employee voice surveys. These activities help to ensure that the views of the workforce are made known to the Board and that workforce policies and practices are consistent with the Company's values, supporting its long-term sustainable success.

The right information and support
The Chair, supported by the Company Secretary, ensures that all Board members receive appropriate and timely information. All Directors have access to the advice of the Company Secretary and the Company provides access, at its expense, to the services of independent professional advisers to help the Directors discharge their role.

Board membership & succession planning
Since 1 January 2024, the membership of the Board and Board Committees of Santander UK Group Holdings plc and Santander UK plc have been fully aligned.

Through the Board Nomination & Governance Committee, we make sure there is the right mix of individuals on the Board, giving an appropriate balance of knowledge, skills, experience and perspectives. Our aim to ensure orderly succession for Board positions is supported by continuous and proactive processes, taking into account our strategic priorities and the main trends and factors affecting the sustainability and success of the business. We oversee and regularly review the development of a diverse pipeline for succession.

In 2024, we welcomed David Gledhill and David Oldfield as INEDs. David Oldfield will succeed Ed Giera as chair of the Board Risk Committee (BRC) in March 2025, ahead of Ed's retirement after more than nine years on the Board. I would like to thank Ed for his remarkable commitment and exceptional contributions during his tenure.

We also announced in December 2024 that Enrique Alvarez Labiano, CEO of Retail and Business Banking would be appointed as an Executive Director (ED). His appointment was effective from 12 February 2025.

As announced on 28 January 2025, I will be stepping down during the course of 2025, once a thorough appointment process and orderly handover have been completed.

At 31 December 2024, the Board consisted of the Chair (independent on appointment), eight INEDs, two EDs and three GNEDs. Biographies of the Directors are available at aboutsantander.co.uk, which does not form part of this Annual Report. The letters of appointment for INEDs and GNEDs are available at the Company's registered office and at the Annual General Meeting (AGM).

Appointment and retirement of Directors
The Company's Articles of Association require each Director to retire every year at the AGM and any Director may offer themselves for re-election by members. For more, see the Directors' report.

Monitoring independence
The Board Nomination & Governance Committee monitors whether there are relationships or circumstances which may affect a Director's independence, and have concluded that all INEDs remain independent in character and judgement. We acknowledge that Ed Giera has now served as a Director for more than nine years, with his tenure being extended to allow for a comprehensive handover with his successors as both BRC Chair and SID. We are confident that Ed has the strength of character and integrity to ensure his independence has not been affected by the length of his tenure.

I, as Chair, was independent on appointment when assessed against the circumstances set out in Provision 10 of the Code. No INEDs have a material relationship with the Company nor receive additional remuneration to Directors' fees. In addition, no INEDs serve as directors of any external companies or affiliates in which any other Director is also a director.

Monitoring Director interests, time commitment, and fees
The Board Nomination & Governance Committee is responsible for oversight of conflicts of interest.

Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. This duty is in addition to the existing duty Directors owe to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company.

The Board Nomination & Governance Committee continued to review the time commitment and Directors' potential conflicts of interest to ensure that any such conflicts are managed appropriately, including compliance with CRD IV and ring-fencing requirements.

In accordance with Provision 15 of the Code, any proposed external appointments are disclosed to the Board, before appointment, with an indication of the expected time commitment. All Directors continue to devote sufficient time to their roles at the Company. No significant external appointments were undertaken by any Directors. The Board considers and, if it sees fit, authorises situational conflicts.

Any authorisations given are recorded by the Company Secretary and Directors are asked to certify, on an annual basis, that the information in the register is correct.

The fees paid to INEDs for Board and Board Committee chair and membership were unchanged in 2024. We introduced a fee for members of the newly formed Board Special Projects Committee.For more, see the Remuneration Implementation Report.

Director induction and training
The Company Secretary supports the Chair in designing individual inductions for NEDs, which include site visits and cover topics like strategy, balance sheet and capital, risk and compliance, and current issues including the legal and regulatory landscape.

Directors who take on new roles or change roles in the year (such as becoming a member of a new Board Committee) attend induction or handover meetings as appropriate. Committee Chairs, with support from their Committee secretaries, agree Committee specific training, as appropriate. Directors are also given the opportunity to undertake further training so that they are fully informed about matters concerning Santander UK to enable them to discharge their duties and responsibilities as a Director.

Board meetings in the year
We held 11 Board meetings in 2024. Meetings of the Company were held concurrently with Santander UK Group Holdings plc.

Regular updates are provided to the Board by me, each of the Committee Chairs, the CEO, CFO and CRO. We have a comprehensive and continuous agenda setting and escalation process to enable the Directors to take decisions efficiently and effectively. As Chair, I lead the process, assisted by the CEO and Company Secretary, and this ensures enough time is set aside for strategic discussions and business critical items. Together with the Committee Chairs, we ensure Board and Committee meetings are structured to facilitate open discussion, debate and challenge. The NEDs also receive regular updates from management to give context to current issues, and there is always time allowed on each Board agenda for discussion between the NEDs without the EDs present.

Chair's report on corporate governance continued

Board activities in the year

I, together with the CEO and Company Secretary, and supported by the Directors and senior management, make sure that the Boards have an appropriate schedule for the year. This is focused on the opportunities to drive growth and profitability of the business, transformation to support its success, business performance and risk management, customer experience and outcomes, and remaining apprised of the external operating environment. It includes ensuring the Company is run in a responsible and sustainable way in the interests of its stakeholders, and ensuring that the Company's culture is aligned with its purpose, values, and strategy.

The Boards ensure regular contact with management and employees through several means. These include inviting relevant business and function heads to present to the Board or its Committees on latest developments; supporting senior management development plans by welcoming them as observers; scheduling regular meetings for Committee Chairs with relevant senior managers; site visits by NEDs; and topical or technical workshops. Senior leaders are also available to the NEDs for advice and support.

The Boards regularly monitor progress against the strategic priorities and performance targets of the business, and in 2024, once again held a separate Board Strategy Day. This included a case study on executing large scale transformation in the financial services sector, adapting the retail branch model to reflect changing customer behaviours and how to engage with our customers better. External presenters gave their thoughts on the competitive landscape and inorganic opportunities to accelerate our transformation.

Alignment with Banco Santander group strategy is also strengthened by holding one board cycle in Madrid each year, providing the Boards with opportunities to interact with executives and senior management of Banco Santander SA.

The Board aims to consider the views of all impacted stakeholders, whilst acting in the best interests of the Company and its members as a whole, as set out in the section 172: Stakeholder Voice statement in the Strategic report. In 2024, the Boards and Board Committees participated in the workshops listed below to consider important topics in depth and to engage with key stakeholders. To ensure the most effective use of the time at Board meetings, informal discussions between Board members and senior management took place on a regular basis.

Theme	Action taken by the Board and outcomes	Stakeholders considered
Business and Customer Strategy	– As part of the Board Strategy Day, considered how to improve customer proposition, engagement and experience across all our business segments, as well as drive revenue growth, by transforming the branch network. – Discussed reports on performance against strategy from principal business areas including: ∘ Mortgages ∘ Personal Current Accounts ∘ Business Banking ∘ Payments and Cards ∘ Wealth and Insurance Management – Participated in an externally facilitated session on UK banking market context and competitive landscape. – Considered reports on M&A activity and market trends. – Reviewed, challenged, and approved the 3-year business plan (2025-2027) and the annual budget, including assumptions underpinning the plan. – Discussed and took learnings from an external report on Santander UK's reputation. – Considered the strategic workforce plan and strategy to optimise the real estate portfolio.	Customers Investors Employees
Transformation including leveraging Banco Santander scale	– Reviewed initiatives and opportunities to collaborate and leverage resources and capability across the Europe region and the Banco Santander group, including the Banco Santander group-wide transformation agenda (One Transformation) and the implications of the Banco Santander group's new operating model structured across the five global business lines. – Received regular reports on progress with driving operational efficiencies and management's revised approach to strategic change management and investment prioritisation. – Received a report on agile working practices and their implementation within the business. – Received a demonstration on Artificial Intelligence capabilities.	Customers Investors Employees
People and Culture	– In addition to reports from the Board Responsible Banking Committee (RBC) on delivery of the culture strategy, the Board participated in several informal activities to assess the culture and sentiment of employee cohorts including our Young Leaders and Graduates and Apprentices. – Participated in engagement activities throughout the year including listening events, branch and head office visits where two-way interaction was encouraged and valuable feedback shared, as well as an engagement event with the Santander Network leads where key inclusive culture priorities were discussed. – Considered employees' ways of working and opportunities to enhance collaboration across teams. – Considered succession planning across all key control, support functions and business functions. – Approved the Diversity and Inclusion Strategy on recommendation from the RBC. – Approved the Group Corporate Culture Policy.	Customers Employees

Chair's report on corporate governance continued

Theme	Action taken by the Board and outcomes	Stakeholders considered
Audit, risk, compliance and control	– Received regular enterprise-wide risk updates from the CRO, and updates on specific risks, such as third-party outsourcing, IT, data management, financial crime compliance, fraud, climate change and inflation. The Board closely monitored overall operational risk given the ongoing extensive transformation agenda. – Considered financial crime remediation, including oversight of programmes to enhance controls and regulatory engagement, back book remediation, and the progress made to return the Company to Board Risk Appetite on a sustainable basis. The Board also approved the Anti Money Laundering and Counter Terrorist Policy as part of its annual review. – Reviewed and approved the implementation of Consumer Duty on recommendation of the RBC, recognizing the valuable enhancements it had made to customer outcomes and value. – As part of the annual review, approved the Company's Risk Appetite Statement and the Risk Framework. – Approved the 2024 Internal Audit Report and received annual reports on whistleblowing. – Received regular reports on recovery and resolution with a full fire drill exercise planned for Q3 2025. – Participated in workshops on the Operational Resilience, Risk Weighted Assets and Regulatory Capital and Model Risks.	Customers Employees Regulators
Regulation, Balance Sheet and Capital	– Reviewed, challenged, and approved the ICAAP, ILAAP, adequacy and effectiveness of stress-testing and capital management, AT1 payments and ordinary and preference share dividend payments in line with PRA guidance. The Board followed the methodology set out in the Board-approved Surplus Capital Allocation Framework to determine the assessment and utilisation of surplus capital. – Approved the Resolvability Self-Assessment related to the 2023 Resolvability Public Disclosure, the 2024 Resolvability Public Disclosure and the 2024 Recovery Plan for submission to the Bank of England. – Considered the future regulatory landscape and implications, as well as considering regular reports from the General Counsel on legislative developments and other legal matters. – Participated in workshops on ICAAP and ILAAP which provided an overview of the processes and addressed PRA feedback on Board engagement and supporting models.	Customers Investors Regulators
Governance and Responsible Banking	– Participated in an externally facilitated Board evaluation led by Dr Tracy Long at Boardroom Review and monitored the progress against 2023 action plan from the internally facilitated Board evaluation. – Approved appointments to the Board on the recommendation of the BNC. – Reviewed, challenged, and approved the 2023 Annual Report and the first Santander UK Governance Strategy. – Reviewed and approved the Company's Social Mobility Strategy, the Modern Slavery report and the Employee Code of Conduct. – Participated in workshops delivered to the RBC on ESG related strategies, approaches and reporting and the Company's compliance with the Consumer Duty.	Communities Regulators Climate

Board and Board Committee attendance[1]

		Board		Board Audit Committee		Board Nomination & Governance Committee		Board Remuneration Committee		Board Responsible Banking Committee		Board Risk Committee	
		Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc
Chair	William Vereker	10/10	1/1	-	-	5/5	1/1	-	-	-	-	-	-
Independent Non-Executive Directors	Lisa Fretwell	10/10	1/1	10/10	1/1	-	-	6/6	-	8/8	-	6/6	1/2[2]
	Ed Giera	10/10	1/1	7/10[2]	1/1	5/5	1/1	6/6	-	4/6[2]	-	8/8	2/2
	Dave Gledhill[3]	2/2	1/1	3/3	1/1	-	-	2/2	-	2/2	-	-	-
	Michelle Hinchliffe	10/10	1/1	10/10	1/1	5/5	1/1	-	-	6/6	-	8/8	2/2
	Mark Lewis[3]	10/10	1/1	7/7	-	4/5[2]	1/1	6/6	-	8/8	-	7/8	2/2
	Nicky Morgan[3]	10/10	1/1	7/7	-	5/5	1/1	-	-	8/8	-	8/8	2/2
	David Oldfield[3]	1/1	-	1/1	-	-	-	1/1	-	-	-	1/1	-
	Jose Maria Roldan	10/10	1/1	-	-	-	-	2/2	-	8/8	-	8/8	2/2
Banco Santander Group nominated Non-Executive Directors	Pedro Castro e Almeida	10/10	1/1	-	-	-	-	-	-	-	-	-	-
	Dirk Marzluf[3]	10/10	0/1[2]	-	-	-	-	-	-	-	-	-	-
	Pamela Walkden	10/10	1/1	-	-	5/5	1/1	-	-	-	-	3/3	1/1
Executive Directors	Mike Regnier	10/10	1/1	-		-		-		-		-	
	Angel Santodomingo[3]	10/10	1/1	-		-		-		-		-	

1. With effect from 1 October 2024, Nicky Morgan and Mark Lewis stepped down from the Board Audit Committee, Jose Maria Roldan became a member of the Board Remuneration Committee, Ed Giera and Michelle Hinchliffe stepped down from the Board Responsible Banking Committee and Lisa Fretwell stepped down from the Board Risk Committee.
2. Meetings missed due to Directors' prior commitments.
3. For dates of Board appointments or resignations in the year, see the timeline on the 'Governance overview' page. Appointments to, or resignations from, the relevant Board Committees were aligned to these dates unless stated otherwise

Chair's report on corporate governance continued

Board diversity

The Board values the unique differences that each Director and Santander employee brings to work every day. Diverse views, combined with inclusion, encourages the sharing of a wide range of perspectives and ideas alongside challenging and raising concerns for good decision making. The basis of this premise applies to our Boards and Board Committees as much as it does to any other area of our organisation.

We recognise that the Board sets the tone for an inclusive culture and that our success is integrally linked to the diverse composition of our people. With this in mind, the Board fosters an environment where all our employees feel that they belong in our business, and for our people to reflect the customers and communities we serve. It's the right thing to do for our business and the communities we operate in.

As a Board, we approve the Santander UK Diversity and Inclusion strategy, as required by UK regulation, and monitor its implementation through our Board Responsible Banking Committees. The Committees hold management to account for promoting inclusion to see positive outcomes for a healthy culture in diversity, risk management, good conduct and innovation. Each of our Independent Non-Executive Board Directors sponsors a diversity strand to foster the open exchange of ideas regularly engaging with our employee networks to support their decision making. Progress against this can be found in our Everyday Inclusion and Pay Gap Report, which does not form part of this Annual Report.

We also have a Board Diversity & Inclusion (D&I) Policy, as required by UK regulation, which recognises that an inclusive Board representing a diversity of experience and backgrounds should result in a broad strategic perspective and is available on the Company's website.

Board appointments are always made on merit by assessing candidates against measurable, objective criteria. We want a Board that reflects diversity in the broadest sense to embrace different perspectives and dynamics such as gender, race, age, disability and socio-economic background.

We believe that such an environment is vital to achieve our goals as a business.

During the year, we reviewed and updated the ambitions in our Board D&I Policy, recognising that we had not achieved the aims we previously set for ourselves in respect of gender or ethnicity. The Board and its Committees will continue to focus on gender and ethnicity as we progress future appointments with a view to regaining the appropriate balance.

Our current ambitions are to achieve a gender balance of at least 40% male and female; at least one senior Board position (Chair, CEO, CFO or SID) to be female and at least one member from a non-white minority ethnic background by 2028.

In accordance with Listing Rule 9.8.6(9), the statistics on this page outline the diversity metrics for Board members and executive management as at 31 December 2024. We have chosen to exclude Ed Giera from these statistics to avoid duplication as he will retire from our Board in March 2025 and will be succeeded as Board Risk Committee Chair by David Oldfield (who was appointed to the Board with effect from 1 December 2024).

At 31 December 2024, 31% of the Board were female. Following the appointment of Enrique Alvarez on 12 February 2025 this reduced to 29%.

With the appointment of Nicky Morgan as SID, I am pleased that we have already made positive progress towards meeting our ambitions.

No Directors were from an ethnic minority background.

At 31 December 2024, 25% of Executive Committee members were female, 38% of our Leadership Group (the level below the Executive Committee) were female. The Board places high emphasis on ensuring the development of different perspectives in the senior management and through succession planning.

Chair's report on corporate governance continued

Board and Committee effectiveness

To ensure that the Board and its Committees' remain effective, we carry out an annual evaluation which includes the performance of individual Directors. In line with the Corporate Governance Code, this evaluation is typically facilitated externally at least once every three years, allowing for an independent review of the Boards' performance. I, with the support of the Board Nomination & Governance Committee, lead the Board in considering and responding to the annual evaluation. The Board approves an action plan to address any areas of improvement identified in the annual evaluations and the Board Nomination & Governance Committee oversees the progress on these. An update on the findings from the 2023 evaluation is set out below.

Progress against 2023 evaluation findings

Opportunities for improvement	Update on actions
Improving Board-level information	There has been a marked improvement as a result of training, updated paper templates and advice given by the Corporate Governance Office in the length of the Board packs and the timeliness in which they are provided to Directors. We believe that there is always room for improvement and therefore it remains on the 2024 action plan.
Forward leaning strategic topics for the board agenda	During 2024, we provided updates on strategic topics such as market outlook, competitive environment and external landscape through Board updates, workshops or sessions with external speakers. We will also continue to review the Forward-Looking Agendas for the Boards and the Committees to ensure the Board's time is maximised on matters of strategic relevance including covering topics such as customer perspective and competitor environment.
Managing Board transition and roles	Following the appointment of three new Directors in 2024, the Board Nomination & Governance Committee oversaw that each new Board member was given a thorough and tailored induction to the business to help them settle into their roles quickly has been acknowledged as a priority. The induction plans included familiarisation with the overall Group-wide strategy and Group-subsidiary relationship and sessions on specific topics relevant to the Santander UK business. The induction sessions were led by key members of management, the Corporate Governance Office and Group representatives.

Following the internal reviews completed in the prior two years, Dr Tracy Long of Boardroom Review Limited was chosen to undertake an externally facilitated review (the Review) in 2024, in line with UK Corporate Governance Code expectations. Dr Long completed the previous external evaluation in 2021, but has no other connection to the Company or its Directors, and as such it was felt she would be able to independently assess the Board whilst providing valuable insight on the progress and performance over the last three years.

2024 External effectiveness review process

Stage 1	
Scope of review	The scope for the Review was agreed to ensure a formal and rigorous evaluation of the performance of the Board and its Committees. The methodology encouraged candid reflections from each participant on the current strengths and preparation for future challenges.
Stage 2	
Review activity	Individual interviews were held with each Director, as well as members of senior management. Discussion themes included board dynamics, culture and contribution; understanding of purpose, values and strategic alignment and executive leadership. A full cycle of Board and Board Committee meetings was also observed. The Company Secretary provided a suite of documents to enable a thorough review of Board-related governance materials.
Stage 3	
Findings and actions	A comprehensive report evaluating the Board's performance was produced by Boardroom Review and presented by Dr Long at the December Board meeting. The Board collectively discussed the results and recommendations, before agreeing the key priorities and a practical action plan (see below).

Chair's report on corporate governance continued

Outcomes from the 2024 Board evaluation

Overall, the Review concluded that the Board and all Committees continue to operate effectively and are rated highly. The key strengths identified were the Board's positive ways of working, progress made on transformation and remediation activities, an improvement in the relationship with the regulators since the last review, improvement on the quality of the Board papers and significant improvements to the Environmental, Social and Governance agenda.

The Review also identified opportunities for improvement for the Board as a whole and for the Board Committees. The key priorities are set out below. The Board considered all of the recommendations from the Review and agreed on an action plan which will be overseen by the Board Nomination & Governance Committee throughout 2025.

2024 Review findings

Opportunities for improvement	Commentary and actions
Future board composition	The Board will need greater technology insight as a core skill to meet our longer term strategic goals. Workshops will be scheduled to ensure the Board remain up to date with, and are forward looking, on technology, including digital functionality for customers, AI uses and cybersecurity issues and their impact on the Company. In addition, we recognise the importance of a diverse Board, and the ambitions we have set on gender and ethnicity as set out in our Board D&I Policy.
Cyber risk	To ensure that the Board are as well prepared as possible to respond to a cyber threat, an unscripted simulation exercise will be performed this year. We will also arrange for an external expert to speak to the Board.
External landscape	There is appetite for the Board to know more about the competitive landscape, with updates covering real-time information on sector dynamics, clarity of expected results and appreciation of existing and/or emerging barriers to action. These updates will be scheduled throughout 2025, and we will invite external speakers to Board sessions to provide different perspectives.
Measuring our culture	To continue to promote and oversee the embedding of our desired culture, the Board will continue to evolve how it measures and evaluates Santander UK's culture, reflect on new ways to monitor and communicate the behaviours we want to promote, sharing who we were to who we are becoming through our stories of success and lessons learned.

As part of the Review, I also conducted an assessment of each individual Director's performance to identify any areas of development, which we then discussed privately. The findings, in combination with the individual's skills, time commitment and independence assessments, as overseen by the Board Nomination & Governance Committee, confirmed that each Director continues to contribute positively.

Ed Giera, as SID at the time, also undertook an assessment of my performance as Chair, seeking feedback from each Director which was then discussed at a meeting without me present.

Chair's report on corporate governance continued

Summary of Board Committee activities in 2024

Our Board Committees conduct their business concurrently with the Santander UK Group Holdings plc Board Committees to ensure alignment of practices, policies and procedures. The following sections describes the governance arrangements, practices and activities of both committees. For more information, see each of the Board Committee Chair's Reports in the Santander UK Group Holdings plc 2024 Annual Report, which does not form part of this Annual Report.

Board Nomination & Governance Committee

Committee responsibilities
Lead the process for Board and Board Committee appointments and oversee succession planning for the Board and senior management positions.
Oversee the evaluation of the performance and composition of the Board and Board Committees.
Monitor the governance arrangements for Santander UK and make appropriate recommendations to the Board to ensure that those arrangements remain adequate.

Committee members
William Vereker (Chair)
Ed Giera
Michelle Hinchliffe
Mark Lewis
Nicky Morgan
Pamela Walkden

Key activities in the year
Succession planning

The Committee oversees a formal, rigorous and transparent process to identify, nominate and recommend candidates for appointment to the Board and senior management positions.

As part of ongoing succession planning activity, the Committee regularly reviews the succession plans in place for the Board, the CEO and senior management positions. This includes ensuring that there is a skills, experience and diversity matrix to map each Director's attributes against those most relevant for the Board, reflecting the Company's strategic direction and identifying gaps in its desired collective skills profile as well as highlighting the skills and experience which could be lost with a retiring Director. For key senior management positions, the Committee works with Banco Santander to ensure there are suitable candidates identified from across the Banco Santander group as 'Ready Now', 'Ready in 1-3 years' and 'Future Ready'.

While appointments are always based on the merit of the individual candidates and objective criteria, we also aim to promote diversity in its broadest sense. This complements and strengthens the overall Board and its Committees' skills, knowledge and experience. Any appointments also take account of all legal and regulatory requirements.

In anticipation of Ed Giera retiring from the Board in 2025, following more than nine years of service, the Committee focused on identifying successors for the roles of Chair of the Board Risk Committee (BRC) and Senior Independent Director (SID).

As reported last year, Spencer Stuart, external search consultants with whom the Company and individual Directors have no other relationship, assisted with the search process to identify candidates who could serve as Chair of the BRC.

The Committee agreed the personal attributes including cultural fit, and ability to lead and manage change which were desirable for the role and the skills and experience needed. A database of potential candidates was created with our Board D&I Policy in mind when doing so. Following a review of a longlist of potential candidates drawn up by Spencer Stuart, the Committee agreed a shortlist, each of whom were interviewed by me and other Board members. After detailed feedback from these interviews, the Committee selected which individuals should progress to interviews with representatives of Banco Santander management. David Oldfield was identified as the preferred candidate, and his appointment as an INED, to succeed Ed Giera as Chair of the BRC on Ed's retirement in 2025 was recommended to, and approved by the Board.

During the above search process it was identified that David Gledhill would bring valuable and relevant experience in digital transformation and broader banking from his 30 years in financial services. As such, the Committee also recommended his appointment as an INED to the Board.

For the role of the SID, we considered candidates from our existing INEDs and proposed that Nicky Morgan be appointed to serve as SID following Ed's retirement given her familiarity with the business, understanding of the customer from her role as Board Responsible Banking Committee Chair and Consumer Duty Champion, and excellent relationships with the other NEDs and EDs.

As set out in last years' report, the Committee recommended Angel Santodomingo be appointed as successor to Duke Dayal as CFO. Angel was appointed to the Board on 5 March 2024.

The Committee also recommended the appointment of Enrique Alvarez Labiano, CEO of Retail and Business Banking as an ED upon receipt of regulatory approval. The appointment promotes our succession planning and talent development initiatives and provides greater balance of NEDs and EDs on the Board.

We also oversaw and approved changes to the Executive Committee and other senior management positions in 2024. Tim Hinton, CEO, Santander CCB retired in September 2024 and was succeeded by John Baldwin. John Mills, Company Secretary, also retired and was succeeded by Roz Rule from 1 January 2025.

In 2025, the Committee will oversee the search for my successor. This process is being led by Nicky Morgan as the SID.

Chair's report on corporate governance continued

Board Risk Committee

Committee responsibilities
Advise the Board on the Enterprise Wide Risk profile, Risk Appetite and strategy.
Provide advice, oversight and challenge to embed and maintain a supportive risk culture.
Review the Risk Framework and recommend it to the Board for approval.
Review and approve the risk types and risk activity frameworks in the Risk Framework.
Review the capability in the organisation to identify and manage new risks and risk types.
Review risks and issues escalated by the CRO, and their associated action plans.
Oversee and challenge the day-to-day risk management, oversight and adherence to risk frameworks and policies.

Committee members
Ed Giera (Chair)
Michelle Hinchliffe
Mark Lewis
Nicky Morgan
Jose Maria Roldan
David Oldfield[1]
Pamela Walkden[2]
Lisa Fretwell[3]

1. Joined on 1 December 2024
2 Left 1 April 2024
3. Left 1 October 2024

Key activities in the year

The Committee undertook a thorough assessment of the Company's top and emerging, including financial, operational, and compliance controls. Our top risks and emerging risks are discussed in the Risk Review section of this report. The process for identifying, evaluating, and managing the Company's emerging and top risks is integrated into the overall risk governance framework. Regularly, the Committee reviews and discusses a consolidated enterprise wide risk report to ensure that they are satisfied with the overall risk profile, risk accountabilities, and mitigating measures.

Board Audit Committee

Committee responsibilities
Oversight of the integrity of the financial statements of the Company and any formal announcements relating to its financial performance, including underlying significant financial reporting judgements and estimates.
Oversight of internal financial control effectiveness.
Oversight of the relationship with our external auditors including their independence and objectivity, audit scope and effectiveness of the audit process in respect of their statutory audit of the annual financial statements.
Oversight of the Internal Audit function.
Oversight of Recovery and Resolution planning
Oversight of Whistleblowing arrangements.

Committee members
Michelle Hinchliffe (Chair)
Ed Giera
Lisa Fretwell
David Gledhill[1]
David Oldfield[2]

1. Joined on 1 October 2024
2. Joined on 1 December 2024

Key activities in the year

Internal Audit

- Considering the 2025 Audit Plan and Internal Audit's annual report for recommendation to the Board.
- Monitoring progress against the 2024 Audit Plan.

Financial reporting

Significant financial reporting issues including judgements and estimates

The use of assumptions or estimates and the application of management judgement is an essential part of financial reporting. This is considered by the Committee on at least a quarterly basis.

The External Auditors also consider these areas as part of their audit of the annual financial statements. More information on the External Auditors' work is set out in their audit report.

In 2024, we focused on the following significant reporting matters in relation to financial accounting and disclosures:

Credit impairment charges
- Satisfied ourselves with the robustness of the process used to arrive at the management judgements and estimates as well as with the management judgements and estimates themselves.
- Endorsed the updates to the macroeconomic scenarios and weights including management's judgement to reduce number of macroeconomic scenarios from five to four.
- Endorsed the improvements in the JA framework.
- Endorsed management's approach and key methodology changes for ECL provisioning including updated SICR triggers and the new ECL models implemented during the year.

Provisions and Contingent Liabilities
- Agreed with management's judgement on the level of customer remediation, litigation and other regulatory provisions and/or contingent liability disclosures.

Defined benefit pension schemes
- Agreed with management's approach regarding the principal assumptions.
- Agreed with management's approach to illiquid assets valuation.
- Agreed with management's proposals to update the mortality projections to reflect the latest published CMI projections.

Goodwill
- Agreed with management that no impairments to goodwill should be recognised in 2024.

Valuation of intercompany derivatives
- Agreed with management's approach to valuing the Company's level 3 intercompany interest rate swaps.

Other areas
- Agreed with management that the going concern basis of accounting remained appropriate at 31 December 2024.
- Reconfirmed that three years was an appropriate time horizon for the viability assessment.
- Agreed with management that no impairment should be recognised in relation to climate risk in 2024.

Chair's report on corporate governance continued

Oversight of external auditors
External Auditors
PwC were appointed in 2016 and their independence was considered and monitored throughout the year. We were satisfied that PwC continued to meet the independence requirements. Ian Godsmark has been lead audit engagement partner since June 2022.

A Banco Santander group wide external audit tender was undertaken in the first half of 2024 for the appointment of financial years 2026, 2027 and 2028. The Committee oversaw the process locally with selected candidate firms and focused on audit quality and expertise to ensure high quality audit standards were retained.

A recommendation to reappoint PwC was made as the preferred firm to Banco Santander based on a robust review of the selected firms' proposals.

Based on a formalised assessment, the Committee satisfied itself as to the rigour and quality of PwC's audit process.

Non-audit fees
We have a robust policy on non-audit services provided by our external auditors. Non-audit services were under continuous review throughout 2024 to determine that they were permitted by reference to their nature, assessing potential threats and safeguards to auditor independence as well as the overall ratio of audit to non-audit fees.

All assignments require advance approval, either by the Chair (or in their absence their alternate), under delegated authority for amounts under £250,000 plus VAT or, if larger, by the Committee. This process is in addition to the requirement for all non-audit fees to be approved by the Banco Santander Audit Committee.

Internal Audit
The Committee has approved the Internal Audit Charter at its annual review and receives regular updates on the quality assurance, capabilities and capacity of the Internal Audit function to ensure its operational effectiveness and adequate independence. This is supplemented by regular interactions between the Chief Internal Auditor and the Committee Chair. We also receive feedback on interactions between Internal Audit, management and our external auditors.

Whistleblowing
The Committee oversees Santander UK's whistleblowing arrangements including continuous refinement of our processes to align with evolving best practice. Santander UK recognises the importance of creating an environment where employees feel safe and able to Speak Up. Speaking Up is a core behaviour at Santander UK and there are a number of ways employees can do this, including raising a concern via Santander UK's Whistleblowing arrangements.

The Disclosure Committee reports on whether the Annual Report is fair, balanced, and understandable and whether it provides the information necessary for readers to assess Santander UK's position and performance, business model and strategy.

Board Responsible Banking Committee

Committee responsibilities
Support management in shaping, driving and delivering the responsible banking agenda of the business across a broad spectrum of areas including customers, inclusive culture, conduct, communities and climate change and the environment (the Board Risk Committee is responsible for overseeing the risks associated with climate change).

Committee members
Nicky Morgan (Chair)[1]
Lisa Fretwell
Ed Giera[3]
David Gledhill[2]
Michelle Hinchliffe[3]
Mark Lewis[4]
Jose Maria Roldan

1. Joined as a member and Chair on 1 January 2024
2. Joined on 1 September 2024
3. Left on 1 October 2024
4. Joined on 1 January 2024

Board Remuneration Committee

Committee responsibilities
Overseeing the implementation of the remuneration policy, including approving individual remuneration packages and the bonus framework and outcomes for EDs and other senior executives.
Approving the framework for identifying Material Risk Takers (MRTs) and overseeing their remuneration arrangements.
Reviewing the remuneration arrangements for all employees.

Committee members
Mark Lewis (Chair)
Lisa Fretwell
Ed Giera
David Gledhill[1]
Jose Maria Roldan[2]
David Oldfield[3]

1. Joined as a member and Chair on 1 January 2024
2. Joined on 1 September 2024
3. Left on 1 October 2024
4. Joined on 1 January 2024

Details of the structure of our remuneration arrangements and the activities of the Board Remuneration Committee in the year are provided in the Remuneration Policy and Implementation Reports.

William Vereker

Chair
7 March 2025

Remuneration policy report

Basis of preparation
This report has been prepared on behalf of the Board by the Board Remuneration Committee. We comply with the statutory reporting obligations for large private companies. We applied the UK Corporate Governance Code 2018 (the Code) and complied with the Provisions other than where stated in the Directors' Report. Several voluntary remuneration disclosures are also presented in this report.

Remuneration policy for Executive Directors (EDs)
Our remuneration policy, which applies to EDs, is below. Remuneration has two elements: fixed and variable pay. Fixed pay is set at market competitive levels appropriate for the role. Variable pay rewards the delivery of internal financial targets, key strategic priorities and individual performance, and is subject to risk adjustment.

Remuneration policy applicable to Executive Directors in the year

Fixed pay	Principle and description	Policy
Base salary	– To attract and retain EDs of sufficient calibre and with the skills to deliver our strategy, taking into account the demands and complexity of the role.	– Base salaries are normally reviewed annually. In reviewing base salaries, the Committee considers a number of factors, including: – the skills required, the role responsibilities and the market value of the individual and the role; – the requirement for base salaries to be set at a level that avoids inappropriate risk taking; and – base salary increases for other employees.
Pension arrangements	– To provide a discrete element of the package to contribute towards retirement.	– EDs receive a cash allowance in lieu of pension aligned to the wider workforce average, of 9% of salary, except in exceptional circumstances such as international mobility.
Other benefits	– To offer a competitive package and to support employee wellbeing.	– Including: private medical insurance for EDs and their dependants, life assurance, health screening, and relocation allowances where relevant. – Access to Santander UK's share schemes on the same terms as other employees.

Variable pay	Principle and description	Policy
Variable pay plans	– The Variable Pay Plan motivates EDs to achieve and exceed annual internal targets within Santander UK's Risk Appetite and aligned with our strategy and values. – Multi-year deferral and delivery in Banco Santander SA shares aligns EDs' interests to the long-term interests of Santander UK. Further long-term performance testing applies for the CEO. – Part of the award is deferred according to the requirements of the PRA Rulebook. – The long-term PagoNxt Incentive Plan recognises the contribution of employees critical to the success of PagoNxt, one of Banco Santander's strategic priorities.	– Bonus awards under the Variable Pay Plan are discretionary and determined by performance against a scorecard of financial and non-financial goals, as well as individual performance. – 40% of any bonus awarded is paid upfront after the performance year-ends, and delivered at least half in shares; and – 60% of the bonus awarded is deferred and delivered in equal tranches over years three to seven, with each tranche delivered at least half in shares. – For the CEO, the first three of five deferred award tranches are subject to further performance testing which may reduce or increase the payout. – Awards under the PagoNxt Incentive Plan can be made in restricted share units and/or premium priced options of PagoNxt, and vest in line with regulatory requirements. – Shares or share instruments are subject to a minimum one-year retention period following vesting. – Malus and clawback can be applied to variable pay for up to ten years following the grant of an award. – The structure of variable pay awards means EDs acquire a meaningful shareholding in Banco Santander SA which may extend for a significant period post-employment. In addition, the CEO is subject to a Shareholding Policy, which aligns long-term interests with Banco Santander shareholders. The requirement under the policy is set at two times the incumbent's net salary on appointment. A formal post-employment shareholding requirement is therefore not in place.

Remuneration policy report continued

Our remuneration policy meets regulatory requirements. Given that Santander UK is part of Banco Santander Group which remains subject to the 2:1 maximum ratio, Santander UK continues to apply a 2:1 variable to fixed pay cap. This is in line with approvals granted to Banco Santander SA by its shareholders. For control function roles, a lower ratio of 1:1 is normally applied.

Executive remuneration policies and principles

Our core values of Simple, Personal and Fair drive our remuneration policy. We focus on delivering a framework that is easy to understand, tailored to individual roles, competitive and fair.

The key drivers of our Remuneration Policy

Alignment to culture

- To design policies aligned to our long-term success, which support the delivery of our strategy and reinforce our values.
- To base variable pay on a balanced scorecard of quantitative and qualitative metrics across Customers, Shareholders and Responsible Banking. This aligns to Santander UK's strategic priorities, with a focus on good customer outcomes, simplification, improved efficiency and sustainable growth.

Simplicity

- To ensure our approach to remuneration is transparent and easily understood.
- To operate clear structures so our employees can link their contribution to the success of the organisation.

Risk

- A consistent approach to reward for all our employees upholds our prudent approach to Risk Appetite set as part of a Santander UK-wide framework. Risk adjustment takes place at an individual and collective level.
- To provide a package that is balanced between fixed and variable pay, and short-term and long-term horizons, which promotes prudent risk management.
- To ensure remuneration complies with applicable regulations and legislation.

Fairness

- To take into account an assessment of the EDs' performance against goals set at the start of the year, which cover financial, non-financial, quantitative and qualitative criteria.
- To set robust and stretching targets and reward exceptional performance.
- To attract, retain and motivate employees of the highest calibre by providing total remuneration which reflects individual and Company performance, is competitive, and reflects the responsibilities of the role.
- To consider wider employee pay and conditions when determining Executive pay.

Clarity

- The Committee reviews remuneration reporting on an annual basis against best practice and developments in corporate governance, including the Code. Our reporting is designed to be transparent, whilst reflective of our structure.

Predictability

- The Committee annually reviews variable pay levels for certain individuals and the basis of the bonus pool calculation. Due to commercial sensitivity, bonus opportunities and targets are not disclosed as per the provisions of the Code. Directors' remuneration is within the variable pay cap as approved by Banco Santander SA shareholders and set out above.

On recruitment

When appointing a new ED, base salary is set at a market competitive level appropriate for the role, taking into consideration a range of factors including role responsibilities, internal and external peer groups, and experience.

Unless determined otherwise, new EDs receive a pension allowance of 9% of salary, aligned to the wider workforce average. Benefits will typically be aligned to the wider employee population.

Remuneration will be established in line with the Remuneration Policy, as set out in the table on the previous page.

Relocation support and international mobility benefits may also be given. Relocation support will normally be a capped amount for a limited time. In cases of international mobility, the Committee will have discretion to offer benefits and pension provisions which reflect home country market practice and align to relevant legislation.

Buy-out awards

Compensation may be provided to EDs who forfeit awards on leaving their previous employer. The Committee retains discretion to make such compensation as deemed appropriate to secure the relevant individual's employment and will ensure any such payments align with both the long-term interests of Santander UK and the regulatory framework.

Such payments will be in line with the awards foregone on leaving the previous employer taking into account value, form of awards, vesting dates and the extent to which performance conditions applied to the original awards.

Remuneration policy report continued

Service agreements
The key terms and conditions of employment are set out in individual contractual agreements. These agreements include a notice period of six months from both the ED and the Company.

The agreement reserves a right for the Company to terminate employment immediately with a payment in lieu equal to the ED's fixed pay for the notice period. In the event of termination for gross misconduct, neither notice nor payment in lieu of notice is required.

Termination payments
The remuneration impact of an ED leaving the Company, including treatment of variable pay and/or any termination payment will reflect the terms of the service agreement, relevant scheme rules, regulatory requirements and the Committee's policy relevant to the reason for leaving.

Outstanding variable pay awards generally lapse on termination, other than where an individual is considered a 'good leaver'. Where an ED is a good leaver, eligibility to variable pay awards will normally subsist until the relevant scheduled payment dates and will remain subject to performance where relevant.

The Committee determines whether an ED is a good leaver. Usual good leaver circumstances include but are not limited to: injury, ill-health, disability, redundancy, retirement and death. The Committee may, at its discretion, determine an ED a good leaver in any other circumstances.

A framework is in place to guide the Committee to determine the discretionary circumstances when good leaver status is appropriate. Other than a payment in the event of redundancy, there are generally no payments upon termination of employment for EDs.

In the event of a change in control, any outstanding variable pay awards will be treated in line with the relevant scheme rules, taking into account applicable regulatory requirements.

Risk and Performance adjustment
We continue to meet the regulatory requirements in respect of risk and performance adjustment. All variable remuneration can be adjusted for current and future risks through our Additional Risk Adjustment Standard which is linked to our Board approved Risk Appetite.

The Standard provides a quantitative assessment against Santander UK's Risk Appetite and an additional qualitative risk event assessment that can reduce the bonus pool or individual awards to nil at the Committee's discretion.

Our Individual Remuneration Adjustment Standard provides a framework for the process, governance and standards relevant for decisions on individual performance adjustments following an incident, including the application of malus and clawback.

Performance adjustments may include, but are not limited to:

- reducing an award for the current year;
- reducing the amount of any unvested deferred variable remuneration;
- requiring an award which has not yet been paid to be forfeited; and
- requiring repayment on demand (on a net basis) of any cash and share awards received at any time for a period of up to ten years following the date of award.

The Committee has full discretion to prevent vesting of all or part of an amount of deferred remuneration and/or to freeze an award during an ongoing investigation in a number of circumstances, including:

- employee misbehaviour, misconduct or material error;
- material downturn in the performance of Santander UK or a relevant business unit; and
- Santander UK or a relevant business unit suffering a material failure of risk management.

When determining variable pay awards for individuals performing roles across Santander UK plc and Santander UK Group Holdings plc, the Santander UK Group Holdings plc Board Remuneration Committee will apply any necessary discretion based on factors related to UK group entities outside of Santander UK plc. This discretion is subject to validation by the Santander UK plc Board Remuneration Committee.

The Committee seeks input from the Chair of the Board, Chair of the Board Risk Committee, Chair of the Board Audit Committee, CRO, Chief Compliance Officer, Chief People Officer and Chief Internal Auditor when determining whether any performance or risk adjustments are required.

We have an NYSE-compliant policy in place which enables variable remuneration to be recovered from Executive Officers in the case of an accounting restatement that would have impacted that remuneration.

Policy for all employees
Our performance and reward approach across the Company supports our business strategy, rewards strong performance and reinforces our values within our risk management framework. The general principles of the Remuneration Policy broadly apply across all employees where appropriate. They are designed to attract, retain, motivate and drive performance.

The structure of remuneration packages for EDs is typically aligned with the broader employee population, comprising salary, benefits, pension provision and discretionary variable pay dependent on role and responsibility.

The Committee annually approves the operation of variable reward schemes (as well as share schemes) for all our employees to ensure they reward appropriate behaviour and do not incentivise activities which are outside risk appetite.

Remuneration implementation report

Introduction
This section of the report outlines how our Remuneration Policy was implemented for 2024.

Variable Pay Plan
The Committee reviews and approves remuneration governance and frameworks annually. This ensures continued compliance with the relevant regulatory rules, including those for ring-fencing.

To incentivise and reward EDs for achieving superior and sustained performance, our Directors participate in an annual variable incentive plan. A balance of financial and non-financial performance metrics are selected annually by the Committee and are aligned with our strategy as measured over the financial year. Multi-year deferral and delivery in Banco Santander SA shares ensure that EDs' interests are aligned to the long-term interests of the business. Further long-term performance testing also applies for the CEO.

Both upfront and deferred awards are made at least half in shares. The deferred element is delivered over seven years. For the CEO only, the first three tranches of deferred awards are subject to further performance testing against long-term metrics. Awards delivered in shares are subject to an additional one-year retention period from the point of delivery.

The 2024 Variable Pay Plan pool was determined based on a series of stages as follows:

Quantitative assessment
A quantitative assessment against a balanced scorecard of financial and non-financial metrics that are key to our strategy. Performance metrics are reviewed annually to ensure continued alignment with strategy and, for 2024 the scorecard included:

- Customers (Net Promoter Score, Active Customers and Total Customers)
- Shareholders (RoTE, Capital Generation and Costs)
- Sustainability and Responsible Banking (Climate Strategy Transition Plan, Employee Engagement and Inclusion and ambitions for gender and ethnicity representation).

A profit underpin applies, requiring Profit after Tax to remain positive in order to pay any award, with a reduced pool should profit reduce substantially from the prior year.

Qualitative assessment
A qualitative assessment adds context to the quantitative assessment and ensures a balanced view of performance is taken. Performance is assessed across compliance, risk management, network collaboration and responsible banking. Additionally, a relative performance modifier is applied.

Banco Santander Group Multiplier
The Committee has the discretion to adjust the pool upwards or downwards to reflect overall Banco Santander performance, if appropriate.

Regional Adjustment
A Regional Adjustment reflects the UK's contribution to performance of the Banco Santander group's European Region.

Exceptional Adjustment
Exceptional adjustments allow for unexpected factors or additional internal targets not covered by the quantitative or qualitative assessments to be reflected in variable pay outcomes.

UK-focused risk adjustment
This provides both a formula-based assessment against our Risk Appetite and an additional qualitative overlay. Consideration is given to risk appetite breaches including, but not limited to: customers, conduct, operational, reputational and financial crime risk. This can result in downward adjustment of up to 100% of the pool or individual awards at the discretion of the Committee.

Individual assessment
The allocation of the pool is based on an individual's performance, taking into account a range of factors. Performance is assessed against the delivery of priorities (the 'What'), the behaviours shown in delivering those priorities (the 'How'), and also Risk.

Deferred long-term awards
Performance testing applies to a portion of the deferred awards for the CEO. This applies to the first three deferred tranches of the 2024 award (36% of the total award) which are payable in 2028, 2029 and 2030. Performance is measured over a three-year period 2025 to 2027.

The performance measures for 2024 awards are relative TSR, ROTE and ESG metrics. Following the performance assessment, the level of awards will be adjusted accordingly. The assessment could reduce or increase the overall value of the deferred awards.

PagoNxt Incentive Plan
The PagoNxt Incentive, a multi-year plan, rewards those employees across the Banco Santander Group whose contribution is considered crucial to the development and success of PagoNxt, one of the three strategic priorities of the Group.

Awards are granted in share options and/or restricted share units (RSUs) in PagoNxt, S.L.. UK-specific performance conditions apply. Awards will vest in accordance with regulatory requirements.

Remuneration implementation report continued

2024 Business Performance and Impact on Remuneration

During 2024 the progress made against our strategic priorities was reflected in improved business performance as the year evolved. For the benefit of our customers, the bank leveraged the expertise of Banco Santander facilitating continued simplification and efficiency. Whilst the rising costs of customer deposits, and the impact of the charge for historical motor finance commission payments impacted profit, active and prudent price management resulted in a Banking NIM that improved in the second half of the year versus the first half. A continued focus on customer service ensured our NPS, a key measure of customer experience, improved over the year.

The Committee acknowledged this performance, against both financial and non-financial metrics, in an environment which remains challenging. In determining remuneration outcomes for the 2024 performance year, the Committee ensured due consideration was given to the experiences of our customers, employees and communities.

Context for decision making

The Committee ensures that pay policies and practices for employees across Santander UK are taken into account when setting policy for executive remuneration. The Committee reviews trends across Santander UK group, including the outcome of any pay negotiations with our recognised trade unions. It considers the relationship between executive remuneration and that of other Santander UK group employees, as well as remuneration in the wider UK market, when making decisions on executive pay.

The Committee oversees broader workforce remuneration policies and practices, the implementation of remuneration and related employment policies across Santander UK and the salary and variable pay awards for all Material Risk Takers. It also approves the design of any material performance-related pay plans.

As part of the monitoring of pay, the following is considered:

- Santander UK's engagement with its recognised trade unions on pay and benefits matters for all employees;
- Annual pay reviews for the general employee population;
- Santander UK group-wide pension and other benefit provisions;
- The design of and overall spend on variable incentive arrangements; and
- An assessment of conduct across the business.

The Committee is focused on ensuring that employees are not subject to undue pressures or inappropriately incentivised. This is monitored using existing employee engagement indicators including engagement surveys.

The Committee always considers the broader stakeholder environment when setting policy or reaching decisions on executive pay.

Executive Directors' remuneration
Total remuneration of each ED for the year ended 31 December 2024

	Mike Regnier		Angel Santodomingo (4)	
	2024	2023	**2024**	2023
	£000	£000	**£000**	£000
Salary and fees	**1,575**	1,500	**951**	—
Taxable benefits [1]	**12**	3	**233**	—
Pension	**142**	135	**123**	—
Total fixed pay	**1,729**	1,638	**1,307**	—
Bonus (paid and deferred) [2]	**1,432**	1,003	**1,440**	—
Long-term incentive plan [3]	**—**	669	**—**	—
Total variable pay	**1,432**	1,672	**1,440**	—
Total remuneration	**3,161**	3,310	**2,747**	—

(1) Taxable benefits for the Executive Directors comprise a range of benefits including, but not limited to, private health care and living expenses for expatriates.

(2) 36% of the Chief Executive Officer's Variable Pay Plan award is subject to long-term performance metrics assessed over three years, which can increase the value of this element by up to 125% or decrease the award to 0%. No other executive will be subject to long-term performance metrics. The value of the current Chief Executive Officer's 2024 Variable Pay Plan awards not subject to performance conditions, i.e. 64%, is disclosed above. The value subject to further performance conditions, 2024: £805,282 (2023: £563,967) will be disclosed at the close of the performance period upon vesting.

(3) The Long Term Incentive Plan value represents the value of awards made under the Transformation Incentive Plan, following the testing of the Plan's performance conditions. The value of awards made in share-linked instruments has been calculated with reference to Banco Santander's share price over the final three months of the 2023 year. Nathan Bostock, former Chief Executive Officer, received an award with a value of £553,545.

(4) Angel Santodomingo was appointed to the Board as an Executive Director on 5th March 2024 and the figures above reflect remuneration received whilst serving as a Board Director. The pension and benefit provisions reflect his expatriate status and allow maintenance of home country pension and living arrangements. All other elements of remuneration align with UK based colleagues.

Remuneration implementation report continued

Stakeholder views

During 2024, Santander UK continued to engage with key stakeholders on remuneration related matters including its main regulators, the PRA and FCA.

Regular engagement takes place with our shareholder to align remuneration across the Banco Santander group, while meeting all local regulatory requirements. The outcome of these discussions drives our bonus pool construct.

Lisa Fretwell, a member of the Committee, is the designated NED with responsibility to further enhance the employee voice in the boardroom on matters associated with organisational culture.

Frequent employee pulse surveys were conducted throughout 2024. The 'Your Voice' function has enabled employees to share thoughts and ideas frequently and anonymously all year round, giving an immediate gauge of employee sentiment.

Additionally, we discuss business performance and reward matters with union representatives during the annual pay review cycle and on a frequent basis throughout the year.

CEO pay ratio

Santander UK is committed to delivering fair pay which attracts, retains and motivates employees of the highest calibre across all grades. In line with this commitment, the Committee has oversight of compensation across the organisation, including pay ratios, and considers this when determining reward outcomes. We continue to voluntarily disclose the ratio of the CEO's total remuneration to that of employees.

The CEO's pay mix is weighted more heavily towards variable pay to incentivise the achievement of stretching internal targets and long-term value creation. This can lead to greater variability in total remuneration. In contrast, the typical pay mix of our less senior employees places more emphasis on fixed pay, to offer security and certainty, and to meet our commitment to employees' financial wellbeing.

The ratio has decreased from 75:1 in 2023 to 69:1 in 2024. The reduction in pay ratio has been influenced by an increase in average total remuneration amongst all employees. In assessing the pay ratio, the Committee is confident that the Company's policy on remuneration is fair and consistent with our all-employee pay policies.

Advice and support provided to the Committee

As permitted by its Terms of Reference, the Committee has engaged the advice and support of Deloitte LLP (Deloitte) as independent remuneration consultants at the expense of the Company. Total fees (excluding VAT) for advice and support provided to the Committee in 2024 were £74,600 (2023: £121,150). Deloitte was initially appointed as Adviser to the Committee following a formal tender process conducted in 2015 and was reappointed after a further tender process in 2022.

In 2024, Deloitte also provided unrelated tax, advisory, risk, assurance and consulting services to Santander UK.

Deloitte's independence and effectiveness as the Committee adviser is reviewed annually. The Committee is satisfied that the Deloitte engagement partner and team that provides remuneration advice to the Committee do not have connections with Santander UK that may impair their independence. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

By Committee invitation, the Chair, CEO and designated representatives from business functions attend meetings as appropriate to advise on HR, Risk, Legal and Regulatory matters in support of the Committee's work. Attendees included the Chief People Officer, Head of Performance & Reward, CRO and Company Secretary.

CEO pay ratio

	Methodology [1]	25th percentile	Median	75th percentile
2024 CEO pay ratio [5]	**Option A**	**99:1**	**69:1**	**40:1**
2023 CEO pay ratio [4]	Option A	106:1	75:1	45:1
2022 CEO pay ratio	Option A	119:1	84:1	48:1
2021 CEO pay ratio	Option A	140:1	96:1	54:1
2020 CEO pay ratio	Option A	88:1	64:1	37:1
2024 CEO pay ratio	**CEO remuneration [3] £**	**25th percentile [2] £**	**Median [2] £**	**75th percentile [2] £**
Total salary	£1,575,000	£26,359	£36,553	£56,604
Total remuneration	£3,160,709	£32,087	£46,108	£78,352

(1) Employee pay is calculated based on the 'Option A' methodology. We chose Option A as it gives the most reliable and accurate result by calculating a comparable single figure for each employee.

(2) Employee pay data is based on full time equivalent pay for Santander UK plc employees. This excludes a small number of employees in the rest of the Santander UK group. Including those employees results in a ratio consistent with the above. For each employee, total remuneration is calculated based on fixed pay accrued in the 2024 financial year, and variable pay is either based on actual bonuses in respect of the 2024 year (where these are available) or modelled target bonuses where actuals are not yet available.

(3) The CEO's total remuneration is aligned to that disclosed in the Executive Directors' remuneration table on the previous page.

(4) The 2023 ratios are re-stated above. These were originally calculated based on fixed pay accrued within the 2023 year, in addition to target bonuses for eligible employees. The 2023 ratios have now been recalculated using 2023 fixed pay and bonuses paid in 2024 in respect of 2023 for all employees.

(5) The values used for the CEO's 2024 Variable Pay Plan awards are the same as those stated in the Executive Directors' remuneration table i.e. the component which is not subject to performance conditions is used for the CEO pay ratio calculation above. The calculation also includes the vesting value of Transformation Incentive Plan awards made to the CEO, as shown in the Executive Directors' remuneration table.

Relative importance of spend on pay

	2024 £m	2023 £m	Change %
Profit before tax	**1,349**	2,100	(36)
Total employee costs	**1,277**	1,241	3

Remuneration implementation report continued

Chair and Non-Executive Director remuneration
The Chair's fee is reviewed and approved by the Committee. The fees paid to NEDs are reviewed and approved by the CEO and the Chair. Fees are reviewed annually taking into account the market rate and time commitment for the role. The Chair is paid an all-inclusive base fee. NEDs are paid a base fee, with a supplement for serving on or chairing a Board Committee, except for the Board Nomination & Governance Committee.

All NEDs and the Chair serve under letters of appointment. In respect of the NEDs appointed prior to 2021, either party can terminate the appointment by giving three months' written notice. From 2021, we increased the notice period for NEDs to six months to support orderly succession planning. For the Chair, 12 months' written notice is required.

Neither the Chair nor the NEDs have the right to compensation on the early termination of their appointment beyond payments in lieu of notice at the discretion of Santander UK. In addition, neither the Chair nor the NEDs are eligible for pension scheme membership or to participate in any variable incentive arrangements.

Chair and Board Committee member fees

	2024 £000	2023 (2) £000
Chair (inclusive of membership fee)	**725**	725
Board member	**100**	100
Additional responsibilities		
Senior Independent Director	**45**	45
Chair of Board Risk Committee	**70**	70
Chair of Board Audit Committee	**70**	70
Chair of Board Responsible Banking Committee	**60**	60
Chair of Board Remuneration Committee	**60**	60
Membership of Board Risk Committee	**35**	35
Membership of Board Audit Committee	**30**	30
Membership of Board Responsible Banking Committee	**30**	30
Membership of Board Remuneration Committee	**30**	30
Chair of Board Special Projects Committee (1)	**30**	15
Membership of Board Special Projects Committee (1)	**15**	-
Consumer Duty Champion	**8**	8
Designated NED to represent views of the workforce	**8**	8

(1) With effect from 1 December 2024, the Litigation and Contentious Regulatory Board Sub-Committee was renamed and is now known as the Board Special Projects Committee. In addition, the Chair fee increased from £15,000 to £30,000 and a membership fee of £15,000 was introduced.
(2) Fees shown were with effect from 1 April 2023.

Non-Executive Directors	2024 Fees £000	2023 Fees £000	2024 Expenses (8) £000	2023 Expenses £000	2024 Benefits £000	2023 Benefits £000	2024 Total £000	2023 Total £000
Chair								
William Vereker (1)	**725**	712	—	—	**2**	2	**727**	714
Independent Non-Executive Directors								
Lisa Fretwell	**224**	204	—	—	—	—	**224**	204
Ed Giera	**299**	299	—	—	—	—	**299**	299
David Gledhill (2)	**65**	—	—	—	—	—	**65**	—
Michelle Hinchliffe (3)	**229**	124	—	—	—	—	**229**	124
Mark Lewis (9,10)	**257**	230	—	—	—	—	**257**	230
Nicky Morgan (10)	**241**	233	—	—	—	—	**241**	233
David Oldfield (4)	**18**	—	—	—	—	—	**18**	—
Jose Maria Roldan (5)	**188**	97	—	—	**5**	—	**193**	97
Banco Santander Group nominated Non-Executive Directors (6)								
Pedro Castro e Almeida (7)	—	—	—	—	—	—	—	—
Dirk Marzluf (10)	—	—	—	—	—	—	—	—
Pamela Walkden	**109**	132	—	—	—	—	**109**	132

(1) William Vereker's taxable benefit relates to private health care.
(2) David Gledhill was appointed on 1 September 2024. Fees are in respect of services from that date.
(3) Michelle Hinchliffe was appointed on 1 June 2023. Fees received are in respect of services from that date.
(4) David Oldfield was appointed on 1 December 2024. Fees received are in respect of services from that date.
(5) José Maria Roldan was appointed on 1 June 2023. Fees received are in respect of services from that date. Taxable benefits relate to professional tax advice.
(6) With the exception of Pamela Walkden, none of the Banco Santander nominated Non-Executive Directors received any fees or expenses.
(7) Pedro Castro E Ameida was appointed on 1 September 2023. Fees are in respect of services from that date.
(8) Only true business expenses have been incurred in the course of Non-Executive Directors' duties. In prior years, these expenses were processed via payroll and as such attracted tax and were declared.
(9) Mark Lewis' fees include £10,000 in relation to his services as a Non-Executive Director of Santander Consumer (UK) plc.

Directors' report

Introduction
The Directors submit their report together with the financial statements for the year ended 31 December 2024. The information in the Directors' Report is unaudited, except where indicated.

Corporate structure, Subsidiaries and Branches
The Company (incorporated on 12 September 1988) is a subsidiary of Santander UK Group Holdings plc whose ultimate parent is Banco Santander SA, a Spanish retail and commercial bank with a market share in ten core countries in Europe and the Americas.

Santander UK was formed from two former building societies, Abbey National and Alliance & Leicester, together with the branch network and savings business of Bradford & Bingley, and has operated under a single brand since 2010.

All of Santander UK plc's ordinary shares are unlisted and held by Santander UK Group Holdings plc, which is a wholly owned subsidiary of Banco Santander SA.

The Company's preference shares are listed on the London Stock Exchange and both the Company and Santander UK Group Holdings plc have other equity instruments in the form of AT1 securities listed on various securities exchange markets, including the London Stock Exchange.

In addition, the Company and Santander UK Group Holdings plc are subject to US Securities Exchange Act reporting requirements as they have debt securities listed on the New York Stock Exchange.

The Santander UK group consists of a parent company, Santander UK plc, incorporated in England and Wales, and a number of directly and indirectly held subsidiaries and associates. The Company directly or indirectly holds 100% of the issued ordinary share capital of its principal subsidiaries. All companies operate principally in their country of incorporation or registration.

In line with the ring-fencing requirements set out in the Financial Services (Banking Reform) Act 2013, Santander UK plc and its subsidiaries consist of only entities whose business is permitted under the Act as a ring-fenced bank. For more information, see Note 18.

Results and dividends
For details of the results for the year, see the Income Statement in the Consolidated Financial Statements. For more on dividends, see Note 10.

Details of Santander UK's activities and business performance in 2024, together with an indication of the outlook, are set out in the Strategic report.

Events after the balance sheet date
There have been no material post balance sheet events, except as set out in Note 41.

Directors
A list of the Directors that served in the year can be found in the Board and Board Committee Attendance table in the Chair's report on Corporate Governance. Details of their emoluments and interests in shares are set out in the Remuneration implementation report. For more on changes to the composition of the Board, see the Chair's report on Corporate Governance.

Between 31 December 2024 and 7 March 2025, the following was noted:

- Following regulatory approval, Enrique Labiano was appointed as an Executive Director on the Board on 12 February 2025.
- On 28 January 2025, William Vereker announced his intention to step down as Chair of the Board once a thorough appointment process and handover has been completed.

Appointment and retirement of Directors
All Directors are appointed and retire in accordance with the Company's Articles of Association, the UK Companies Act 2006 and the UK Group Framework. The Directors are required to retire each year at the Annual General Meeting and may offer themselves for re-election.

Directors' indemnities
Directors' and Officers' liability insurance cover was in place throughout the year, in addition to a deed of indemnity to provide cover to the Directors for liabilities to the maximum extent permitted by law. These remain in force for the Directors' period of office from the date of appointment until such time as any limitation periods for bringing claims against the Directors have expired. The Directors, including former Directors who resigned in the year, benefit from these deeds of indemnity which constitute qualifying third party indemnity provisions for the purposes of the Companies Act 2006. Deeds for existing Directors are available for inspection at the Company's registered office.

The Company has also granted an indemnity which constitutes 'qualifying third party indemnity provisions' to the Directors of its subsidiary and affiliated companies, including former Directors who resigned in the year and since the year-end. Qualifying pension scheme indemnities were also granted to the Trustees of the Santander UK group's pension schemes.

Employees
We continue to ensure that Santander UK's remuneration policies are consistent with its strategic objectives and are designed with its long-term success in mind.

Communication
Santander UK aims to involve and inform employees on matters that affect them. The intranet is a focal point for communications and the 'AskHR' website connects employees to all the information they need about working for Santander UK. We also use face-to-face communication, such as team meetings and roadshows for updates.

Santander UK regularly considers employees' opinions and asks for their views on a range of issues through regular engagement and surveys. For more on colleague engagement and initiatives, see the Strategic report.

Employee Designated Non-Executive Director
Lisa Fretwell is Santander UK's Employee Designated NED and represents the views of employees in the Boardroom. For more information, see the Section 172: Stakeholder voice section in the Strategic Report.

Consultation with Employees
Santander UK has a successful history of working in partnership with its recognised trade unions, Advance and the Communication Workers Union (CWU), who collectively negotiate on behalf of approximately 99.5% of our UK workforce. Both trade unions are affiliated to the Trades Union Congress. We consult Advance and the CWU on significant proposals including those relating to change across the business at both national and local levels.

Employee share ownership
Santander UK continues to operate two all-employee, HMRC approved share schemes: a Save-As-You-Earn (Sharesave) Scheme and a Share Incentive Plan (SIP). Those employees who are designated as Material Risk Takers receive part of their annual bonus awards in Banco Santander SA shares/share linked instruments. Details of the plans and the related costs and obligations can be found in the Share-based payments and compensation sections in Notes 1 and 35.

Inclusive culture
Information on our diversity and inclusion policies, as required by UK regulation, can be found in the Chair's report on Corporate Governance and the 2024 Diversity, Equity & Inclusion and Pay Gap Report and ESG Supplement, which do not form part of this Annual Report.

Disability
Santander UK is committed to equality of employment, access and quality of service for disabled people and complies with the UK Equality Act 2010 throughout its business operations. We have processes in place to help train, develop, retain and promote employees with disabilities, and we are a Disability Confident Employer achieving the 'Leader' level. We are committed to giving full and fair consideration to employment applications by disabled people, having regard to their particular aptitudes and abilities, and for continuing the employment of employees who have become disabled by arranging appropriate training and making reasonable adjustments in the workplace.

Directors' report continued

Engagement with stakeholders and employees
Santander UK recognises the importance of fostering relationships with its principal stakeholders and that this is key to the long-term success of our business. We understand the importance of acting fairly and responsibly and actively engage with our stakeholders and employees. For more, see the Section 172: Stakeholder voice section in the Strategic Report.

Streamlined Energy & Carbon Reporting (SECR)
For details on our energy use, carbon emissions and efficiency measures implemented in 2024, including Scope 1, 2 and 3 data, see the SECR section in the Sustainability review.

Political contributions
In 2024 and 2023, no contributions were made for political purposes and no political expenditure was incurred by the Company.

Share capital
Details about the structure of the Company's capital can be found in Note 31.

For details of employee share schemes and how rights are exercisable, see Note 35.

The powers of the Directors in relation to share capital are set out in the Company's Articles of Association. These are available for inspection on request.

Financial instruments
The financial risk management objectives and policies of Santander UK and the policy for hedging, along with details of Santander UK's exposure to credit risk, market risk and liquidity risk are set out in the Risk review.

Research and development
Santander UK has a comprehensive product approval process and policy. New products, campaigns and business initiatives are reviewed by Santander UK's Proposition Approval Forum.

Supervision and regulation
The Company is authorised by the PRA and regulated by the FCA and the PRA (dual regulated). Some of its subsidiaries and joint venture companies are also authorised by the FCA and the PRA (dual regulated) or the PRA or the FCA (solo regulated).

While Santander UK operates primarily in the UK, it is also subject to the laws and regulations of other jurisdictions in which it operates or has listed debt securities such as the US.

Internal controls
Risk management and internal controls
The Board and its Committees are responsible for reviewing and ensuring the effectiveness of management's system of risk management and internal controls.

We carried out a robust assessment of the principal and emerging risks facing Santander UK including those that would threaten its business model, future performance, solvency or liquidity. Details of our principal risks, our procedures to identify emerging risks, and how these are being managed or mitigated are set out in the Risk review. A summary of our Top and Emerging Risks is also set out in the Strategic report.

Management's report on internal control over financial reporting
Internal control over financial reporting is a component of an overall system of internal control. Santander UK's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with UK-adopted international accounting standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Santander UK's internal control over financial reporting includes:

- Policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets.
- Controls providing reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with UK-adopted IAS and IFRS, and that receipts and expenditures are being made only in accordance with authorisations of management.
- Controls providing reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or because the degree of compliance with policies or procedures may deteriorate.

Management is responsible for establishing and maintaining adequate internal control over the financial reporting of Santander UK. Management assessed the effectiveness of Santander UK's internal control over financial reporting at 31 December 2024 based on the criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in May 2013.

As a registrant under the US Securities Exchange Act of 1934, Santander UK's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting in order to ensure the accuracy and reliability of Santander UK's Financial Statements and the Form 20-F submitted to the SEC.

In line with COSO and SEC requirements, controls recognised as Sarbanes-Oxley applicable are subject to annual testing and certification by management including an attestation by the CEO and the CFO that they are operating effectively and that the internal control over financial reporting can be relied on.

All Sarbanes-Oxley control weaknesses identified are captured, assessed and included in the year-end assessment of the reliability of the Internal Control environment. They are reported on an ongoing basis to the Board Audit Committee to ensure the control environment is continuously improved.

Based on this assessment, management concluded that, at 31 December 2024, Santander UK's internal control over financial reporting was effective.

Disclosure controls and procedures over financial reporting

Santander UK's management has evaluated, with the participation of its CEO and CFO, the effectiveness of its disclosure controls at 31 December 2024. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error, and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon this evaluation, the CEO and the CFO concluded that, at 31 December 2024, Santander UK's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by Santander UK in the reports that it files and submits under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to Santander UK's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding disclosure.

Changes in internal control over financial reporting
There were no changes to our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Directors' report continued

Statements of Compliance
The UK Corporate Governance Code 2018 (the Code)
Santander UK complies with the Code (which can be found at frc.org.uk) wherever applicable in order to achieve the best standards of corporate governance. The Code applied to the financial year ended 31 December 2024 and the Board confirms that it applied the principles and complied with those provisions of the Code throughout the year, except as follows:

- Provision 10: For 2024, there were no circumstances which were likely to impair an INED's independence. Ed Giera, who has served on the Board for more than 9 years (appointed on 19 August 2015) will step down in March 2025, following an orderly hand over to his successor. We are confident that Ed has the strength of character and integrity to ensure his independence has not been affected by the length of his tenure.
- Provision 25: The Board Risk Committee (BRC) was not composed of only INEDs for the period between 1 January to 1 April 2024 as Pamela Walkden, a GNED, was a member. We assessed the implications and believed that the approach followed was appropriate given our size and ownership structure and the experience and expertise that Pamela brought to the BRC. Pamela resigned from the BRC on 1 April, and we have since been fully compliant with this provision.
- Provision 36: Our pension contribution rates for EDs align with those available to the workforce, except in exceptional circumstances such as expatriate arrangements. This is to ensure that expatriates can continue to maintain home country pension arrangements.
- Provision 36: The Board Remuneration Committee has not developed a policy for post-employment shareholding requirements. However, the structure of variable pay for EDs and other senior executives ensures that they acquire a meaningful shareholding in Banco Santander SA which extends for a significant period post employment. For details, see the Remuneration policy report.
- Provisions 40 and 41: Due to commercial sensitivity, we opted not to provide all of the disclosures required by Provision 41. The details not provided relate to (1) the extent to which discretion has been applied to remuneration outcomes and the reasons why and (2) a description, with examples, of how the Board Remuneration Committee has addressed the factors in Provision 40 (specifically predictability as we do not provide the range of possible values of rewards to individual directors). Specific engagement does not take place with the workforce to explain how executive remuneration aligns with wider company pay policy. However, an explanation is available for employees in the Directors' Remuneration report. Details of the structure of our remuneration arrangements and key considerations of the Board Remuneration Committee in the year are included in the Remuneration policy and Remuneration implementation reports.

UK Finance Disclosure Code for Financial Reporting
Santander UK's financial statements for the year ended 31 December 2024 have been prepared in compliance with the principles of the UK Finance Disclosure Code for Financial Reporting.

Going concern
The going concern of Santander UK is reliant on preserving a sufficient level of capital and adequately funding the balance sheet. In making their going concern assessment in connection with preparing the financial statements, the Directors considered a wide range of information similar to that considered as part of their assessment of longer-term viability including Santander UK's business and strategic plans, top and emerging risks, including those associated with climate change, capital position and liquidity and funding profile, stress scenarios, and contingent liabilities, and the reasonably possible changes in trading performance arising from potential economic, market and product developments. The Directors' assessment included consideration of the potential impacts arising from mixed signals about the UK's recent economic performance.

Having assessed this information and the principal risks and uncertainties, the Directors are satisfied that the Santander UK group has adequate resources to continue operations for a period of at least 12 months from the date the financial statements were authorised for issue and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Directors' report continued

Viability
In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Directors must make a statement in this Annual Report regarding the viability of Santander UK, including an explanation of how they assessed the prospects of Santander UK and the period of time for which they made the assessment, including why they consider that period to be appropriate.

Considerations
In making their assessment, the Directors considered a wide range of information including Santander UK's:

- Three-year business plan and other longer-term business and strategic plans
- Risk profile and risk management practices, including the processes by which risks are identified and mitigated, including updates on climate change risk and progress towards embedding them into Santander UK's Risk Framework
- Top and emerging risks, with a focus on those which the Directors believe could cause Santander UK's future financial performance or financial condition to differ materially from current expectations or could adversely impact its ability to meet regulatory requirements
- Capital position and liquidity and funding profile, and projections over the relevant period
- Viability under specific internal and regulatory stress scenarios, as explained further below, including scenarios which might affect operational resiliency, and
- Contingent liabilities and the reasonably possible changes in trading performance arising from potential economic, market and product developments.

The Directors' assessment also takes account of the potential impacts on Santander UK's performance, capital position, and liquidity and funding profile, including those arising from mixed signals about the UK's recent economic performance.

For capital, liquidity and funding purposes, Santander UK operates on a standalone basis and is subject to regular and rigorous monitoring by external parties. In addition, for capital purposes, the Company operates as part of the ring-fenced bank subgroup Capital Support Deed. For liquidity and funding purposes, the Company operates as part of the Domestic Liquidity sub-group.

Assessment
The viability of Santander UK is reliant on preserving a sufficient level of capital and adequately funding the balance sheet.

Santander UK's business activities and financial position, together with the factors likely to affect its future development and performance, are set out in our CFO's review on the year. Santander UK's objectives, policies and processes for managing the financial risks to which it is exposed are described in the Risk review.

Threats to the achievement of Santander UK's plans are controlled and managed in line with Santander UK's Risk Framework and within the risk appetite approved by the Board. The risk profile, including an assessment of top and emerging risks, is reported regularly to the Board Risk Committee and the Board. Risks are selected on the basis of their ability to impact viability over the time frame of the assessment but most risks extend beyond this period.

Stress testing
Santander UK participates in regulatory stress tests usually carried out annually by the BoE as well as being part of the biennial stress testing of Banco Santander carried out by the EBA. Internal stress testing encompasses a series of extreme but plausible scenarios covering a wide range of outcomes, risk factors, time horizons and market conditions.

We also conduct reverse stress testing, in which we identify and assess scenarios that could cause Santander UK's business model to become unviable.

The Directors review the outputs of stress testing as part of the approval processes for the ICAAP, the ILAAP, Risk Appetite and regulatory stress tests. For more on stress testing and reverse stress testing, see the Risk review.

Time horizon
While a five-year plan is prepared for regulatory purposes and our stress testing encompasses scenarios some of which also extend out to that time period, using a longer time horizon increases uncertainty.

After taking account of Santander UK's current position and principal risks and uncertainties, the Directors consider that a period of three years from the balance sheet date is the most appropriate time frame from which a reasonable assessment of viability can be made.

This period is consistent with the period covered by Santander UK's three-year business plan and is representative of the time horizon to consider the impact of anticipated regulatory changes in the financial services industry.

Statement
Based on their assessment of longer-term viability, the Directors have a reasonable expectation that Santander UK will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Directors' report continued

Code of Conduct
Santander UK is committed to ensuring we hold ourselves to high ethical standards. This means adhering to laws, regulations, policies including our Code of Conduct (which was refreshed in October 2023) and also carrying out business in a responsible way. High standards of professional and personal conduct help Santander identify, manage and respond to risks, create a positive, collaborative working environment and ensure positive customer interactions and outcomes.

The Santander Way determines how we deliver on our purpose, to help people and businesses prosper. How we deliver that purpose is as important as the end result. Our conduct and our culture matters. Our aim is to be the best open financial services platform by acting responsibly and earning the lasting loyalty of our colleagues, customers and communities.

How we do business is intrinsically linked to our behaviours and values and supports our aim. Santander UK's Code of Conduct sets the standards expected of all colleagues and forms part of the terms and conditions of employment.

It makes clear our corporate values, our expectations regarding corporate behaviours and general principles and standards we expect with regard to customers, colleagues, conflicts of interest, data, media and our approach to sustainability.

There are numerous policies and processes, as well as support and guidance, that help colleagues meet these expectations and do the right thing to ensure Santander UK remains a Simple, Personal and Fair bank for its colleagues, customers, shareholders and the communities it serves.

The Code of Conduct applies to all colleagues including permanent and temporary colleagues as well as EDs and NEDs. The SEC requires companies to disclose whether they have a code of ethics that applies to the CEO and senior financial officers which promotes honest and ethical conduct, full, fair, accurate, timely and understandable disclosures, compliance with applicable governmental laws, rules and regulations, prompt internal reporting of violations, and accountability for adherence to a code of ethics.

Santander UK meets these requirements through its Code of Conduct and supporting policies, including but not limited to the Anti-Bribery and Corruption Policy, the Whistleblowing Policy, the FCA's Principles for Businesses, and the FCA's Statements of Principle and Code of Practice for Approved Persons, with which the CEO and senior financial officers comply. The Company has not granted any waivers to its principle executives, financial or accounting officers.

Copies of these documents are available on application to Santander UK plc, 2 Triton Square, Regent's Place, London NW1 3AN The Code of Conduct can be found on our website at santander.co.uk.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Santander UK group and Company financial statements in accordance with UK-adopted IAS. In preparing the Santander UK group and Company financial statements, the Directors have also elected to comply with IFRSs as issued by the IASB.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Santander UK group for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK-adopted IAS and IFRSs as issued by the IASB have been followed, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Santander UK group and the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Santander UK group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Santander UK group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Santander UK group and the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of Santander UK's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format.

Having taken into account all the matters considered by the Board and brought to its attention during the year, the Directors are satisfied that the Annual Report taken as a whole is fair, balanced and understandable, and provides the information necessary to assess Santander UK's position and performance, business model and strategy.

Directors' confirmations
Each of the Directors confirms that, to the best of their knowledge:

- The Santander UK group and Company financial statements, which have been prepared in accordance with UK-adopted IAS and IFRSs as issued by the IASB, give a true and fair view of the assets, liabilities and financial position of the Santander UK group and the Company, and of the profit of the Santander UK group, and
- The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Santander UK group and the Company, together with a description of the principal risks and uncertainties they face.

Disclosure of information to Auditors
Each of the Directors at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which Santander UK's auditor is unaware
- The Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that Santander UK's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the UK Companies Act 2006.

Auditor
PricewaterhouseCoopers LLP will continue in the office of auditor. A resolution to reappoint them will be proposed at the Company's forthcoming Annual General Meeting.

By Order of the Board

Roz Rule
Company Secretary

7 March 2025

2 Triton Square, Regent's Place,
London NW1 3AN

Risk review

In this section

Risk governance

INTRODUCTION

The Risk review consists of unaudited financial information unless otherwise stated. The audited financial information is an integral part of our Consolidated Financial Statements.

As a financial services provider, managing risk is a core part of our day-to-day activities. To be able to manage our business effectively, it is critical that we understand and control risk in everything we do. We aim to use a prudent approach, underpinned by advanced risk management techniques to help us deliver robust financial performance, withstand stresses, and build sustainable value for our stakeholders. We aim to keep a predictable medium-low risk profile, consistent with our business model. This is key to achieving our strategic objectives.

RISK FRAMEWORK

How we define risk
Risk is any uncertainty about us being able to achieve our business objectives. It covers both financial and non-financial risks (NFRs). NFR is a broad term usually defined by exclusion, i.e. any risks other than the traditional financial risks of Credit, Liquidity, Capital, Market and Pension, Strategic and business, and Reputational. Risk can be split into a set of risk types, each of which could affect our results and our financial resources. Enterprise risk is the aggregate view of all the risk types.

Our Risk Framework sets out how we define, manage and control risk.

Top and emerging risks
Several of our risk types also have Top risks associated with them. We regularly review the Top risks that could impact our business, customers and shareholders, and they are monitored at each meeting of the Executive Risk Control Committee (ERCC) and Board Risk Committee (BRC). The Top risks we actively monitored in 2024 are set out in the relevant section of this Risk review and summarised in the 'Top risks' section of the Risk management overview in the Strategic report. We made further changes to our Top Risks by replacing Inflationary and Supply Chain Pressures with Margin Compression, given that UK headline inflation fell and markets implied a peak in the Bank Rate. We introduced three more top risks: Resiliency, Payments Transformation, and AI/Machine Learning. In addition, we removed Ring-Fencing and People risk from Top risks, although we continued to closely monitor human resource impacts as part of Strategic Transformation. We also regularly review emerging risks that could impact our business, customers and shareholders, with challenge and discussion at the ERCC and BRC. The identification of emerging risks is co-ordinated by the Risk Division. A key part of the process is continual scanning of the external environment, focusing on emerging risk drivers such as: Uncertain Regulatory Agenda, Uncertain Macro-economic and Geopolitical Environment, Markets, Competition and Technology, and Environmental and Social. The emerging risks we actively monitored in 2024 are set out in the relevant section of this Risk review and summarised in the 'Emerging risks' section of the Risk management overview in the Strategic report.

Our risk culture and principles

Risk Culture Statement
Santander UK places good customer outcomes at the heart of our decision-making and our people take personal responsibility for doing the right thing. We are thoughtful about taking risks, meaning we only take risks that we understand, we balance risk and reward when making decisions and are proportionate in our approach.

The Board reviews and approves our Risk Culture Statement every year. Senior executives are responsible for promoting our risk culture from the top. They drive cultural change and increased accountability across the business. We reinforce our Risk Culture Statement and embed our risk culture in all our business units through our Risk Framework, Risk Certifications and other initiatives. This includes highlighting that:

- It is everyone's personal responsibility to play their part in managing risk
- We must Identify, Assess, Manage and Report risk quickly and accurately
- We make risk part of how we assess our people's performance and how we recruit, develop and reward them
- Our internal control system is essential to ensure we manage and control risk in line with our principles, standards, Risk Appetite and policies.

As a tangible sign, personal responsibility is such a key part of our risk culture. We use Risk Certifications to confirm how we manage and control risks in line with our Risk Framework and within our Risk Appetite. As an example, every year, each member of our Executive Committee confirms that they have managed risks effectively in line with the Risk Framework in the part of the business for which they are responsible. Their certification lists any exceptions and the agreed actions to be taken to correct them.

Our risk culture programme
We have well established and understood risk management systems and processes, which our people are personally responsible for to identify, assess, manage and report risk (I AM Risk).

In 2024, as a supplement to our established risk processes, we evolved our approach to risk culture by defining, communicating and ensuring our people are clear on the Risk behaviours we expect them to adopt. This is defined as RiskPro, which has been adopted across the Santander UK group and aims to support staff in making risk-based decisions focusing on what is best for our customers and supports our strategy.

We continued to ensure that a mandatory risk objective is part of performance management for everyone. We also ensured that RiskPro and risk behaviours are a key part of our risk policies, frameworks and processes. In recruitment, we focus on how people behave and think about risk, not just whether they are able to follow risk processes.

We developed a risk culture maturity self-assessment to support all our people to assess their risk behaviours and to define key solutions where there is a need to mature. Plans to continue maturing our risk culture will continue into 2025.

Our risk governance structure
We are committed to the highest standards of corporate governance in every part of our business, including risk management. For details of our governance, including the Board and its Committees, see the 'Governance' section of this Annual Report. The Board delegates certain responsibilities to Board Level Committees as needed and where appropriate. Our risk governance structure strengthens our ability to identify, assess, manage and report risks, as follows:

- **Committees:** A number of Board and Executive committees are responsible for specific parts of our Risk Framework
- **Key senior management roles:** A number of senior roles have specific responsibilities for risk management
- **Risk organisational structure:** We have the 'three lines of defence' model built into the way we run our business.

Committees
The Board and Board Level Committee responsibilities for risk are:

Board Level Committee	Main risk responsibilities
The Board	– Has overall responsibility for business execution and for managing risk
	– Reviews and approves the Risk Framework and Risk Appetite
Board Risk Committee (BRC)	– Assesses the Risk Framework and recommends it to the Board for approval
	– Advises the Board on our overall Risk Appetite, tolerance and strategy
	– Oversees our exposure to risk and our strategy and advises the Board on both
	– Reviews the effectiveness of our risk management systems and internal controls
	– Reviews reports from the Chief Compliance Officer (CCO) on the adequacy and effectiveness of the compliance function
	– Responsible for oversight of cybersecurity risks and receives regular updates on cybersecurity risk position including cybersecurity incidents
	– Receives regular updates on economic crime compliance and risks including money laundering, bribery and corruption and sanctions compliance, and monitors KPIs in line with approved Board risk appetite
Board Responsible Banking Committee	– Responsible for culture and operational risk from conduct, compliance, competition & legal matters
	– Ensures that adequate and effective control processes are in place to identify and manage reputational risks
	– Oversees our Sustainability and Responsible Banking programme and how it impacts on employees, communities, the environment including sustainability and climate change, reputation, brand and market positioning
	– Reviews updates on key risk issues, customer, reputational and conduct matters
Board Audit Committee	– Monitors and reviews the financial statements integrity, and any formal announcements on financial performance
	– Reviews the adequacy and effectiveness of the internal financial controls and whistleblowing arrangements
	– Monitors and reviews the effectiveness of the internal audit function
	– Receives regular updates from the internal audit function, including on its reviews of cybersecurity risk and controls
	– Oversees the independence and performance of the external auditors
Board Remuneration Committee	– Oversees implementation of remuneration policies, ensuring they promote sound and effective risk management
Board Special Projects Committee	– Formed in 2024 and focuses on special projects and transformation matters
	– Oversees the Financial Crime Remediation Programme

The Executive Level Committee responsibilities for risk are:

Executive Level Committee	Main risk responsibilities
Executive Committee (ExCo)	– Reviews business plans in line with our Risk Framework and Risk Appetite before they are sent to the Board to approve
	– Receives updates on key risk issues managed by CEO-level committees and monitors the actions taken
Senior Management Committee	– Focuses on the responsibilities of the Executive Committee Senior Management Function holders and how they are discharged
	– Reviews updates on key risk issues, customer, reputational and conduct matters
Executive Risk Control Committee (ERCC)	– Reviews Risk Appetite proposals before they are sent to the BRC and the Board to approve
	– Ensures that we comply with our Risk Framework, Risk Appetite and risk policies
	– Reviews and monitors our risk exposures and approves any corrective steps we need to take
Asset and Liability Committee (ALCO)	– Reviews liquidity risk appetite (LRA) proposals
	– Ensures we measure and control structural balance sheet risks, including capital, funding and liquidity, in line with the policies, strategies and plans set by the Board
	– Reviews and monitors key asset and liability management activities to ensure we keep our exposures within our Risk Appetite
Capital Committee	– Puts in place reporting systems and risk control processes to make sure capital risks are managed within our Risk Framework
	– Reviews capital adequacy and capital plans, including the ICAAP, before they are sent to the Board to approve
Incident Accountability Committee	– Considers, calibrates, challenges and agrees any appropriate individual remuneration adjustments
	– Presents recommendations to the Board Remuneration Committee
Credit Approval Committee	– Approves corporate and wholesale credit transactions which exceed levels delegated to lower level forums or individuals
Economic Crime Committee	– Ensures due reporting, consideration, oversight and informed decision making regarding compliance with financial crime laws and regulations, fraud, and best industry practice aligned to our Risk Appetite

Key senior management roles
Senior roles with specific responsibilities for risk management are:

Role	Main risk responsibilities
Chief Executive Officer (CEO)	The Board delegates responsibility for our business activities and managing risk on a day-to-day basis to the CEO. The CEO proposes our strategy and business plan, puts them into practice and manages the risks involved. The CEO must also ensure we have a suitable system of controls to manage risks and report to the Board on them.
Chief Risk Officer (CRO)	Oversees and challenges risk activities, and ensures that the business activity is conducted within our risk appetite. Responsible for control and oversight of all risk types with regulatory responsibility to report on these risk types to Executive and Board Committees.
Chief Financial Officer (CFO)	Responsible for developing strategy, leadership and management of the CFO Division. The CFO is responsible for managing interest rate, liquidity, pension and capital risks. The CFO also aims to maximise the return on Regulatory and Economic Capital.
Chief Internal Auditor (CIA)	Designs and uses an audit system that identifies the main risks and evaluates controls. The CIA also develops an audit plan to assess existing risks that involve producing audit, assurance and monitoring reports.
Chief Compliance Officer (CCO)	Responsible to the CRO for control and oversight of conduct & regulatory, reputational and economic crime risk, but has direct responsibility to report on conduct & regulatory and reputational risk to Executive and Board Committees and the regulator.
Money Laundering Reporting Officer (MLRO)	Responsible to the CCO for control and oversight of economic crime risk but has regulatory responsibility to report on this risk type to Executive and Board Committees and the regulator.

Risk organisational structure
We use the 'three lines of defence' model to manage risk. This model is widely used in the banking industry and has a clear set of principles to put in place a cohesive operating model across an organisation. It does this by separating risk management, risk control and risk assurance. The reporting lines to the Board with respect to risk are as follows:

Line 1: Risk management

Business Units and Business Support Units identify, assess and manage the risks which originate and exist in their area, within our Risk Appetite. It is under the executive responsibility of the CEO.

Line 2: Risk control & oversight

Risk Control Units are independent monitoring, control and functions. They make sure Business Units and Business Support Units manage risks effectively and within our Risk Appetite. The Risk Control units are: Risk – responsible for credit, liquidity, capital, market, pension, strategic and business, operational, model and enterprise risks; Economic Crime; and Compliance, responsible for reputational and conduct and regulatory risks. It is under the executive responsibility of the CEO, but responsible to the CRO for overseeing the first line of defence.

Line 3: Risk assurance

Internal Audit is an independent corporate function. It gives assurance on the design and effectiveness of our risk management and control processes. It is responsible to the CIA.

Internal control system
Our Risk Framework is an overarching view of our internal control system that helps us manage risk across the business. It sets out at a high level the principles, standards, roles and responsibilities, and governance for internal control. Our Risk Framework covers the categories below:

Category	Description
Risk Frameworks	Set out how we should manage and control risk across the business, our risk types and our risk activities.
Risk Management Responsibilities	Set out the Line 1 risk management responsibilities for Business Units and Business Support Units.
Strategic Commercial Plans	Plans produced by business areas, at least annually, which describe the forecasted objectives, volumes and risk profile of new and existing business, within the limits defined in our Risk Appetite.
Risk Appetite	See our Risk Appetite section that follows.
Delegated Authorities/Mandates	Define who can do what under the authority delegated to the CEO by the Board.
Risk Certifications	Business Units, Business Support Units or Risk Control Units set out each year how they managed/controlled risks in line with our risk frameworks and Risk Appetite, and explain any action to be taken. This helps drive personal accountability.

RISK APPETITE

How we control the risks we are prepared to take
When our Board sets our strategic objectives, it is important that we are clear about the risks we are prepared to take to achieve them. We express this through our Risk Appetite Statement, which defines the amount and kind of risk we are willing to take. Our Risk Appetite and strategy are closely linked, and our strategy must be achievable within the limits set out in our Risk Appetite. Our Risk Appetite Statement establishes principles that we use to set our Risk Appetite and defines our overall approach to risk management.

How we describe the limits in our Risk Appetite
Our Risk Appetite sets out detailed limits across all types of risk, using metrics and qualitative statements.

Metrics
We use metrics to set limits across most risk types including a set of metrics focused on losses, capital, liquidity and concentration. We set:

- Limits for losses for our most important risks, including credit, market, operational and conduct risk
- Capital limits, reflecting both the capital that regulators expect us to hold (regulatory capital) and our own internal measure economic capital (EC)
- Liquidity limits according to a range of plausible stress scenarios for our business
- Concentration limits, to determine the maximum concentration level that we are willing to accept.

These limits apply in normal business conditions, but also when we might be experiencing a far more difficult economic environment. We refer to conditions like this as being under stress. For more on EC and stress scenarios, see the Stress Testing section that follows.

Qualitative statements
For some types of risk, we also use qualitative statements that describe in words the appetite we want to set. We also use them to prohibit or restrict exposure to certain sectors, types of customer and activities.

How we set our Risk Appetite, and stay within it
We control our Risk Appetite through our Risk Appetite Framework. Our Board approves and oversees our Risk Appetite Statement every year. This ensures it is consistent with our strategy and reflects changes in the markets and economic environment in which we operate. Our ERCC is responsible for ensuring that our risk profile (the level of risk we are prepared to accept) is consistent with our Risk Appetite Statement. To do this, they monitor our performance against our Risk Appetite, business plans and budgets.

We also use stress testing to review how our business plan performs against our Risk Appetite Statement. This shows us if we would stay within our Risk Appetite under stress conditions. It also helps us to identify any adverse trends or inconsistencies.

We embed our Risk Appetite by setting more detailed risk limits for each business unit and key portfolios. These are set in a way so that if we stay within each detailed limit, we will stay within our overall Risk Appetite. When we use qualitative statements to describe our appetite for a risk, we link them to lower-level risk indicators, so that we can monitor and report our performance against them.

STRESS TESTING

Stress testing helps us understand how different events and economic conditions could affect our business plan, earnings and risk profile. This helps us plan and manage our business.

Scenarios for stress testing
To see how we might cope with difficult conditions, we regularly develop challenging scenarios that we might face. We consult a broad range of internal stakeholders, including Board members, when we design and choose our most important scenarios. The scenarios cover a wide range of outcomes, risk factors, time horizons and market conditions. They are designed to test:

- The impact of shocks affecting the economy as a whole or the markets we operate in
- Key potential vulnerabilities of our business model, and the processes and systems which support it
- Potential impacts on specific risk types.

We describe each scenario using a narrative setting out how events might unfold, as well as a market and/or economic context. For example, the key economic factors we reflect in our ICAAP scenarios include house prices, interest rates, unemployment levels, inflation, and the size of the UK economy. We also explore sensitivities around several macro variables where there may be concerns or levels of uncertainty.

In 2024, we developed the capability to perform long-horizon climate risk assessments through our Climate Internal Scenario Assessment (CISA) programme. Using these bespoke models, we explored Baseline and Disorderly Transitional scenarios. In addition, the Bank of England (BoE) cancelled the Annual Cyclical Scenario and ran an internal stress test exercise instead. The purpose of this exercise was to explore a 'tail risk' scenario designed to be severe and broad enough to assess the resilience of the UK banks to a range of adverse shocks.

Uses of stress testing
We use stress testing to estimate the effect of these scenarios on our business and financial performance, including:

- Our business plan, and its assessment against our Risk Appetite
- Our capital strength, through our ICAAP
- Our liquidity position, through our ILAAP
- Our long term impacts of climate change, through regulatory exercises and CISA
- Impacts on other risk types.

We use a wide range of models, approaches and assumptions supported by robust governance. These help us interpret the links between factors in markets and the economy, and our financial performance. For example, one model looks at how changes to key macroeconomic variables like unemployment rates might affect the number of customers who might fall into arrears on their mortgage or other loans.

Our stress testing models are subject to a formal review, independent validation and approval process. We highlight the key weaknesses and related model assumptions in the approval process for each stress test. In some cases, we overlay expert judgement onto the results of our models. Where this is material to the outcome of the stress test, the approving governance committee reviews it. We take a multi-layered approach to stress testing to capture risks at various levels. This ranges from sensitivity analysis of a single factor to a portfolio, to wider exercises that cover all risks across our entire business. We use stress test outputs to design business plans that aim to mitigate potential impacts of possible stress scenarios.

We also conduct reverse stress tests. These are tests in which we identify and assess scenarios that are most likely to cause our business model to fail.

Board oversight of stress testing
The ERCC reviews the design of the scenarios in our ICAAP, ILAAP and CISA. The BRC reviews the scenarios and stress test assumptions and approves the stress testing framework. The Board reviews stress test outputs as part of the approval processes for the ICAAP, ILAAP, Bank Recovery and Resolution Directive (BRRD), Risk Appetite and regulatory stress tests.

Regulatory stress tests
We take part in a number of external stress testing exercises. These can include stress tests of the UK banking system conducted by the PRA and the BoE. We also contribute to stress tests of Banco Santander conducted by the European Banking Authority (EBA).

For more on capital and liquidity stress testing, see the 'Capital risk' and 'Liquidity risk' sections.

HOW RISK IS DISTRIBUTED ACROSS OUR BUSINESS

Economic capital
As well as assessing how much regulatory capital we need to hold, we use an internal EC model to measure our risk. We use EC to get a consistent measure across different risk types. EC also takes account of how concentrated our portfolios are, and how much diversification there is between our various businesses and risk types. As a consequence, we can use EC for a range of risk management activities. For example, we can use it to help us compare requirements in our ICAAP or to get a risk-adjusted comparison of income from different activities.

Regulatory capital – risk-weighted assets
We hold regulatory capital against our credit, market and operational risks. In 2024, over half of our total risk-weighted assets accounted for credit risk in Retail & Business Banking. This reflects our business strategy and balance sheet.

For more on this, see 'Risk-weighted assets' in the 'Capital risk' section.

Credit risk

Overview

Credit risk is the risk of financial loss due to the default or credit quality deterioration of a customer or counterparty to which we provided credit, or for whom we have assumed a financial obligation.

In this section, we describe our key credit risks, including our exposures in each of our business segments, and how we manage credit risk across the credit risk lifecycle. We discuss our ECL approach and the key inputs to our ECL model. We then analyse our key metrics, credit performance and forbearance.

Key metrics

Stage 3 ratio of 1.42% (2023: 1.51%).

Loss allowances of £869m (2023: £992m).

Balance weighted average LTV of 64% (2023: 66%) on new mortgage lending.

OUR KEY CREDIT RISKS

Exposures (audited)
Exposures to credit risk arise in our business segments from:

Retail & Business Banking	Consumer Finance	Corporate & Commercial Banking	Corporate Centre
In Mortgages: – Residential mortgages for customers with good credit quality (prime lending). – We provide these mostly for owner-occupiers, with buy-to-let mortgages for non-professional landlords. In Everyday Banking: – Unsecured lending to individuals, such as loans, credit cards and overdrafts. – Unsecured lending to businesses with annual turnover up to £6.5m and simpler borrowing needs such as loans, credit cards and overdrafts.	– Financing for cars, vans, motorbikes and leisure vehicles through Santander Consumer (UK) plc (SCUK). – Through our joint ventures, Hyundai Capital UK Ltd and Volvo Car Financial Services UK Limited, we provide retail point of sale customer finance and wholesale finance facilities (stock finance).	– Loans, overdrafts, treasury services, invoice finance, trade and supplier finance. – We provide these to SMEs and mid-sized corporates typically with annual turnover up to £500m, Commercial Real Estate and Social Housing customers.	– Asset and liability management of our balance sheet. – Exposures include financial institutions (derivatives and other treasury products), structured products, and sovereign and supranational assets chosen for diversification and liquidity.

CREDIT RISK MANAGEMENT

Our approach to credit risk

We manage our portfolios across the credit risk lifecycle, from formulating our risk strategy and planning, through assessment and origination, monitoring, arrears management and debt recovery. We make sure the actual risk profile of our exposures stays in line with our business plans and within our Risk Appetite. We tailor the way we manage risk to the type of product and regularly review our approach and refine it when we need to.

1. Risk strategy and planning (audited)
Relevant areas of the business work together to create our business plans. We consider our strategy, goals, and financial and technical resources alongside our Risk Appetite. This involves focusing on economic and market conditions and forecasts, regulations, conduct matters, profitability, returns and market share.

2. Assessment and origination (audited)
Managing credit risk begins with lending responsibly. That means only lending to customers who are committed to paying us back and can afford to, even if their circumstances change. We take proportionate steps to assess whether a customer will be able to repay the money borrowed. We do this by a series of initial affordability and credit risk assessments. When a customer applies, we assess the data they provide, plus data from credit reference agencies (for Retail & Business Banking and Consumer Finance) and performance on their other Santander UK accounts (if they have any) against our Credit Policy.

Retail & Business Banking
In Mortgages, we assess affordability by reviewing the customer's income and spending, their other credit commitments, and what would happen if interest rates went up. Many of our decisions are automated as we use data available to us. We tailor our process and application assessment based on the product. More complex transactions often need greater manual assessment using our credit underwriters' skill and experience.

In Everyday Banking and Business Banking, many of our decisions are automated. We assess affordability by reviewing the customer's income and spending, including other credit commitments and adjusting for future inflation and expected interest rates.

Credit risk mitigation

The types of credit risk mitigation, including collateral, across each of our portfolios are:

Portfolio	Description
Residential mortgages	Collateral is in the form of a first legal charge over the property. Before we grant a mortgage, the property is valued either by a surveyor or using automated valuation methodologies where our confidence in the accuracy of this method is high.
Unsecured lending	There is no collateral or security tied to the loan that can be used to mitigate any potential loss if the customer does not pay us back.
Business banking services	Business banking lending is unsecured. When lending to incorporated businesses, we typically obtain personal guarantees from each director, but we do not treat these as collateral. We consider the UK Government guarantee under its Coronavirus Loan Schemes as collateral, covering 100% of losses for the Bounce Back Loan Scheme (BBLS) and 80% for Coronavirus Business Interruption Loan Scheme (CBILS).

Consumer Finance

In Consumer Finance, similar to Retail & Business Banking, many decisions are automated and we tailor the process to the product. Residual value risk is one of our top risks and these exposures are set using forward looking market data, at the level of vehicle derivative by age and anticipated mileage. This data is obtained from a third party.

Credit risk mitigation

The type of credit risk mitigation, including collateral, is:

Portfolio	Description
Consumer (auto) finance	Collateral is in the form of legal ownership of the vehicle for most loans, with the customer being the registered keeper. Only a very small proportion of business is underwritten as a personal loan. In these cases, there is no collateral or security tied to the loan. We use a leading vehicle valuation company to assess the LTV at the proposal stage to ensure the value of the vehicle is appropriate.

Corporate & Commercial Banking

We assign each customer a credit rating, using our internal rating scale (see 'Credit quality' in 'Santander UK group level – credit risk review' section). To do this, we look at the customer's financial history and trends in the economy, backed up by the expert judgement of a risk analyst. We review our internal ratings on a dynamic basis and at least once a year for those clients that are rated. We also assess the underlying risk of the transaction, taking account of any mitigating factors (see the tables below) and how it fits with our risk policies, limits and Risk Appetite.

Responsible lending, including climate change and the transition to a low carbon economy

As part of the Banco Santander group, we comply with the Equator Principles to factor social, ethical and environmental impacts into our risk analysis and decision making for qualifying financial transactions. We aim to support clients and economies in their transition to a low carbon economy, providing financial products and/or services to business activities that are environmentally and socially responsible. Our Environmental, Social and Climate Change (ESCC) policy sets out how we identify, assess, monitor and manage environmental and social risks and other climate change related activities in the Oil and Gas, Power Generation and Mining and Metals sectors and those arising from businesses engaged in soft commodities. Our ESCC policy prohibits project-related financing for new coal-fired power plants (CFPP) worldwide and we will only work with new clients with CFPPs to provide specific financing for renewable energy projects. In line with Banco Santander's aim, by 2030 we will aim to eliminate all exposure to thermal coal mining and stop providing financial services to power generation clients with more than 10% of revenue from thermal coal.

Credit risk mitigation

The types of credit risk mitigation, including collateral, across each of our portfolios are as follows. In addition, from time to time, at a portfolio level we execute significant risk transfer transactions, which typically reduce RWAs.

Portfolio	Description
SME and mid corporate	Includes secured and unsecured lending. We can take mortgage debentures or a first charge on commercial property as collateral. Before agreeing the loan, we obtain an independent professional valuation of the property. Loan agreements typically allow us to obtain revaluations during the term of the loan. We can also take guarantees, but we do not treat them as collateral unless they are supported by a tangible asset charged to us. We also lend against assets (like vehicles and equipment) and invoices for some customers. We value assets before we lend. For invoices, we review the customers' ledgers regularly and lend against debtors who meet agreed criteria.
Commercial Real Estate (CRE)	We take a first charge on commercial property as collateral. The loan is subject to criteria such as the property condition, age and location, tenant quality, lease terms and length, and the sponsor's experience and creditworthiness. Before advancing the loan and where appropriate, a bank representative visits.the property. We also obtain an independent professional valuation which typically includes a site visit. Loan agreements typically allow us to obtain revaluations during the term of the loan.
Social Housing	We take a first charge on portfolios of residential real estate owned and let by UK Housing Associations as collateral, in most cases. We revalue this every three to five years (in line with industry practice), using the standard methods for property used for Social Housing.

Corporate Centre

Credit risk mitigation

The types of credit risk mitigation, including collateral, across each of our portfolios are as follows. In addition, from time to time, at a portfolio level we execute significant risk transfer transactions, which typically reduce RWAs.

Portfolio	Description
Sovereign and Supranational	In line with market practice, there is no collateral against these assets.
Structured Products	These are our High Quality Liquid Assets (HQLA) in our Eligible Liquidity Pool. They are mainly Asset Backed Securities (ABS) and covered bonds, which hold senior positions in the creditor hierarchy. Their credit rating reflects over-collateralisation in the structure and the assets that underpin their cash flows.
Financial Institutions	We use standard legal agreements to reduce credit risk via netting and collateralisation on derivatives, repos and reverse repos, and stock borrowing/lending. We also reduce risk by clearing trades through central counterparties (CCPs) where possible.

3. Monitoring (audited)
We measure and monitor changes in our credit risk profile on a regular and systematic basis against our budgets, limits and benchmarks.

Credit concentrations
A core part of our monitoring and management is a focus on credit concentrations, such as the proportion of our lending that goes to specific borrowers, groups or industries. We set and monitor concentration limits in line with our Risk Appetite and review them on a regular basis.
- Geographical concentrations: We set exposure limits to countries and geographies, with reference to the country limits set by Banco Santander and our own Risk Appetite. For more geographical information, see 'Country risk exposures'.
- Industry concentrations: We also set exposure limits by industry sector. We set these limits based on the industry outlook, our strategic aims and desired level of concentration, and relevant limits set by Banco Santander. We analyse committed exposures in the 'Credit risk review' section that follows.

Retail & Business Banking
We use IT systems and data available to us to monitor accounts. The main parts are:
- Behavioural scoring: we use statistical models that help predict whether a customer will have problems repaying, based on how they use their accounts
- Credit reference agencies: we often use data from agencies on how the borrower is handling credit from other lenders in our behaviour scoring models
- Other Santander UK accounts: each month, we also look at how the customer uses their other accounts with us, so we can identify problems early.

Our day-to-day retail credit risk monitoring relies on a mix of performance measures as described above. However, changes in the wider UK economy also impact our Mortgages and Everyday Banking portfolios. As part of our day-to-day risk monitoring, we use a Retail Risk Playbook tolerance tool that monitors the most relevant macroeconomic variables to retail portfolio performance against our forecasts. If the economy deviates materially from our forecasts, such as due to the effects of the cost of living crisis or high inflation, we review our retail risk management policy and strategy.

We also ensure that portfolio quality remains within our Risk Appetite by measuring against trigger values for key risk profile and performance metrics.

For secured lending, our monitoring also takes account of changes in property prices. We estimate the property's value every three months. In most cases, we use statistical models based on recent sales prices and valuations in that local area. Use of this model is subject to Model Risk Governance. Where a lack of data means the model's valuation is not available, we use the original surveyor valuation with a House Price Index (HPI) adjustment as needed.

For unsecured personal lending like credit cards and overdrafts, monitoring might lead us to raise or lower credit limits. For business banking services, we review revolving credit facilities each year to ensure they remain appropriate for the customer's financial situation.

Consumer Finance
In Consumer Finance, customer accounts are monitored via IT systems and data. The Retail Risk framework ensures that our portfolio keeps within agreed thresholds. Residual value risk is regularly checked, enabling us to spot any change in market trends.

Corporate & Commercial Banking and Corporate Centre
We regularly monitor and report our credit risk by portfolio, segment, industry, location and customer. We monitor detailed analyses of our credit exposures and risk trends each month. We also report our larger exposures and risks to the BRC each month.

Our Watchlist
We also use a Watchlist for exposures subject to annual reviews to help identify potential problem debt early. Just because a customer is on our Watchlist does not mean they have defaulted. It just means that their probability of default has increased, such as they have breached a covenant or lost a major contract.

We classify Watchlist cases as:

- Enhanced monitoring: for less urgent cases. We monitor these cases more often and where appropriate may consider more collateral.
- Proactive management: for more urgent or serious cases. We may take steps to restructure debt including extending the term, taking more collateral, agreeing a lower credit limit, or seeking repayment of the loan through refinancing or other means.

We assess Watchlist cases for impairment as set out in the 'Significant Increase in Credit Risk (SICR)' section. When a customer is in enhanced monitoring, we do not consider it has suffered a SICR for ECL purposes, so it remains in Stage 1 for our loss allowance calculations. When a customer is in proactive management, we consider it has suffered a SICR, so we transfer it to Stage 2 and apply a lifetime ECL for our loss allowance calculations. We consider any forbearance we offer. This includes any extra security, guarantees or equity available and the potential to enhance value by asset management.

In Corporate & Commercial Banking, as part of our annual reviews, for loans nearing maturity, we look at the prospect of refinancing the loan on current market terms and applicable credit policy. If this is unlikely, we put the case on our Watchlist. We manage exposures not subject to annual reviews, mainly high volume and low value cases, using early warning indicators including credit reference agency data, supported by teams of expert analysts.

In Corporate Centre, we typically monitor the credit quality of our exposures daily. We use internal and third-party data to detect any potential credit deterioration.

4. Arrears management (audited)
Retail & Business Banking and Consumer Finance
We have several strategies to manage arrears that we can use as early as the day after a missed payment. We also reach out to up-to-date customers who may be at risk of going into arrears where we believe they may benefit from some support. We assess the financial difficulties a customer is having in order to offer them the right support to manage their agreement whilst in arrears. The strategies we use depend on the risk and the customer's unique circumstances with tailored support being provided.

Corporate & Commercial Banking and Corporate Centre
We identify problem debt by close monitoring, supported by our Watchlist process for exposures subject to annual review. We aim to identify warning signs early by monitoring customers' financial and trading data, checking to see they do not breach covenants, and having regular dialogue with them. We tailor our strategy to the type of customer, their circumstances and the level of risk. We try to help our customers find their own way out of financial difficulty and agree on a plan that works for both of us. We engage our Restructuring & Recoveries team as needed on Watchlist cases and we may hand over more serious cases to them. For exposures not subject to annual review, we have strategies to manage arrears that we can use as early as the day of the missed payment. If a case becomes more urgent or needs specialist attention, and if it transfers to Stage 3, we transfer it to our Restructuring & Recoveries team.

For more, see the Forbearance section.

5. Debt recovery (audited)
Sometimes, even when we have taken all reasonable and responsible steps to manage arrears in our Financial Support area, they are not effective. If this happens, we may choose to end our agreement with the customer and try to recover the outstanding balance (with recourse to any associated collateral), or as much of it as we can.

Retail & Business Banking
In Mortgages and Everyday Banking, we may use a debt collection agency, sell the debt, or take the customer to court. For residential mortgages, we may repossess the property as a last resort or to protect it from damage or third-party claims. We make sure our estimated losses from repossessed properties are realistic by getting two independent valuations and the estimated selling costs, and using them in our loss allowances calculations. Where we repossess a property, we do not take ownership. We use agents to realise the value and settle the debt. Any surplus funds are returned to the borrower or dealt with in line with insolvency rules.

Consumer Finance
In Consumer Finance, we usually have an asset by way of a motor vehicle secured to the agreement. We will seek to recover this asset if we are unable to rehabilitate the customer, or they remain in arrears with no contact. Like Retail & Business Banking, we may also use a debt collection agency or a specialist law firm to recover any subsequent balance outstanding. We may also consider the sale of debt where all avenues have been explored.

Corporate & Commercial Banking and Corporate Centre
Where we look for an exit, we aim to do this, if we can, by agreeing with the borrower that they will sell some or all their assets on a voluntary basis or agreeing to give them time to refinance their debt with another lender. Where we cannot reach an agreement, we consider recovery options. This can be through an insolvency proceeding, enforcing over any collateral or selling debt on the secondary market. We may also consider other legal action to recover what we are owed. If there is a shortfall, we write it off against our loss allowances. In very rare cases, we may act as mortgagee in possession of assets held as collateral against non-performing commercial lending. In such cases, we carry the assets on our balance sheet and classify them in line with our accounting policies.

Loan modifications (audited)
We sometimes change the terms of a loan when a customer gets into financial difficulty (this is known as forbearance), or for other commercial reasons.

Forbearance (audited)
We can change the terms of a customer's loan, temporarily or permanently, to help them through temporary periods of difficulty so they can get back on to sustainable terms. We assess what we offer to make sure the customer can afford it. Forbearance improves our customer relationships and we review our approach regularly to make sure it is still effective. We try to offer forbearance before a customer defaults and we only foreclose or repossess as a last resort.

The main types of forbearance we offer are:

Action	Description
Term extension	We can extend the loan term, making each monthly payment smaller. We may offer this if the customer is up to date with payments but shows signs of financial difficulties. We may also offer this if the loan is about to mature and refinancing is not possible on market terms. In selected instances, we may offer term extensions for interest only loans that are past the point of product maturity. This will typically be where no viable repayment solution has been identified for the outstanding capital balance, and legal enforcement activity is not deemed to be appropriate to the customer's circumstances.
Interest-only	Historical interest-only payments due to financial difficulties are classed as forborne. For corporate customers, interest-only concessions are considered on a case by case basis. Concessions are only granted if the nature of the financial difficulties is assessed to be temporary. Counterparties are expected to recover in full and resume making full capital and interest payments once they are in a stronger financial position.
Other payment rescheduling, including capitalisation	For retail mortgage customers, we may add the arrears to the mortgage balance (this is known as capitalisation) if they cannot afford to increase their monthly payment to pay off their arrears in a reasonable time but have been making their monthly payments, usually for at least six months. We can also capitalise property charges due to a landlord. We pay them for the customer to avoid the lease being forfeited. We may combine this help with term extensions and, in the past, interest-only concessions. In certain cases, we may offer interest rate concessions. We may agree an arrangement to pay less than the Contractual Monthly Payment (including zero) for a short period of time where they are experiencing temporary financial difficulties. For credit card and bank account customers, we may agree to suspend fees and/or interest for a short period of time where they are experiencing temporary financial difficulties. A refinance of a personal loan over a longer term to reduce the contractual monthly payment may be agreed, where a customer is showing signs of financial difficulties. The interest rate remains the same, or the closest lower rate available. For corporate customers, we may lower or stop their payments until they have time to recover. We may reschedule payments to better match the customer's cash flow – for example if the business is seasonal - or provide a temporary increase in facilities to cover peak demand ahead of their trading improving. We might do this by arrears capitalisation or drawing from an overdraft. We may also offer to provide new facilities, interest rate concessions and interest roll-up. In rare cases, we agree to forgive or reduce part of the debt.

When we agree forbearance, we consider the account has suffered a SICR, as we explain in the 'Significant Increase in Credit Risk (SICR)' section later on, and we classify it as Stage 2 or 3. A non-performing forborne account is one that has forbearance carried out in Stage 3, and a performing forborne account is one that has forbearance carried out in Stage 2. If an account is already in Stage 2, we keep it in Stage 2 unless the account is deemed unlikely to pay, involves forgiving fees and interest or debt, or is being granted multiple forbearances. In these cases, we move it into Stage 3. If an account is already in Stage 3, we keep it in Stage 3. A loan moves out of forbearance once the exit criteria below are met. We monitor the performance of all forborne loans.

We signed up to the HM Treasury Mortgage Charter published in June 2023, that aims to provide more support for customers who may be struggling to maintain their mortgage repayments. We made more customer support solutions available from July 2023, allowing customers who are up-to-date with their payments to make interest-only payments for six months or extend their mortgage term to reduce their monthly payments. Volumes of accounts seeking more support were just over 1% of active mortgage account stock. Mortgage Charter support solutions are not automatically classed as forbearance, unless other forbearance criteria are met.

Exit from forbearance criteria

	Exit from	Conditions to be met
Cure	Stage 3 to Stage 2	For an account in Stage 3 to exit non-performing forbearance, all the following conditions must be met:
		If the account was classed as Stage 3 due to being more than 90 days past due, then the account should be 90 days or less past due
		The customer has no other material default debt with us more than 90 days past due
		If the account was classed as Stage 3 due to being unlikely to pay, then the account should no longer be deemed unlikely to pay
		Account has exited its forbearance trigger for 12 consecutive months
		If all the conditions are met, the account is re-classed as Stage 2 forbearance until the Stage 2 forbearance exit conditions set out below are also met
	Stage 2 to Stage 1	For an account in Stage 2 to exit forbearance, all the following conditions must be met:
		The account is no longer in arrears, and the customer has no other material debts with us which are more than 30 days in arrears
		The account no longer triggers SICR
		The account has been classed as Stage 2 for at least two years since the end of the latest forbearance strategy

If a borrower fails to meet the post forbearance contractual obligations during probation, the loan is classified as Stage 3 and the probation period is reset.

Other forms of debt management and modifications
Retail & Business Banking
In Mortgages, apart from forbearance, we have sometimes changed the contract terms to keep a good relationship with a customer. In Mortgages and Everyday Banking, we do not classify insolvency solutions for any unsecured retail customers as forbearance. This is in line with industry guidelines.

Consumer Finance
We do not classify insolvency solutions for any unsecured retail customers as forbearance. This is in line with industry guidelines.

Corporate & Commercial Banking and Corporate Centre
When customers are in financial difficulty, we can also manage debt in other ways, depending on the facts of the specific case:

Action	Description
Waiving or changing covenants	If a borrower breaks a covenant, we can either waive it or change it, taking their latest and future financial position into account. We may also add a condition on the use of any surplus cash (after operating costs) to pay down their debt to us.
Asking for more collateral or guarantees	If a borrower has unencumbered assets, we may accept more collateral in return for revised financing terms. We may also take a guarantee from companies in the same group and/or major shareholders. We only do this where we believe the guarantor can meet their commitment.
Asking for more equity	Where a borrower can no longer pay the interest on their debt, we may accept fresh equity capital from new or existing investors to change the capital structure in return for better terms on the existing debt.

Risk measurement and control
We measure and control credit risk at all stages across the credit risk lifecycle. We have a range of tools, processes and approaches.

Retail & Business Banking and Consumer Finance
These businesses involve managing large numbers of accounts, so they produce a significant amount of data. This allows us to take a more analytical and data intense approach to measuring risk. This is reflected in the wide range of statistical models we use across the credit risk lifecycle. We use:

- Risk strategy and planning: econometric models
- Assessment and origination: application scorecards, and attrition, pricing, loss allowance and capital models
- Monitoring: behavioural scorecards and profitability models
- Arrears management: models to estimate the proportion of cases that will result in possession (known as roll rates)
- Debt recovery: recovery models.

We assess and review our loss allowances regularly. We look at factors such as the cash flow available to service debt. We also use an agency to value any collateral – mainly mortgages.

Corporate & Commercial Banking and Corporate Centre
We measure the credit risk on treasury products by adding their potential future exposure to market movements over their lives to their fair value. Then we add it to any other exposure and measure the total against our credit limits for each client. We assess our loss allowances regularly by looking at factors such as the cash flow available to service debt and the value of collateral based on third-party professional valuations.

Key metrics(audited)
We use a number of key metrics to measure and control credit risk, as follows:

Metric	Description
Expected Credit Loss (ECL)	ECL tells us what credit risk is expected to cost us either over the next 12 months or over the lifetime of the exposure where there is evidence of a SICR since origination. We explain how we calculate ECL below.
Stages 1, 2 and 3	We assess each facility's credit risk profile to determine which stage to allocate them to, and we monitor where there is a SICR and transfers between the Stages including monitoring of coverage ratios for each stage.
Stage 3 ratio	The Stage 3 ratio is the sum of Stage 3 drawn and Stage 3 undrawn assets divided by the sum of total drawn assets and Stage 3 undrawn assets. The Stage 3 ratio is a key indicator used to monitor underlying asset performance.
Expected Loss (EL)	EL is based on the CRD IV regulatory capital rules and gives us another view of credit risk. It is the product of the probability of default, exposure at default and loss given default, and we include direct and indirect costs. We base it on our risk models and our assessment of each customer's credit quality. The rest of the Risk review, impairments, losses and loss allowances refer to calculations in accordance with IFRS, unless we specifically say they relate to CRD IV. For our IFRS impairment accounting policy, see Note 1 to the Consolidated Financial Statements.

We also assess risks from other perspectives, such as geography, business area, product and process to identify areas to focus on. We also use stress testing to establish vulnerabilities to economic deterioration. Our business segments tailor their approach to credit risk to their customers, as we explain later on.

Recognising ECL (audited)

The ECL approach estimates the credit losses arising from defaults in the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a SICR since the origination date. Our ECL approach for portfolio assessments uses models that consider forward-looking data on economic scenarios, including a range of possible outcomes, which are unbiased and probability-weighted to reflect the risk of a loss being incurred even when it is unlikely. In some cases, we need to apply Judgemental Adjustments to our model outputs. We use internal credit ratings for corporate borrowers and individually assess corporate Stage 3 exposures.

Critical judgements and accounting estimates applied in calculating ECL (audited)
The application of the ECL impairment methodology for calculating credit impairment allowances is susceptible to change from period to period. The methodology requires management to make judgemental assumptions in determining the estimates.

For more on our approach to making critical judgements and accounting estimates applied in calculating ECL see 'Critical judgements and accounting estimates' Note 1 to the Consolidated Financial Statements.

Multiple economic scenarios and probability weights (audited)
For all our portfolios, we use forward-looking economic scenarios. During 2024, we reduced the forward looking economic scenarios to four by removing the stubborn inflation scenario as inflation has returned to more normalised levels. They now consist of a central base case, one upside scenario and two downside scenarios. We use these scenarios to reflect a wide range of possible outcomes for the UK economy.

Our forecasting approach
We derive our scenarios in part by using a set of parameters in GDP fan charts published by the Office for Budget Responsibility (OBR). These fan charts reflect the probability distribution of a deviation from the OBR's central forecast to show the uncertainty about the outcome of a variable, in this case GDP.

Once we have established the GDP paths for each scenario, we run them through the Oxford Global Economic Model (OGEM) to derive the other macroeconomic variables, such as unemployment and house prices. These variables are the product of the GDP growth paths we have forecast and the output of the OGEM for these growth paths. We then review them to ensure consistency with the narrative of each scenario and so changes to the variables may be needed in some cases.

We then impose a Bank Rate profile for each scenario using expert judgement with the base case as the starting point and then adjusting this for each of the other scenarios based on the narratives. We produce a range of Bank Rate profiles to reflect a range of possible outcomes the Bank of England may follow depending on how it sees the trade-off between growth and inflation evolving over the forecast period. For example, this might consist of higher rates initially in response to inflationary concerns followed by lower rates as inflation falls towards target, and that this may be sharper in the event of a deep recession.

We update the baseline in our economic scenarios at least twice a year in line with our annual budgeting and three-year planning processes, or sooner if there is a material change in current or expected economic conditions. We refresh all our economic scenarios quarterly to reflect the latest data and OBR fan charts if these changed, which are then reviewed and approved by the Credit Risk Provisions Forum (CRPF). The CRPF also assesses the probability weights at least once a quarter.

We do not use consensus forecasts as inputs to our models, but we do compare the outputs of our models against consensus views for the base case, to make sure that we understand any significant differences and address them where needed. At 31 December 2024, there were no significant differences between our base case forecasts and the consensus views.

In 2024, we undertook a further peer benchmarking analysis of the economic scenarios, which for Q424 included the mean weighted analysis for a selection of economic variables, including GDP, unemployment rate and HPI. This meant that we could compare our weighted scenarios against the average of our peers to understand what differences there may be. The conclusion of this analysis demonstrated that our economic scenarios were in line with our peers.

In 2024, we also considered any likely impact from climate risk on our forecasting approach and concluded that no adjustment to the multiple economic scenarios for climate risk was required. This is because climate change effects are generally regarded to be relevant over a longer timeframe than our forecast period of five years.

Our use of four different scenarios is designed to reflect different possible outcomes to the base case, highlighting the upside and downside risks associated with the central scenario.

Our forecasting period for GDP is five years and we use the OGEM 25 year model for the outer years, post five year forecast. This is a change to the methodology from 2023 and it was adopted in Q124. As part of this, we set a floor on the unemployment rate at 4% to ensure that the long-term view is near to the Non-Accelerating Inflation Rate of Unemployment set out by the Bank of England in its annual supply side review.

Key changes to our forecasting approach in 2024
In 2024, we made two changes to our forecasting approach. We moved from five to four scenarios which saw the removal of the stubborn inflation scenario due to inflation becoming more stable as it reaches target, negating the need for a specific scenario. We also moved from using mean reversion for the forecasts beyond five years to using the 25 year OGEM output. This removes the need to make any assumptions regarding the length of time to mean revert.

Base case
We review the scenarios and associated weights every quarter to ensure they appropriately reflect the current economic circumstances and UK Government policy which is subject to change.

In summary, the outlook for the UK economy in 2025 shows an economy that is growing with the stimulus from the October 2024 Budget helping to boost GDP. There is above target inflation due to this stimulus and other government measures, but Bank Rate continues to fall gradually, supporting businesses and households. However, downside risks to the outlook remain particularly around geopolitical tensions and potential productivity gains.

Base case key macroeconomic assumptions
GDP: The UK economy slowed in Q324 with growth of 0.1% quarter-on-quarter. It was always likely that a slow-down from the above average quarterly growth rates of H124 would happen, but with weak PMIs as well there is a concern that the economy will stagnate in Q424. However, Q324 GDP did see rising consumer spending and strong gains for business investment as such we would expect that post-Budget growth will pick up, although some underlying weakness means the economy growing at levels similar to those experienced pre-pandemic, rather than the stronger growth needed to help repair the UK's finances. For 2025 we would expect to see stronger growth caused by the increase in government spending given the measures announced in the October 2024 Budget, although this may crowd out some business investment and with a higher tax burden this may impact both investment and private consumption. Over the longer term the key issue for growth remains productivity and without a boost to this growth will remain at the average pre-pandemic levels of 1.4%.
Bank Rate: The Monetary Policy Committee (MPC) lowered rates twice in 2024 to 4.75%. Our base case assumes a further 100bps of cuts which takes Bank Rate to 3.75% by the end of 2025, with further reductions into the medium term leaving the terminal rate at 3.25% in Q127. This is slightly higher than our previous forecast due to the increased inflation expected as a result of the October 2024 Budget.
House price growth: House prices grew in 2024, helped in part, by falling mortgage rates. However, the outlook for 2025 is likely to see a slow-down in house price growth due to higher swap rates which has pushed up mortgage rates in Q424. As always, the key to house price growth is the supply of housing which continues to be weak. This along with the steady fall in interest rates should ensure steady house price growth over the forecast period. We forecast a c.3% year-on-year growth in house prices by the end of 2025 and remaining at this growth rate for the rest of the forecast period.
Unemployment rate: Recent data for unemployment indicates that there is a slow loosening of the labour market. However, caution needs to be taken as the unemployment data is still subject to problems with the ONS Labour Force Survey data. In terms of the forecast the peak in unemployment comes in 2025, with the possibility of more redundancies as firms face higher employment costs as a result of the National Insurance Contributions (NIC) increase for employers. The rate then drops back to 4.2% (current Bank of England prediction for the natural rate of unemployment) in 2026. This accords with the better growth outlook, but also reflects the fact that the structure of the UK labour market changed with a large drop in the number of working age people looking for work, thus reducing supply. Although progress may be made in reducing medical waiting lists over the forecast period to boost supply.
CRE price growth: After falling for seven quarters in a row, CRE prices stabilised in Q224 and rose by 0.3% quarter-on-quarter in Q324 in a sign of the sector turning around after two years of falling prices. Cuts in Bank Rate boosted prices and this looks set to continue in Q424 following the November 2024 bank rate cut. In addition, with more workers return to the office this may help boost the flagging office sector. We expect prices to continue to rise throughout the forecast period as Bank Rate is reduced before growth stabilises around the 2% year-on-year mark.

In the medium-term, the projections assume that current demographic and productivity trends will continue, causing a reduction in the UK's growth potential. For instance, it is likely that the reduction in the UK workforce will continue and this will have a knock-on impact for the economy, particularly if there are shortages of skilled workers in particular sectors. This is reflected in an average annual growth expectation of 1.6%, in line with the OBR's latest estimate of the UK's long run average growth rate.

Key changes to our base case in 2024
For our base case, we no longer expect a short recession given that the economy has been more resilient than previously expected in 2023. For the other macro-economic variables, the changes made to the base case compared to 2023 included stronger house price inflation for 2024 reflecting the better economic conditions and slightly lower unemployment for 2024. However, risks to the base case remain with potential for rising geopolitical risks affecting the UK economy.

Our base case scenario incorporates stronger economic growth in 2025, from increased government spending and four Bank Rate cuts of 25bps over the year. It was updated to reflect the latest market data and to broadly align with the latest consensus estimates. The most notable change was to HPI with expected house price increases stronger than predicted in 2024.

Other scenarios
Based on this revised base case, we reviewed our suite of scenarios to ensure that they capture the wide range of potential outcomes for the UK economy. These include; (i) a slower recovery that is more akin to the 'U' shape of past recessions; (ii) labour market frictions due to skills mismatches and a shrinking workforce as some discouraged workers leave altogether (for example longer-term sickness levels remaining above pre-pandemic levels); (iii) fragmentation of the global economy in particular changes and additional frictions to supply chains; and (iv) the global economy recovering more swiftly from higher inflation.

To reflect these potential outcomes, we use the base case and three additional scenarios, which we consider sufficient to reflect all the above potential outcomes. As with the base case, the scenarios are forecast over a five-year period with the OEGM 25 year model used to determine the forecasts after this period with a floor on unemployment set at 4%.

The other scenarios are:

One upside scenario
This scenario has a quicker recovery in growth than the Baseline and is a bull case to the base forecasts. It assumes that inflation falls slightly below target at the start of the forecast period helped by lower wage growth, however it does rise back to 2% over the period. This allows the Bank of England to cut rates faster than the base case, bringing them back towards what might be considered the neutral rate earlier. This results in higher consumer and business confidence enabling higher levels of spending and investment, with savings rates returning to levels consistent with economic growth as real earnings growth returns. In this scenario GDP remains stronger than the base case along with house price growth. Unemployment falls to 4% slightly below the base case and inflation dips below target in 2026 before ending the forecast period at target.

Two downside scenarios
The downside scenarios capture the impact of weaker investment, the increasing risk from geopolitical events and the ongoing significant mismatch between job vacancies and skills, as well as a smaller labour force.

Downside 1 – In this scenario, the economy contracts and although the recession is small and short lived, the recovery is weak and below potential. The measures announced in the Budget, in particular the increase in NICs for employers means growth is tempered and employment shrinks as businesses restructure to deal with the extra cost along with increased minimum wage and changes to workers' rights. Consumers opt to save more rather than spend which affects the recovery path, as consumer confidence is low in part due to concerns about the unstable geopolitical environment and the increase in lay-offs as businesses restructure. The global economy is affected by a combination of factors, such as commodity prices becoming increasingly volatile due to geopolitical events and the potential impact of additional tariffs. This affects global inflation which negatively impacts UK trade and hinders a return to growth.

Downside 2 – This scenario shows a marked fall in GDP, with rising unemployment and falling house prices reflecting the ongoing issues of a higher interest rate environment. There is a longer lagged effect from monetary policy tightening and lower growth and productivity, which feeds across the whole economy. It also reflects the increase in geopolitical risk which affects market sentiment and causes further fragmentation of the global economy. It also assumes that major risk events continue to occur, exposing the vulnerability of countries' fiscal positions and the means to respond to such events. Unemployment peaks at 8.5% and, although, there are some inflationary pressures from changing trade patterns, the sharp fall in demand means inflation falls below target and allows the MPC to cut rates sharply from Q125 to stabilise demand. With inflation falling below target and lower interest rates this eases some of the pressures on the UK economy and growth picks up in the medium-term.

Key changes to our alternative scenarios in 2024

In 2024, we removed the Stubborn inflation scenario (Downside 3) from the suite of scenarios we run. This was because inflation fell significantly and the risks of inflation increasing above 3% and remaining at levels above this was no longer considered to need a separate scenario. The scenario was not replaced as we already have two downside scenarios reflecting the risks to the UK economy including inflation being above target and with higher interest rates compared to base case. It was not deemed necessary to have a further upside scenario given the limited upside risk to the UK economy. In addition, the use of four scenarios is in line with many of our peers.

Despite mixed signals about the UK's recent economic performance, which may impact the path of the Bank Rate, our scenarios continue to capture a broad range of forecasts.

Our macroeconomic assumptions and their evolution throughout the forecast period

Our macroeconomic assumptions and their evolution throughout the forecast period for each of the scenarios at 31 December 2024 were:

		Upside %	Base case %	Downside 1 %	Downside 2 %	Weighted %
GDP[1]	2023 (actual)	0.3	0.3	0.3	0.3	0.3
	2024	0.9	0.9	0.8	0.4	0.8
	2025	2.0	1.4	(0.4)	(3.4)	0.6
	2026	2.5	1.6	0.3	(0.9)	1.2
	2027	2.5	1.4	0.9	1.3	1.4
	2028	2.5	1.4	1.0	2.8	1.6
	2029	2.5	1.4	1.1	2.8	1.6
	5-year average increase/decrease[2]	2.4	1.5	0.6	0.3	n/a
	Start to trough[3]	n/a	n/a	(0.7)	(5.2)	n/a
Bank Rate[1]	2023 (actual)	5.25	5.25	5.25	5.25	5.25
	2024	4.75	4.75	4.75	4.75	4.75
	2025	3.25	3.75	4.50	2.25	3.71
	2026	3.00	3.50	3.25	1.50	3.16
	2027	3.00	3.25	3.00	2.50	3.08
	2028	3.00	3.25	3.00	2.75	3.10
	2029	3.00	3.25	3.00	3.00	3.13
	5-year end period	3.00	3.25	3.00	3.00	n/a
	5-year peak	4.75	4.75	4.75	4.75	4.75
HPI[1]	2023 (actual)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
	2024	4.8	4.5	2.0	1.3	3.6
	2025	4.3	3.0	(5.8)	(20.1)	(1.2)
	2026	4.7	3.0	(3.7)	(14.7)	0.3
	2027	4.6	3.0	2.9	5.8	3.4
	2028	4.5	3.0	4.4	9.6	4.0
	2029	4.6	3.0	4.6	7.7	4.0
	5-year average increase/decrease[2]	4.7	3.2	—	(3.7)	n/a
	Start to trough[3]	n/a	n/a	(10.1)	(33.0)	(0.8)
Unemployment[1]	2023 (actual)	3.8	3.8	3.8	3.8	3.8
	2024	4.4	4.3	4.4	4.4	4.4
	2025	4.1	4.4	5.2	8.3	4.9
	2026	4.0	4.2	5.5	8.2	4.9
	2027	4.0	4.2	5.5	7.6	4.8
	2028	4.0	4.2	5.5	7.0	4.8
	2029	4.0	4.2	5.5	6.4	4.7
	5-year end period	4.0	4.2	5.5	6.4	n/a
	5-year peak	4.4	4.4	5.5	8.5	4.9
CRE price growth[1]	2023 (actual)	(5.6)	(5.6)	(5.6)	(5.6)	(5.6)
	2024	0.4	(0.1)	(2.3)	(2.7)	(0.9)
	2025	5.7	2.5	(5.5)	(14.9)	(0.7)
	2026	5.2	2.8	1.7	(8.5)	2.0
	2027	2.9	2.5	2.0	4.4	2.6
	2028	3.3	2.2	1.8	3.8	2.4
	2029	3.0	2.1	2.4	3.4	2.4
	5-year average increase/decrease[2]	4.0	2.3	(0.1)	(3.3)	n/a
	Start to trough[3]	n/a	n/a	(7.4)	(24.7)	(1.2)

(1) GDP is the calendar year annual growth rate, HPI and CRE price growth rate is Q4 annual growth rate and all other data points are at 31 December in the year indicated.
(2) This is the compound annual growth rate (CAGR) based on a 5 year period which represents an average annualised growth rate.
(3) GDP, HPI and CRE start is taken from level at Q324.

The table below sets out our macroeconomic assumptions and their evolution throughout the forecast period for each of the scenarios at 31 December 2023:

		Upside	Base case	Downside 1	Stubborn Inflation	Downside 2	Weighted
		%	%	%	%	%	%
GDP[1]	2022 (actual)	4.3	4.3	4.3	4.3	4.3	4.3
	2023	0.6	0.5	0.5	0.5	0.3	0.5
	2024	1.0	0.4	(0.1)	(1.8)	(3.3)	(0.4)
	2025	2.1	1.3	0.2	(0.9)	(1.4)	0.6
	2026	2.4	1.5	0.5	0.4	0.6	1.1
	2027	2.4	1.4	0.3	0.7	2.2	1.4
	2028	2.4	1.4	0.3	0.8	2.6	1.4
	5-year average increase/decrease	2.1	1.2	0.3	(0.2)	0.1	n/a
	Peak/(trough) at[2]	—	—	(0.2)	(2.8)	(5.1)	(1.1)
Bank Rate[1]	2022 (actual)	3.50	3.50	3.50	3.50	3.50	3.50
	2023	5.25	5.25	5.25	5.25	5.25	5.25
	2024	4.25	4.50	5.25	6.50	3.75	4.88
	2025	3.25	3.50	4.00	5.00	2.00	3.68
	2026	2.75	3.25	3.25	3.75	2.00	3.18
	2027	2.75	3.00	3.00	3.00	2.50	2.93
	2028	2.75	3.00	3.00	3.00	2.50	2.93
	5-year end period	2.75	3.00	3.00	3.00	2.50	n/a
	Peak/(trough) at	5.25	5.25	5.75	6.50	5.25	5.55
HPI[1]	2022 (actual)	5.0	5.0	5.0	5.0	5.0	5.0
	2023	(1.7)	(2.2)	(4.7)	(6.3)	(7.8)	(3.8)
	2024	2.0	(1.0)	(11.7)	(18.8)	(25.8)	(7.8)
	2025	6.5	2.5	3.4	3.6	3.6	3.3
	2026	5.1	3.0	2.1	1.6	1.6	2.7
	2027	4.0	3.0	3.0	1.6	1.6	2.7
	2028	3.6	3.0	3.1	1.8	1.8	2.7
	5-year average increase/decrease	4.3	2.0	(0.8)	(3.3)	(5.4)	n/a
	Peak/(trough) at[2]	(3.7)	(6.5)	(17.5)	(25.5)	(33.0)	(13.8)
Unemployment[1]	2022 (actual)	3.7	3.7	3.7	3.7	3.7	3.7
	2023	4.3	4.3	4.3	4.3	4.4	4.3
	2024	4.3	4.8	4.8	5.6	8.5	5.3
	2025	3.7	4.4	4.9	5.9	8.0	5.1
	2026	3.4	4.3	5.2	6.2	7.4	5.0
	2027	3.0	4.3	5.4	6.1	6.8	4.9
	2028	3.0	4.2	5.3	5.8	6.2	4.7
	5-year end period	3.0	4.2	5.3	5.8	6.2	n/a
	Peak/(trough) at	4.5	4.8	5.5	6.2	8.5	5.5

(1) GDP is the calendar year annual growth rate, HPI is Q4 annual growth rate and all other data points are at 31 December in the year indicated.
(2) GDP peak taken from GDP level at Q2-23 and HPI peak taken from HPI level at Q3-22.

Scenario weights
Each quarter, we review the scenario weights we apply. We consider the weights of the economic scenarios as a whole, while ensuring that the scenarios capture the non-linear distribution of losses across a reasonable range. To support our initial assessment of the weight of a scenario, we undertake a Monte Carlo analysis to estimate the likelihood of a five-year average GDP forecast growth rate occurring based on the long-run historically observed average. We then create a standard distribution bell curve around this long run average. This allows us to estimate the probability of a given GDP scenario occurring based on past experience and therefore assign a weight to that scenario. We also consider the UK economic and political environment when applying weights.

The scenario weights we applied for 2024 and 2023 were:

	Upside	Base case	Downside 1	Stubborn Inflation	Downside 2	Weighted
Scenario weights	%	%	%	%	%	%
2024	**15**	**50**	**25**	**n/a**	**10**	**100**
2023	10	50	10	20	10	100

2024 compared to 2023

In 2024, we removed the Stubborn Inflation scenario and re-weighted the remaining scenarios as inflation returned to more normalised levels. We remain of the view that the risks to UK growth are still biased to the downside and include: further geopolitical events creating more challenges for economies both the UK and abroad; the potential for further upside inflation surprises causing inflation to stay above target for longer, raising the cost of living and so reducing consumer demand; continuing weak investment reflecting the uncertain nature of the economic environment; and a continuing and significant mismatch between vacancies and skills along with a smaller labour force, which may bring disruption to any recovery in the latter years of the forecast.

Definition of default (Credit impaired) (audited)
We define a financial instrument as in default (i.e. credit impaired) for the purpose of calculating ECL if it is more than three months past due, or if we have data that suggests the customer is unlikely to pay. The data we have on customers varies across our business segments. It typically includes where:

Retail & Business Banking and Consumer Finance
– They have been reported bankrupt or insolvent and are in arrears
– Their loan term has ended, but they still owe us money more than three months later
– They have had forbearance while in default and have failed to perform under the new arrangement terms, or have had multiple forbearance. Performing forborne accounts while not in default are reported in Stage 2
– We have suspended their fees and interest because they are in financial difficulties
– We have repossessed the property or the asset.
Corporate & Commercial Banking and Corporate Centre
– They have had a winding up notice issued, or something happens that is likely to trigger insolvency – such as another lender calls in a loan
– Something happens that makes them less likely to be able to pay us – such as they lose an important client or contract
– They have regularly missed or delayed payments, even though they have not gone over the three-month limit for default
– Their loan is unlikely to be refinanced or repaid in full on maturity
– Their loan has an excessive LTV that is unlikely to be resolved, such as by a change in planning policy, pay-downs, or increase in market value
– Loans restructured under financial difficulties, classified as forborne transactions, in last 12 months.

Where we use the advanced internal ratings-based basis for a portfolio in our capital calculations, there are differences with the default definitions for ECL purposes. The main differences are as follows:

- Performing forborne accounts while not in default are in Stage 2 until they cure their forbearance status (measured as 12 consecutive months of successful payments).
- Performing non-forborne accounts, which under our internal rating-based basis are subject to a 3-month cure period. For accounting purposes, we classify them in Stage 2 until they cure all SICR triggers.

Significant Increase in Credit Risk (SICR) (audited)
Loans which have suffered a SICR since origination are subject to a lifetime ECL assessment which extends to a maximum of the contractual term of the loan, or the behavioural term for a revolving facility. Loans which have not experienced a SICR are subject to 12-month ECL. We assess the credit risk profile of each facility to determine which of three stages to allocate them to:

- **Stage 1:** when there has been no SICR since initial recognition. We apply a loss allowance equal to a 12-month ECL i.e. the proportion of lifetime expected losses that relate to that default event expected in the next 12 months
- **Stage 2:** when there has been a SICR since initial recognition, but the exposure is not considered credit impaired. We apply a loss allowance equal to the lifetime ECL i.e. the expected loss resulting from all possible defaults throughout the residual life of a facility
- **Stage 3:** when the exposure is considered credit impaired. We apply a loss allowance equal to the lifetime ECL. Objective evidence of credit impairment is needed. For more, see the section 'Definition of default (Credit impaired)' above.

We use quantitative, qualitative and backstop criteria to identify exposures that suffer a SICR. The Credit Risk Provisions Forum (CRPF) reviews and approves our SICR thresholds periodically. The Board Audit Committee reviews and challenges their appropriateness each year, or more often if we change them.

Key changes in 2024
In 2024, alongside our new ECL models, we updated our SICR criteria to enhance and improve consistency across portfolios. As a result, we now treat the following accounts as Stage 2:

Quantitative:
- Accounts with a 12-month PD between 30bps (0.3%) and 2000bps (20%) where the annualised lifetime PD has doubled from origination.
- PD threshold: Accounts where the annualised lifetime PD has increased above 2000bps (20%).
- Low Credit Risk Exemption (LCRE): we introduced an LCRE where, if the 12-month PD is less than 30bps, we retain the account in Stage 1, unless the qualitative or backstop criteria are met.

These changes increased the number of accounts in Stage 2 for Credit Cards and Overdrafts mainly due to the lower absolute PD thresholds, with no material increase in ECL.

Qualitative:
- For mortgages, over-indebted customers and Interest-only accounts 24 months pre-maturity.
- For CCB, customers operating in a high-risk sector.

These enhancements enabled us to retire related JAs.

Quantitative criteria

We use quantitative criteria to identify where an exposure has increased in credit risk. We base our criteria on whether any increase in the lifetime PD since origination exceeds a threshold in relative and absolute terms. We base the value anticipated at origination on similar assumptions and data to the ones we use at the reporting date, adjusted to reflect the account surviving to that date. The comparison uses either an annualised lifetime PD, where the lifetime PD is divided by the forecast period, or the absolute change in lifetime PD since origination. The criteria for 2024 and 2023 were: accounts above the lower absolute PD thresholds below, where the PD has doubled since origination, are treated as Stage 2. Any account above the upper threshold (i.e. 20%) is also treated as Stage 2:

	Retail & Business Banking				Consumer Finance[2]	Corporate & Commercial Banking	Corporate Centre
		Everyday Banking[1]					
	Mortgages	Personal loans	Credit cards	Overdrafts			
2024	**30bps**	**30bps**	**30bps**	**30bps**	**300bps**	**30bps**	**Internal rating method**
2023	30bps	30bps	340bps	260bps	300bps	30bps	Internal rating method

(1) For larger business banking customers, we apply the same criteria as we use for CCB. Credit cards and Overdrafts lower PD thresholds aligned with the rest of Everyday Banking for consistency.
(2) Consumer Finance use the comparison of lifetime PDs to determine Stage allocation, unlike other products which first turn the lifetime PD into an average yearly PD (annualised) and then do the comparison. In addition, Consumer Finance does not apply the upper absolute PD threshold criteria.

Qualitative criteria

We also use qualitative criteria to identify where an exposure has increased in credit risk, independent of changes in PD. The criteria for 2024 and 2023 were:

Retail & Business Banking				Consumer Finance	Corporate & Commercial Banking	Corporate Centre
	Everyday Banking[1]					
Mortgages	Personal loans	Credit cards	Overdrafts			
– In forbearance – Default in last 24m – 30 Days Past Due (DPD) in last 12m – Bankrupt – £100+ arrears New in 2024: – Over-indebted customers – Interest Only accounts 24m pre-maturity	– In Collections – Default in last 12m – £50+ arrears	– In forbearance – Default in last 12m – In Collections – £100+ arrears – Behaviour score indicators	– Fees suspended – Default in last 12m – Debit dormant >35 days – Any excess in month	– In forbearance – Deceased or Insolvent – Court 'Return of goods' order or Police watchlist – Agreement terminated – Payment holiday – Cash Collection	– In forbearance – Default in last 12m – Watchlist: proactive management – Default at proxy origination New in 2024: – Customers in a high-risk sector	– Watchlist: proactive management

(1) For larger business banking customers, we apply the same criteria that we use for Corporate & Commercial Banking.

If needed, we apply additional qualitative assessments as part of JAs in response to situations where known or expected risk factors and data are not considered in the modelling process. See 'Judgemental Adjustments (JAs)' below for more on this.

Backstop criteria

As a backstop, we classify all exposures more than 30 or 90 DPD in at least Stage 2 or in Stage 3, respectively. This means that we do not rebut the backstop presumptions in IFRS 9 (i.e. credit risk has significantly increased if contractual payments are more than 30 DPD) relating to either a SICR or default.

Improvement in credit risk or cure

We transfer Stage 3 exposures to Stage 2 or Stage 1 when we no longer consider them to be credit impaired. We transfer Stage 2 exposures to Stage 1 when we no longer consider them to have suffered a SICR. Where we identified a SICR using quantitative criteria, we transfer the exposures to Stage 1 when they no longer meet the original PD-based transfer criteria. Where we identified a SICR using qualitative criteria, the issues that led to the transfer must be cured before we transfer the exposure to Stage 1. For a loan to exit forbearance, it must meet the conditions set out in the section 'Forbearance' in the 'Credit risk' section of the Risk review.

Judgemental Adjustments (JAs) (audited)
We use a range of methods to identify whether we need a JA. These include regular reviews of model monitoring tools, changes in the period, trend analysis, comparisons against forecasts, and inputs from expert teams who manage key portfolio risks. We only recognise a JA if its expected impact is over £1m and keep it in place until we no longer need it. This is usually when we build it into our core credit model or the conditions that led to raising the JA no longer exist.

Our Risk Provisions & Forecasting team calculate JAs to ensure they are incremental to the core credit model and to ensure the calculation is performed in a consistent and controlled manner. We apply standard end-user computing controls to JAs expected to be in place for more than six months. The CRPF reviews and approves all JAs on a quarterly basis.

	Retail & Business Banking						
		Everyday Banking		Consumer Finance	Corporate & Commercial Banking	Corporate Centre	Total
	Mortgages	Credit Cards	Other				
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Modelled ECL	**127**	**149**	**122**	**69**	**142**	**—**	**609**
Individually assessed	**6**	**—**	**—**	**—**	**162**	**—**	**168**
ECL before JAs	**133**	**149**	**122**	**69**	**304**	**—**	**777**
JAs (excluding Affordability and Cost of Living JAs)							
Unsecured PD adjustments	**—**	**—**	**2**	**—**	**—**	**—**	**2**
Mortgages LGD	**27**	**—**	**—**	**—**	**—**	**—**	**27**
Corporate single large exposure	**—**	**—**	**—**	**—**	**24**	**—**	**24**
Other	**1**	**1**	**6**	**—**	**—**	**—**	**8**
Total JAs (excluding Affordability and Cost of Living JAs)	**28**	**1**	**8**	**—**	**24**	**—**	**61**
Affordability and Cost of Living JAs							
Corporate lending to segments affected by supply chain pressures	**—**	**—**	**—**	**—**	**14**	**—**	**14**
Mortgage refinancing risk	**11**	**—**	**—**	**—**	**—**	**—**	**11**
SME debt burden	**—**	**—**	**6**	**—**	**—**	**—**	**6**
Total Affordability and Cost of Living JAs	**11**	**—**	**6**	**—**	**14**	**—**	**31**
Total JAs	**39**	**1**	**14**	**—**	**38**	**—**	**92**
Total ECL	**172**	**150**	**136**	**69**	**342**	**—**	**869**
Total JAs as a percentage of Total ECL (%)							**11**

2023	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Modelled ECL	132	123	123	62	240	—	680
Individually assessed	4	—	—	—	124	—	128
ECL before JAs	136	123	123	62	364	—	808
JAs (excluding Affordability and Cost of Living JAs)							
Long-term indeterminate arrears	16	—	—	—	—	—	16
12+ months in arrears	14	—	—	—	—	—	14
UPL loss floor	—	—	6	—	—	—	6
Model underestimation	36	—	—	—	—	—	36
Corporate single large exposure	—	—	—	—	23	—	23
Other	12	1	3	4	(31)	—	(11)
Total JAs (excluding Affordability and Cost of Living JAs)	78	1	9	4	(8)	—	84
Affordability and Cost of Living JAs							
Corporate lending to segments affected by supply chain pressures	—	—	—	—	24	—	24
Secured affordability	9	—	—	4	—	—	13
Unsecured affordability	—	16	22	—	—	—	38
Mortgage refinancing risk	19	—	—	—	—	—	19
SME debt burden	—	—	6	—	—	—	6
Total Affordability and Cost of Living JAs	28	16	28	4	24	—	100
Total JAs	106	17	37	8	16	—	184
Total ECL	242	140	160	70	380	—	992
Total JAs as a percentage of Total ECL (%)							19

JAs (excluding Affordability and Cost of Living JAs)

- **Unsecured PD Adjustments:** In 2024, we replaced the UPL Loss floor JA with the Unsecured PD Adjustments JA to widen the scope of the JA. We use this JA to address the perceived macroeconomic insensitivity in our Unsecured Personal Loans (UPL) model and the over sensitivity in our Overdrafts model.
- **UPL** – This arises where analysis of historical losses shows a larger correlation to the International Labour Organisation (ILO) unemployment forecast than the model gives. The JA uplifts the lifetime losses expected in each of the macroeconomic scenarios in the model to align with the expected losses the historical analysis predicts.
- **Overdrafts** – This arises where the ECL model is overly sensitive to Bank Rate changes, leading it to predict extremely high PDs in the early years. The JA reduces the lifetime losses expected in each of the macroeconomic scenarios in the model to align with the expected losses the historical analysis predicts.
- **Mortgages LGD:** We introduced this JA in 2024. It uplifts the modelled parameters that capture the risk of failed recovery strategies of stage 3 accounts in default and stage 1 and stage 2 accounts not in default targeting the LGD underestimation flagged by model monitoring, as well as the lower level of coverage compared to peers in this segment.
- **Corporate single large exposure:** This JA safeguards against individual large exposures defaulting over a short period. We currently use the JA to safeguard against two historically observed single name large losses in CCB. This JA was used in 2024 for 2 cases. This JA was also replenished in 2024 as it is still needed as UK corporate insolvencies rose to a 30-year high. In the current economic environment, the risk of single name defaults, which incur high losses, is considered greater than before as government support schemes ceased. We continue to assess the risk over the medium term based on actual experience and refine the estimate based on changes in our portfolio credit quality and loan size mix.
- **Other:** This includes Mortgages and Retail Unsecured and generally consists of small portfolios where the ECL calculation is held outside of the main models.

Affordability and Cost of Living JAs

- **Corporate lending to segments affected by supply chain pressures:** This JA reflects the corporate lending risks to those sectors susceptible to high inflation and energy prices, higher input costs, potential for lower consumer and business demand and exposure to supply chain pressures. This JA calculates ECL by stressing PD levels for customers in Stage 2 according to each customer's risk profile.
- **Mortgage refinancing risk:** The JA considers the risk of mortgage customers being unable to afford their new mortgage instalment after re-mortgaging at higher interest rates. The JA assesses the likely mortgage payment against the stressed interest rate that customers had been assessed against at the point of application. Customers that are likely to secure rates above their stress levels are considered at risk of not being able to afford their new mortgage. We uplift their PDs to account for the elevated levels of defaults observed for the most recent cohorts of refinanced mortgages. The JA was designed using some profiling characteristics of customers that used the Mortgage Charter government scheme as some of those accounts are considered to be at higher risk of arrears.
- **SME debt burden:** This JA takes account of the potential debt burden risk of unsecured lending to our SME customers who also took a BBL. This does not incorporate the credit risk on BBLs as these are government guaranteed, but considers the possible impact on repayment of other lending with us.

2024 compared to 2023

In 2024, we implemented new impairment models for Mortgages and Corporate & Commercial Banking, which now embed many of the JAs in place at the end of 2023. In response to the improved economic data, specifically inflation, we reassessed the need for cost of living JAs and retired the Secured and Unsecured Affordability JAs.

In 2024, we introduced a new Mortgage LGD JA which uplifts the modelled parameters that capture the risk of failed recovery strategies, for default and non-default accounts.

Climate change

In 2024 and 2023, we assessed the risks to asset valuations in the customer loan book from both transitional and physical risks associated with climate change. At 31 December 2024 and 2023, we did not consider it appropriate to recognise a climate risk related JA for the following reasons:

- The behavioural life of the loan book is less than five years. Any material transitional risks are generally regarded to be relevant over a longer timeframe than five years and, as such, the risk predominantly relates to assets yet to be written;
- There have been no observed default events or SICRs due to climate change for any part of the loan book;
- The absolute exposure to fossil fuel industries is not material. On an individually assessed basis, clients in these industries are highly rated and their markets remain highly liquid;
- The residual value of automotive vehicles might be impacted by diesel obsolescence and the transition to electric vehicles. The residual value risk is already set at the more cautious end of the acceptable range to capture the inherent risk of diesel obsolescence and measurement uncertainty of electric vehicles;
- ECL calculations are based on multiple forward-looking economic scenarios developed by management covering a period of five years, during which timeframe climate change risks may crystallise;
- The proportion of mortgage loans subject to flood and subsidence risk is not material. The terms of our mortgage lending also require homeowners to have an active flood protection at any point of the contract. This assessment relies upon availability of risk cover from private insurers and FloodRe, respectively. The potential risk may increase over time if flooding due to climate change increases and/or insurance market circumstances change.

Internal credit risk rating for corporate borrowers (audited)

We assign each corporate borrower an internal credit rating based on our internal rating scale. To do this, we look at the customer's financial history and trends in the economy backed up by the expert judgement of a risk analyst. We review our internal ratings on a dynamic basis and at least once a year. The internal risk rating is used to determine the Probability of Default for a client.

Individually assessed corporate Stage 3 exposures (audited)

We assess the ECL requirement for single name corporate exposures on an individual basis when they meet our definition of default and are transferred into Stage 3. This assessment uses the latest specific data about the counterparty's estimated future cash flows, and collateral valuations, to determine a probability weighted ECL based on a best, worst and mid case outcome. For these individually assessed loans, the ECL allowance was £162m at 31 December 2024 (2023: £124m). Had management assumed the best or worst outcome for loss estimates, the ECL allowance could have been within a range of £63m to £291m.

Sensitivity of ECL allowance to economic scenarios and weights (audited)
The ECL allowance is sensitive to the methods, assumptions and estimates underlying its calculation. For example, management could have applied different probability weights to the economic scenarios. In addition, the ECL allowance for residential mortgages is significantly affected by the HPI assumptions which determine the valuation of collateral used in the calculations.

Had management used different assumptions on probability weights and HPI, a larger or smaller ECL charge would have resulted that may have had a material impact on the ECL allowance and profit before tax.

Scenario sensitivity
The tables below show the ECL allowances that would have arisen had management applied a 100% weight to each economic scenario. The allowances were calculated using a stage allocation appropriate to each scenario and differs from the probability-weighted stage allocation used to determine the ECL allowance shown above. For exposures subject to individual assessment, the distribution of ECLs which could reasonably be expected has also been considered, assuming no change in the number of cases subject to individual assessment, and within the context of a potential best to worst case outcome.

2024	Upside £m	Base case £m	Downside 1 £m	Downside 2 £m	Weighted £m
Exposure	**283,860**	**283,860**	**283,860**	**283,860**	**283,860**
Retail & Business Banking	**196,732**	**196,732**	**196,732**	**196,732**	**196,732**
Of which:					
– Mortgages	**176,026**	**176,026**	**176,026**	**176,026**	**176,026**
Consumer Finance	**4,759**	**4,759**	**4,759**	**4,759**	**4,759**
Corporate & Commercial Banking	**26,307**	**26,307**	**26,307**	**26,307**	**26,307**
Corporate Centre	**56,062**	**56,062**	**56,062**	**56,062**	**56,062**
ECL	**741**	**774**	**921**	**1,524**	**869**
Retail & Business Banking	**380**	**403**	**517**	**1,051**	**458**
Of which:					
– Mortgages	**112**	**128**	**218**	**705**	**172**
Consumer Finance	**67**	**68**	**69**	**70**	**69**
Corporate & Commercial Banking	**294**	**303**	**335**	**403**	**342**
Corporate Centre	**—**	**—**	**—**	**—**	**—**

2023	Upside £m	Base case £m	Downside 1 £m	Stubborn Inflation £m	Downside 2 £m	Weighted £m
Exposure	294,877	294,877	294,877	294,877	294,877	294,877
Retail & Business Banking	201,977	201,977	201,977	201,977	201,977	201,977
Of which:						
– Mortgages	181,188	181,188	181,188	181,188	181,188	181,188
Consumer Finance	5,228	5,228	5,228	5,228	5,228	5,228
Corporate & Commercial Banking	27,277	27,277	27,277	27,277	27,277	27,277
Corporate Centre	60,395	60,395	60,395	60,395	60,395	60,395
ECL	833	896	991	1,176	1,410	992
Retail & Business Banking	419	465	536	689	889	542
Of which:						
– Mortgages	141	174	234	363	562	242
Consumer Finance	68	69	70	72	72	70
Corporate & Commercial Banking	346	362	385	415	449	380
Corporate Centre	—	—	—	—	—	—

2024 compared to 2023
ECL reduced by £123m, driven by deleveraging of the balance sheet and the improved economic outlook resulting in ECL model releases. The ECL on Credit Cards increased in the year due to the updated SICR rules. The value of JAs decreased in 2024 due to the implementation of new impairment models for Mortgages and Corporate & Commercial Banking, as well as the releases of the affordability JAs in EDB.

HPI sensitivity
Given the relative size of our residential mortgage portfolio, management considers that changes in HPI assumptions used to calculate the modelled ECL allowance for residential mortgages would have the most significant impact on the modelled ECL allowance. The table below shows the modelled ECL impact on the profit before tax of applying an immediate and permanent house price increase/decrease to our unweighted base case scenario, and assumes no changes to the stage allocation of exposures.

	Increase/decrease in house prices			
	+20%	+10%	-10%	-20%
Increase/(decrease) in profit before tax	£m	£m	£m	£m
2024	**34**	**21**	**(38)**	**(112)**
2023	70	38	(54)	(155)

2024 compared to 2023
The decrease in modelled ECL sensitivity reflects the new Retail Mortgages impairment model we introduced in 2024, which shows different economic sensitivities, as well as portfolio deleveraging. The impairment model assumes a similar loss for low LTV accounts, given the distribution of LTV in the portfolio, and increases in the HPI exhibit shows less impact on modelled ECL than decreases in HPI.

Measuring ECL (audited)
For our mortgages and CCB portfolios, where accounts are not in default at the reporting date, we estimate a quarterly ECL for each exposure and for each quarter over the forecast period. The lifetime ECL is the sum of the quarterly ECLs over the forecast period, while the 12-month ECL is limited to the first four quarters. We calculate each quarterly ECL as the discounted value for the relevant forecast month of the product of the following factors:

Factor	Description
Survival rate (SR)	The probability that the exposure has not closed or defaulted since the reporting date.
Probability of default (PD)	The likelihood of a borrower defaulting in the following quarter, assuming it has not closed or defaulted since the reporting date. For each quarter in the forecast period, we estimate the quarterly PD from a range of factors. These include key risk drivers for the exposure, as well as the expected evolution of the account risk with maturity and factors for changing economics. We support this with historical data analysis.
Exposure at default (EAD)	The amount we expect to be owed if a default, or sale in the case of retail mortgages, event occurs. We determine EAD for each quarter of the forecast period by the expected payment profile, which varies by product. For amortising products, we base it on the borrower's contractual repayments over the forecast period. We adjust this for any expected overpayments on Stage 1 accounts that the borrower may make and for any arrears we expect if the account was to default. For revolving products, or amortising products with an off-balance sheet element, we determine EAD using the balance at default and the contractual exposure limit. We vary these assumptions by product and base them on analysis of recent
Loss given default (LGD)	Our expected loss if a default event were to occur. We express it as a percentage and calculate it based on factors that we have observed to affect the likelihood and/or value of any subsequent write-offs, which vary according to whether the product is secured or unsecured. If the product is secured, we consider collateral values as well as the historical discounts to market/book values due to forced sales type.

We use the original effective interest rate as the discount rate. For accounts in default, we use the EAD as the reporting date balance. We also calculate an LGD to reflect the default status of the account, considering the current DPD and loan-to-value. PD and SR are not required for accounts in default.

Forecast period
We base the forecast period for amortising facilities on the remaining contract term. For revolving facilities, we base it on the behavioural, rather than contractual, characteristics of the facility type.

Forward-looking information
Our assessments of a SICR and the calculation of ECL allowances incorporate forward-looking data. We perform historical analysis and identify the key economic variables that impact credit risk and ECL allowances for each portfolio. These can include house price growth, GDP, unemployment rate and BoE Bank Rate. Where applicable, we incorporate these economic variables and their associated impacts into our models.

Economic forecasts have the most impact on ECL measurement for residential mortgages and, to a lesser extent, corporate loans. This is due to the long behavioural lives and large size of these portfolios. Economic forecasts have less impact on ECL for other portfolios due to their shorter lives and smaller size.

Grouping of instruments for losses measured on a collective basis
We measure ECL at the individual financial instrument level. However, where we have used internal capital or similar models as the basis for our ECL models, this typically results in a large number of relatively small homogenous groups. We typically group instruments where they share risk characteristics using statistical models and assess them for impairment collectively. We use this approach for all our Retail & Business Banking and Consumer Finance portfolios and SME customers in Corporate & Commercial Banking.

We calculate separate collective provisions for instruments in Stages 1, 2 and 3 where the instrument is not individually assessed.

For all our portfolios (whether we assess them for impairment individually or collectively) we use four forward-looking economic scenarios.

Governance around ECL impairment allowances (audited)
Our Risk Methodology team developed our ECL models (except for the external models we use, such as OGEM which we described earlier in 'Our forecasting approach'), and our Independent Validations team reviews all material models. As model owners, our Risk Provisioning & Forecasting team run the models to calculate our ECL each month. The models are sensitive to changes in credit conditions and reflect management judgements that give rise to measurement uncertainty in our ECL, as set out above. The following committees and forums review the provision drivers and ensure that the ECL remains appropriate:

- **Model Risk Control Forum** (MRCF) reviews and approves new models and model changes. It also reviews the use of OGEM as a reliable model on which to base our other forecast macroeconomic variables. We use it across all stress testing and planning so it is subject to model risk criteria.
- **ALCO** reviews and approves the base case used in the economic scenarios we use to calculate forward-looking scenarios.
- **CRPF** reviews and approves the economic scenarios and probability weights we use to calculate forward-looking scenarios. It also reviews management judgements and approves ECL impairment allowances.
- **Board Audit Committee** reviews and challenges the appropriateness of the estimates and judgements made by management.

For more on the governance around specific elements of the ECL impairment allowances, including the frequency of, and thresholds for, reviews, including by these committees and forums, see the detailed sections above.

How we assess the performance of our ECL estimation process
We assess the reasonableness of our ECL provisions and the results of our Staging analysis using a range of methods. These include:

- **Benchmarking:** we compare our coverage levels with our peers
- **Stand-back testing:** we monitor the level of our coverage against actual write-offs
- **Back-testing:** we compare key drivers periodically as part of model monitoring practices
- **Monitoring trends:** we track ECL and Staged assets over time and against our internal budgets and forecasts, with triggers set accordingly.

SANTANDER UK GROUP LEVEL – CREDIT RISK REVIEW

The credit risk balances in these credit risk review sections include interest we have charged to the customer's account, but not accrued interest that we have not charged to the account yet, unless otherwise stated.

Our maximum and net exposure to credit risk (audited)
The tables below show the main differences between our maximum and net exposure to credit risk. They show the effects of collateral, netting, and risk transfer to mitigate our exposure. The tables only show the financial assets that credit risk affects and to which the impairment requirements in IFRS 9 are applied.

For balance sheet assets, the maximum exposure to credit risk is the carrying value after impairment loss allowances. Off-balance sheet exposures are mortgage offers, guarantees, formal standby facilities, credit lines and other commitments. For off-balance sheet guarantees, the maximum exposure is the maximum amount that we would have to pay if the guarantees were called on. For formal standby facilities, credit lines and other commitments that are irrevocable over the life of the facility, the maximum exposure is the total amount of the commitment.

	Maximum exposure									
	Balance sheet asset			Off-balance sheet			Collateral[1]			
	Gross amounts	Loss allowance	Net amounts	Gross amounts	Loss allowance	Net amounts	Cash	Non-cash	Netting[2]	Net exposure
2024	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and balances at central banks	**29.9**	**—**	**29.9**	**—**	**—**	**—**	**—**	**—**	**—**	**29.9**
Financial assets at amortised cost:										
– Loans and advances to customers:[3]										
– Residential Mortgages[4]	**165.2**	**(0.2)**	**165.0**	**10.8**	**—**	**10.8**	**—**	**(168.0)**	**—**	**7.8**
– Corporate loans	**18.6**	**(0.3)**	**18.3**	**7.8**	**—**	**7.8**	**—**	**(14.9)**	**—**	**11.2**
– Finance leases	**4.2**	**(0.1)**	**4.1**	**—**	**—**	**—**	**—**	**—**	**—**	**4.1**
– Accrued interest and other adjustments	**0.8**	**—**	**0.8**	**0.4**	**—**	**0.4**	**—**	**—**	**—**	**1.2**
– Other unsecured loans	**6.6**	**(0.2)**	**6.4**	**14.2**	**(0.1)**	**14.1**	**—**	**—**	**—**	**20.5**
– Amounts due from fellow Banco Santander group subsidiaries and JVs	**4.8**	**—**	**4.8**	**—**	**—**	**—**	**—**	**—**	**—**	**4.8**
Total loans and advances to customers	**200.2**	**(0.8)**	**199.4**	**33.2**	**(0.1)**	**33.1**	**—**	**(182.9)**	**—**	**49.6**
– Loans and advances to banks	**1.0**	**—**	**1.0**	**0.5**	**—**	**0.5**	**—**	**—**	**—**	**1.5**
– Reverse repurchase agreements – non trading	**10.3**	**—**	**10.3**	**2.0**	**—**	**2.0**	**—**	**(10.3)**	**(0.1)**	**1.9**
– Other financial assets at amortised cost	**3.4**	**—**	**3.4**	**—**	**—**	**—**	**—**	**—**	**—**	**3.4**
Total financial assets at amortised cost	**214.9**	**(0.8)**	**214.1**	**35.7**	**(0.1)**	**35.6**	**—**	**(193.2)**	**(0.1)**	**56.4**
Financial assets at fair value at FVOCI:										
– Debt securities	**9.0**	**—**	**9.0**	**—**	**—**	**—**	**—**	**—**	**—**	**9.0**
Total financial assets at FVOCI	**9.0**	**—**	**9.0**	**—**	**—**	**—**	**—**	**—**	**—**	**9.0**
Total	**253.8**	**(0.8)**	**253.0**	**35.7**	**(0.1)**	**35.6**	**—**	**(193.2)**	**(0.1)**	**95.3**

2023										
Cash and balances at central banks	38.2	—	38.2	—	—	—	—	—	—	38.2
Financial assets at amortised cost:										
– Loans and advances to customers:[3]										
– Residential Mortgages[4]	172.9	(0.2)	172.7	8.3	—	8.3	—	(175.4)	—	5.6
– Corporate loans	18.3	(0.3)	18.0	8.9	—	8.9	(0.1)	(15.3)	—	11.5
– Finance leases	4.6	(0.1)	4.5	—	—	—	—	(4.5)	—	—
– Accrued interest and other adjustments	0.9	—	0.9	—	—	—	—	—	—	0.9
– Other unsecured loans	7.1	(0.3)	6.8	13.8	(0.1)	13.7	—	—	—	20.5
– Amounts due from fellow Banco Santander group subsidiaries and JVs	4.5	—	4.5	—	—	—	—	—	—	4.5
Total loans and advances to customers	208.3	(0.9)	207.4	31.0	(0.1)	30.9	(0.1)	(195.2)	—	43.0
– Loans and advances to banks	1.1	—	1.1	0.5	—	0.5	—	—	—	1.6
– Reverse repurchase agreements – non trading	12.5	—	12.5	—	—	—	—	(12.4)	(0.1)	—
– Other financial assets at amortised cost	0.2	—	0.2	—	—	—	—	—	—	0.2
Total financial assets at amortised cost	222.1	(0.9)	221.2	31.5	(0.1)	31.4	(0.1)	(207.6)	(0.1)	44.8
Financial assets at FVOCI:										
– Debt securities	8.5	—	8.5	—	—	—	—	—	—	8.5
Total financial assets at FVOCI	8.5	—	8.5	—	—	—	—	—	—	8.5
Total	268.8	(0.9)	267.9	31.5	(0.1)	31.4	(0.1)	(207.5)	(0.1)	91.5

(1) The forms of collateral we take to reduce credit risk include: residential and commercial property; other physical assets, including motor vehicles; liquid securities, including those transferred under reverse repurchase agreements; cash, including cash used as collateral for derivative transactions; and receivables. Charges on residential property are most of the collateral we take.
(2) We can reduce credit risk exposures by applying netting. We do this mainly for derivative and repurchase transactions with financial institutions. For derivatives and securities finance transactions, we use standard master netting agreements. For more on this, see 'Credit risk mitigation' in the 'Credit risk - Credit risk management' section.
(3) Balances include interest we have charged to the customer's account and accrued interest that we have not charged to the account yet.
(4) The collateral value shown against advances secured on residential property is limited to the balance of each associated individual loan. It does not include the impact of over-collateralisation (where the collateral has a higher value than the loan balance) and includes collateral we would receive on draw down of certain off-balance sheet commitments.

The tables below show the main differences between our maximum and net exposure to credit risk on the financial assets that credit risk affects and to which the impairment requirements in IFRS 9 are not applied.

2024	Balance sheet asset gross amount £bn	Collateral[1] Cash £bn	Collateral[1] Non-cash £bn	Netting[2] £bn	Net exposure £bn
Financial assets at FVTPL:					
– Derivative financial instruments	**1.2**	**(0.7)**	**—**	**(0.4)**	**0.1**
– Other financial assets at FVTPL	**0.1**	**—**	**—**	**—**	**0.1**
Total	**1.3**	**(0.7)**	**—**	**(0.4)**	**0.2**
2023					
Financial assets at FVTPL:					
– Derivative financial instruments	1.4	(0.8)	0.0	(0.5)	0.1
– Other financial assets at FVTPL	0.3	—	—	—	0.3
Total	1.7	(0.8)	0.0	(0.5)	0.4

(1) The forms of collateral we take to reduce credit risk include: liquid securities, including those transferred under reverse repurchase agreements; cash, including cash used as collateral for derivative transactions; and receivables.
(2) We can reduce credit risk exposures by applying netting. We do this mainly for derivative and repurchase transactions with financial institutions. For derivatives and securities finance transactions, we use standard master netting agreements. They allow us to set off our credit risk exposure to a counterparty against our obligations to the counterparty in relation to transactions under the master netting agreement in the event of default. This gives us a lower net credit exposure. They may also reduce settlement exposure. For more on this, see 'Credit risk mitigation' in the 'Credit risk – Credit risk management' section.

Single credit rating scale

In the table below, we have used a single rating scale to ensure we are consistent across all our credit risk portfolios in how we report the risk of default. It has eight grades for non-defaulted exposures, from 9 (lowest risk) to 2 (highest risk). We define each grade by an upper and lower PD value and we scale the grades so that the default risk increases by a factor of ten every time the grade number drops by two steps. For example, grade 9 has an average PD of 0.010%, and grade 7 has an average PD of 0.100%. We give defaulted exposures a grade 1 and a PD value of 100%. In the final column of the table, we show the approximate equivalent credit rating grade used by Standard & Poor's Ratings Services (S&P).

Santander UK risk grade	PD range Mid %	PD range Lower %	PD range Upper %	S&P equivalent
9	0.010	0.000	0.021	AAA to AA+
8	0.032	0.021	0.066	AA to AA-
7	0.100	0.066	0.208	A+ to BBB
6	0.316	0.208	0.658	BBB- to BB
5	1.000	0.658	2.081	BB-
4	3.162	2.081	6.581	B+ to B
3	10.000	6.581	20.811	B-
2	31.623	20.811	99.999	CCC to C
1 (Default)	100.000	100.000	100.000	D

The PDs in the table above are based on Economic Capital (EC) PD mappings, calculated based on the average PD over an economic cycle. This is different to the IFRS 9 PDs which are calculated at a point in time using forward looking economic scenarios. Where possible, the EC PD values are aligned to the regulatory capital models; however, any regulatory floors are removed and PDs are defined at every possible rating rather than grouped into rating buckets.

Rating distribution (audited)

The tables below show the credit rating of our financial assets to which the impairment requirements in IFRS 9 apply. Financial assets with low risk concentrations are not included and are all investment grade. JAs are incorporated in the balances. For more on the credit rating profiles of key portfolios, see the credit risk review section for each business segment.

	Santander UK risk grade									
	9	8	7	6	5	4	3 to 1	Other[(1)(2)]	Loss allowance	Total
2024	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Exposures - On balance sheet										
Financial assets at amortised cost:										
–Loans and advances to customers[(2)]	**5.8**	**31.3**	**81.8**	**46.4**	**15.6**	**6.8**	**5.4**	**7.1**	**(0.8)**	**199.4**
–Stage 1	**5.7**	**30.6**	**78.1**	**40.5**	**12.4**	**2.8**	**0.6**	**6.9**	**(0.1)**	**177.5**
–Stage 2	**0.1**	**0.7**	**3.7**	**5.9**	**3.2**	**3.9**	**2.4**	**0.1**	**(0.3)**	**19.7**
–Stage 3	**—**	**—**	**—**	**—**	**—**	**0.1**	**2.4**	**0.1**	**(0.4)**	**2.2**
Of which mortgages:	**5.2**	**29.8**	**76.5**	**40.8**	**6.5**	**3.3**	**3.1**	**—**	**(0.2)**	**165.0**
–Stage 1	**5.1**	**29.3**	**72.9**	**35.0**	**4.0**	**0.4**	**—**	**—**	**—**	**146.7**
–Stage 2	**0.1**	**0.5**	**3.6**	**5.8**	**2.5**	**2.9**	**1.3**	**—**	**(0.1)**	**16.6**
–Stage 3	**—**	**—**	**—**	**—**	**—**	**—**	**1.8**	**—**	**(0.1)**	**1.7**
Total off-balance sheet	**6.9**	**8.9**	**9.0**	**4.2**	**1.9**	**0.8**	**0.7**	**3.3**	**(0.1)**	**35.6**
–Stage 1	**6.9**	**8.8**	**8.8**	**4.0**	**1.7**	**0.5**	**0.4**	**3.3**	**—**	**34.4**
–Stage 2	**—**	**0.1**	**0.2**	**0.2**	**0.2**	**0.3**	**0.2**	**—**	**(0.1)**	**1.1**
–Stage 3	**—**	**—**	**—**	**—**	**—**	**—**	**0.1**	**—**	**—**	**0.1**

	Santander UK risk grade									
	9	8	7	6	5	4	3 to 1	Other[(1)(2)]	Total	Coverage Ratio
2024	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	%
ECL - On balance sheet										
Financial assets at amortised cost:										
– Loans and advances to customers[(2)]	**—**	**—**	**—**	**—**	**0.2**	**0.1**	**0.5**	**—**	**0.8**	**0.4**
– Stage 1	**—**	**—**	**—**	**—**	**0.1**	**—**	**—**	**—**	**0.1**	**0.1**
– Stage 2	**—**	**—**	**—**	**—**	**0.1**	**0.1**	**0.1**	**—**	**0.3**	**1.5**
– Stage 3	**—**	**—**	**—**	**—**	**—**	**—**	**0.4**	**—**	**0.4**	**18.2**
Of which mortgages:	**—**	**—**	**—**	**—**	**—**	**0.1**	**0.1**	**—**	**0.2**	**0.1**
– Stage 1	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– Stage 2	**—**	**—**	**—**	**—**	**—**	**0.1**	**—**	**—**	**0.1**	**0.6**
– Stage 3	**—**	**—**	**—**	**—**	**—**	**—**	**0.1**	**—**	**0.1**	**5.9**
Total off-balance sheet	**—**	**—**	**—**	**—**	**—**	**0.1**	**—**	**—**	**0.1**	**0.3**
– Stage 1	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
– Stage 2	**—**	**—**	**—**	**—**	**—**	**0.1**	**—**	**—**	**0.1**	**9.1**
– Stage 3	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

2023	Santander UK risk grade 9 £bn	8 £bn	7 £bn	6 £bn	5 £bn	4 £bn	3 to 1 £bn	Other[1][2] £bn	Loss allowance £bn	Total £bn
Exposures - On balance sheet										
Financial assets at amortised cost:										
– Loans and advances to customers[2]	5.3	34.2	84.4	48.9	14.6	8.3	5.4	7.2	(0.9)	207.4
– Stage 1	5.3	33.1	80.4	43.6	10.3	2.8	0.3	6.9	(0.1)	182.6
– Stage 2	—	1.1	4.0	5.3	4.3	5.4	2.4	0.1	(0.4)	22.2
– Stage 3	—	—	—	—	—	0.1	2.7	0.2	(0.4)	2.6
Of which mortgages:	5.2	32.5	79.9	41.5	6.6	3.7	3.5	—	(0.2)	172.7
– Stage 1	5.2	31.4	75.9	36.3	3.6	0.4	0.2	—	—	153.0
– Stage 2	—	1.1	4.0	5.2	3.0	3.2	1.4	—	(0.1)	17.8
– Stage 3	—	—	—	—	—	0.1	1.9	—	(0.1)	1.9
Total off-balance sheet	—	6.3	7.0	6.8	4.6	1.7	0.4	4.7	(0.1)	31.4
– Stage 1	—	6.3	6.9	6.7	4.4	1.2	0.1	4.7	—	30.3
– Stage 2	—	—	0.1	0.1	0.2	0.5	0.2	—	(0.1)	1.0
– Stage 3	—	—	—	—	—	—	0.1	—	—	0.1

2023	Santander UK risk grade 9 £bn	8 £bn	7 £bn	6 £bn	5 £bn	4 £bn	3 to 1 £bn	Other[1][2] £bn	Total £bn	Coverage Ratio %
ECL - On balance sheet										
Financial assets at amortised cost:										
– Loans and advances to customers[2]	—	—	—	—	0.2	0.2	0.5	—	0.9	0.4
– Stage 1	—	—	—	—	0.1	—	—	—	0.1	0.1
– Stage 2	—	—	—	—	0.1	0.2	0.1	—	0.4	1.8
– Stage 3	—	—	—	—	—	—	0.4	—	0.4	13.3
Of which mortgages:	—	—	—	—	—	0.1	0.1	—	0.2	0.1
– Stage 1	—	—	—	—	—	—	—	—	—	—
– Stage 2	—	—	—	—	—	0.1	—	—	0.1	0.6
– Stage 3	—	—	—	—	—	—	0.1	—	0.1	5.0
Total off-balance sheet	—	—	—	—	—	0.1	—	—	0.1	0.3
– Stage 1	—	—	—	—	—	—	—	—	—	—
– Stage 2	—	—	—	—	—	0.1	—	—	0.1	9.1
– Stage 3	—	—	—	—	—	—	—	—	—	—

(1) Includes Joint Ventures and Business Banking (including BBLs balances). We use scorecards for these items, rather than rating models..
(2) Includes interest we have charged to the customer's account and accrued interest we have not charged to the account yet.

Arrears over 90 days past due

	31 December 2024 %	31 December 2023 %
Mortgages	**0.80**	0.80
Credit Cards	**0.56**	0.51
UPL	**0.88**	0.73
Overdrafts	**3.05**	2.43
Business Banking	**3.89**	4.15
Consumer Finance	**0.53**	0.43
Corporate & Commercial Banking	**1.04**	1.04

2024 compared to 2023

Our underlying asset quality remained good, supported by the sale of low return mortgage assets. The improvement in the economic outlook helped drive the reduction in Stage 2 and 3 assets. While we saw loans in Stage 2 and 3 decrease, we saw an increase in early arrears in 2024 as they returned to more normalised levels. The decrease in CCB Stage 2 assets was driven by an overall improvement in asset quality.

For more on the credit performance of our key portfolios by business segment, see the credit risk review section for each business segment.

Credit quality (audited)

Total on-balance sheet exposures at 31 December 2024 comprised £194.5bn of customer loans, loans and advances to banks of £1.0bn, £13.7bn of sovereign assets measured at amortised cost, £9.0bn of assets measured at FVOCI, and £29.9bn of cash and balances at central banks.

2024	Gross Write-offs £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Exposures					
On-balance sheet					
Retail & Business Banking		152,198	17,571	1,955	171,724
Consumer Finance		4,389	334	36	4,759
Corporate & Commercial Banking		15,280	2,098	651	18,029
Corporate Centre		53,699	—	—	53,699
Total on-balance sheet		225,566	20,003	2,642	248,211
Off-balance sheet					
Retail & Business Banking[1]		24,211	745	52	25,008
Consumer Finance		—	—	—	—
Corporate & Commercial Banking		7,743	470	65	8,278
Corporate Centre		2,363	—	—	2,363
Total off-balance sheet[2]		34,317	1,215	117	35,649
Total exposures		259,883	21,218	2,759	283,860
ECL and Gross write-offs					
On-balance sheet					
Retail & Business Banking	156	52	223	146	421
Consumer Finance	25	16	27	26	69
Corporate & Commercial Banking	49	55	71	168	294
Corporate Centre	—	—	—	—	—
Total on-balance sheet	230	123	321	340	784
Off-balance sheet					
Retail & Business Banking	—	12	24	1	37
Consumer Finance	—	—	—	—	—
Corporate & Commercial Banking	—	18	14	16	48
Corporate Centre	—	—	—	—	—
Total off-balance sheet	—	30	38	17	85
Total ECL	230	153	359	357	869
Coverage ratio[3]		%	%	%	%
On-balance sheet					
Retail & Business Banking		—	1.3	7.5	0.2
Consumer Finance		0.4	8.2	71.2	1.4
Corporate & Commercial Banking		0.4	3.4	25.9	1.6
Corporate Centre		—	—	—	—
Total on-balance sheet		0.1	1.6	12.9	0.3
Off-balance sheet					
Retail & Business Banking		—	3.2	2.6	0.1
Consumer Finance		—	—	—	—
Corporate & Commercial Banking		0.2	3.0	24.2	0.6
Corporate Centre		—	—	—	—
Total off-balance sheet		0.1	3.1	14.6	0.2
Total coverage		0.1	1.7	13.0	0.3

(1) Off-balance sheet exposures include £6.1bn of residential mortgage offers in the pipeline.
(2) Off-balance sheet amounts consist of contingent liabilities and commitments. For more, see Note 30 to the Consolidated Financial Statements.
(3) ECL as a percentage of the related exposure.

Total on-balance sheet exposures at 31 December 2023 comprised £203.1bn of customer loans, loans and advances to banks of £1.1bn, £12.6bn of sovereign assets measured at amortised cost, £8.5bn of assets measured at FVOCI, and £38.2bn of cash and balances at central banks.

2023	Gross Write-offs £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Exposures					
On-balance sheet					
Retail & Business Banking		158,782	18,866	2,239	179,887
Consumer Finance		4,870	330	28	5,228
Corporate & Commercial Banking		13,822	3,418	699	17,939
Corporate Centre		60,395	—	—	60,395
Total on-balance sheet		237,869	22,614	2,966	263,449
Off-balance sheet					
Retail & Business Banking[1]		21,597	434	59	22,090
Consumer Finance		—	—	—	0
Corporate & Commercial Banking		8,745	547	46	9,338
Corporate Centre		—	—	—	—
Total off-balance sheet[2]		30,342	981	105	31,428
Total exposures		268,211	23,595	3,071	294,877
ECL and Gross write-offs					
On-balance sheet					
Retail & Business Banking	141	57	273	169	499
Consumer Finance	23	21	30	19	70
Corporate & Commercial Banking	68	64	118	163	345
Corporate Centre	—	—	—	—	—
Total on-balance sheet	232	142	421	351	914
Off-balance sheet					
Retail & Business Banking	—	16	26	1	43
Consumer Finance	—	—	—	—	—
Corporate & Commercial Banking	—	12	14	9	35
Total off-balance sheet	—	28	40	10	78
Total ECL	232	170	461	361	992
Coverage ratio[3]		%	%	%	%
On-balance sheet					
Retail & Business Banking		—	1.4	7.5	0.3
Consumer Finance		0.4	9.0	68.5	1.3
Corporate & Commercial Banking		0.5	3.5	23.4	1.9
Corporate Centre		—	—	—	—
Total on-balance sheet		0.1	1.9	11.8	0.3
Off-balance sheet					
Retail & Business Banking		0.1	6.0	2.8	0.2
Consumer Finance		—	—	—	—
Corporate & Commercial Banking		0.1	2.5	20.2	0.4
Total off-balance sheet		0.1	4.1	10.4	0.2
Total coverage		0.1	2.0	11.8	0.3

(1) Off-balance sheet exposures include £3.3bn of residential mortgage offers in the pipeline.
(2) Off-balance sheet amounts consist of contingent liabilities and commitments. For more, see Note 30 to the Consolidated Financial Statements.
(3) ECL as a percentage of the related exposure.

2024 compared to 2023

The ECL provision at 31 December 2024 decreased by £123m to £869m (2023: £992m) with a change in our economic assumptions and weights, including the removal of our Stubborn Inflation scenario and the re-weighting of the remaining scenarios in 2024. Following the fall in inflation in 2024, we also released judgemental adjustments which were originally made to reflect cost of living pressures on customers.

Gross write-off utilisation of £230m (2023: £232m) largely driven by unsecured retail.

Key movements in exposures and ECL allowance in the year by Stage were:

- Stage 1 exposures reduced, mainly due to lower Mortgage new business. Stage 1 ECL allowance also reduced due to a reduction in Mortgage assets, as well as the economic assumption and weights updates.
- Stage 2 exposures reduced, driven by Corporate and Commercial Banking assets moving from Stage 1 to Stage 2 following the implementation of new impairment models and in Mortgages due to the unwinding of the refinance JAs moving customers back into Stage 1. Stage 2 ECL allowance reduced mainly due to the economic assumption and weights updates in the year.
- Stage 3 exposures and ECL allowance reduced in 2024 mainly in Mortgages due to the improved economic outlook and sale of low return mortgage assets in Q424.

Stage 2 analysis (audited)
The following table analyses our Stage 2 exposures and ECL allowance by the reason the exposure is classified as Stage 2.

2024		Backstop	Quantitative		Qualitative		JAs	Total
		30 DPD	PD deterioration	PD threshold	Forbearance[1]	Other[2]	Mortgage Refinancing	
Retail & Business Banking	Exposure £m	592	9,434	478	308	4,955	1,804	17,571
	ECL £m	20	133	29	5	25	11	223
Of which -Mortgages	Exposure £m	504	8,834	350	298	4,898	1,804	16,688
	ECL £m	7	48	3	3	12	11	84
Consumer Finance	Exposure £m	30	155	—	—	149	—	334
	ECL £m	10	11	—	—	6	—	27
Corporate & Commercial Banking	Exposure £m	54	930	61	57	996	—	2,098
	ECL £m	1	38	7	1	24	—	71
Corporate Centre	Exposure £m	—	—	—	—	—	—	—
	ECL £m	—	—	—	—	—	—	—
Total Drawn	Exposure £m	676	10,519	539	365	6,100	1,804	20,003
	ECL £m	31	182	36	6	55	11	321
Undrawn	ECL £m	1	23	6	2	6	—	38
Total Reported	Exposure £m	701	11,180	605	434	6,494	1,804	21,218
	ECL £m	32	205	42	8	61	11	359

2023		Backstop	Quantitative	Qualitative			JAs			Total
		30 DPD	PD deterioration	Forbearance[1]	Other	Secured affordability	Unsecured affordability	Mortgage Refinancing	High risk corporate	
Retail & Business Banking	Exposure £m	738	6,421	516	301	2,889	232	7,769	—	18,866
	ECL £m	33	164	2	11	9	35	19	—	273
Of which -Mortgages	Exposure £m	560	5,877	516	265	2,889	—	7,769	—	17,876
	ECL £m	11	65	2	3	9	—	19	—	109
Consumer Finance	Exposure £m	25	115	—	126	64	—	—	—	330
	ECL £m	11	10	—	5	4	—	—	—	30
Corporate & Commercial Banking	Exposure £m	93	1,809	85	533	—	—	—	898	3,418
	ECL £m	2	75	2	17	—	—	—	22	118
Corporate Centre	Exposure £m	—	—	—	—	—	—	—	—	—
	ECL £m	—	—	—	—	—	—	—	—	—
Total Drawn	Exposure £m	856	8,345	601	960	2,953	232	7,769	898	22,614
	ECL £m	46	249	4	33	13	35	19	22	421
Undrawn	ECL £m	3	28	—	4	—	3	—	2	40
Total Reported	Exposure £m	893	9,160	601	1,152	2,889	233	7,769	898	23,595
	ECL £m	49	277	4	37	13	38	19	24	461

(1) Where the values of ECL and/or exposures are not £nil, but round to £nil when presented in £millions, the coverage ratio is still presented in the table.
(2) Mainly consists of Qualitative triggers for Mortgages, over-indebted customers c£2.5bn and Interest-only accounts 24 months pre-maturity c£1.3bn, and for CCB customers operating in a high-risk sector.

Where balances satisfy more than one of the criteria above for determining a SICR, we have assigned the corresponding gross carrying amount and ECL allowance in order of the categories presented.

Reconciliation of exposures, loss allowance and net carrying amounts (audited)
The table below shows the relationships between disclosures in this Credit risk review section which refer to drawn exposures and the associated ECL allowance, and the total assets as presented in the Consolidated Balance Sheet. The Credit risk review disclosures exclude Joint ventures, as they carry low credit risk and therefore have an immaterial ECL, and Other items, mainly accrued interest that we have not yet charged to the customer's account, and cash collateral.

	On-balance sheet			Off-balance sheet	
	Exposures	Loss allowance	Net carrying amount	Exposures	Loss allowance
2024	£m	£m	£m	£m	£m
Retail & Business Banking[1]	**171,724**	**421**	**171,303**	**25,008**	**37**
Consumer Finance	**4,759**	**69**	**4,690**	**—**	**—**
Corporate & Commercial Banking	**18,029**	**294**	**17,735**	**8,278**	**48**
Corporate Centre	**53,699**	**—**	**53,699**	**2,363**	**—**
Total exposures presented in Credit Quality tables	**248,211**	**784**	**247,427**	**35,649**	**85**
Joint ventures			**4,832**		
Other items			**848**		
Adjusted net carrying amount			**253,107**		
Assets classified at FVTPL			**1,340**		
Non-financial assets			**5,497**		
Total assets per the Consolidated Balance Sheet			**259,944**		
2023					
Retail & Business Banking[1]	179,887	499	179,388	22,090	43
Consumer Finance	5,228	70	5,158	—	—
Corporate & Commercial Banking	17,939	345	17,594	9,338	35
Corporate Centre	60,395	—	60,395	—	—
Total exposures presented in Credit Quality tables	263,449	914	262,535	31,428	78
Joint ventures			4,544		
Other items			751		
Adjusted net carrying amount			267,830		
Assets classified at FVTPL			1,694		
Non-financial assets			5,924		
Total assets per the Consolidated Balance Sheet			275,448		

(1) Off-balance sheet exposures include offers in the pipeline, undrawn flexible mortgage products and credit cards.

Movement in total exposures and the corresponding ECL (audited)
The following table shows changes in total on and off-balance sheet exposures, subject to ECL assessment, and the corresponding ECL, in the period. The table presents total gross carrying amounts and ECLs at a Santander UK group level. We present segmental views in the sections below.

	Stage 1		Stage 2		Stage 3		Total	
	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**268,211**	**170**	**23,595**	**461**	**3,071**	**361**	**294,877**	**992**
Transfers from Stage 1 to Stage 2[3]	**(11,911)**	**(11)**	**11,911**	**11**	**—**	**—**	**—**	**—**
Transfers from Stage 2 to Stage 1[3]	**9,395**	**118**	**(9,395)**	**(118)**	**—**	**—**	**—**	**—**
Transfers to Stage 3[3]	**(434)**	**(2)**	**(845)**	**(34)**	**1,279**	**36**	**—**	**—**
Transfers from Stage 3[3]	**35**	**2**	**417**	**34**	**(452)**	**(36)**	**—**	**—**
Transfers of financial instruments	**(2,915)**	**107**	**2,088**	**(107)**	**827**	**—**	**—**	**—**
Net ECL remeasurement on stage transfer[4]	**—**	**(107)**	**—**	**96**	**—**	**122**	**—**	**111**
Change in economic scenarios[2]	**—**	**(20)**	**—**	**(44)**	**—**	**—**	**—**	**(64)**
Change to ECL models	**(2,287)**	**(5)**	**2,361**	**37**	**(74)**	**(26)**	**—**	**6**
New lending and assets purchased[5]	**33,894**	**43**	**1,170**	**58**	**164**	**40**	**35,228**	**141**
Redemptions, repayments and assets sold[7]	**(38,081)**	**(44)**	**(4,663)**	**(69)**	**(1,242)**	**(79)**	**(43,986)**	**(192)**
Changes in risk parameters and other movements[6]	**1,061**	**9**	**(3,333)**	**(73)**	**355**	**169**	**(1,917)**	**105**
Assets written off[7]	**—**	**—**	**—**	**—**	**(342)**	**(230)**	**(342)**	**(230)**
At 31 December 2024	**259,883**	**153**	**21,218**	**359**	**2,759**	**357**	**283,860**	**869**
Net movement in the period	**(8,328)**	**(17)**	**(2,377)**	**(102)**	**(312)**	**(4)**	**(11,017)**	**(123)**
ECL (release)/charge to the Income Statement		**(17)**		**(102)**		**226**		**107**
Less: Discount unwind		**—**		**—**		**(24)**		**(24)**
Less: Recoveries net of collection costs		**—**		**—**		**(12)**		**(12)**
Total ECL (release)/charge to the Income Statement		**(17)**		**(102)**		**190**		**71**

At 1 January 2023	284,428	170	19,127	516	2,729	319	306,284	1,005
Transfers from Stage 1 to Stage 2[3]	(12,945)	(9)	12,945	9	—	—	—	—
Transfers from Stage 2 to Stage 1[3]	5,913	111	(5,913)	(111)	—	—	—	—
Transfers to Stage 3[3]	(598)	(6)	(920)	(38)	1,518	44	—	—
Transfers from Stage 3[3]	28	1	304	15	(332)	(16)	—	—
Transfers of financial instruments	(7,602)	97	6,416	(125)	1,186	28	—	—
Net ECL remeasurement on stage transfer[4]	—	(111)	—	145	—	130	—	164
Change in economic scenarios[2]	—	29	—	(33)	—	9	—	5
Change to ECL models	—	—	—	—	—	—	—	—
New lending and assets purchased[5]	25,409	28	562	45	59	20	26,030	93
Redemptions, repayments and assets sold[7]	(33,805)	(35)	(3,017)	(53)	(886)	(46)	(37,708)	(134)
Changes in risk parameters and other movements[6]	(219)	(8)	507	(34)	395	133	683	91
Assets written off[7]	—	—	—	—	(412)	(232)	(412)	(232)
At 31 December 2023	268,211	170	23,595	461	3,071	361	294,877	992
Net movement in the period	(16,217)	—	4,468	(55)	342	42	(11,407)	(13)
ECL (release)/charge to the Income Statement		—		(55)		274		219
Less: Discount unwind		—		—		(21)		(21)
Less: Recoveries net of collection costs		—		—		7		7
Total ECL (release)/charge to the Income Statement		—		(55)		260		205

(1) Exposures that have attracted an ECL, and as reported in the Credit Quality table above.
(2) Changes to assumptions in the period. Isolates the impact on ECL from changes to the economic variables for each scenario, the scenarios themselves, and the probability weights from all other movements. Also includes the impact of quarterly revaluation of collateral. The impact of changes in economics on exposure Stage allocations are shown in Transfers of financial instruments.
(3) Total impact of facilities that moved Stage(s) in the period. This means, for example, that where risk parameter changes (model inputs) or model changes (methodology) result in a facility moving Stage, the full impact is reflected here (rather than in Other). Stage flow analysis only applies to facilities that existed at both the start and end of the period. Transfers between Stages are based on opening balances and ECL at the start of the period.
(4) Relates to the revaluation of ECL following the transfer of an exposure from one Stage to another.
(5) Exposures and ECL of facilities that did not exist at the start of the period but did at the end. Amounts in Stage 2 and 3 represent assets which deteriorated in the period after origination in Stage 1.
(6) Residual movements on existing facilities that did not change Stage in the period, and which were not acquired in the period. Includes the net increase or decrease in the period of the mortgage pipeline, cash at central banks, the impact of changes in risk parameters in the period, unwind of discount rates and increases in ECL requirements of accounts which ultimately were written off in the period.
(7) Exposures and ECL for facilities that existed at the start of the period but not at the end.

COUNTRY RISK EXPOSURES (audited)

We manage our country risk exposure under our global limits framework. We set our Risk Appetite for each country, considering factors that may affect its risk profile. These can include political events, macroeconomics and the nature of the risk. We actively manage exposures if we need to.

The tables below show our total exposures, which are the total of balance sheet and off-balance sheet values. We calculate balance sheet values in line with IFRS (i.e. after netting allowed under IAS 32) except for credit provisions which we add back. Off-balance sheet values are undrawn facilities and letters of credit. We classify location by country of risk – the country where each client has its main business or assets. That is unless there is a full risk transfer guarantee in place. If so, we use the guarantor's country of domicile. If a client has operations in many countries, we use their country of incorporation. The table below excludes balances with other Banco Santander group members. We show them separately in the section that immediately follows.

	2024						2023					
		Financial institutions						Financial institutions				
	Governments	Banks[1]	Other	Retail	Corporate	Total[2]	Governments	Banks[1]	Other	Retail	Corporate	Total[2]
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Eurozone												
Ireland	—	—	3.3	—	—	3.3	—	—	3.1	—	0.1	3.2
Spain	—	—	—	—	—	—	—	—	—	—	—	—
France	0.1	1.5	2.1	—	—	3.7	0.1	1.7	0.8	—	—	2.6
Belgium	0.2	0.3	—	—	—	0.5	0.2	0.3	—	—	—	0.5
Germany	—	0.2	—	—	—	0.2	—	0.2	0.3	—	—	0.5
Luxembourg	—	—	2.3	—	0.1	2.4	—	—	0.5	—	0.1	0.6
Other	—	—	—	—	—	—	0.1	0.4	—	—	—	0.5
	0.3	2.0	7.7	—	0.1	10.1	0.4	2.6	4.7	—	0.2	7.9
Other countries												
UK	34.0	1.5	6.3	200.8	24.3	266.9	38.5	1.7	6.5	206.0	25.0	277.7
Jersey	—	—	0.1	—	0.3	0.4	—	—	0.1	—	0.2	0.3
US	—	0.9	—	—	—	0.9	—	0.7	—	—	—	0.7
Canada	0.6	0.9	—	—	—	1.5	0.1	0.8	—	—	—	0.9
Japan	2.8	0.1	—	—	—	2.9	2.0	0.9	—	—	—	2.9
Switzerland	0.4	—	—	—	—	0.4	2.1	—	—	—	—	2.1
Other[3]	—	0.6	0.1	0.2	0.4	1.3	—	0.4	0.1	0.1	0.5	1.1
	37.8	4.0	6.5	201.0	25.0	274.3	42.7	4.5	6.7	206.1	25.7	285.7
Total	38.1	6.0	14.2	201.0	25.1	284.4	43.1	7.1	11.4	206.1	25.9	293.6

(1) Excludes balances with central banks.
(2) Excludes cash at hand, interests in other entities, intangible assets, property, plant and equipment, tax assets, retirement benefit assets and other assets.
(3) Mainly includes Australia £0.3bn (2023: £0.3bn), Other OECD £0.2bn (2023: £0.2bn), Bermuda £0.1bn (2023: £0.1bn), China £0.1bn (2023: £0.1bn), Guernsey £0.1bn (2023:£0.2bn), Singapore £0.1bn (2023: £0.0bn), and Norway £0.1bn (2023: £0.1bn).

Balances with other Banco Santander group members (audited)

We deal with other Banco Santander group members in the ordinary course of business. We do this where we have a particular business advantage or expertise and where they can offer us commercial opportunities. These transactions also arise where we support the activities of, or with, larger multinational corporate clients and financial institutions which may deal with other Banco Santander group members. We conduct these activities on the same terms as for similar transactions with third parties, and in a way that manages the credit risk within limits acceptable to the Board and the PRA.

At 31 December 2024 and 31 December 2023, we had gross balances with other Banco Santander group members as follows:

	2024				2023			
	Financial institutions				Financial institutions			
	Banks	Other	Corporate	Total	Banks	Other	Corporate	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Assets								
Spain	0.6	—	—	0.6	0.8	—	—	0.8
UK	—	4.9	—	4.9	—	4.6	—	4.6
	0.6	4.9	—	5.5	0.8	4.6	—	5.4
Liabilities								
Spain	0.9	0.1	—	1.0	1.1	0.1	—	1.2
UK	—	14.2	—	14.2	—	14.3	—	14.3
	0.9	14.3	—	15.2	1.1	14.4	—	15.5

RETAIL & BUSINESS BANKING – CREDIT RISK REVIEW

We provide detailed credit risk analysis for Retail & Business Banking in separate sections below for Mortgages, our largest portfolio, and our Everyday Banking portfolio.

Retail & Business Banking: Mortgages - Credit Risk Review

We offer mortgages to people who want to buy a property and offer additional borrowing (known as further advances) to existing mortgage customers. The property must be in the UK.

Borrower profile (audited)

	Stock				New business			
	2024		2023		2024		2023	
	£m	%	£m	%	£m	%	£m	%
Home movers[1]	**69,354**	**42**	71,931	42	**6,736**	**45**	5,009	41
Remortgagers[2]	**45,226**	**27**	48,475	28	**4,353**	**29**	3,901	32
First-time buyers	**35,702**	**22**	36,868	21	**3,262**	**22**	3,015	25
Buy-to-let	**14,931**	**9**	15,585	9	**567**	**4**	239	2
	165,213	**100**	172,859	100	**14,918**	**100**	12,164	100

	2024	2023
Internal remortgages (£bn)[3]	**32.2**	31.2
Further advances and flexi drawdowns (£bn)	**0.8**	0.7
First-time buyers - gross lending (£bn)	**3.3**	3.0
% of customers retained with a maturing mortgage (unaudited)[4]	**77**	77

(1) 'Home movers' include both existing customers moving house and taking out a new mortgage with us, and customers who switch their mortgage to us when they move house.
(2) Remortgagers' are new customers who are taking a new mortgage with us.
(3) Internal remortgages are where we moved our customers with maturing mortgages onto new ones.
(4) Applied to mortgages three months post maturity, and is calculated as a 12-month average of retention rates to September 2024 and December 2023 respectively.

2024 compared to 2023
In 2024, mortgage asset stock decreased across all sectors, with the stock borrower profile unchanged. Although our new business increased year-on-year in all sectors, a decision to optimise the balance sheet in a competitively priced market has resulted in us not fully replacing the asset balances lost through repayments and redemptions.

Interest rate profile (audited)
The interest rate profile of our maturing mortgage asset stock was:

	2024		2023	
	£m	%	£m	%
Fixed rate	**148,495**	**90**	153,207	89
Of which maturing:				
– < 12 months	**37,656**	**23**	37,630	22
– Later than 1 year but no later than 3 years	**84,704**	**51**	65,502	38
– Later than 3 years but no later than 4 years	**11,122**	**7**	34,725	20
– Later than 4 years but no later than 5 years	**11,645**	**7**	10,977	6
– Later than 5 years	**3,368**	**2**	4,373	3
Variable rate	**12,105**	**7**	13,761	8
Standard Variable Rate (SVR)	**3,007**	**2**	3,915	2
Follow on Rate (FoR)	**1,606**	**1**	1,976	1
	165,213	**100**	172,859	100

2024 compared to 2023
We continued to see customers refinance from reversion to fixed rate products in 2024, influenced by high interest rates. Demand for fixed rate products increased, particularly with shorter fixed rate terms. 25% of mortgages due to reach the end of their incentive period in the next 12 months (2023: 22%).

Geographical distribution (audited)
The geographical distribution of our mortgage asset stock and new business was:

	Stock		New business	
	2024	2023	2024	2023
Region	£bn	£bn	£bn	£bn
London	**42.7**	44.0	**4.1**	2.9
Midlands and East Anglia	**23.1**	24.2	**2.0**	1.8
North	**21.7**	22.9	**1.9**	1.7
Northern Ireland	**2.3**	2.6	**0.1**	0.1
Scotland	**6.0**	6.4	**0.6**	0.6
South East excluding London	**52.3**	54.8	**4.6**	3.8
South West, Wales and other	**17.1**	18.0	**1.6**	1.3
	165.2	172.9	**14.9**	12.2

2024 compared to 2023
The portfolio's geographical distribution continued to represent a broad footprint across the UK, with a concentration around London and the South East. The loan-to-income multiple of mortgage lending in the year, based on average earnings of new business at inception was 2.93 (2023: 2.98).

Mortgage loan size (audited)
The split of our mortgage asset by size was:

Mortgage loan size	2024	2023
>£1.0m	**2 %**	2 %
£0.5m to £1.0m	**10 %**	10 %
£0.25m to £0.5m	**31 %**	31 %
<£0.25m	**57 %**	57 %
Average loan size (stock) (1)	**£193k**	£187k
Average loan size (new business)	**£246k**	£228k

(1) Average initial advance of existing stock.

Loan-to-value analysis (audited)
This table shows the LTV distribution for the gross carrying amount and the related ECL of our total mortgage portfolio and Stage 3 mortgages, and new business. We also show the collateral value and average LTV. We use our estimate of the property value at the balance sheet date and include fees that have been added to the loan. For flexible products, we only include the drawn amount, not undrawn limits.

	2024					2023				
	Stock		Stage 3		New	Stock		Stage 3		New
	Total	ECL	Total	ECL	Business	Total	ECL	Total	ECL	Business
LTV	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Up to 50%	**76,122**	**33**	**880**	**13**	**3,407**	78,673	31	1,106	12	2,616
>50-60%	**33,067**	**21**	**317**	**8**	**2,394**	32,837	24	347	10	1,604
>60-70%	**29,171**	**27**	**254**	**10**	**2,311**	30,874	40	246	16	1,977
>70-80%	**17,132**	**27**	**150**	**12**	**3,458**	18,721	48	138	19	2,736
>80-90%	**7,989**	**19**	**72**	**8**	**2,445**	8,893	35	67	15	2,318
>90-100%	**1,452**	**12**	**38**	**7**	**888**	2,416	20	39	11	900
>100%	**280**	**33**	**56**	**20**	**15**	445	44	65	25	13
	165,213	**172**	**1,767**	**78**	**14,918**	172,859	242	2,008	108	12,164
Collateral value (1)	**165,176**		**1,756**		**14,918**	172,803		1,997		12,164

	%	%	%	%	%	%
Average LTV - Balance weighted(2)	**51**	**51**	**64**	51	49	66

(1) Collateral value is limited to the balance of each loan and excludes the impact of any over-collateralisation. Includes collateral against loans in negative equity of £244m (2023: £389m).
(2) Balance weighted LTV = (Loan 1 balance x (Loan 1 Balance/Loan 1 latest property valuation) + (Loan 2 balance x (loan 2 balance/Loan 2 latest property valuation) + ...) /(Loan 1 balance + Loan 2 balance+...).

The balance weighted average LTV of new business in the period in London was 64% (2023: 65%).

2024 compared to 2023
There were no significant changes in collateral quality in 2024. Balanced weighted average LTVs of stock were broadly flat, with a reduction in new business due to elevated price competition in the market at higher LTVs. We monitor the profile of new lending and act as needed to ensure the LTV mix of completions is in line with our risk appetite.

Credit performance (audited)

	2024 £m	2023 £m
Mortgage loans and advances to customers	**165,213**	172,859
of which:		
– Stage 1	**146,758**	152,975
– Stage 2	**16,688**	17,876
– Stage 3	**1,767**	2,008
Loss allowances[1]	**172**	242
	%	%
Stage 1 ratio[2]	**88.8**	88.5
Stage 2 ratio[2]	**10.1**	10.3
Stage 3 ratio	**1.08**	1.17

(1) The ECL allowance is for both on and off-balance sheet exposures.
(2) Stage 1/Stage 2 exposures as a percentage of customer loans.

Movement in total exposures and the corresponding ECL (audited)

The following tables show changes in total on and off-balance sheet exposures and ECL in the period. The footnotes to the Santander UK group level table on page 69 also apply to these tables.

	Stage 1		Stage 2		Stage 3		Total	
	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**161,163**	**24**	**17,997**	**110**	**2,028**	**108**	**181,188**	**242**
Transfers from Stage 1 to Stage 2[3]	**(9,873)**	**(1)**	**9,873**	**1**	**—**	**—**	**—**	**—**
Transfers from Stage 2 to Stage 1[3]	**7,899**	**20**	**(7,899)**	**(20)**	**—**	**—**	**—**	**—**
Transfers to Stage 3[3]	**(230)**	**—**	**(524)**	**(7)**	**754**	**7**	**—**	**—**
Transfers from Stage 3[3]	**3**	**—**	**268**	**9**	**(271)**	**(9)**	**—**	**—**
Transfers of financial instruments	**(2,201)**	**19**	**1,718**	**(17)**	**483**	**(2)**	**—**	**—**
Net ECL remeasurement on stage transfer[4]	**—**	**(19)**	**—**	**31**	**—**	**15**	**—**	**27**
Change in economic scenarios[2]	**—**	**(15)**	**—**	**(29)**	**—**	**1**	**—**	**(43)**
Change to ECL models	**(1,859)**	**(3)**	**1,869**	**21**	**(10)**	**(37)**	**—**	**(19)**
New lending and assets purchased[5]	**21,758**	**4**	**315**	**3**	**33**	**1**	**22,106**	**8**
Redemptions, repayments and assets sold[7]	**(21,925)**	**(1)**	**(3,162)**	**(14)**	**(762)**	**(27)**	**(25,849)**	**(42)**
Changes in risk parameters and other movements[6]	**332**	**1**	**(1,764)**	**(21)**	**46**	**28**	**(1,386)**	**8**
Assets written off[7]	**—**	**—**	**—**	**—**	**(33)**	**(9)**	**(33)**	**(9)**
At 31 December 2024	**157,268**	**10**	**16,973**	**84**	**1,785**	**78**	**176,026**	**172**
Net movement in the period	**(3,895)**	**(14)**	**(1,024)**	**(26)**	**(243)**	**(30)**	**(5,162)**	**(70)**
ECL (release)/charge to the Income Statement		**(14)**		**(26)**		**(21)**		**(61)**
Less: Discount unwind		**—**		**—**		**(3)**		**(3)**
Less: Recoveries net of collection costs		**—**		**—**		**36**		**36**
Total ECL (release)/charge to the Income Statement		**(14)**		**(26)**		**12**		**(28)**

At 1 January 2023	176,965	25	13,533	131	1,848	95	192,346	251
Transfers from Stage 1 to Stage 2[3]	(10,791)	(3)	10,791	3	—	—	—	—
Transfers from Stage 2 to Stage 1[3]	4,778	30	(4,778)	(30)	—	—	—	—
Transfers to Stage 3[3]	(335)	(3)	(566)	(15)	901	18	—	—
Transfers from Stage 3[3]	14	—	277	9	(291)	(9)	—	—
Transfers of financial instruments	(6,334)	24	5,724	(33)	610	9	—	—
Net ECL remeasurement on stage transfer[4]	—	(28)	—	40	—	22	—	34
Change in economic scenarios[2]	—	—	—	(2)	—	3	—	1
Change to ECL models	—	—	—	—	—	—	—	—
New lending and assets purchased[5]	12,947	4	154	3	5	1	13,106	8
Redemptions, repayments and assets sold[7]	(23,081)	(6)	(1,752)	(12)	(417)	(14)	(25,250)	(32)
Changes in risk parameters and other movements[6]	666	5	338	(17)	36	3	1,040	(9)
Assets written off[7]	—	—	—	—	(54)	(11)	(54)	(11)
At 31 December 2023	161,163	24	17,997	110	2,028	108	181,188	242
Net movement in the period	(15,802)	(1)	4,464	(21)	180	13	(11,158)	(9)
ECL (release)/charge to the Income Statement		(1)		(21)		24		2
Less: Discount unwind		—		—		(3)		(3)
Less: Recoveries net of collection costs		—		—		28		28
Total ECL (release)/charge to the Income Statement		(1)		(21)		49		27

Loan modifications (audited)

Forbearance[1]

The following table sets out the financial assets that were forborne while they had a loss allowance measured at lifetime ECL.

	2024 £m	2023 £m
Financial assets modified in the period:		
– Amortised cost before modification	**555**	346
–Net modification loss	**2**	5
Financial assets modified since initial recognition:		
– Gross carrying amount of financial assets for which the loss allowance changed to 12 months ECL in the period	**260**	79

The balances at 31 December 2024 and 31 December 2023, analysed by their staging and the forbearance we applied, were:

2024	Capitalisation £m	Term extension £m	Interest-only £m	Concessionary interest rate £m	Reduced repayment plan £m	Total £m	Loss allowances £m
Stage 2	**231**	**186**	**201**	**23**	**145**	**786**	**6**
Stage 3	**203**	**141**	**53**	**104**	**156**	**657**	**27**
	434	**327**	**254**	**127**	**301**	**1,443**	**33**
Proportion of portfolio	**0.3%**	**0.2%**	**0.2%**	**0.1%**	**0.2%**	**0.9%**	
2023							
Stage 2	325	386	211	11	n/a	933	7
Stage 3	284	150	64	171	n/a	669	30
	609	536	275	182	n/a	1,602	37
Proportion of portfolio	0.3%	0.3%	0.2%	0.1%	n/a	0.9%	

(1) We base forbearance type on the first forbearance on the accounts.

At 31 December 2024, the proportion of the mortgage portfolio in forbearance was at 0.9% (2023: 0.9%) and the proportion of accounts in forbearance for more than six months that had made their last six months' contractual payments was 83% (2023: 81%). The weighted average LTV of all accounts in forbearance was 45% (2023: 44%) compared to the weighted average portfolio LTV of 51% (2023: 51%).

At 31 December 2024, the carrying value of mortgages classified as multiple forbearance was £9m (2023: £121m).

2024 compared to 2023

In 2024, the proportion of the mortgage portfolio in forbearance remained flat. We enhanced our definition of forbearance to include reduced repayment plans, but this was more than offset by reductions in the balances in other categories of forbearance.

Other loan modifications

Santander UK supports the Mortgage Charter which was published in July 2023. There were no modification gains or losses arising from the Charter.

We have made additional customer support solutions available since then, allowing customers who are up-to-date with their payments to make interest-only payments for six months or extend their mortgage term to reduce their monthly payments. The following table provides information on such loan modifications.

	2024		2023	
	Term Extension £m	Interest-only £m	Term Extension £m	Interest-only £m
Stage 1	**115**	**1,257**	120	1,166
Stage 2	**21**	**461**	30	500
Stage 3	**1**	**22**	2	18
	137	**1,740**	152	1,684

There were no other loan modifications made in 2024 and 2023.

Portfolios of particular interest - Mortgages

Introduction

We are mainly a residential prime lender and we do not originate sub-prime or second charge mortgages. Despite that, some types of mortgages have higher risks and others stand out for different reasons. These are:

Product	Description
	With an interest-only mortgage, the customer pays interest every month, but the principal is only repaid at the end of the mortgage term. Some mortgages have a part that is interest-only, with the rest being a normal repayment mortgage. We mitigate the risk from new interest-only mortgages by having lower maximum LTVs. For most applicants, the maximum LTV is 50%. For high net worth customers, it can be up to 75%. When a customer plans to repay their mortgage by selling the property, we require a minimum equity buffer of £300k. We also remind customers that they have to arrange to repay the principal at the end of the mortgage. We send them messages with their annual mortgage statements, and we contact them throughout the mortgage term to encourage them to tell us how they plan to repay. We increase the frequency of contact as the loan approaches maturity. If customers know they will not be able to repay their mortgage when it ends, or if their mortgage has already passed the date when it should have ended, we talk to them. If we think it is in their interests and they can afford it, we look at other ways to manage it, such as turning the mortgage into a repayment one and extending it. If the customer is waiting for their way to repay it, such as an investment plan, to mature, we may permit an extension.
	Customers with part interest-only, part repayment mortgages still have to pay back a lump sum at the end of their mortgage for the interest-only part. This means these loans have a higher credit risk as we depend on the customers to pay back a lump sum. We design new account LTV maximums to mitigate this risk. We also make sure the customer has a plausible repayment plan before we lend to them and stays on track for the loan term. We mitigate the risk from these loans in similar ways to those we use for interest-only mortgages. The maximum LTV for new loans is 85%. For most applicants, up to 50% of that can be interest-only. For high net worth customers, it can be up to 75%. When a customer plans to repay the interest-only element of their mortgage by selling the property, we require a minimum equity buffer of £300k. We manage communications and extension options in similar ways to those we use for interest-only mortgages.
	Flexible mortgages allow customers to pay more or less than their usual amount each month, or even to take 'payment holidays' when they pay nothing at all. There are conditions on when and how much customers can draw down, and they do not have to take or draw down the whole loan all at once. A customer can ask us to raise their credit limit, but that means we will go through our full credit approval process. We can also lower a customer's credit limit at any time, so it never goes above 90% of the property's current market value. We no longer offer flexible loans for new mortgages. This is an area of interest if any customers might be using these facilities to self-forbear, such as regularly drawing down small amounts. We reflect signs that the credit risk has significantly increased in our ECL calculations.
	In some cases, property prices have fallen, so mortgages we gave in the past with lower LTVs now have LTVs greater than 100%. Where the mortgage balance is more than the property is now worth, we cannot recover the full value of the loan by repossessing and selling the property. This means there is a higher credit risk on these loans, so we monitor them as part of our assessment of ongoing portfolio performance. We design new account LTV maximums to mitigate an increase in accounts with an LTV >100%.
	We have specific policies for BTL and focus on non-professional landlords. We have prudent lending criteria and the maximum LTV is 75%. The first applicant must earn a minimum of £25,000 per year, and we require proof of income in all cases. We also use a BTL affordability rate as part of our lending assessment. This means that the rental income must cover the monthly mortgage interest payments by a prescribed amount when calculated using a stressed interest rate. We regularly review the prescribed amount and adjust it as needed.

Climate change

The value of property collateral for mortgages might be affected by physical risks, such as flood and subsidence risk, as well as transitional risks including evolving energy performance standards. In 2024, we introduced a new in-house CISA capability to assess these risks, incorporating a range of factors to deliver granular insights. Our analysis indicated that while climate related risks have the potential to intensify other risk factors, we remain resilient within the context of the scenarios examined, supported by our stable average LTV ratio and the flood reinsurance scheme.

Credit performance (audited)

		Of which: Portfolio of particular interest[1]				
	Total	Interest-only	Part interest-only, part repayment [2]	Flexible	LTV >100%	Buy-to-let
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Mortgage portfolio	**165,213**	**36,188**	**11,873**	**4,333**	**280**	**14,931**
– Stage 1	**146,758**	**29,802**	**10,112**	**3,190**	**75**	**13,672**
– Stage 2	**16,688**	**5,572**	**1,542**	**933**	**149**	**1,204**
– Stage 3	**1,767**	**814**	**219**	**210**	**56**	**55**
Stage 3 ratio	**1.08%**	**2.27%**	**1.85%**	**5.25%**	**20.15%**	**0.37%**
Properties in possession	**46**	**23**	**8**	**8**	**10**	**2**
Balance weighted LTV (indexed)	**51%**	**48%**	**52%**	**38%**	**117%**	**59%**
2023						
Mortgage portfolio	172,859	38,825	12,584	5,418	445	15,585
– Stage 1	152,975	32,012	10,896	4,420	276	13,887
– Stage 2	17,876	5,829	1,449	744	104	1,647
– Stage 3	2,008	984	239	254	65	51
Stage 3 ratio	1.17%	2.55%	1.90%	5.01%	14.57%	0.33%
Properties in possession	23	12	3	2	5	1
Balance weighted LTV (indexed)	51%	48%	51%	37%	116%	60%

(1) Where a loan falls into more than one category, we include it in all the categories that apply.
(2) Mortgage balance includes both the interest-only part of £9,046m (2023: £9,531m) and the non-interest-only part of the loan.

2024 compared to 2023

In 2024, the combined total proportion of interest-only loans, part interest-only, part repayment loans and flexible loans decreased to 31.7% (2023: 32.9%).

BTL mortgage balances decreased by £0.7bn to £14.9bn (2023: £15.6bn) driven by our strategy to deleverage our mortgage portfolio and changes in the market dynamic. In 2024, the balance weighted average LTV of mortgage total new BTL lending was 59% (2023: 58%).

Forbearance[1] (audited)

The balances at 31 December 2024 and 31 December 2023 were:

	Interest-only[2]	Flexible	LTV >100%	Buy-to-Let
2024	**£m**	**£m**	**£m**	**£m**
Total	**272**	**56**	**9**	**18**
– Stage 2	**115**	**19**	**2**	**8**
– Stage 3	**157**	**37**	**7**	**10**
2023				
Total	365	74	12	23
– Stage 2	216	55	3	16
– Stage 3	149	19	9	7

(1) Where a loan falls into more than one category, we have included it in all the categories that apply.
(2) Comprises full interest-only loans and part interest-only, part repayment loans.

2024 compared to 2023

New mortgage forbearance stock reduced, mainly due to portfolio sales, lower interest-only maturities and the improvement of our risk profile.

Retail & Business Banking: Everyday Banking - Credit Risk Review

Credit performance (audited)

2024	Business banking £m	Other unsecured: Personal loans £m	Credit cards £m	Overdrafts £m	Total other unsecured £m	Total £m
Loans and advances to customers	**1,212**	**2,089**	**2,774**	**436**	**5,299**	**6,511**
of which:						
– Stage 1	**1,042**	**1,892**	**2,271**	**235**	**4,398**	**5,440**
– Stage 2	**85**	**172**	**454**	**172**	**798**	**883**
– Stage 3	**85**	**25**	**49**	**29**	**103**	**188**
Loss allowances[1]	**16**	**63**	**150**	**57**	**270**	**286**
Stage 3 undrawn exposures	**2**	**—**	**28**	**4**	**32**	**34**
Stage 3 ratio	**7.10%**	**1.20%**	**2.75%**	**7.40%**	**2.52%**	**3.37%**
Gross write-offs (12 months)	**10**	**60**	**51**	**26**	**137**	**147**

2023	Business banking £m	Personal loans £m	Credit cards £m	Overdrafts £m	Total other unsecured £m	Total £m
Loans and advances to customers	1,819	2,064	2,674	471	5,209	7,028
of which:						
– Stage 1	1,574	1,743	2,283	207	4,233	5,807
– Stage 2	115	294	345	236	875	990
– Stage 3	130	27	46	28	101	231
Loss allowances[1]	16	65	140	78	284	300
Stage 3 undrawn exposures	2	—	33	4	37	39
Stage 3 ratio	7.25%	1.32%	2.95%	6.73%	2.65%	3.83%
Gross write-offs (12 months)	11	48	46	25	119	130

(1) The ECL allowance is for both on and off-balance sheet exposures.

	2024	2023
% of credit card customers that repay balance in full each month (unaudited)	**56%**	55%
UPL average customer balance (£)	**6,000**	6,000

2024 compared to 2023

Business Banking loans continued to reduce due to the pay down of the BBL portfolio. Other unsecured Stage 2 loans reduced driven by Personal loans and Overdrafts, due to the release of the cost of living JAs. Credit card balances increased due to the impact of our SICR updates in the year. Other unsecured Stage 3 assets remained stable in 2024. Gross write-offs increased in the year, primarily driven by Personal loans, reflecting the current economic environment.

Loan modifications (audited)
Forbearance
The following table sets out the financial assets that were forborne while they had a loss allowance measured at lifetime ECL.

2024	Credit cards £m	Overdrafts £m	Total £m
Financial assets modified in the period:			
– Amortised cost before modification	**14**	**9**	**23**
– Net modification loss	**18**	**6**	**24**
Financial assets modified since initial recognition:			
– Gross carrying amount of financial assets for which the loss allowance changed to 12m ECL in the period	**2**	**1**	**3**
2023			
Financial assets modified in the period:			
– Amortised cost before modification	13	8	21
– Net modification loss	14	6	20
Financial assets modified since initial recognition:			
– Gross carrying amount of financial assets for which the loss allowance changed to 12m ECL in the period	2	1	3

The balances at 31 December 2024 and 31 December 2023 were:

		Other unsecured				
2024	Business banking £m	Personal loans £m	Credit cards £m	Overdrafts £m	Total other unsecured £m	Total £m
Total	**3**	**2**	**57**	**22**	**81**	**84**
– Stage 2	**—**	**1**	**11**	**5**	**17**	**17**
– Stage 3	**3**	**1**	**46**	**17**	**64**	**67**
2023						
Total	3	1	47	19	67	70
– Stage 2	—	1	5	2	8	8
– Stage 3	3	—	42	17	59	62

Other loan modifications
There were no other loan modifications made in 2024 and 2023.

CONSUMER FINANCE – CREDIT RISK REVIEW

Credit performance (audited)

	2024 £m	2023 £m
Loans and advances to customers	**4,759**	5,228
of which:		
– Stage 1	**4,389**	4,870
– Stage 2	**334**	330
– Stage 3	**36**	28
Loss allowances[1]	**69**	70
Stage 3 ratio	**0.77%**	0.53%
Gross write-offs	**25**	23

(1) The ECL allowance is for both on and off-balance sheet exposures.

	2024	2023
Consumer (auto) finance new business gross lending (£m)	**1,593**	2,055
Wholesale loans (stock finance) to car dealerships as approximate % of the Consumer loan book	**9.7%**	9.9%
% of lending collateralised on the vehicle	**95%**	87%
Average Consumer (auto) finance loan size (£)	**16,045**	17,308

2024 compared to 2023
In 2024, we maintained our prudent Consumer (auto) finance underwriting criteria. The product mix was broadly unchanged, with wholesale balances decreasing slightly.

The risk profile was stable in terms of our credit scoring acceptance policies. The overall risk performance was good with the vast majority of customers paying.

Loan modifications (audited)
Forbearance
At 31 December 2024 the amount of forborne assets net of deferred income was £5.4m (2023: £nil).

Other loan modifications
There were no other loan modifications made in 2024.

The gross carrying amount of financial assets for which the ECL allowance changed to a 12-month measurement at 31 December 2024 was £6m (2023: £30m).

CORPORATE & COMMERCIAL BANKING – CREDIT RISK REVIEW

Movement in total exposures and the corresponding ECL (audited)
The following tables show changes in total on and off-balance sheet exposures and ECL in the period. The footnotes to the Santander UK group level table on page 69 also apply to these tables.

	Stage 1		Stage 2		Stage 3		Total	
	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**22,567**	**76**	**3,965**	**132**	**745**	**172**	**27,277**	**380**
Transfers from Stage 1 to Stage 2[3]	**(1,101)**	**(3)**	**1,101**	**3**	**–**	**–**	**–**	**–**
Transfers from Stage 2 to Stage 1[3]	**781**	**13**	**(781)**	**(13)**	**–**	**–**	**–**	**–**
Transfers to Stage 3[3]	**(84)**	**(1)**	**(230)**	**(12)**	**314**	**13**	**–**	**–**
Transfers from Stage 3[3]	**24**	**1**	**121**	**18**	**(145)**	**(19)**	**–**	**–**
Transfers of financial instruments	**(380)**	**10**	**211**	**(4)**	**169**	**(6)**	**–**	**–**
Net ECL remeasurement on stage transfer[4]	**–**	**(9)**	**–**	**(4)**	**–**	**54**	**–**	**41**
Change in economic scenarios[2]	**–**	**(3)**	**–**	**(7)**	**–**	**(1)**	**–**	**(11)**
Change to ECL models	**(222)**	**(2)**	**286**	**(11)**	**(64)**	**12**	**–**	**(1)**
New lending and assets purchased[5]	**8,485**	**20**	**552**	**21**	**118**	**29**	**9,155**	**70**
Redemptions, repayments and assets sold[7]	**(5,203)**	**(24)**	**(1,149)**	**(29)**	**(254)**	**(42)**	**(6,606)**	**(95)**
Changes in risk parameters and other movements[6]	**(2,224)**	**5**	**(1,297)**	**(13)**	**82**	**15**	**(3,439)**	**7**
Assets written off[7]	**–**	**–**	**–**	**–**	**(80)**	**(49)**	**(80)**	**(49)**
At 31 December 2024	**23,023**	**73**	**2,568**	**85**	**716**	**184**	**26,307**	**342**
Net movement in the period	**456**	**(3)**	**(1,397)**	**(47)**	**(29)**	**12**	**(970)**	**(38)**
ECL (release)/charge to the Income Statement		**(3)**		**(47)**		**61**		**11**
Less: Discount unwind		**–**		**–**		**(12)**		**(12)**
Less: Recoveries net of collection costs		**–**		**–**		**5**		**5**
Total ECL (release)/charge to the Income Statement		**(3)**		**(47)**		**54**		**4**

	Stage 1		Stage 2		Stage 3		Total	
	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL	Exposures[1]	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2023	23,838	83	3,888	166	572	145	28,298	394
Transfers from Stage 1 to Stage 2[3]	(1,376)	(1)	1,376	1	–	–	–	–
Transfers from Stage 2 to Stage 1[3]	512	10	(512)	(10)	–	–	–	–
Transfers to Stage 3[3]	(118)	(3)	(258)	(8)	376	11	–	–
Transfers from Stage 3[3]	1	–	9	1	(10)	(1)	–	–
Transfers of financial instruments	(981)	6	615	(16)	366	10	–	–
Net ECL remeasurement on stage transfer[4]	–	(16)	–	29	–	64	–	77
Change in economic scenarios[2]	–	30	–	(30)	–	6	–	6
New lending and assets purchased[5]	7,257	5	132	6	38	10	7,427	21
Redemptions, repayments and assets sold[7]	(6,713)	(13)	(869)	(10)	(193)	(23)	(7,775)	(46)
Changes in risk parameters and other movements[6]	(834)	(19)	199	(13)	137	28	(498)	(4)
Assets written off[7]	–	–	–	–	(175)	(68)	(175)	(68)
At 31 December 2023	22,567	76	3,965	132	745	172	27,277	380
Net movement in the period	(1,271)	(7)	77	(34)	173	27	(1,021)	(14)
ECL (release)/charge to the Income Statement		(7)		(34)		95		54
Less: Discount unwind		–		–		(9)		(9)
Less: Recoveries net of collection costs		–		–		(5)		(5)
Total ECL (release)/charge to the Income Statement		(7)		(34)		81		40

Committed exposures

Credit risk arises on both on- and off-balance sheet transactions, e.g. guarantees. Therefore, committed exposures are typically higher than asset balances.

Rating distribution (audited)

These tables show our credit risk exposure according to our internal rating scale (see the 'Santander UK group level – credit risk review' section) for each portfolio. On this scale, the higher the rating, the better the quality of the counterparty.

	Santander UK risk grade								
	9	8	7	6	5	4	3 to 1	Other	Total[1]
2024	£m	£m	£m	£m	£m	£m	£m	£m	£m
SME and mid corporate	—	**253**	**723**	**3,170**	**4,295**	**3,013**	**1,589**	**82**	**13,125**
Commercial Real Estate	—	—	**567**	**1,913**	**2,460**	**620**	**309**	—	**5,869**
Social Housing	**13**	**1,983**	**5,868**	—	—	—	—	—	**7,864**
	13	**2,236**	**7,158**	**5,083**	**6,755**	**3,633**	**1,898**	**82**	**26,858**
Of which:									
Stage 1	**13**	**2,236**	**7,115**	**4,991**	**6,159**	**2,597**	**382**	**82**	**23,575**
Stage 2	—	—	**43**	**92**	**596**	**1,036**	**800**	—	**2,567**
Stage 3	—	—	—	—	—	—	**716**	—	**716**
2023									
SME and mid corporate	—	166	911	2,970	3,497	3,575	1,439	118	12,676
Commercial Real Estate	—	—	360	1,684	2,132	972	209	1	5,358
Social Housing	43	3,032	4,881	—	—	—	—	—	7,956
	43	3,198	6,152	4,654	5,629	4,547	1,648	119	25,990
Of which:									
Stage 1	43	3,130	6,152	4,618	4,715	2,363	141	118	21,280
Stage 2	—	68	—	36	914	2,184	762	1	3,965
Stage 3	—	—	—	—	—	—	745	—	745

(1) Credit risk exposures include derivatives exposures. For invoice finance the credit risk exposures represent the full facility limit present on the credit agreement papers, a total limit before consideration of underlying collaterals and application of prepayment caps for any given point.

Geographical distribution (audited)

We typically classify geographical location according to the counterparty's country of domicile unless a full risk transfer guarantee is in place, in which case we use the guarantor's country of domicile instead. At 31 December 2024 and 31 December 2023 this is mainly focused in the UK.

Credit risk mitigation (audited)

	Gross exposure	Collateral	Net exposure
	Stage 3	Stage 3	Stage 3
2024	£m	£m	£m
SME and mid corporate	**639**	**209**	**430**
Commercial Real Estate	**77**	**71**	**6**
	716	**280**	**436**
2023			
SME and mid corporate	627	190	437
Commercial Real Estate	118	28	90
	745	218	527

Credit performance (audited)
We monitor exposures that show potentially higher risk characteristics using our Watchlist process. The table below shows the exposures we monitor, and those we classify as Stage 3 by portfolio at 31 December 2024 and 31 December 2023.

	Committed exposure					
	Watchlist					
	Fully performing	Enhanced monitoring	Proactive management	Stage 3	Total[1]	Loss allowances
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
SME and mid corporate	**10,851**	**570**	**1,065**	**639**	**13,125**	**315**
Commercial Real Estate	**5,440**	**51**	**301**	**77**	**5,869**	**26**
Social Housing	**7,440**	**—**	**424**	**—**	**7,864**	**1**
	23,731	**621**	**1,790**	**716**	**26,858**	**342**
2023						
SME and mid corporate	10,140	462	1,447	627	12,676	341
Commercial Real Estate	4,734	10	496	118	5,358	39
Social Housing	7,752	—	204	—	7,956	—
	22,626	472	2,147	745	25,990	380

(1) Includes committed facilities and derivatives.

2024 compared to 2023
The watchlist exposures decreased by 7.9%, with a reduction in Proactive management of 16.6%, and an increase in Enhanced Monitoring of 31.6%. The increase in Enhanced Monitoring was due to a small number of large exposures moving from Proactive management.

Loan modifications (audited)
Forbearance
The following table sets out the financial assets that were forborne while they had a loss allowance measured at lifetime ECL.

	2024 £m	2023 £m
Financial assets modified in the period:		
– Amortised cost before modification	**232**	189
– Net modification loss	**5**	10
Financial assets modified since initial recognition:		
– Gross carrying amount of financial assets for which the loss allowance changed to 12-month ECL in the period	**15**	27

We only make forbearance arrangements for lending to customers. The balances at 31 December 2024 and 31 December 2023, analysed by their staging and the forbearance we applied, were:

	2024 £m	2023 £m
Stock[1]		
– Term extension	**102**	113
– Interest-only	**229**	215
– Other payment rescheduling	**373**	264
	704	592
Of which:		
– Stage 1	**40**	2
– Stage 2	**228**	159
– Stage 3	**436**	431
	704	592
Proportion of portfolio	**2.6%**	2.3%

(1) We base forbearance type on the first forbearance we applied. Tables only show accounts open at the period-end. Amounts are drawn balances and include off balance sheet balances.

CORPORATE CENTRE – CREDIT RISK REVIEW

Committed exposures

Rating distribution (audited)

Corporate Centre committed exposures mainly comprise Sovereign exposures and Structured Products (High Quality Liquid Assets, mainly Asset Backed Securities and covered bonds) managed as part of our Eligible Liquidity Pool. These are low risk, high quality, investment grade exposures with a credit rating of 8 or 9 according to our internal rating scale (see the 'Santander UK group level – credit risk review' section).

Geographical distribution (audited)

We typically classify geographical location according to the counterparty's country of domicile unless a full risk transfer guarantee is in place, in which case we use the guarantor's country of domicile instead. At 31 December 2024 and 31 December 2023 this was mainly focused in the UK.

Credit performance (audited)

We monitor exposures that show potentially higher risk characteristics using our Watchlist process. In Corporate Centre, committed exposures were all fully performing at 31 December 2024 and 31 December 2023.

Loan modifications (audited)

There were no loan modifications made in 2024 and 2023.

Liquidity risk

Overview

Liquidity risk is the risk that we do not have sufficient liquid financial resources available to meet our obligations when they fall due, or we can only secure such resources at excessive cost.

In this section, we describe our key liquidity risks, including our sources and uses of liquidity, and how we manage liquidity risk. We also analyse our key liquidity metrics, including our LCRs and our eligible liquidity pools.

We then explain our funding strategy and structure and we analyse our wholesale funding. Finally, we analyse how we have encumbered some of our assets to support our funding activities.

Key metrics

LCR of 154% (2023: 159%)

RFB DoLSub NSFR of 135% (2023: 136%)

RFB DoLSub LCR of 151% (2023: 157%)

Wholesale funding with maturity <1 year £19.6bn (2023: £11.9bn)

RFB DoLSub LCR eligible liquidity pool of £44.4bn (2023: £48.3bn)

OUR KEY LIQUIDITY RISKS (audited)

Through our Liquidity Risk Appetite (LRA) framework, we manage our market liquidity risks, funding or structural liquidity risk, contingent liquidity risk, wherever they arise. This can be in retail and corporate deposit outflows, outflows in wholesale secured and unsecured funding and off-balance sheet activities. Other risks our framework covers include funding concentrations, intra-day cash flows, intra-group commitments and support, franchise retention and cross currency risk.

Our main sources of liquidity
Customer deposits finance most of our customer lending. Although these funds are mostly callable, in practice they give us a stable and predictable core of funding. This is due to the nature of retail accounts and the breadth of our retail customer relationships.

We have a strong wholesale funding investor base, diversified across product types and geographies. Through the wholesale markets, we have active relationships in many sectors including banks, other financial institutions, corporates, pensions and investment funds. We access the wholesale funding markets through the issuance of capital, senior unsecured debt, covered bonds, structured notes and short-term funding. We also access these markets through securitisations of certain assets of Santander UK plc and our operating subsidiaries. For more on our programmes, see Notes 14, 25 and 29 to the Consolidated Financial Statements.

We generate funding on the strength of our own balance sheet, our own profitability and our own network of investors. In addition, we have access to UK Government funding schemes. We comply with rules set by the PRA, other regulators, and Banco Santander standards. While we consolidate, manage and monitor liquidity risk centrally, we also manage and monitor it in the business area it comes from.

Our main uses of liquidity
Our main uses of liquidity are to fund our lending, to pay interest and dividends, and to repay debt. Our ability to pay dividends depends on various factors. These include our regulatory capital needs, the level of our distributable reserves, and our financial performance.

LIQUIDITY RISK MANAGEMENT

We manage liquidity risk on a consolidated basis in our CFO division, which is our centralised function for managing funding, liquidity and capital. We created our governance, oversight and control frameworks, and our LRA, on the same consolidated basis.

Under the PRA's liquidity rules, Santander UK plc and its subsidiary Cater Allen Limited form the RFB Domestic Liquidity Sub-group (the RFB DoLSub), which allows them to collectively meet regulatory requirements to manage liquidity risk. Each member of the RFB DoLSub will support the other by transferring surplus liquidity in times of stress.

Risk appetite
Our LRA is based on the principles of liquidity management we use to manage our balance sheet. It also supports our need to meet or exceed regulatory rules. In line with our liquidity management principles, we avoid an over-reliance on funding from a single product, customer or counterparty. We also maintain enough unencumbered customer assets to support current and future funding and collateral requirements and maintain enough capacity to monetise liquid assets and other counterbalancing capacity on a timely basis.

Our LRA is proposed to the Risk division and the Board, which is then approved under advice from the Board Risk Committee. Our LRA, in the context of our overall Risk Appetite, is reviewed and approved by the Board each year, or more often if needed.

Risk measurement
We use a number of metrics to manage liquidity risk. These include market and internal Early Warning Indicators (EWIs) that include both qualitative and quantitative measures including outflows in retail and corporate deposits, funding concentration metrics, LCR and LRA metrics. They also include structural metrics, such as our level of encumbered assets and our Net Stable Funding Ratio (NSFR).

Ongoing business management
Within our framework of prudent funding and liquidity management, we manage our activities to our LRA. We have clear responsibilities for short-term funding, medium-term funding, encumbrance, collateral and liquid asset management. This ensures we manage liquidity risks as part of our daily operations, strategy and planning.

Our liquidity management framework is split between short-term and strategic activities. Our short-term activities focus on intra-day collateral management and maintaining liquid assets to cover unexpected demands on cash in a stress, such as large and unexpected deposit withdrawals by customers and loss of wholesale funding. Our strategic activities focus on ensuring we are not over reliant on any one source for funding and that we avoid excessive concentrations in the maturity of our funding.

We regularly test the liquidity of our eligible liquidity pool, in line with PRA rules and Basel guidelines. We do this by realising some of the assets by repurchase or outright sale to the market. We make sure that over any 12-month period we realise a significant part of our eligible liquidity pool. As well as our eligible liquidity pool, we always hold a portfolio of unencumbered liquid assets. Our LRA and PRA requirements determine the size and composition of this portfolio. These assets give us a source of contingent liquidity, as we can realise some of them in a stress to create liquidity by repurchase or outright sale to the market.

Stress testing
Our liquidity stress testing framework is central to our LRA measurement and monitoring. To fit with our Risk Appetite, the liquidity outflows that come from these stress tests must be fully covered with high-quality liquid assets, other liquid assets and appropriate management actions.

Our Risk division runs a range of stress tests. Our LRA stress test consists of three tests that cover idiosyncratic, market-wide and combined scenarios.

Our other tests consider scenarios such as a global economic slowdown that results in reduced confidence in banks, a slowdown in a major economy or a decline in access to liquidity. We consider the scenarios on both an acute and protracted basis. We also run severe combined stress tests which look at both a deep and prolonged UK recession that results in a reduction in wholesale funding availability and an idiosyncratic shock that would lead to retail and commercial outflows. We also run climate change stresses. These include severe physical risks which result in a reduction in retail deposits, increased use of corporate lending facilities and an increase in mortgage defaults and a scenario where there is disorderly transition to net zero, resulting in supply shocks and data transparency concerns. We also run a technological stress, in which disruptions to the traditional banking system due to digital innovations and adverse social media coverage could lead to a banking crisis leading to outflows of retail and corporate deposits.

We also conduct sensitivity analysis and reverse stress testing for instant liquidity shocks by each key liquidity risk. We do this to understand the impacts they would have on our LRA and our regulatory liquidity metrics. As part of this, we monitor our LCR and our NSFR to ensure we continue to meet the requirements in the event of a liquidity stress.

Risk mitigation (audited)
The Board aims to make our balance sheet resilient at all times and for it to be perceived as such by stakeholders. This preserves our short and long-term viability. The Board recognises that as we are involved in maturity transformation, we cannot hold enough liquidity to cover all possible stress scenarios. The Board requires us to hold enough liquidity to make sure we will survive three plausible but severe stress scenarios (our LRA stress test, described above). We do this by maintaining a prudent balance sheet structure and approved liquid resources.

Recovery and Resolution framework
The CFO is the accountable SMF for recovery and resolution and the related work is managed by the CFO division. The work is overseen by the Board Audit Committee and the Board. We review and refresh our recovery plan each year. It sets out the risks, the indicators we use to monitor those risks, and the actions that are available to mitigate a capital, liquidity or combined stress event. We are confident that we have sufficient credible and executable options to respond to a wide range of stresses, be they market-wide or idiosyncratic, in a timely and effective manner. Recovery indicators are both qualitative and quantitative and we have embedded them into our risk frameworks. We monitor our recovery capacity, headroom to recovery triggers and recovery indicators regularly. If needed, we would invoke recovery early to mitigate the effects of a stress and restore our financial position and balance sheet strength.

Our resolution capabilities are underpinned by comprehensive governance, testing and assurance arrangements, which seek to ensure that we maintain and enhance our resolution readiness on an ongoing basis.

Risk monitoring and reporting (audited)
We monitor liquidity risk daily, weekly and monthly. We do this through different committees and levels of management, including ALCO and the BRC.

LIQUIDITY RISK REVIEW

Liquidity Coverage Ratio
This table shows our LCR at 31 December 2024 and 31 December 2023.

RFB DoLSub LCR[2]	2024 £bn	2023 £bn
Eligible liquidity pool (liquidity value)[1]	**43.7**	47.8
Net stress outflows	**(28.9)**	(30.4)
Surplus	**14.8**	17.4
Eligible liquidity pool as a percentage of anticipated net cash flows	**151 %**	157 %

(1) The liquidity value is calculated by applying an applicable haircut to the carrying value.
(2) The RFB LCR was 154% (2023: 159%).

LCR eligible liquidity pool
This table shows the carrying value of our eligible liquidity pool assets at 31 December 2024 and 31 December 2023. It also shows the weighted average carrying value in the year.

RFB DoLSub	Carrying value						Weighted average carrying value in the year	
	2024			2023			2024	2023
	Level 1 £bn	Level 2 £bn	Total £bn	Level 1 £bn	Level 2 £bn	Total £bn	Total £bn	Total £bn
Cash and balances at central banks	**29.0**	**—**	**29.0**	36.1	—	36.1	**30.8**	38.6
Government bonds	**10.2**	**0.9**	**11.1**	8.7	0.3	9.0	**13.7**	6.8
Supranational bonds and multilateral development banks	**0.4**	**—**	**0.4**	0.3	—	0.3	**0.2**	0.1
Covered bonds	**1.4**	**1.7**	**3.1**	1.2	1.0	2.2	**2.9**	1.7
Asset-backed securities	**—**	**0.8**	**0.8**	—	0.7	0.7	**0.7**	0.4
	41.0	**3.4**	**44.4**	46.3	2.0	48.3	**48.3**	47.6

We hedge term duration in the LCR eligible liquidity pool with swaps. We use swaps to offset mark to market movements due to interest rate changes.

Currency analysis
This table shows the carrying value of our eligible liquidity pool by major currencies at 31 December 2024 and 31 December 2023. The composition of the pool is consistent with the currency profile of our net liquidity outflows.

RFB DoLSub	US Dollar £bn	Euro £bn	Sterling £bn	Other £bn	Total £bn
2024	**1.2**	**1.2**	**40.8**	**1.2**	**44.4**
2023	2.4	1.1	44.0	0.8	48.3

RFB DoLSub Net Stable Funding Ratio (NSFR)

	2024 %	2023 %
RFB DoLSub NSFR	**135**	136

2024 compared to 2023
We remain in a strong liquidity position. We hold sufficient liquid resources and have adequate governance and controls in place to manage the liquidity risks arising from our business and strategy. At 31 December 2024 and 31 December 2023, the LCR and NSFR significantly exceeded regulatory requirements. RFB DoLSub LCR reduced following TFSME repayments.

In 2024, Santander UK purchased UK Gilts on a 'Hold-To-Collect-Cash-flows' basis. The notional value at 31 December 2024 was £3.0bn (2023: £nil). This means that there is an increased allocation of liquid assets to longer-dated UK sovereign bonds to support ongoing HQLA requirements in our LCR eligible liquidity pool.

FUNDING RISK MANAGEMENT

Funding strategy
Our funding strategy continues to be based on maintaining a conservatively structured balance sheet and diverse sources of funding to meet the needs of our business strategy and plans. The CFO Division maintains a funding plan that complies with the LRA and regulatory liquidity and capital requirements.

Most of our funding comes from customer deposits. We source the rest from a mix of secured and unsecured funding in the wholesale markets. Overall, this means that we do not rely too heavily on wholesale funds. We manage funding requirements by targeting a specific Liquidity Coverage Ratio, we ensure maturities are prefunded and capital/Minimum Requirements for Eligible Liabilities (MREL) requirements for Santander UK Group Holdings plc and internal MREL for Santander UK plc are prioritised. We also have controls to limit our asset encumbrance from our secured funding operations.

As part of maintaining a diverse funding base, we raise funding in a number of currencies, including EUR and USD, and convert it into sterling through currency swaps to fund our commercial assets which are largely sterling denominated.

Our base of stable retail and corporate deposits is a key funding source for us. We leverage our large and diverse customer base to offer products that give us a long-term sustainable source of funding. We do this by focusing on building long-term relationships. At 31 December 2024, 86% of our total core retail customer liabilities were covered by the Financial Services Compensation Scheme (the FSCS).

Behavioural maturities
The contractual maturity of our balance sheet assets and liabilities highlights the maturity transformation that underpins the role of banks to lend long term, but to fund themselves mainly with shorter-term liabilities, like customer deposits. We do this by diversifying our funding operations across a wide customer base, both in numbers and by type of depositor. In practice, the behavioural profiles of many liabilities show more stability and longer maturity than their contractual maturity. This is especially true of many retail and corporate deposits that, while they may be repayable on demand or at short notice, have shown good stability even in times of stress. We model behaviour profiles using our experience of customer behaviour. We use this data to determine the funds transfer pricing rates at which we reward and charge our business units for sources and uses of funds. We apply this rate until a customer changes to a different product or service offered by us or by one of our competitors.

We continue to maintain the quality of our retail, commercial and wholesale deposits. We aim to deepen our customer relationships across all customer segments. We do this to lengthen the contractual and behavioural profile of our liability base.

FUNDING RISK REVIEW

Our funding strategy continues to be based on maintaining a conservatively structured balance sheet and diverse sources of funding to meet the needs of our business strategy and plans. The CFO Division maintains a funding plan that complies with our LRA and regulatory liquidity and capital requirements.

Wholesale funding
Reconciliation of wholesale funding to the balance sheet (audited)
This table reconciles our wholesale funding to our balance sheet at 31 December 2024 and 31 December 2023.

		Balance sheet line item						
	Funding analysis	Deposits by banks[1]	Deposits by customers[2]	Repurchase agreements - non trading	Financial liabilities designated at fair value	Debt securities in issue	Subordinated liabilities	Other equity instruments[3]
2024	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**
Deposits by banks	**1.4**	**1.4**	—	—	—	—	—	—
Certificates of deposit and commercial paper	**4.5**	—	—	—	—	**4.5**	—	—
Senior unsecured – public benchmark	**11.1**	—	**1.7**	—	—	**9.4**	—	—
– privately placed	**1.1**	—	**0.1**	—	**0.4**	**0.6**	—	—
Covered bonds	**17.4**	—	—	—	—	**17.4**	—	—
Securitisation and structured issuance[4]	**5.1**	—	—	—	—	**5.1**	—	—
TFSME	**11.0**	**11.0**	—	—	—	—	—	—
Subordinated liabilities and equity	**4.1**	—	—	—	—	—	**2.2**	**1.9**
Total wholesale funding	**55.7**	**12.4**	**1.8**	—	**0.4**	**37.0**	**2.2**	**1.9**
Repos	**8.6**	—	—	**8.6**	—	—	—	—
Foreign exchange and hedge accounting	**(0.4)**	—	—	—	—	**(0.6)**	**0.2**	—
Other	**1.6**	**1.6**	—	—	**0.7**	**(0.7)**	—	—
Balance sheet total	**65.5**	**14.0**	**1.8**	**8.6**	**1.1**	**35.7**	**2.4**	**1.9**
2023								
Deposits by banks	1.1	1.1	—	—	—	—	—	—
Certificates of deposit and commercial paper	4.3	—	—	—	—	4.3	—	—
Senior unsecured – public benchmark	12.7	—	1.6	—	—	11.1	—	—
– privately placed	0.8	—	0.1	—	0.6	0.1	—	—
Covered bonds	14.8	—	—	—	—	14.8	—	—
Securitisation and structured issuance[4]	2.7	—	—	—	—	2.7	—	—
TFSME	17.0	17.0	—	—	—	—	—	—
Subordinated liabilities and equity	4.2	—	—	—	—	—	2.2	2.0
Total wholesale funding	57.6	18.1	1.7	—	0.6	33.0	2.2	2.0
Repos	8.4	—	—	8.4	—	—	—	—
Foreign exchange and hedge accounting	1.1	—	—	—	—	0.9	0.2	—
Other	2.5	2.2	—	—	0.3	—	—	—
Balance sheet total	69.6	20.3	1.7	8.4	0.9	33.9	2.4	2.0

(1) Consists of Perpetual Capital Securities. See Note 32 to the Consolidated Financial Statements.
(2) This is included in our balance sheet total of£180,967m (2023:£190,850m).
(3) Other consists of items in the course of transmission and other deposits. See Note 21 to the Consolidated Financial Statements.
(4) Includes Residential Mortgage-Backed Securities (RMBS) and Asset-Backed Securities (ABS) of £3.9bn (2023: £2.8bn).

Maturity profile of wholesale funding (audited)
This table shows our main sources of wholesale funding. It does not include securities finance agreements. The table is based on exchange rates at issue and scheduled repayments and call dates. It does not reflect the final contractual maturity of the funding.

For details of the maturities of financial liabilities and off-balance sheet commitments, see Note 38 to the Consolidated Financial Statements.

2024	≤ 1 month £bn	>1 and ≤ 3 months £bn	>3 and ≤ 6 months £bn	>6 and ≤ 9 months £bn	>9 and ≤ 12 months £bn	Sub-total ≤ 1 year £bn	>1 and ≤ 2 years £bn	>2 and ≤ 5 years £bn	>5 years £bn	Total £bn
Downstreamed from Santander UK Group Holdings plc to Santander UK plc[1]										
Senior unsecured – public benchmark	**—**	**—**	**0.4**	**0.7**	**1.3**	**2.4**	**2.0**	**5.6**	**0.4**	**10.4**
–privately placed	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.1**	**—**	**0.1**
Subordinated liabilities and equity (incl. AT1)	**—**	**0.5**	**—**	**0.3**	**—**	**0.8**	**0.2**	**1.4**	**1.0**	**3.4**
	—	**0.5**	**0.4**	**1.0**	**1.3**	**3.2**	**2.2**	**7.1**	**1.4**	**13.9**
Other Santander UK plc										
Deposits by banks	**0.8**	**0.6**	**—**	**—**	**—**	**1.4**	**—**	**—**	**—**	**1.4**
Certificates of deposit and commercial paper	**1.6**	**2.8**	**0.1**	**—**	**—**	**4.5**	**—**	**—**	**—**	**4.5**
Senior unsecured – public benchmark	**—**	**0.4**	**—**	**—**	**—**	**0.4**	**—**	**0.3**	**—**	**0.7**
–privately placed	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.3**	**0.7**	**1.0**
Covered bonds	**0.9**	**—**	**—**	**0.2**	**0.1**	**1.2**	**4.0**	**11.1**	**1.1**	**17.4**
Securitisation & structured issuance[2]	**—**	**0.5**	**0.8**	**—**	**—**	**1.3**	**0.3**	**3.0**	**—**	**4.6**
TFSME	**—**	**—**	**—**	**—**	**7.1**	**7.1**	**2.5**	**—**	**1.4**	**11.0**
Subordinated liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.2**	**0.5**	**0.7**
	3.3	**4.3**	**0.9**	**0.2**	**7.2**	**15.9**	**6.8**	**14.9**	**3.7**	**41.3**
Other group entities										
Securitisation & structured issuance[3]	**—**	**—**	**0.5**	**—**	**—**	**0.5**	**—**	**—**	**—**	**0.5**
Total at 31 December 2024	**3.3**	**4.8**	**1.8**	**1.2**	**8.5**	**19.6**	**9.0**	**22.0**	**5.1**	**55.7**
Of which:										
- Secured	**0.9**	**0.5**	**1.3**	**0.2**	**7.2**	**10.1**	**6.8**	**14.1**	**2.5**	**33.5**
- Unsecured	**2.4**	**4.3**	**0.5**	**1.0**	**1.3**	**9.5**	**2.2**	**7.9**	**2.6**	**22.2**
Total at 31 December 2023	1.4	7.3	1.6	0.5	1.1	11.9	22.3	19.7	3.7	57.6
Of which:										
- Secured	0.1	1.0	0.9	0.4	1.1	3.5	18.6	11.3	1.1	34.5
- Unsecured	1.3	6.3	0.7	0.1	—	8.4	3.7	8.4	2.6	23.1

(1) 95% of senior unsecured debt issued from Santander UK Group Holdings plc has been downstreamed to Santander UK plc as 'secondary non-preferential debt' in line with the guidelines from the Bank of England for Internal MREL.
(2) Includes funding from mortgage-backed securitisation vehicles where Santander UK plc is the asset originator.
(3) Includes funding from asset-backed securitisation vehicles where entities other than Santander UK plc are the asset originator.

Currency composition of wholesale funds (audited)
This table shows our wholesale funding by major currency at 31 December 2024 and 31 December 2023.

	2024				2023			
	Sterling	US Dollar	Euro	Other	Sterling	US Dollar	Euro	Other
	%	%	%	%	%	%	%	%
Downstreamed from Santander UK Group Holdings plc to Santander UK plc								
Senior unsecured – public benchmark	25	62	12	1	23	60	17	–
– privately placed	–	–	–	100	–	–	–	100
Subordinated liabilities and equity (incl. AT1)	89	11	–	–	87	13	–	–
	42	48	9	1	38	48	13	1
Other Santander UK plc								
Deposits by banks	1	97	2	–	1	97	2	–
Certificates of deposit and commercial paper	24	67	8	1	29	70	–	1
Senior unsecured – public benchmark	48	–	52	–	21	56	23	–
– privately placed	100	–	–	–	98	–	2	–
Covered bonds	48	9	40	3	54	5	39	2
Securitisation & structured issuance	100	–	–	–	100	–	–	–
TFSME	100	–	–	–	100	–	–	–
Subordinated liabilities.	76	24	–	–	76	24	–	–
	65	15	19	1	71	14	15	–
Other group entities								
Securitisation & structured issuance	100	–	–	–	100	–	–	–
Total	59	23	16	2	63	23	14	–

Term issuance (audited)
In 2024, our external term issuance (sterling equivalent) was:

	Sterling	US Dollar	Euro	Other	Total 2024	Total 2023
	£bn	£bn	£bn	£bn	£bn	£bn
Downstreamed from Santander UK Group Holdings plc to Santander UK plc						
Senior unsecured – public benchmark	–	0.8	–	–	0.8	1.5
Subordinated debt and equity (inc. AT1)	0.4	–	–	–	0.4	1.1
	0.4	0.8	–	–	1.2	2.6
Other Santander UK plc						
Securitisations and other secured funding	1.2	–	–	–	1.2	1.5
Covered bonds	2.2	0.8	2.6	0.3	5.9	1.8
Senior unsecured – privately placed	0.5	–	–	–	0.5	0.3
	3.9	0.8	2.6	0.3	7.6	3.6
Other group entities						
Securitisations	–	–	–	–	–	0.5
Total gross issuances	4.3	1.6	2.6	0.3	8.8	6.7

2024 compared to 2023
Together with our immediate parent, Santander UK Group Holdings plc, our overall funding strategy remains to develop and sustain a diversified funding base. We also need to fulfil regulatory requirements as well as support our credit ratings. We have stable and diversified wholesale funding programmes.

In 2024 we issued £8.4bn Sterling equivalent medium-term funding, including Covered bond, Senior unsecured and RMBS issuances. We repaid £6.0bn of TFSME in 2024 as planned, with an outstanding balance of £11.0bn at 31 December 2024: £7.1bn is due for repayment in October 2025, £2.5bn in 2027, and the remaining £1.4bn. in 2031. We expect to issue £10-£12bn of medium-term funding in 2025, including £3.7bn equivalent already issued.

At 31 December 2024, 65% (2023: 79%) of wholesale funding had a maturity of greater than one year, with an overall residual duration of 37 months (2023: 35 months).

Encumbrance

We encumber an asset if we pledge or transfer it as collateral against a liability. This means it is no longer available to secure funding, meet our collateral needs or be sold to reduce funding needs. Being able to pledge or transfer assets as collateral is a key part of a bank's operations. The main ways we encumber assets are that we: enter into securitisation, covered bonds, and repurchase agreements to access medium and long-term funding; enter into short-term funding transactions (including repurchase agreements and stock borrowing) as part of our liquidity management; pledge collateral as part of participating in payment and settlement systems; and post collateral as part of derivatives activity. We control levels of encumbrance by setting a minimum level of unencumbered assets after we factor in our funding plans, whether we can use our assets for our future collateral needs, the impact of a stress and our current encumbrance level.

Assets classified as readily available for encumbrance include cash and securities in our eligible liquidity pool. All other loans and advances are classified as not readily available for encumbrance, however, they may still be suitable for use in secured funding structures.

Encumbrance of customer loans and advances

We issued securitised products to a diverse investor base through our prime mortgage-backed and other asset-backed funding programmes. We raised funding with mortgage-backed notes, both issued to third parties and retained – the latter being central bank eligible collateral for funding purposes in other Bank of England facilities. We also have a covered bond programme, under which we issue securities to investors secured by a pool of residential mortgages. For more on these programmes, see Notes 14 and 25 to the Consolidated Financial Statements.

On-balance sheet encumbered assets (audited)

	Encumbered with counterparties other than central banks				Assets positioned at central banks[3]
	Covered bonds	Securitis-ations	Other	Total	
2024	**£m**	**£m**	**£m**	**£m**	**£m**
Cash and balances at central banks[1][2]	**—**	**—**	**1,580**	**1,580**	**—**
Loans and advances to customers	**25,695**	**7,026**	**68**	**32,789**	**49,888**
Loans and advances to banks	**—**	**—**	**139**	**139**	**—**
Repurchase agreements – non trading	**—**	**—**	**—**	**—**	**—**
Other financial assets at amortised cost	**—**	**—**	**1,529**	**1,529**	**—**
Financial assets at fair value through other comprehensive income	**—**	**—**	**3,920**	**3,920**	**584**
Total assets	**25,695**	**7,026**	**7,236**	**39,957**	**50,472**
2023					
Cash and balances at central banks[1][2]	—	—	1,480	1,480	831
Loans and advances to customers	21,880	5,208	59	27,147	58,489
Loans and advances to banks	—	—	254	254	—
Repurchase agreements – non trading	—	—	—	—	—
Other financial assets at amortised cost	—	—	14	14	—
Financial assets at fair value through other comprehensive income	—	—	5,183	5,183	—
Total assets	21,880	5,208	6,990	34,078	59,320

(1) Encumbered cash and balances at central banks include minimum cash balances we have to hold at central banks for regulatory purposes.
(2) Readily realisable cash and balances at central banks are amounts held at central banks as part of our liquidity management activities.
(3) Comprises pre-positioned assets and encumbered assets.

Capital risk

Overview

Capital risk is the risk that we do not have an adequate amount or quality of capital to meet our business objectives, regulatory requirements and market expectations.

In this section, we set out how we are regulated. We explain how we manage capital on a standalone basis as a subsidiary in the Banco Santander group. We then analyse our capital resources and key capital ratios including our RWAs.

Key metrics

CET1 capital ratio of 14.9% (2023: 15.4%)

Total qualifying regulatory capital of £13.7bn (2023: £14.6bn)

Regulatory supervision
For capital purposes, we are subject to prudential supervision by the PRA, as a UK banking group, and by the European Central Bank (ECB) as part of the Banco Santander group. The ECB supervises Banco Santander as part of the Single Supervisory Mechanism (SSM). Although we are part of the Banco Santander group, we do not have a guarantee from Banco Santander SA and we operate as a standalone subsidiary. As we are part of the UK sub-group regulated by the PRA, we have to meet the PRA capital requirements on a standalone basis. We also have to show the PRA that we can withstand capital stresses without the support of our ultimate parent, Banco Santander SA. Reinforcing our corporate governance framework, the PRA exercises oversight through its rules and regulations on the Board and senior management appointments.

Santander UK Group Holdings plc is the holding company of Santander UK plc and is the head of the Santander UK group for regulatory capital and leverage purposes. Santander UK plc is the head of the ring-fenced bank sub-group and is subject to regulatory capital and leverage rules in relation to that sub-group. Our basis of consolidation for our capital disclosures is substantially the same as for our Consolidated Financial Statements.

CAPITAL RISK MANAGEMENT

Risk appetite
The Board is responsible for capital management strategy and policy and ensuring that we monitor and control our capital within regulatory and internal limits. We manage our funding and maintain capital adequacy on a standalone basis. We operate within the capital risk framework and appetite approved by our Board. This reflects the environment we operate in, our strategy for each material risk and the potential impact of adverse scenarios or stresses on our capital.

Management of capital requirements (audited)
Our capital risk appetite aims to maintain capital levels appropriate to the level of stress applied, and the expected regulatory response. In:

- An adverse economic stress, which we expect once in 20 years, we should remain profitable and exceed all regulatory capital minimums at all times.
- A very severe economic stress, which we expect once in 100 years, and which has been designed to test any specific weaknesses of our business model, we should meet all regulatory capital minimums at all times. This is subject to using regulatory buffers designed to absorb losses in such a stress.

Risk measurement
We apply Banco Santander's approach to capital measurement and risk management for CRD IV. Santander UK plc is classified as a large subsidiary of Banco Santander SA. For more on the CRD IV risk measurement of our exposures, see Banco Santander's Pillar 3 report. For more on our capital, see our Additional Capital and Risk Management Disclosures on our website: aboutsantander.co.uk.

Management of capital resources (audited)
We use a mix of regulatory and EC ratios and limits, internal buffers and restrictions to manage our capital resources. We also take account of the costs of differing capital instruments and capital management techniques. We also use these to shape the best structure for our capital needs. We decide how to allocate our capital resources as part of our strategic planning process. We base this in part on the relative returns on capital using both EC and regulatory capital measures. We plan for severe stresses and we set out what action we would take if an extremely severe stress threatened our viability and solvency. This could include not paying dividends, selling assets, reducing our business and issuing more capital.

Key metrics
The main metrics we use to measure capital risk are CET1 capital ratio, total capital ratio and UK leverage ratio. We continue to be in excess of overall capital requirements, minimum leverage requirements and minimum requirements for own funds and eligible liabilities (Internal MREL).

Stress testing
Each year we create a capital plan, as part of our ICAAP. We share our ICAAP with the PRA. The PRA then tells us how much capital (Pillar 2A), and of what quality, it thinks we should hold on top of our Pillar 1 requirements and buffer levels. We also develop a series of economic scenarios to stress test our capital needs and confirm that we have enough regulatory capital to meet our projected and stressed capital needs and to meet our obligations as they fall due.

Our CISA was developed to understand the impact of climate change on our business. We invested in a strategic solution which delivers the capability to run long-term horizon multi-scenario assessments which reflect a range of climate outcomes. These outcomes cover shorter and longer-term horizons and reflect physical and transition risks. The CISA outputs are used in our future ICAAP exercises for climate risk and will help us prioritise our actions for the next five years.

We augment our regulatory minimum capital with internal buffers. We hold buffers to ensure we have enough time to act against unexpected changes.

Risk mitigation
We designed our capital risk framework, policies and procedures to ensure that we operate within our Risk Appetite. We manage capital transferability between our subsidiaries in line with our business strategy, risk and capital management policies, and UK laws and regulations. There are no legal restrictions on us moving capital resources promptly, or repaying liabilities, between the Company and its subsidiaries except for loans and distributions between Santander UK entities in the ring-fenced bank sub-group and Santander UK entities that are not members of the ring-fenced bank sub-group, where the PRA is required to assess the impact of proposed distribution prior to payment. For details on our Recovery framework in the event of a capital stress, see 'risk mitigation' in the 'Liquidity risk' section.

Capital support arrangements
At 31 December 2024, Santander UK plc, Cater Allen Limited, Santander ISA Managers Limited and certain other non-regulated subsidiaries of Santander UK plc were party to a capital support deed dated 3 December 2024 which was effective from 3 December 2024 (the RFB Sub-Group Capital Support Deed). These parties were permitted by the PRA to form a core UK group as defined in the PRA Rulebook, a permission which expires on 3 December 2027. Exposures of each of the regulated entities to other members of the core UK group are exempt from large exposure limits that would otherwise apply and these exposures are risk-weighted at 0%. Where applicable this permission also provides for intra-group exposures to be excluded from the leverage exposure measure. The purpose of the RFB Sub-Group Capital Support Deed is to facilitate the prompt transfer of available capital resources from, or repayment of liabilities by, the non-regulated entities to any of the regulated entities in the event that one of the regulated entities breached or was at risk of breaching its capital resources or risk concentrations requirements.

Risk monitoring and reporting
We monitor and report regularly against our capital plan. We do this to identify any change in our business performance that might affect our capital. Each month, we also review the economic assumptions we use to create and stress test our capital plan. We do this to identify any potential reduction in our capital.

CAPITAL RISK REVIEW

Meeting evolving capital requirements
We target a CET1 management buffer of sufficient size to absorb volatility in CET1 deductions, capital supply and capital demand whilst remaining above the current and expected future regulatory CET1 requirement. Distribution restrictions would be expected to be applied if we were unable to meet both our minimum requirement, which consists of the Pillar 1 minimum plus Pillar 2A, the CRD IV buffers consisting of the Capital Conservation Buffer (CCB), the Countercyclical Capital Buffer (CCyB), and the Other Systemically Important Institutions Buffer (O-SII).

Impact of IFRS 9 on regulatory capital
Our ECL methodology takes account of forward-looking data and covers a range of possible economic outcomes, and so provision movements may result in increased pro-cyclicality of risk-based capital and leverage ratios. However, the impact is currently mitigated by our surplus of IRB model regulatory expected losses over provisions for exposures using the IRB approach. For such exposures (which include residential mortgages) the adverse impact on CET1 capital of provision increases from reserve movements is offset by the related reduction of the negative CET1 capital adjustment for regulatory expected loss amounts. Also, the UK CRR transitional rules for the capital impact of IFRS 9 meant that adverse CET1 effects from increases in ECL-based provisions from the level of such provisions at 1 January 2018 were partly reduced until the end of 2024.

We reflect projections of ECL provisions in our capital position forecasting under base case and stress scenarios for ICAAP and capital management purposes. We also consider the dynamics of ECL in how we assess and manage capital risk. A period of economic instability, such as that seen in early 2020 due to the impacts of the Covid-19 pandemic, could significantly impact our results and our financial assets. It could also impact the amount of capital we have to hold. We consider the volatility of ECL in our capital planning strategy.

Key capital ratios

	2024 %	2023 %
CET1 capital ratio	**14.9**	15.4
AT1	**2.8**	2.9
Tier 2	**3.3**	3.2
Total capital ratio	**21.0**	21.5
Total subordination available to Santander UK plc senior unsecured bondholders as a % of RWAs	**21.0**	21.5
Return on assets - profit after tax divided by average total assets	**0.36**	0.55

Regulatory capital resources (audited)
This table shows our qualifying regulatory capital:

	2024 £m	2023 £m
CET1 capital	**9,791**	10,443
AT1 capital	**1,860**	1,956
Tier 1 capital	**11,651**	12,399
Tier 2 capital	**2,093**	2,172
Total capital[1]	**13,744**	14,571

(1) Capital resources include a transitional IFRS 9 benefit at 31 December 2024 of £12.2m (2023: £43.0m).

Risk-weighted assets
Total RWAs at 31 December 2024 were £65.5bn (2023: £67.8bn) which are consistent with our regulatory filings.

Market risk

Overview

Market risk comprises non-traded market risk and traded market risk.

Non-traded market risk is the risk of loss of income, economic or market value due to changes to interest rates in the non-trading book or to changes in other market risk factors (e.g. credit spread and inflation risk), where such changes would affect our net worth through an adjustment to revenues, assets, liabilities, and off-balance sheet exposures in the non-trading book.

Traded market risk is the risk of changes in market factors that affect the value of the positions in the trading book. We have no significant traded market risk exposure.

In this section, we set out which of our assets and liabilities are exposed to non-traded and traded market risk. Then we explain how we manage these risks and discuss our key market risk metrics.

Key metrics

Net Interest Income (NII) sensitivity to +100bps was £167m and to -100bps was £(201)m (2023: £220m and £(220)m).

Economic Value of Equity (EVE) sensitivity to +100bps was £(496)m and to -100bps was £425m (2023: £(299)m and £265m).

Balance sheet allocation by market risk classification(audited)

We classify all our assets and liabilities exposed to market risk as non-traded market risk, except for certain portfolios that we must classify as trading books for regulatory purposes (such as selling derivatives or derivative-based products to clients), of which we must fair value for accounting reasons (such as assets in the eligible liquidity pool). For accounting purposes, we classify all derivatives as held for trading unless they are designated as being in a hedging relationship. For more, see Note 11 to the Consolidated Financial Statements.

NON-TRADED MARKET RISK

OUR KEY NON-TRADED MARKET RISKS (audited)

Non-traded market risk mainly comes from providing banking products and services to our customers, as well as our structural balance sheet exposures. It arises in all our business segments. In Retail & Business Banking, Consumer Finance and Corporate & Commercial Banking, it is a by-product of us writing customer business and we transfer most of these risks to Corporate Centre to manage. The only types of non-traded market risk that we keep in Retail & Business Banking, Consumer Finance and Corporate & Commercial Banking are short-term mismatches due to forecasting variances in prepayment and launch risk. This is where customers repay their loans earlier than their expected maturity date or do not take the expected volume of new products. Corporate Centre also manages our structural balance sheet exposures, such as foreign exchange and Income Statement volatility risk.

Our non-traded market risk categories are:

Category	Description
Interest rate risk	Interest rate risk mainly consists of yield curve risk, which comes from timing mismatches in repricing fixed and variable rate assets, liabilities and off-balance sheet instruments. It also comes from investing non-rate sensitive liabilities in interest-earning assets.
Spread risk	Spread risk arises when the value of assets or liabilities which are accounted for at fair value (either through Other Comprehensive Income or through profit and loss) are affected by changes in the credit spread. We measure these spreads as the difference between the discount rate we use to value the asset or liability, and an underlying interest rate curve.
Foreign exchange risk	Our banking businesses operate mainly in sterling markets, so we do not create significant foreign exchange exposures. The only exception to this is money we raise in foreign currencies. For more on this, see 'Wholesale funding' in the 'Liquidity risk' section.
Income statement volatility risk	We measure most of the assets and liabilities in our banking book balance sheet at amortised cost. We sometimes manage their risk profile by using derivatives. As all derivatives are accounted for at fair value, the mismatch in their accounting treatment can lead to volatility in our Income Statement. This happens even if the derivative is an economic hedge of the asset or liability.

NON-TRADED MARKET RISK MANAGEMENT

Risk appetite
Our Structural and Market Risk framework sets out our high-level arrangements and standards to manage, control and oversee non-traded market risk (also known as structural risk), and is part of our overall Risk Framework. Our Risk Appetite sets the controls, risk limits and key risk metrics for non-traded market risk. We show risk appetite by the income and value sensitivity limits we set in our Risk Appetite, at both Santander UK and Banco Santander group levels.

Risk measurement
We mainly measure our exposures with NII and EVE sensitivity analysis. We support this with VaR risk measures and stress testing. We also monitor our interest rate repricing gap. We regularly review our risk models and metrics including underlying model assumptions to ensure they continue to reflect the risks inherent in the current rate environment and regulatory expectations.

NII and EVE sensitivities (audited)
The calculations for NII and EVE sensitivities to interest rate moves involve many assumptions, including expected customer behaviour (such as early repayment of loans) and the projected evolution and repricing of our balance sheet. These assumptions are a key part of our overall control framework, so we update and review them regularly. Our NII and EVE sensitivities include the interest rate risk from all our banking book positions. Our banking book positions generate almost all our reported net interest income.

Net Interest Income (NII) sensitivity
– NII sensitivity is an income-based measure we use to forecast the changes to interest income and interest expense in different scenarios. It gives us a combined impact on net interest income over a given period – usually 12 or 36 months.
– We calculate NII sensitivity as the change in NII for a defined set of instantaneous parallel and non-parallel shifts in the yield curve.

EVE sensitivity
– We calculate EVE sensitivity as the change in the net present value of all the interest rate sensitive items in the banking book balance sheet for a defined set of instantaneous parallel and non-parallel shifts in the yield curve.

The limitations of sensitivities
We use sensitivities to measure the impact of standard, instantaneous, parallel shifts in relevant yield curves. The advantage of using standard parallel shifts is they generally give us a constant measure of the size of our market risk exposure, with a simple and consistent stress. We also run non-parallel stress tests, to calculate the impact of some plausible non-parallel scenarios, and over various time periods for income stresses, usually one or three years.

Value at Risk (VaR) (audited)

VaR
– VaR indicates possible losses from market changes in non-stressed conditions.
– We run a historical simulation. We use two years of historical daily price moves. We report a 99% confidence level.

The limitations of VaR
VaR is a standard risk measure. It has limitations including:

- It assumes the past is a reliable guide to the possible future.
- It uses end of day positions. It would miss higher risk run only during the day.
- It does not predict the loss on the 1% largest-loss days (outside the 99% confidence interval).
- We use a history of one day price moves. This is reasonable for our business but VaR does not cover positions we could not sell or hedge quickly, or products whose prices cannot be observed.

Back-testing – comparing VaR estimates with actual profit and loss
To check that our VaR is reasonable, we compare it against our observed profits and losses for the same area. This confirms the VaR model is working. If we found it were not, we would investigate, and correct it if required.

Stress testing
Stress testing is an essential part of our risk management. It helps us to measure and evaluate the potential impact on portfolio values of more extreme, although plausible, events or market moves. Limits reflect our risk appetite and are expressed relative to the loss given a stress event, thereby restricting how much risk we take.

Stress testing scenarios
Simple stress tests (like parallel shifts in relevant curves) give us clear measures of risk and a consistent starting point for setting limits. More complex, multi-factor and multi-time period stress tests give us information about specific potential events. They can also test outcomes that we might not capture through parallel stresses or VaR-type measures. We use stress tests to estimate losses in extreme market events beyond the confidence level used in VaR models.

We can adapt our stress tests to reflect concerns such as climate change risk, other macroeconomic and geopolitical events or changing market conditions. We run individual business area stresses and Santander UK-wide scenarios.

Other ways of measuring risk
As well as using sensitivities and stress tests, we can measure non-traded market risk using net notional positions. This can give us a simple view of our exposure, although we generally need to combine it with other risk measures to cover all aspects of a risk profile, such as projected changes over time. Other metrics we can use include Earnings at Risk (EaR). EaR is like VaR but captures changes in income rather than value.

Risk mitigation (audited)
We typically hedge the interest rate risk of the securities we hold for liquidity and investment purposes with interest rate swaps. We retain spread exposures, and these are the key drivers of the VaR and stress tests we use to assess the risk of the portfolio. We mitigate Income Statement volatility mainly through hedge accounting. We monitor any hedge accounting ineffectiveness that might lead to Income Statement volatility with a VaR measure and trigger, reported monthly. For our accounting policies for derivatives and hedge accounting, see Note 1 to the Consolidated Financial Statements.

We hedge our foreign currency funding positions back to sterling, so our foreign exchange positions tend to be residual exposures that remain after hedging. These exposures could be, for example, to 'spot' foreign exchange rates or to cross currency basis. We monitor foreign exchange risk against absolute net exposures and VaR-based limits and triggers.

For more on this, see 'Funding strategy' and 'Term issuance' in the 'Liquidity risk' section.

Risk monitoring and reporting (audited)
We monitor our non-traded market risks using NII and EVE sensitivities, VaR and stress tests. We report them against limits and triggers to senior management daily and to ALCO and ERCC each month. The VaR we report captures all key sources of volatility (including interest rate and spread risks) to fully reflect potential volatility.

NON-TRADED MARKET RISK REVIEW

Interest rate risk

Yield curve risk

The table below shows how our net interest income would be affected by a 100bps parallel shift (both up and down) applied instantaneously to the yield curve at 31 December 2024 and 31 December 2023. Sensitivity to parallel shifts represents the amount of risk in a way that we think is both simple and scalable.

	2024		2023	
	+100bps £m	-100bps £m	+100bps £m	-100bps £m
NII sensitivity (audited)[1]	**167**	**(201)**	220	(220)
EVE sensitivity	**(496)**	**425**	(299)	265

(1) Based on modelling assumptions of repricing behaviour.

NII Sensitivity is adversely exposed to down-shock scenarios driven by margin compression of core liabilities, partly offset by the structural position. EVE sensitivity is adversely exposed to rising interest rate scenarios.

EVE sensitivity reflects the potential impact on economic value due to the structural mismatch of assets and liabilities (excluding equity) over the longer term. The EVE metric excludes equity as a source of non-rate sensitive funding, as equity is invested into the structural position the metric typically reflects an adverse exposure to rising rate scenarios.

Interest rate repricing gap

The table below shows the interest rate repricing gap of our balance sheet by repricing buckets.

2024	3 months £m	1 year £m	3 years £m	5 years £m	>5years £m	Not sensitive £m	Total £m
Assets	**93,430**	**51,502**	**93,136**	**21,899**	**8,357**	**15,118**	**283,442**
Liabilities	**110,187**	**51,152**	**52,767**	**43,930**	**2,081**	**24,157**	**284,274**
Off-balance sheet	**4,673**	**2,414**	**(20,185)**	**15,835**	**(1,905)**	**—**	**832**
Net gap	**(12,084)**	**2,764**	**20,184**	**(6,196)**	**4,371**	**(9,039)**	**—**
2023							
Assets	104,985	48,416	79,635	40,553	5,650	14,640	293,879
Liabilities	117,154	49,904	54,127	46,107	2,558	24,908	294,758
Off-balance sheet	12,345	1,429	(14,771)	(278)	2,154	—	879
Net gap	176	(59)	10,737	(5,832)	5,246	(10,268)	—

Spread risk

The table below shows the risk metrics covering the portfolios of securities we hold for liquidity and investment purposes.

	2024 £m	2023 £m
VaR	**5**	5
Worst three month stressed loss	**110**	86

We regularly review our risk models and metrics including the scenarios and underlying modelling assumptions we use, to ensure they continue to reflect the risks in the current economic environment, and incorporate regulatory expectations.

2024 compared to 2023

In 2024 NII sensitivity decreased, and EVE sensitivity increased, mainly reflecting the overall increase in the structural hedge position relative to non-rate sensitive liabilities.

TRADED MARKET RISK

We have no significant traded market risk exposure. The risk we do have is from providing permitted financial services to permitted customers.Traded market risk can reduce our net income. Movements in interest rates, credit spreads, and foreign exchange rates affect the value of products we have.

We have two trading desks. The Link Desk transacts derivatives with our corporate clients. The Structured Products Group (SPG) sells investments to retail investors, through our UK branches and other channels. Banking Reform legislation requires us to have immaterial market risk. We hedge risks from customer trades, mostly with Banco Santander SA. We calculate market risk capital using standard rules.

The Internal VaR for exposure to traded market risk at 31 December 2024 was less than £1m (2023: less than £1m).

Pension risk

Overview

Pension risk is the risk caused by our statutory contractual or other liabilities with respect to a pension scheme (whether set up for our employees or those of a related company or otherwise). It also refers to the risk that we will need to make payments or other contributions with respect to a pension scheme due to some other reason.

In this section, we explain how we manage pension risk, including our investment and hedging strategies. We also discuss our key metrics and developments in the year.

Key metrics

Funding Deficit at Risk was £830m (2023: £980m)

Funded defined benefit pension scheme accounting surplus was £439m (2023: £723m)

OUR KEY PENSION RISKS

Pension risk is one of our key financial risks. Santander UK plc is the sponsor of the Santander (UK) Group Pension Scheme (the Scheme), a defined benefit scheme. Our risk is that, over the long-term, the Scheme's assets are not enough to meet its liabilities as they fall due. If this happens, we could have to (or choose to) make extra contributions. We might also need to hold more capital to reflect this risk.

The Scheme, risk metrics and regulatory capital can be sensitive to changes in the assumptions of the risk categories shown below.

Categories	Description
Interest rate risk	The risk that a decrease in (long-term) interest rates causes an increase in the value of the Scheme's liabilities that are not matched by an increase in the value of its assets.
Inflation risk	Annual pension increases are directly linked to RPI or CPI. The risk is that an increase in inflation causes an increase in the value of the Scheme's liabilities that are not matched by an increase in the value of its assets.
Longevity risk	The Scheme's liabilities are in respect of current and past employees and are expected to stretch beyond 2080 due to the long-term nature of the obligation. Therefore, the Scheme's liabilities are also impacted by changes to the life expectancy of Scheme members over time.
Investment risk	The risk that the return on the Scheme's assets is insufficient to meet the liabilities.

For more on our defined benefit schemes, including sensitivity analysis of our key actuarial assumptions, see Note 28 to the Consolidated Financial Statements.

Defined contribution schemes
We also have defined contribution schemes for some of our employees. These schemes carry far less market risk for us, although we are still exposed to operational and reputational risks. For more on our defined contribution schemes, see Note 28 to the Consolidated Financial Statements.

The impact of our defined benefit schemes on capital
We take account of the impact of pension risk on our capital as part of our planning and stress testing process, considering measures such as the impact on CET1 and Pillar 2A, and also where relevant the impact on the related measures such as the leverage ratio.

Our defined benefit pension schemes affect capital in two ways:
- We treat an IAS 19 deficit as a liability on our balance sheet. We recognise deficit movements in Other Comprehensive Income, so this reduces shareholders' equity and CET1 capital. We treat an IAS 19 surplus as an asset. This increases shareholders' equity, but it is deducted in determining CET1 capital. An IAS 19 surplus/deficit is partially offset by a deferred tax liability/asset. These may be recognised for calculating CET1 capital depending on our overall tax position.
- The PRA takes pension risk into account in the Pillar 2A capital assessment in the annual ICAAP exercise. Pillar 2A is part of our overall regulatory requirement for CET1 capital, Tier 1 capital and total capital. For more on our regulatory requirements, see the 'Capital risk' section.

PENSION RISK MANAGEMENT

For details of how the Scheme is governed and operates, see Note 28 to the Consolidated Financial Statements.

Risk appetite
Our Risk Appetite is a key consideration in all decisions and risk management activities related to the Scheme. Our pension risk appetite is reviewed by our Pension Forum at least once a year. It is then sent to the Board for approval. We measure pension risk on both a technical provisions (funding) basis and an accounting (IAS 19) basis. We manage pension risk on both the accounting and the funding basis. Both bases are inputs into our capital calculations.

Risk measurement
Our key risk metrics include:

Key risk metrics	Description
Funding Deficit at Risk	We use a VaR and a forward-looking stress testing framework to model the Scheme's assets and liabilities to show the potential deterioration in the funding position.
Sponsor Contributions	We use a VaR and a forward-looking stress testing framework to model the potential contribution that could be payable to the Scheme by a pre-defined fixed date in the future.
Pensions Volatility	We use a VaR and a forward-looking stress testing framework to model the volatility in the pension-related capital deduction.

In addition to investing in liquid debt markets, the Scheme invests in certain assets whose values are not based on market observable data, such as investments in private equity funds and property. For more on this, see Note 28 to the Consolidated Financial Statements. The risks of these assets are included in the metrics described above.

We perform stress tests for regulators, including for ICAAPs and PRA stress tests. For more on our stress testing, see the 'Risk governance' section.

Climate change scenario testing gives us the capacity to simulate risk exposures over an extended time horizon. The Trustee has an ambition to achieve net zero by 2050, which it factors into its decision making.

Risk mitigation
The key tools we use to maintain the above key risk metrics within appetite are:

Key tools	Description
Investment strategies	The Trustee developed the following investment objectives to reflect their main duty to act in the best interests of Scheme beneficiaries: – To maintain a diversified portfolio of assets of appropriate quality, security, liquidity and profitability to generate income and capital growth to meet, with new contributions from members and employers, the cost of current and future benefits that the Scheme provides – To limit the risk that the assets fail to meet the liabilities – To invest in a manner appropriate to the nature and duration of the expected future retirement benefit payments under the Scheme – To minimise the Scheme's long-term costs by maximising asset returns net of fees and expenses whilst reflecting the objectives above. The investment strategy is regularly reviewed, and its impact on Funding Deficit at Risk is considered.
Hedging strategies	The Trustee employs asset-liability matching arrangements including the use of liability driven investment strategies, and has a hedging strategy to reduce key market risks, mainly interest rate and inflation risk, but also currency and longevity risk. We monitor available collateral and liquidity with the objective of ensuring we have sufficient collateral and/or liquidity available to meet any margin calls.
Environmental, social and governance (ESG)	The Trustee has established a Sustainability Committee which is responsible for overseeing the Scheme's policies, regulatory obligations and priorities in respect of climate change and wider ESG related matters.

We look at the impact on our risk metrics when determining the appropriateness of the investment and hedging strategies.

Risk monitoring and reporting
We monitor pension risk each month and report on it at the Pension Forum, ERCC and, where thresholds are exceeded (or likely to be), to the Board Risk Committee and the Board in line with our pension risk appetite. This also includes quarterly monitoring of corporate credit exposures to assess any concentrations of risk. We discuss any remedial action with the Trustee. In addition, we monitor the performance of third parties who support the valuation of the Scheme's assets and liabilities.

PENSION RISK REVIEW

2024 compared to 2023
We made further refinements in 2024 as part of the CISA exercise.
The underlying level of risk in the Scheme reduced in 2024. This was mainly driven by increased interest and inflation hedging in the first half of the year and the continuing disposals of illiquid assets, including the sale of some private equity assets.

Our main focus is to ensure the Scheme achieves the right balance between risk and reward whilst minimising the impact on our capital and financial position. At 31 December 2024, the Funding Deficit at Risk decreased to £830m (2023: £980m), mainly due to the hedging noted above with the interest rate hedge ratio at 98% (2023: 89%) and the inflation hedge ratio at 99% (2023: 82%) on a funding basis.

The Scheme's collateral and liquidity position continued to be monitored closely in light of the increase in long term gilt yields seen over the second half of 2024.

We also monitor the potential impact from variations in the IAS 19 position of CET1 capital. There was a moderate impact on CET1 capital caused by movements in the IAS 19 position in the year. For more on the impact of our defined benefit schemes on capital, see the 'Capital Risk' section.

In 2024, we adopted a new version of the model that we use to set the IAS19 discount rate. The updated model is based on an expanded data set which is expected to improve its stability. We also updated the mortality improvement assumption we use to value the floating leg of the longevity swap following a mortality basis review carried out by the insurer and the Trustee. We also updated the mortality improvement assumption underlying the liability valuation to reflect latest data available.

The accounting position deteriorated in 2024. For the section in deficit, this deterioration was more than offset by the deficit contributions paid. The Scheme sections in surplus had an aggregate surplus of £439m at 31 December 2024 (2023: £723m) while there were no sections which had a deficit at 31 December 2024 (2023: one). The overall funded position was a £439m surplus (2023: £682m surplus). There were also unfunded liabilities of £23m at 31 December 2024 (2023: £25m). The overall deterioration was mainly due to a rise in gilt yields which caused assets to decrease by more than the liabilities, and decreases in the value of certain illiquid assets. There remains considerable market uncertainty and our position could change materially over a short period.

For more on our pension schemes, including the asset allocation and our accounting assumptions, see Note 28 to the Consolidated Financial Statements.

Strategic and business risk

Overview

Strategic and business risk is the risk of significant loss or underperformance against planned objectives; damage arising from strategic decisions or their poor implementation; an inability to adapt to external developments that impact the long-term interests of our key stakeholders.

In this section, we describe our key strategic and business risks and explain how we manage them. We also describe developments in the year.

OUR KEY STRATEGIC AND BUSINESS RISKS

Strategic and business risk could impact our long-term success if it caused our business model to become ineffective, out of date, or inconsistent with our goals. This could happen if we are unable to identify threats arising from the economy, competitors, regulations, and/or changes in technology and customer expectations. We could be exposed to this risk if we misjudge our capabilities, or the ability to implement our strategy, or pursue initiatives that do not fit with our business model or miss opportunities we could benefit from.

STRATEGIC AND BUSINESS RISK MANAGEMENT

Risk management	Description
Risk appetite	We have a low to moderate appetite for strategic and business risk. This limits the risks we are prepared to take to achieve our strategic objectives and is aligned to our balanced, customer-centric business model.
Risk measurement	Our Board and senior management regularly review potential risks in our operations and plans to ensure we stay within risk appetite.
Risk mitigation	We manage strategic and business risk by having a clear and consistent strategy that takes account of external factors and our own capabilities. We have an effective planning process which ensures we adapt our strategy to reflect changes in risks and opportunities.
Risk monitoring and reporting	We closely track our business environment, including long-term trends that might affect us in the future. As part of this, we report a range of indicators.

STRATEGIC AND BUSINESS RISK REVIEW

2024 compared to 2023

In 2024, we continued to transform ourselves and made changes to serve our customers better by offering them the best products at the best value and with a frictionless digital experience. To deliver this we focused our transformation on three core pillars:

- Commercial Transformation: creating better propositions,
- Operational Transformation: creating better capabilities, and
- Cultural Transformation: creating an organisation with an even greater focus on high performance and customer focus.

We successfully delivered phase 2 of the Consumer Duty mandate which delivered a sustainable customer-focused operating model, and shifted us to a more customer outcome-focused culture. We continue to face a demanding regulatory agenda and have multiple ongoing projects to ensure regulatory compliance. We will continue to work through these requirements in 2025, while keeping good customer outcomes at the heart of everything we do. Regulatory mandates we delivered include the Payment Systems Regulator's requirement on Confirmation of Payee for all Payment Service Providers and an Authorised Push Payment mandatory reimbursement regulation, both of which became effective from 7 October 2024.

Our ambition is to be net zero by 2050 and we are supporting our customers to help them to make the green transition in a fair way. In 2024, we identified ways to help our customers in their journey to transition to a low carbon economy whilst continuing to assess the underlying risks they face. We launched new Green Finance products as well as strategic partnerships with energy companies such as Octopus Energy and Scottish Power. Our Green Finance taskforce continued to consolidate ongoing and future Green Finance initiatives enabling us to ensure we deliver on our green finance public ambition.

Competitive pressures continued in 2024 with overall market volumes for assets and deposits resuming growth. The recent consolidation drive by our peers is creating larger and more diversified competitors, while digital banks continue to build their customer base and expand their product offerings. In 2024, we protected our core business franchise by deleveraging mortgages and optimising our balance sheet. We launched several new propositions for our customers, including OneApp, our new business banking app, Edge Home, Edge credit card and our Self Invested Pension Plan. In Corporate and Commercial Banking, we signed a commercial agreement with Dentsu to expand the Santander Navigator proposition. Santander Navigator is a SaaS platform designed to support international trade by providing market-leading insights and connecting businesses across the globe. We believe our customer-focused business model and strategy, and our adaptable and innovative approach, will support our continued success.

We remain focused on supporting customer needs, improving efficiency, and building a responsible and sustainable business, while continuing to progress with our agenda to tackle climate change. This will enable us to meet the changing needs of our customers and deliver improved returns over the long-term.

Reputational risk

Overview

Reputational risk is the risk of damage to the way our reputation and brand are perceived by the public, clients, government, colleagues, investors, or any other interested party.

In this section, we describe our key reputational risks and explain how we manage them. We also describe developments in the year.

OUR KEY REPUTATIONAL RISKS

Reputational risks can arise from internal and external factors. We seek to manage our reputation proactively, underpinned by our aim to be a responsible bank, and through our reputational risk framework. Reputational risk is not static; today's decisions may be judged by different standards tomorrow. We build this into our risk culture, evaluation and sanction procedures.

REPUTATIONAL RISK MANAGEMENT

Risk management	Description
Risk appetite	We have a low appetite for reputational risk, which is agreed by the Board at least each year.
Risk measurement	We assess our exposure to reputational risk daily. We base this on expert judgement and analysis of social, print, and broadcast media, and the views of political and market commentators. We also commission independent third parties to analyse our activities and those of our UK peers to identify reputational events, a decline in our reputation, and sector or thematic issues that impact our business. We also measure the perception of Santander UK by key stakeholders through regular interactions and review staff sentiment each year.
Risk mitigation	Our business units consider reputational risk as part of their operational risk and control assessments. We also consider it as part of our new product reviews. Our Corporate Communications and Responsible Banking, Legal and Compliance and Marketing teams help business units to mitigate the risk and agree action plans as needed, as part of their role to protect our brand and reputation.
Risk monitoring and reporting	We monitor and report reputational risks and issues on a timely basis. Our Reputational Risk Forum reviews and escalates key issues to ERCC, RBC and the Board. We also report regularly to ExCo on Sustainability and Public Affairs policies.

Our Reputational and ESCC risk policies define how we create long-term value while managing those risks. Our ESCC policy covers Oil & Gas, Power Generation & Transmission, Mining & Metals and Soft Commodities. For example, financing is prohibited for project-related financing for new CFPP projects worldwide and we will only work with new clients with CFPPs to provide specific financing for renewable energy projects.

REPUTATIONAL RISK REVIEW

2024 compared to 2023

In 2024, key reputational risks related to the uncertain economic environment and continued pressures from increases in the cost of living. Increased mortgage payments remained a significant issue for our customers. We continued to support the government's Mortgage Charter, and proactively contacted customers to offer support and help. There was criticism that banks were failing to pass on increases in the Bank of England Bank Rate to savers. To address this, we ran campaigns and issued direct communications to customers to advise them of our products and rates, several of which were market leading.

In May 2024, we faced significant reputational risks arising from the Banco Santander global data breach, even though the breach had no material effect on Santander UK. To manage this, we worked closely with colleagues across the Banco Santander group to develop communications for both external and internal audiences to mitigate risks. In February 2024, we also faced significant reputational risks arising from allegations that companies linked to Iran were using accounts held with Santander UK to evade US sanctions.

We also monitored developments in relation to historical motor finance commission payments and its potential impact on Reputational risk. For more details, see Notes 27 and 30 to the Consolidated Financial Statements.

Operational risk

Overview

Operational risk is the risk of loss or adverse impact due to inadequate or failed internal processes, people and systems, or external events. Operational resilience is the ability to prevent disruption occurring to the extent practicable; adapt systems and processes to continue to provide services and functions in the event of an incident; return to normal running promptly when a disruption is over; and learn and evolve from both incidents and near misses. Operational Resilience is the outcome of executing sound Operational Risk practices.

In this section, we describe our key operational risks and explain how we manage them, with a focus on our top operational risks. We also describe our operational risk event losses and developments in the year.

OUR KEY OPERATIONAL RISKS

Operational risk is inherent in our business. As a result, we aim to manage it down to as low a level as possible, in line with our Risk Appetite, rather than eliminate it entirely. Operational risk events can have a financial impact and can also affect our business objectives, customer service and regulatory obligations. These events can include product misselling, fraud, process failures, system downtime and damage to assets or external events.

Our key operational risks are divided into 11 categories:

Category	Description
Business disruption	Business Disruption risk is the risk that we are unable to maintain and/or recover our normal day-to-day operation and secure our tangible assets, to support continued delivery of good customer outcomes. In addition, we must ensure that we meet our operational resilience obligations to recover our important business services within our agreed Impact Tolerances in the event of severe operational disruptions to mitigate harm to our customers and wider financial sector.
Cybersecurity and information security	Information Security risk is the potential for unauthorised access, use, disclosure, alteration, destruction, or disruption of information. This covers all types of data whether stored digitally or non-digitally including client data, employee data and organisational proprietary data. Cybersecurity risk is one aspect of Information Security risk and is the risk of a malicious cyber-attack that may result in unauthorised access to (or theft of) sensitive data, loss of data integrity and/or disruption of services. Information Security and Cybersecurity risks may result in material impacts to our customers, business disruption, financial loss, reputational damage, and regulatory censure.
Data	Data risk is the risk that we do not collect, store, organise, maintain, protect, process, use and/or dispose of data effectively and efficiently. Effective data management supports our goals by giving timely, accurate and relevant data for decision making and business operations.
Financial reporting and Tax	Financial Reporting and Tax risk is the risk associated with producing internal and external financial statements, financial regulatory reporting (including liquidity and capital) and tax reporting.
Fraud	Fraud can be committed by first parties (our customers), second parties (people known to our customers or us), third parties (people unknown to our customers or us), and internally by our staff. We are committed to protecting ourselves and our customers from fraud and to mitigating our fraud risk in an ever-evolving external fraud environment.
IT	IT risk is the risk of adverse impact to the availability, continuity and performance of technology systems including hardware, software, networks and data centres. This risk may give rise to poor customer outcomes or experience and business disruption, financial loss, legal claims, reputational damage, regulatory fines or censure.
Legal	Legal risk is the risk of legal deficiencies in contracts and failures in protecting assets, managing legal disputes, interpretation and compliance with existing laws and regulations or implementation and compliance with new ones. Failure to manage legal risk may expose Santander UK to financial loss, litigation costs, fines, higher capital or liquidity requirements, criminal sanctions, regulatory action or censure, customer complaints, and/or reputational damage.
Outsourcing and Third party	Third Party risk is the risk to our operations due to the use of Third Party entities supplying goods or services. The risk can arise from outsourcing and non-outsourcing arrangements.
People	People risk is the risk of loss or adverse impact due to undesired employee behaviours; gaps in employee knowledge and capability; insufficient resources or lack of capacity; inadequate management of occupational health and workplace safety risks; and failure to comply with employment legislation and regulations. This risk may result in poor customer outcomes, failure to deliver our strategy and key business objectives and regulatory, reputational, and financial impacts and personal injury.
Transaction and payments processing	Transaction and Payments Processing risk is the risk that we do not process payment instructions effectively and efficiently. This includes inbound and outbound electronic payments, clearing of cheques and other instruments, deposits/withdrawals of cash and authorisation/settlement of credit/debit card payments.
Transformation and Change	Transformation and Change risk relates to any activity that transforms our business strategy, organisation, products, services, systems and processes. These activities differ from our normal day-to-day activities as they aim to achieve specific outcomes and benefits, with a clear scope, schedule, and budget. The risk covers the strategic and business risks of not investing in the right things, failing to manage an appropriate and complete change portfolio, failing to execute change effectively, and failing to manage risk of change to the business, causing potential adverse consequences.

OPERATIONAL RISK MANAGEMENT

We manage our operational risks (and other Non-Financial risks (NFRs)) in line with our NFR framework, as follows:

Non-Financial Risk Management

Our NFR framework (formerly known as the Operational Risk and Resilience framework) sets out our high-level arrangements and standards to manage operational risks, and is part of our overall Risk Framework. Our Risk Appetite sets the risk limits and key risk metrics for non-financial risks.

Risk appetite
We maintain NFR appetite across Santander UK through Board approved Risk Appetite Statements. These are in place for all principal risks and describe the extent and type of activities that can be undertaken. The Risk Appetite statements consist of qualitative statements of appetite supported by risk limits and triggers which operate as a defence against excessive risk taking. Risk measures and their associated limits are an integral part of embedding risk appetite in day-to-day risk management decisions.
We set a clear tolerance in line with business activities, and we also set lower level triggers, parameters and quantitative thresholds across our business areas. We monitor our risk profile and performance against the risk appetite, and we have processes to identify, assess, manage, and report risks and events. We incorporate Banco Santander group principles and standards, regulatory requirements, and best practice, where applicable. Coverage across the seven CRD IV loss event types is comprehensive and aligns to the principal risks approved by ERCC.

Our policies directly support the qualitative aspects of Risk Appetite. They define expectations, guidance and standards and support consistency of permissible risk taking across the business.

Risk measurement
The key components of the operational risk toolset we use to measure risks under our NFR framework are:

NFR risk toolset	Description
Operational risk and control assessments	Our business units identify and assess their operational risks to ensure they manage and control them within our operational risk appetite, and prioritise actions needed. Every area must identify and record their material risks, assess their controls for adequacy and then accept the risk or plan to address any deficiencies. We perform independent testing of our most important controls to ensure enhanced rigour and challenge of how effectively they are mitigating our largest risks. We also use operational risk assessments and risk rating tools as key parts of change risk management.
Risk scenario analysis	We perform this across business units. It involves a top down assessment of our key operational risks. We update our scenarios each year. The analysis gives us insight into rare but high impact events and allows us to understand potential impacts and address issues. Our Operational risk scenario analysis covers major Operational risks that are extreme but plausible and requires participants across the business to consider and assess the financial and qualitative impacts on Santander UK, in the event these exposures were to materialise. We complete the scenario analysis for risk management and regulatory purposes. We also use it as a business tool for their own stress testing to help understand the largest exposures and agree key actions required to prevent, control or mitigate risks. We review and update our scenarios each year to ensure they still represent our key operational risk exposures.
Key indicators (metrics)	Key indicators and their tolerance levels give us an objective view of risk exposure or the strength of a control at any point in time. They also show trends and give us early warning of potential increasing risk exposures. Our business-wide risk appetite indicators are of primary importance which show adherence to our Risk Appetite statements.
Operational risk event and loss management	Operational risk events occur when our controls do not operate as we planned and this leads to customer impact, financial loss, regulatory impacts and/or damage to our reputation. We use data from these processes to identify and correct any control weaknesses. We also use root cause analysis to identify emerging themes, to prevent or reduce the impacts of recurrence and to support risk and control assessments, scenario analysis and risk reporting. Our operational risk loss appetite sets the level of total operational risk loss (expected and unexpected) in any given year (on a 12-month rolling basis) that we consider to be acceptable. We track actual losses against our appetite, and we escalate as needed.

Risk mitigation
Mitigation Is a critical aspect of ensuring that our risk profile remains within our Risk Appetite. Risk mitigation strategies are discussed and agreed at various Risk committees within Santander.

When we consider strategies, cost and benefits, we also consider residual risks (those retained) and secondary risks (which may be consequential). Monitoring and review processes are in place to evaluate results. Early identification and effective management are critical to successful mitigation. We assess the effects of changes for materiality impact and those assessed as high or medium high impact are managed closely.

Mitigation tools	Description
Training and competence	We train our staff and require them to maintain a suitable level of competence to ensure customers can achieve appropriate outcomes. We invest in all our people to ensure that we achieve our mandatory risk objectives and that everyone acknowledges their personal responsibility to manage risk. We focus on ensuring we train our colleagues to recognise and support customers who may be vulnerable, or who may be experiencing financial stress, financial difficulty or financial abuse. We also have a dedicated Specialist Support Team that offers guidance to colleagues helping customers who may need more tailored solutions.
Action management	Where risk exposures are outside our Risk Appetite, our business units identify, assess, manage and monitor material actions to reduce the exposure back to within appetite.
Event root cause analysis	Where new material and significant events are reported, steps are taken to identify the root cause of the event. This enables a read across and the sharing of lessons learned with appropriate mitigating actions taken to address the root cause and successfully resolve the event, and enhancements made to the control environment to prevent re-occurrence.
Emerging risk monitoring	We monitor key threats, developments, and risks, including consideration of which risk types or Business areas may be impacted or stressed by them.
Risk based insurance	Where appropriate, we use insurance to complement other risk mitigation measures.

We manage our operational risks in line with our NFR framework, as outlined earlier. In addition, to mitigate specific cybersecurity risks, we have the following tailored approach:

Category	Risk mitigation
Cybersecurity	Protecting our customers, systems and data remains a top priority for us. We operate a layered information and cybersecurity defence which is aligned to the National Institute of Standards and Technology (NIST). We constantly look to adapt our capabilities to the evolving threats. We do this by gathering intelligence on threat actors, motives, and their attack techniques. We protect our most critical people, assets, and data with preventative controls in line with the identified threats. We also assume that breaches will happen in any case, and so we seek to mitigate these by ensuring their timely detection and that appropriate response and recovery activities are in place. We do this by leveraging industry standard threat analysis, identifying specific real-life scenarios, developing detailed response playbooks, and testing them regularly using bank-wide simulation exercises involving up to the CEO. Cybersecurity controls are also thoroughly captured in policies, standards, guidelines and procedures available to all staff. Third parties are vital for the functioning and resilience of our business. As such, we operate a dedicated risk and control assessment prior to, and during, the lifecycle of engagements. This ensures the controls operated by the third party are in line with our policies and integrated with our processes as needed. These include, amongst others, business continuity, incident reporting and regulatory compliance. We regularly assess the state of our environment by reviewing the maturity of our controls in line with our internal risk management framework. We engage with regulatory authorities through regular oversight meetings and we participate in the CBEST programme. The CBEST programme aims to evaluate the resilience of firms and financial market infrastructures through testing performed by accredited and independent specialist firms. We also have a team of penetration testers in our Internal Audit function, that reviews our cybersecurity risks and controls, and reports the results to the BAC. We participate in industry recognised intelligence sharing groups with other banks (e.g. Cyber Defence Alliance), and we speak regularly to government agencies. We campaign to raise awareness and give customers the knowledge they need to avoid becoming victims of cybersecurity incidents. As part of this, we run customer education campaigns and offer advice through our online security operations centre. We also have a cybersecurity insurance policy to give us comprehensive cover to respond to and recover losses and damages from security breaches. Our Chief Information Security Officer (CISO) is responsible for the day-to-day running of security operations and the immediate response to information and cybersecurity incidents. The CISO relies on a comprehensive specialist team, supported by cybersecurity controls and capabilities available from the Banco Santander group CISO team in Spain. The CISO and most staff who manage cybersecurity risk across all lines of defence are industry specialists with substantial experience in leadership and technical aspects. This experience is gained via previous cybersecurity related roles in top global financial organisations, global multinationals, UK government security agencies, UK regulators, such as the PRA, industry leading cybersecurity risk management suppliers, and relevant university education. Many hold specialist security certifications that are kept relevant by attending dedicated training and specialist conferences. The CISO is responsible for cybersecurity risk operations and risk management and falls under the COO SMF accountability framework. The CRO is responsible for overseeing and challenging the risk management activities enacted by the CISO and the COO to ensure they remain within appetite. The CISO and the COO report regularly and frequently to the Board, ExCo, BRC and ERCC. They provide detailed commentaries on the threat environment, key incidents across the industry, geopolitical considerations, the overall residual risk, progress on key projects, the control environment position, and appetite going forward. In addition, BRC and ERCC receive monthly cybersecurity updates as part of the standard risk reporting suite. The CISO and the COO escalate material cybersecurity incidents affecting us and our suppliers via our internal incident escalation and management procedure with direct notifications to the CRO and other executive management. The Board and BRC include members who have substantial experience of technology risk, including Non-Executive Directors and the Chief Operating and Technology Officer. We also provide targeted training for Board members, senior management and other employees to enhance their knowledge per the evolving and emerging threat landscape.

Risk monitoring and reporting

Regulators continue to emphasise the importance of effective risk culture, personal accountability and the adoption and enforcement of risk-based requirements and adequate internal reporting processes and procedures. Monitoring and Reporting is a key part of how we manage risk. We can identify exposures through our Non-Financial Risk and control assessments, risk scenario analysis, key indicators, change risk assessments and incidents and events.

Subject matter experts across the business engage across risk management and monitoring activities and support effective communication of policy changes. We report exposures for each business unit through regular risk and control forums. These include details of the risks, level of exposure and how we plan to mitigate them. We prioritise and highlight events that have a material impact on our customers, reputation or finance by reporting them to key executives and committees. We use The Standardised Approach (TSA) to calculate our Pillar 1 operational risk capital. We use an internal model aligned to the CRD IV advanced measurement approach to validate our Pillar 2 capital needs.

Our crisis management framework covers all levels of the business. It sets out possible triggers and how we will manage a crisis, and we test it at least annually. If an event occurs, our business continuity plans help us recover as quickly as possible and we undertake post incident reviews to identify learnings.

We closely monitor emerging threats that could affect future operations and performance. We act to mitigate potential risks as and when required. We also carry out further in depth analysis, including stress testing of exposures.

OPERATIONAL RISK REVIEW

2024 compared to 2023

Operational risk event losses by Basel category

The table below shows our operational risk losses in 2024 and 2023 for reportable events with an impact over £10,000, by CRD IV loss event types. The data is presented in line with the Basel 2.5 requirement to aggregate and recognise losses in the year of the first point of recognition, rather than in any subsequent year(s) in which further costs are recognised under IFRS. Due to the nature of risk events that keep evolving, prior year losses are updated:

	2024		2023	
	Value %	Volume %	Value %	Volume %
Internal fraud	1	—	—	—
External fraud	74	87	12	93
Employment practices and workplace safety	1	1	—	1
Clients, products and business practices	11	3	87	1
Damage to physical assets	1	1	—	—
Business disruption and systems failures	2	—	—	—
Execution, delivery, and process management	10	8	1	5
	100	100	100	100

Business disruption

We continued to mature our frameworks and capabilities to support meeting the Operational Resilience requirements by the March 2025 regulatory deadline, with regular updates provided to our Executive and Board Risk committees throughout the year. We assessed the resilience of our important business services using a broad range of severe but plausible disruption scenarios. We ran successful cyberattack and loss of third party scenarios, to ensure that our contingency and recovery strategies were effective in minimising harm to our customers, risk to the safety and soundness of Santander UK, and risk to the orderly functioning or stability to the UK market. We continued to invest in strategic programmes that will further strengthen our resilience position, in particular across our IT estate.

Cybersecurity

Cybersecurity remains a key focus. In 2024, Banco Santander experienced a reportable data breach that impacted, amongst other group entities, Santander UK. The impact was limited to Santander UK staff personal information. We also responded to third party incidents affecting our suppliers. We continued to enhance our threat prevention controls and test our business area recovery plans against a range of scenarios. We continued to see increasing ransomware attacks across all sectors, driven by compromises in supply chain tools, and we expect this trend to remain. We also invested in skills and resources to manage cybersecurity risks, and monitor cybersecurity threats, including from the geopolitical environment. Our business strategy and financial results were not significantly affected by either cybersecurity threats or incidents. However, we cannot give assurance that they will not be significantly affected by such risks and incidents in the future.

Data

We continued to manage the risk with enhanced governance and investments, focusing on our critical data and processes. We continued to develop, implement, and enhance new and existing data controls through various initiatives. These initiatives included establishing appropriate processes, prioritising the resolution of gaps in data controls and data lineage testing, and ensuring that remediation plans are in place as part of our Data Management Programme to further enhance data quality and data privacy and protection.

Fraud

Authorised Push Payment fraud remains our largest fraud type. We continued to make progress in mitigating operational risk losses from fraud. This included implementing new detection controls and coordinated customer awareness campaigns that led to a significant reduction in specific frauds risks for our customers, especially in terms of onboarding and payment card fraud. We maintained a leading, collaborative role in fraud management with industry partners, through CIFAS, UK Finance and Stop Scams UK.

IT

We made significant progress in addressing key IT risks through a programme of remediation activities, including continued improvement in reducing IT related incidents and the ongoing management of technology obsolescence. As a result of the progress made, the FCA recognised our improvement in IT resilience.

Legal

Our legal risk profile remained heightened in 2024. The Court of Appeal judgment in October 2024 in relation to motor finance commission cases involving other lenders represented a deterioration in our legal risk position and led to a £295m provision. The decision is subject to an appeal to the Supreme Court. The outcome of that appeal and the appeal to the Court of Appeal of the High Court's judicial review of a final decision by the Financial Ombudsman against another lender are expected to influence our legal risk in relation to litigation and complaints relating to historical motor finance commission arrangements and the outcome of the FCA review. We continued to evaluate and react to the evolving legal and regulatory environment, including the Consumer Duty, the Financial Services and Markets Act 2023, the Economic Crime and Corporate Transparency Act 2023, the Digital Markets, Competition and Consumers Act 2024 and reforms to the ring-fencing regime. We materially completed the alignment of material third party contracts to PRA Supervisory Statement 2/21, and in relation to international data transfers, to the Schrems II judgment. The in-flow litigated PPI claims reduced and an appeal by a PPI complainant to the Court of Appeal to re-open a settlement agreement was unsuccessful. However, on-going large scale complex PPI related litigation brought by AXA, and a German criminal and tax investigation relating to historical dividend tax arbitrage transactions remain. We continue to manage our legal risk in relation to thematic Court actions and FOS complaints related to fraud, irresponsible lending, mortgages and commissions. For more, see Note 30 to the Consolidated Financial Statements.

Outsourcing & Third Party Supplier

We rely extensively on third parties for a range of goods and services, provided by both Banco Santander and external suppliers. We reviewed our suppliers against a revised set of controls and implemented new metrics to monitor and manage our risk exposure. We continue to manage risk to our Third Party Supplier estate.

People

We saw improvements in 2024 with reduced levels of attrition and of aged vacancies. We continue to be alert and respond to any risks that could arise from our ongoing transformation, including providing ongoing support to enable colleagues to attend the office regularly.

Transformation and change

We continue our transformation to simplify the bank, digitise processes, build smarter solutions, and strengthen our foundations whilst reducing costs, extending internal capabilities and ensuring a resilient operating model. This includes delivery against a diverse change agenda with a focus on modernising our operations and building fit for the future technology, transforming customer interactions, growth and productivity. Ensuring change does not result in unacceptable impacts on our customers and risk profile underpins our strategic decisions and is robustly managed.

Financial crime risk

Overview

Financial crime risk is the risk that we are used to further financial crime, including money laundering, sanctions evasion, terrorist financing, facilitation of tax evasion, bribery and corruption. We recognise that financial crime and associated illegal activity poses a threat to the UK's national security, economy and its institutions and causes serious harm to the customers and communities we serve.

In this section, we describe our key financial crime risks and explain how we manage them. We also describe developments in the year.

OUR KEY FINANCIAL CRIME RISKS

Financial crime is a high priority risk for us, and addressing it is a key priority for senior management. We remain committed to countering it by maintaining robust systems and controls, and conducting business in line with regulatory and legal requirements. We adopt a risk-based approach in line with UK and international laws and standards.

Our main financial crime risk categories are:

Category	Description
Money laundering	We are used by criminals to transform the proceeds of crime into seemingly legitimate money or other assets.
Terrorist financing	We are used by terrorists to deposit, distribute or collect funds that are used to fund their activity.
Sanctions	We do not identify payments, customers or entities that are subject to economic or financial sanctions.
Bribery and corruption	We fail to put in place effective controls to prevent or detect bribery and corruption.
Facilitation of tax evasion	We fail to put in place effective systems and controls to prevent the facilitation of tax evasion.

FINANCIAL CRIME RISK MANAGEMENT

We manage our financial crime risks in line with our NFR framework, as outlined earlier. In addition, we have financial crime policies tailored to the key risks and we maintain a control framework in line with a standalone economic crime risk framework. We continue to partner with public authorities, the Home Office and the wider financial services industry to pool expertise and data to mitigate specific financial crime risks. We are also involved in partnerships such as the Joint Money Laundering Intelligence Taskforce (JMLIT) which supports public-private collaboration to tackle financial crime.

FINANCIAL CRIME RISK REVIEW

2024 compared to 2023
We understand the importance of protecting the communities we serve from the social and economic impacts of financial crime. We recognise that the financial crime landscape is constantly evolving, influenced by regulatory changes, legal requirements, geopolitical factors and changing criminal methods. As a result, we continue to prioritise and remain vigilant in addressing financial crime risks and actively partner with industry, law enforcement and government to deter, detect and disrupt financial crime and terrorist financing. In 2024, we:

- Continued to invest in our financial crime systems and controls with a focus on reducing the residual risk and returning to Board Risk Appetite, adequacy of resources and key deliverables across the remediation plan.
- Adapted our financial crime policies to reflect the latest external requirements, best practice and Banco Santander policy requirements.
- Maintained our focus on providing colleagues with the appropriate skills, knowledge and qualifications to support our efforts to fight financial crime through enhanced and targeted training. Our Economic Crime Academy provides training modules on high risk Financial Crime areas in line with industry standards, and these modules are endorsed by the International Compliance Association (ICA).
- Played an active role externally on policy and related strategies and maintained extensive involvement in UK public private partnerships. As part of this, we worked closely with government, trade bodies, industry, law enforcement and regulators on issues that many impact our Financial Crime Compliance capabilities.
- Remained a committed member of the JMLIT and other public-private information sharing initiatives with law enforcement and industry, to exchange and analyse data on high-end money laundering and wider economic threats.

Following changes to the Governance framework in Q424, we transferred oversight for the Financial Crime Remediation Programme to the Special Projects Committee.

Financial crime risk management remains one of our top risks and a key focus area for senior management and the Board. We continue to enhance our risk management capabilities with key activity planned in 2025 including:
- Accelerating risk mitigation responses and controls to new or evolving financial crime risk threats.
- Continuing to enhance our sanctions systems and controls in response to internal and external lessons learned from the external sanctions developments in 2024, notably the continued impacts of the Russia sanctions and increased use of OFSI powers.
- Maturing our financial crime operations, including continuing to improve our customer data records to help increase the effectiveness and sustainability of our efforts to manage financial crime risks.

Model risk

Overview

Model risk is the risk that the predictions from models may be inaccurate, causing sub-optimal decisions to be made; or that a model may be used inappropriately. These potential adverse consequences can lead to reputational damage, regulatory non-compliance, a deterioration in our prudential position, or financial losses.

In this section, we describe our key model risks and explain how we manage them. We also describe developments in the year.

OUR KEY MODEL RISKS

A model is a quantitative repeatable method or system that relies on assumptions to process input data into estimates of uncertain outcomes. Our key model risks arise from inadequate or flawed design leading to weaknesses and limitations in our models, implementation errors or poor deployment of the models, or the incorrect or inappropriate use of a model. The most material models we use help us calculate our regulatory capital and credit losses, and perform stress tests. We are seeing increasing interest in using Artificial Intelligence (AI) which creates new model risks such as explainability - the ability to understand why an algorithm made a particular prediction.

MODEL RISK MANAGEMENT

We manage our Model risks in line with our NFR framework, as outlined earlier. In addition, to mitigate specific model risks, we have the following tailored policies:

- Model Risk Policy – sets out the action, outcome or standard of behaviour expected to manage and control model risk and remain within risk appetite
- Tiering and Materiality Policy – ensures the consistent methodology in determining the significance of models used across the business
- Change Classification Policy – explains how model changes are managed and controlled
- Changes to IRB Rating Systems Policy – sets the criteria for assessing the materiality of extensions and changes to IRB models
- Validation Policy – sets out the general criteria for internal validation activities, with the aim to provide an objective, unbiased and critical opinion on the adequacy of models we use.

In line with our risk organisational structure, our first line of defence drives effective management of the risk and fully embeds the framework. In the second line, the oversight team sets a clear framework, related policies, risk appetite and provides oversight and governance. The independent valuation function reviews new developments for all models, particularly for capital adequacy, provisions and stress testing, which all have regulatory focus. The third line of defence assesses periodically the robustness of the model risk management framework, compliance with policies and regulatory requirements, and material changes taking place.

MODEL RISK REVIEW

2024 compared to 2023

In 2024, Model risk remained a significant focus, as we continued to work on the regulatory agenda, focusing on models to reflect the most accurate and recent data. The PRA's Model Risk Supervisory Statement (SS1/23) policy has been in effect since May 2024 and we have aligned our framework, policies and procedures to the new regulation. We are embedding enhancements across our business as a result. We will maintain a strong focus on aligning with supervisory expectations as we address remediation efforts in the next two years. We continued to recognise model risk as a key risk and maintained a strong management and oversight framework that is embedded across all three lines of defence.

In 2024, we continued to redevelop key regulatory capital models, and the enhancements to our most material provision models went live. In line with SS1/23 we embedded a robust post-model adjustment framework, including independent review of adjustments made to the ECL to mitigate against weaknesses and limitations. We continued to focus on our new climate change stress test models to consider the effects of climate change risk on our portfolios.

We delivered several new machine learning and generative AI solutions in 2024, including Agent Assist, which have helped improve productivity.

We expect industry use of AI to continue to grow and we plan to expand our use of it, allowing our colleagues to focus on the more complex customer cases. We will continue to build on the progress made in 2024 and will focus on ensuring our models remain accurate and reliable given the momentum of change.

Conduct and regulatory risk

Overview

Conduct risk is the risk where our decisions and behaviours could lead to detriment or poor outcomes for our customers. It also refers to the risk that we fail to maintain high standards of market behaviour and integrity.

Regulatory risk is the risk of financial or reputational loss, or imposition of our conditions on regulatory permission, due to failing to comply with applicable codes, regulator's rules, guidance and regulatory expectations.

In this section, we describe where our key conduct and regulatory risks can originate from and set out how we manage them. We also describe developments in the year.

Key metrics

Customer remediation provision was £348m (2023: £106m)

Litigation and other regulatory provision was £112m (2023: £132m)

OUR KEY CONDUCT AND REGULATORY RISKS

We are committed to ensuring Conduct and Regulatory Risk strategy is embedded within our business, as good outcomes for our customers are at the heart of what we do. Conduct and Regulatory Risk can stem from errors in our product design, sales practices, post-sale servicing, operational processes, complaint handling, and the failure to supervise, monitor or control the activities of our employees. All of these may result in the risk that we do not deliver better outcomes for our customers, align to the expectations of our regulators or observe required standards of market behaviour. Understanding the drivers of Conduct and Regulatory risk enables us to update and ensure our frameworks are robust to mitigate against the risk of causing consumer harm on an on-going basis.

CONDUCT AND REGULATORY RISK MANAGEMENT

We manage our Conduct and regulatory risks in line with our NFR framework, as outlined earlier. In addition, to mitigate specific Conduct and Regulatory risks, we have the following tailored policies:

Policies	Description
Fair Value policy for regulated products (Retail customers)	Our fair value policy details our approach to assessing whether a regulated product provides fair value to our retail customers, considering all stages of value during the product design phase, and on a regular basis.
Fair treatment of vulnerable customers	Some customers may be impacted financially or personally as a result of their circumstances. Our Vulnerable Customer Policy gives business units a clear and consistent view of what vulnerability can mean and situations when customers may need more support. Our guidelines focus on identifying characteristics of vulnerability, understanding customer needs and the support and flexibility we can give to help. In addition to mandatory training, we train our customer-facing staff using real customer scenarios to enable our people to deal with a wide range of sensitive issues. Our online Vulnerable Customer Support Tool gives our people more guidance and support, and our Specialist Support Team gives guidance for the most complex situations. We also consider vulnerability in every initiative and adapt our technology to the needs of customers with vulnerability characteristics in our design and testing stages. We work with charities, authorities, trade associations and other specialists to develop our understanding of vulnerability.
Conduct & Regulatory risk policy for regulated products (Retail customers)	Our policy sets out the actions that we must take and the standards of behaviour we comply with to deliver good outcomes for retail customers, to comply with applicable regulatory requirements and expectations, and to deliver a strong conduct and compliance culture.

CONDUCT AND REGULATORY RISK REVIEW

2024 compared to 2023

In 2024, the Conduct and Regulatory environment saw a demanding agenda, and we expect this to continue. To fully consider customer and conduct impacts across our business, our customers remain at the centre of our culture and purpose. We monitor and regularly review our customers' experiences and act to address outcomes. As part of this, we:

- Continued to proactively contact customers who may be at risk of experiencing early signs of financial stress, to support them and try to help avoid longer term financial difficulty. We referred them to internal and external sources of support alongside ongoing customer engagement and support plans.
- Evolved our Financial Support team and SME support, with more investment in people and IT to ensure we continue to drive good outcomes for customers, including those in pre-arrears, and can provide tailored support relevant to a customer's individual circumstances and needs.
- Continued to review our products and services to ensure our customers receive communications they understand, products and services that meet their needs and that offer fair value, and the support they need, when they need it, to deliver good customer outcomes.
- Continued to actively participate in schemes to ensure the long-term future of access to cash, including supporting the setup of shared banking hubs and wider engagement with LINK and industry partners.
- Assessed ongoing and new policy areas in the FCA's 2023/24 Business Plan. Our key focus continued to be on reducing and preventing serious consumer harm, setting and testing higher standards, and promoting competition and positive change. We continued to address these in our controls, product and service processes and frameworks, and we continued to adapt in line with the evolution of a digital economy.

Payments services continue to be particularly active, with the recently published National Payments Vision setting out key ways to ensure that the UK's payment systems deliver for consumers and contribute to growth. This includes the continued development of account-to-account payments, such as Open Banking and Open Finance, exploration of a Central Bank Digital Currency and the future structure of the payments ecosystem.

We will continue to monitor the regulatory landscape and contribute to debates on regulatory issues. We expect the key areas of regulatory focus in 2025 to include the ongoing supervision of the FCA's Consumer Duty (with a focus on customer outcomes), the FCA's implementation for the Advice Guidance Boundary review, the outcome of the FCA's review into discretionary commission arrangements for motor finance, and a review of the role of the Financial Ombudsman Service. We also expect continued focus from the FCA on how firms protect customers from financial crime. We expect the PRA and FCA to work jointly on issues such as operational resilience and outsourcing, non-financial misconduct, and remuneration reform. We also expect an increased focus on funding and liquidity management as the Bank of England continues to unwind its balance sheet, and further expectations on managing climate risk. We are waiting for more information on the review of Pillar 2 capital requirements, following the delayed implementation of Basel 3.1.

Overall, we expect to see an increased focus from UK regulators and the UK Government on policies that will enhance the international competitiveness of the sector, and contribute to economic growth.

The outlook for the economic environment remains challenging and so conduct risks are likely to rise, as banks deal with households that continue to face pressures from increases in the cost of living and higher interest rates.

We will maintain a strong focus on robust oversight and control of the customer journey across all our products. We will also ensure our strategy, leadership, governance arrangements, and approach to managing and rewarding staff do not lead to a detrimental impact on customers, competition, or to market integrity.

For key movements in our financial crime risk profile, see the 'Financial crime risk review' section.

For more on our provisions, see Note 27 to the Consolidated Financial Statements. For more on our contingent liabilities, see Note 30 to the Consolidated Financial Statements.

Financial statements

In this section

Independent auditors' report to the members of Santander UK plc

Report on the audit of the financial statements

Opinion

In our opinion, Santander UK plc's group financial statements and company financial statements (the "financial statements"):
- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2024 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2024; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Cash Flow Statements and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the group and company, in addition to applying UK-adopted international accounting standards, have also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the group and company financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the group and company or their controlled undertakings in the period under audit.

Our audit approach

Overview
Audit scope
- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the significance of components due to risk or size and other qualitative factors (including history of misstatement through fraud and error).
- We performed audit procedures over components considered to be significant due to risk or size in the context of the group (full scope audit) or in the context of individual primary statement account balances (audit of one or more account balances).
- Our audit plan was discussed with the Board Audit Committee in June 2024 and updates were provided at later stages of the audit. We executed the planned approach and concluded based on the results of our testing, ensuring that sufficient audit evidence had been obtained to support our opinion. We discussed our approach and the results of our audit with the Board Audit Committee. We also discussed the key audit matters at the conclusion of the audit.

Key audit matters
- Expected credit loss allowance for loans and advances to customers (group and company)
- Valuation of defined benefit pension surplus (group and company)
- Impairment assessment of goodwill (group and company)
- Specific legal and regulatory matters (group and company)
- Valuation of intercompany derivatives measured using significant unobservable inputs (company only).

Materiality
- Overall group materiality: £80 million (2023: £100 million) based on approximately 5% of adjusted profit before tax (2023: 5% of adjusted profit before tax).
- Overall company materiality: £76 million (2023: £95 million) based on 5% of adjusted profit before tax (2023: 5% of adjusted profit before tax), capped at the level which is used for the audit of the company as a component of the overall group.
- Performance materiality: £60 million (2023: £75 million) (group) and £57 million (2023: £71 million) (company).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any

comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of intercompany derivatives measured using significant unobservable inputs (company only) is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance for loans and advances to customers (group and company)	
Refer to the Board Audit Committee Chair's report, credit risk section of the risk review, note 1 (Accounting Policies), note 13 (Loans and Advances to customers) and note 27 (Provisions). Credit Impairment allowances represent management's best estimate of the expected credit loss (ECL) within each portfolio at the balance sheet date. The identification and the determination of allowances is inherently judgemental. Management uses a number of models and judgemental adjustments (JAs) to achieve compliance with the requirements of IFRS 9. Determination of ECL is complex and a number of significant judgements are involved in the estimation process. The assumptions made to determine the forward looking economic scenarios and the probability weightings, taking into account a range of plausible economic recovery paths, have a significant impact on ECL provisions. As a result, we consider the judgements and assumptions used in the determination of forward looking macroeconomic scenarios and the probability weights in relation to the residential mortgage and corporate and commercial bank (CCB) loan portfolios to represent a key audit matter. During the year, new models have been introduced for the residential mortgage and CCB loan portfolios. Whilst these models have a number of enhancements they include complex and judgemental assumptions. We consider the appropriateness of key assumptions used in the Loss Given Default (LGD) models for residential mortgages and the CCB portfolio to represent a key audit matter, specifically key assumptions related to the future write-off rates and the CCB model methodology includes key judgemental assumptions over future write off rates and loss severity. In the CCB loan portfolios, individual impairment assessments are performed for certain credit impaired loans and advances which are categorised as Stage 3. Assumptions are required to be made in determining the level of any allowance and we consider the key audit matter to relate to key judgements involved in determining the estimated loss for the individually assessed cases, such as collateral valuations for loans secured by property.	**Testing of key controls** We understood and evaluated the design of key controls over the determination of the ECL and tested their operating effectiveness. These controls included: - Model performance monitoring controls, including testing model estimates against actual outcomes; - The Asset and Liability Committee's review and approval of the base case economic assumptions; - Review and approval of the appropriateness of the individually assessed provision and the key assumptions used; and - The Credit Risk Provisions Forum's review and approval of the outer economic scenarios and weightings, significant judgements & estimates and the overall assessment of ECL outputs. In addition, we performed the procedures described below. **Forward looking economic scenarios and scenario probability weightings (CCB and residential mortgages)** - We used economics experts and credit risk modelling specialists to critically assess the reasonableness of the multiple economic scenarios and scenario probability weightings adopted by management; - We considered external economic data and consensus forecasts to assess whether management's forecasts appropriately reflect the different possible paths that the economy could take; and - We compared the base scenario assumptions to other external consensus forecasts, and we considered the inferred GDP 'time to recovery' for each scenario based on historical distributions and made a comparison to other external consensus forecasts. **Key assumptions used in the LGD models (CCB and residential mortgages)** We evaluated the assumptions used in the LGD models, with the support of our credit risk specialists, which included the following procedures: - A conceptual review of the mortgage LGD assumptions; - Inspected model monitoring results and performed independent stability testing to assess any changes in the portfolios' composition; - Independently replicated management's methodology for a sample of accounts in the residential mortgage portfolio and all accounts in CCB to evaluate the appropriate implementation of the LGD models and assumptions; - Assessed the reasonableness of management's JA to the key LGD assumptions for the residential mortgage portfolio; and - Compared CCB LGDs to industry data. **Individually assessed corporate Stage 3 cases (CCB)** For a sample of credit impaired loans: - We evaluated the specific circumstances of the borrower and determined whether key judgements were appropriate; - We tested the valuation of collateral held, and challenged management on subjective estimates and assumptions; - Where applicable, we engaged real estate, valuations and business restructuring experts to critically assess certain assumptions in the impairment calculations including, but not limited to, the valuation of collateral; and - We re-performed management's impairment calculations and tested key inputs.

Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension surplus (group and company)	
Refer to note 1 (Accounting Policies) and note 28 (Retirement Benefit Plans). The group operates a number of defined benefit pension schemes, which in aggregate are in a net asset position of £416m as at 31 December 2024. The main scheme is the Santander (UK) Group Pension Scheme (the scheme). **Defined benefit obligation (DBO):** The valuation of the DBO of the scheme is dependent on a number of forward looking assumptions, the most significant of which are the discount rate, inflation and life expectancy. These assumptions are unobservable and complex to estimate due to the long duration of the pension obligation. Significant judgement is required in their determination and small changes in these assumptions can have a material impact on the valuation of the DBO. Management updates the valuation of the DBO, including assumptions incorporated within, each year with the assistance of external experts. The valuation of the defined benefit obligation is complex and judgemental and therefore represents a key audit matter. **Retirement benefit assets:** The scheme holds investments in certain illiquid assets, including commercial real estate and private equity funds, with underlying investments including unquoted equities, unquoted corporate bonds and other assets not quoted in active markets. The valuation of these assets are derived from inputs or data that are unobservable. The commercial real estate is valued using bespoke and subjective valuation methods taking both the nature of the properties and the tenancy schedules as inputs to derive their fair value. The valuation of the investments in private equity funds is performed by the respective investment managers and is typically subject to a lag. These valuations are performed on either a Bid or Net Asset Value (NAV) basis, and are complex due to the subjectivity required in valuing underlying unquoted investments, including the selection of unobservable inputs used in the valuation. Where necessary, these valuations are adjusted for any known cash movements and other movements in fair value arising during the period between the valuation date and the balance sheet date. The lack of observable inputs, subjectivity required in their valuation and in the case of private equity investments, the lag in valuation, gives rise to a high level of estimation uncertainty and therefore represents a key audit matter.	**Testing of key controls** We understood and evaluated the design and tested the operating effectiveness of key controls relevant to the determination of the significant assumptions used in calculating the valuation of the DBO, and the valuation of the illiquid retirement benefit assets. These controls included: - Reviewing on a quarterly and annual basis the reasonableness and appropriateness of assumptions incorporated in the measurement of the DBO; - Reviewing on a quarterly basis the reasonableness and appropriateness of movements in the DBO and fair value of illiquid retirement benefit assets; - Assessing on an annual basis the reliability of investment manager valuations by comparing the previous unaudited valuations received from investment managers against subsequently received audited financial statements prepared as at the equivalent date; - Assessing the reasonableness of the property valuations obtained from the custodian, by comparing them on a quarterly basis against the valuation obtained from management's property valuer expert. Differences are analysed and investigated; and - Assessing on an annual basis the appropriateness of lagged valuations and potential fair value movements since the last valuation date with reference to relevant market information, such as industry indices. In addition, we performed the procedures described below: **Defined benefit obligation** - We used sensitivity analysis to determine the impact of alternative assumptions; - We used actuarial experts to evaluate the reasonableness and appropriateness of significant assumptions in the measurement of the DBO, including benchmarking against independently determined ranges of acceptable assumptions and consideration of external market data; - We considered the objectivity and competence of management's actuarial expert. We reviewed the expert's IAS 19 report and discussed with the expert the methods adopted to determine the valuation of the DBO as at the balance sheet date, including assumptions incorporated within; and - We evaluated the appropriateness of related financial statement disclosures. **Retirement benefit assets** For commercial real estate, we: - Obtained the valuation report prepared by management's expert; - For a sample of properties, and with the support of our own expert, assessed the reasonableness of the valuation methodology adopted and key assumptions used by the valuer, in order to conclude on the reasonableness and appropriateness of the valuation recorded as at the balance sheet date; and - We considered the objectivity and competence of management's property valuation expert. For investments in private equity funds, we: - Obtained third-party confirmations directly from the respective investment managers and compared these against management's reported valuations; - Where necessary, we recalculated management's valuation and compared it to the third-party confirmations; - We understood and tested material adjustments recorded, including those recognised to account for capital changes in the period between the valuation and the balance sheet date, where there was a time lag; - Assessed whether there was evidence which corroborated or contradicted the valuation recorded. For example; we compared previous unaudited valuations received from investment managers against audited financial statements prepared as at the equivalent date (where available) and analysed potential fair value movements since the last valuation date with reference to relevant market information, such as quoted indices and recent transactions; and - Where available, reviewed controls reports for the relevant investment managers.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill (group and company)	

Refer to the Board Audit Committee Chair's report, note 1 (Accounting Policies) and note 19 (Intangible Assets).
 	
The goodwill balance was £1.2bn at 31 December 2024, of which c.98% relates to the Personal Financial Services CGU within the Retail & Business Banking segment of Santander UK plc.
 	
The carrying value of goodwill is contingent on the estimates of future cash flows and profitability which are forecasted using assumptions that require significant management judgement. These assumptions and judgements are inherently uncertain and are impacted by the wider economic environment, including developments in the UK economy and the banking market as interest rates start to fall, and uncertainty around the timing and quantum of future base rate decreases.
 	
Management's impairment assessment used a value in use (VIU) methodology, concluding that no impairment existed as at 31 December 2024. The calculation of the VIU is complex and involves subjective assumptions, specifically, the determination of forecast cash flows and discount rate.
 	
Due to the magnitude of this balance and the judgements, this impairment assessment represents a key audit matter.
	Testing of key controls
	We understood and evaluated the design and implementation of the key controls over the goodwill impairment assessment and the significant assumptions used in calculating the value in use. In addition, we performed the procedures described below:
	
	– We engaged experts to assist in evaluating the appropriateness of the methodology used and the reasonableness of key assumptions over determination of the carrying value and VIU of the Personal Financial Services CGU, including:
	  - determining an independent range for the discount rate using external data sources and peer bank data, and comparing it to the rate used by management; and
	  - assessing the appropriateness of the methodology and adjustments for estimating the regulatory capital requirements and the apportionment made for capital retained in the business.
	– We agreed the cash flow forecasts to the Board approved three-year plan, and tested the reasonableness of adjustments to the plan included in the VIU model;
	– We evaluated the reasonableness of the forecasted cash flows, including comparing performance in recent years to the budgets and three-year plans for the equivalent periods to assess the historical accuracy of the budgeting and forecasting process; and
	– We assessed the reasonableness of the assumptions used in the forecasted cash flows. Using our economics experts to assess the economic assumptions in the plan, comparing key market assumptions against external data points and our understanding of the business' strategy.

Key audit matter	How our audit addressed the key audit matter
Specific legal and regulatory matters (group and company)	
Refer to the Board Audit Committee Chair's report, note 1 (Accounting Policies), note 27 (Provisions), note 30 (Contingent Liabilities and Commitments). Included within Provisions is the group's best estimate of the cost of present obligations related to past events, including the impact of legal actions and regulatory investigations. Significant judgement may be required when accounting for provisions, including in determining whether a present obligation exists, and in estimating the probability and amount of any outflows. These judgements are based on the specific facts available and often require specialist professional advice. There can be a wide range of possible outcomes and uncertainties, particularly in relation to legal actions and regulatory investigations. As a result it is sometimes not possible to make reliable estimates of the likelihood and amount of any potential outflows or not practicable to disclose an estimate of the financial effect of a contingent liability. The key matters are a dispute with a third party in relation to liability for PPI redress in respect of a specific portfolio of complaints, an investigation by German authorities into tax arbitrage transactions and an investigation and claims in relation to historical commission arrangements in respect of motor financing. The potential cost to the group of each of these matters is material and the assessment of present obligations involves judgement. The provisions and disclosures in respect of these exposures represents a key audit matter.	**Testing of key controls** We understood and evaluated the design and implementation of the key controls over the assessment of the specific legal and regulatory matters against the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. These controls included: - Management's assessment of the cases against the requirements of IAS 37; and - The Non-Financial Risk Provisions Review Forum's review, challenge and approval of the current assessment of the legal and regulatory provisions. In addition, we performed the procedures described below: **Specific legal and regulatory matters** Evaluated and challenged the provisioning methodologies and underlying assumptions used by management. Where no provision was made, we challenged management's conclusion in the context of the requirements of IAS 37. Our work included the following: - We understood the risks facing the group, the status of the investigations and the legal matters; - We evaluated management's assessment of the potential outcomes and associated probabilities; - We evaluated the advice received from management's external legal experts. We held discussions with these experts to confirm our understanding of their views on certain judgements applied by management and obtained a written confirmation of the key facts and status of each case; - Specifically, for the motor finance commissions provision, we tested the data inputs and mathematical accuracy of the model and assessed the reasonableness of assumptions used in calculating the estimate; and - We reviewed reports provided to governance committees and we discussed the status of the key matters with the Board Audit Committee. Given the uncertainty associated with the calculation of the provisions and the contingent liabilities, we evaluated the disclosures made in the financial statements. We considered the completeness of information disclosed, in particular where management concluded that it was not practicable to estimate and disclose the potential financial effect, or that it was seriously prejudicial to disclose certain information.

Key audit matter	How our audit addressed the key audit matter
Valuation of intercompany derivatives measured using significant unobservable inputs (company only)	
Refer to Note 1 (Accounting policies) and Note 38 (Financial instruments). The company recognises on its balance sheet derivative financial instruments transacted with subsidiary undertakings as part of its covered bond programme. These instruments are measured at fair value. As explained in Note 39 to the financial statements, some of these derivative financial instruments are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data. As such, the valuation requires the application of a significant degree of judgement. The significant unobservable inputs used in valuing these instruments are the weighted average rate expected to be paid on the mortgage portfolio over time, including assumptions regarding the prepayment and replenishment of mortgages in the portfolio, and the forecasted rates payable on these mortgages. As of 31 December 2024, the value of instruments which are sensitive to such inputs comprised derivative financial liabilities of £1.8bn. We determined that the measurement of the fair value for these derivatives represents a key audit matter given (i) the degree of judgement in applying the relevant valuation technique and (ii) the fact that changing one or more of the assumptions in the valuation models to reasonably possible alternative assumptions would change the fair values significantly.	**Testing of key controls** We understood and evaluated the design and implementation of the key controls over the determination of the fair value of the derivative financial instruments. In addition, we performed the procedures described below: - Engaged our experts to assist us in evaluating the appropriateness of the methodology used and the reasonableness of key assumptions over the determination of the fair value of the instruments, including determining an independent range of values for the weighted average interest rate used to adjust the projected rates associated with certain mortgages.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group comprises the company and a number of subsidiaries which predominantly operate within the UK. The company is the largest operating subsidiary within the group. We considered which entities ("components") required a full scope audit either due to being individually significant due to size or due to their risk characteristics, including a consideration of the history of misstatements due to fraud or error, in the context of the group's consolidated financial statements. We identified the significant audit risks and key audit matters which all relate to either the company or Santander Consumer (UK) plc. Ultimately, we determined that we would perform a full scope audit of the company and Santander Consumer (UK) plc. For these components the work is largely performed by PwC UK engagement teams, led by the group audit partner and Santander Consumer (UK) plc partner, with the teams structured in line with the Group's operating segments.

We then considered the non-significant components in the group that had either financially significant or unusual account balances and therefore were required to be included in our scope. Where this was the case, we performed an audit over these specific financial statement line items. We adopted this approach for Cater Allen Limited.

Certain processes and controls supporting the group's operations are performed as part of Banco Santander S.A.'s wider processes and controls in Spain, including the hosting and monitoring of certain IT systems. In such instances, we instructed PwC Spain to perform certain audit procedures over these group operations.

As part of the planning and execution of the audit, we worked closely with PwC Spain and the PwC UK component auditors throughout the year to ensure that the procedures performed on our behalf were sufficient for our purposes. We reviewed the results of their work and held meetings with the auditors to discuss their findings.

The impact of climate risk on our audit

The group, in alignment with its ultimate parent company, Banco Santander S.A., has set out ambitions to be a net zero bank across all activities by 2050. Further information on this ambition is provided in the Sustainability section, which starts on page 12.

In planning and executing our audit, we considered the group's governance framework and preliminary risk assessment processes. This, together with our discussions with our own climate change experts, provided us with an understanding of the potential impacts of climate change on the financial statements. We specifically considered the potential impact on the mortgage lending, corporate lending and consumer finance portfolios. We determined that the key financial statement line items and estimates which were most likely to be impacted by climate risks were those associated with expected credit losses and related future cash flows. In the current reporting period, the group concluded that there is no material impact on the financial statements and that the more notable impacts of climate change on the business are expected to arise in the medium to long term based on their scenarios analysis.

Whilst the group is targeting net zero carbon emissions across all its activities by 2050, they are continuing to refine their plans to achieve this. The group has started to quantify some impacts that may arise, however, the future financial impacts are uncertain given the medium to long term time horizon. We discussed with management and the Board Audit Committee that the estimated financial impacts of climate change will need to be frequently reassessed and our expectation is that climate change disclosures will continue to evolve as greater understanding of the actual and potential impacts on the group's future operations is obtained. We read the disclosures in relation to climate risk made in the other information within the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	**Financial statements - company**
Overall materiality	£80 million (2023: £100 million).	£76 million (2023: £95 million).
How we determined it	Approximately 5% of adjusted profit before tax (2023: 5% of adjusted profit before tax).	5% of adjusted profit before tax (2023: 5% of adjusted profit before tax), capped at the level which is used for the audit of the company as a component of the overall group.
Rationale for benchmark applied	We set materiality using a benchmark of profit before tax (PBT), adjusted for certain non-recurring items, as these items do not reflect the underlying business performance and are not expected to recur. Adjusted PBT is a generally accepted benchmark for determining audit materiality.	We set materiality using a benchmark of profit before tax (PBT), adjusted for certain items including losses recognised by the company on certain intercompany derivative positions held with certain subsidiary undertakings. Adjusted PBT is a generally accepted benchmark for determining audit materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £8 million and £76 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £60 million (2023: £75 million) for the group financial statements and £57 million (2023: £71 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £4 million (group audit) (2023: £5 million) and £4 million (company audit) (2023: £5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance, regulatory metrics and the sector in which the group operates;
- Understanding and evaluation of the group's strategic plan and the group's stress testing of liquidity and regulatory capital performed by management;
- Enquiries of regulators and review of regulatory correspondence and reports provided to governance forums, and testing of the total capital resources and liquidity financing facilities;
- Consideration of credit rating agency ratings; and
- Reviewing the appropriateness of the disclosures made in the Annual report in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by the auditor. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Directors' report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Board Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking laws and regulations, including regulatory reporting requirements and conduct of business, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, and management bias in significant accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, including the Chief Financial Officer, Internal Audit, those charged with governance, and with management's legal counsel, in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the completeness of matters identified by management which might impact financial reporting, including but not restricted to, the procedures below:
    - Evaluation and testing of the operating effectiveness of certain of management's entity level controls designed to prevent and detect irregularities in financial reporting, in particular their code of conduct and whistleblowing helpline;
    - Assessment of matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters;
    - Observing the effectiveness of key governance forums, reviewing management information presented and reviewing minutes of executive management meetings; and
    - Reviewing key correspondence with the Financial Conduct Authority and Prudential Regulation Authority and meeting with and making enquiries of these regulators during the year.
- Challenging and assessing for bias in significant accounting estimates, in particular in relation to the expected credit loss allowance for loans and advances to customers, legal and regulatory matters, the valuation of the defined benefit pension surplus, the valuation of intercompany derivatives measured using significant unobservable inputs and the impairment assessment of goodwill (see related key audit matters above);
- Identifying and testing journal entries based on a defined risk criteria set, this included journals posted using unusual account combinations, unusual words describing the journal posted, and unexpected users posting journals; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the members on 31 March 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2016 to 31 December 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Ian Godsmark (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2025

Consolidated Income Statement

For the year ended 31 December

	Notes	2024 £m	2023 £m	2022 £m
Interest and similar income	3	**12,439**	11,617	6,708
Interest expense and similar charges	3	**(8,127)**	(6,959)	(2,283)
Net interest income		**4,312**	4,658	4,425
Fee and commission income	4	**733**	804	839
Fee and commission expense	4	**(481)**	(501)	(509)
Net fee and commission income		**252**	303	330
Other operating income	5	**93**	135	201
Total operating income		**4,657**	5,096	4,956
Operating expenses before credit impairment charges, provisions and charges	6	**(2,548)**	(2,456)	(2,343)
Credit impairment charges	8	**(71)**	(205)	(320)
Provisions for other liabilities and charges	8	**(689)**	(335)	(419)
Total credit impairment charges, provisions and charges		**(760)**	(540)	(739)
Profit before tax		**1,349**	2,100	1,874
Tax on profit	9	**(378)**	(559)	(480)
Profit after tax		**971**	1,541	1,394
Attributable to:				
Equity holders of the parent		**971**	1,541	1,394
Profit after tax		**971**	1,541	1,394

The accompanying Notes to the Financial Statements form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2024 £m	2023 £m	2022 £m
Profit after tax		**971**	1,541	1,394
Other comprehensive (expense)/income that may be reclassified to profit or loss subsequently:				
Movement in fair value reserve (debt instruments):				
- Change in fair value		**(20)**	89	(278)
- Income statement transfers		**5**	(105)	247
- Taxation	9	**4**	5	11
		(11)	(11)	(20)
Cash flow hedges:				
- Effective portion of changes in fair value	11	**(457)**	(169)	425
- Income statement transfers	11	**500**	1,248	(2,129)
- Taxation		**(12)**	(299)	469
		31	780	(1,235)
Net other comprehensive income/(expense) that may be reclassified to profit or loss subsequently		**20**	769	(1,255)
Other comprehensive (expense)/income that will not be reclassified to profit or loss subsequently:				
Pension remeasurement:				
- Change in fair value	28	**(402)**	(598)	(722)
- Taxation	9	**113**	167	267
		(289)	(431)	(455)
Own credit adjustment:				
- Change in fair value		**(17)**	(15)	29
- Taxation	9	**5**	4	(9)
		(12)	(11)	20
Net other comprehensive (expense) that will not be reclassified to profit or loss subsequently		**(301)**	(442)	(435)
Total other comprehensive (expense)/income net of tax		**(281)**	327	(1,690)
Total comprehensive income/(expense)		**690**	1,868	(296)
Attributable to:				
Equity holders of the parent		**690**	1,868	(296)
Total comprehensive income/(expense)		**690**	1,868	(296)

The accompanying Notes to the Financial Statements form an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet

At 31 December 2024

	Notes	2024 £m	2023 £m
Assets			
Cash and balances at central banks		**29,881**	38,214
Derivative financial instruments	11	**1,204**	1,432
Other financial assets at fair value through profit or loss	12	**136**	262
Loans and advances to banks		**1,032**	1,080
Loans and advances to customers	13	**199,408**	207,435
Reverse repurchase agreements - non-trading	16	**10,338**	12,468
Other financial assets at amortised cost	17	**3,408**	152
Macro hedge of interest rate risk		**(738)**	(632)
Financial assets at fair value through other comprehensive income		**9,040**	8,481
Interests in other entities	18	**289**	245
Intangible assets	19	**1,539**	1,548
Property, plant and equipment	20	**1,563**	1,494
Current tax assets	9	**506**	490
Retirement benefit assets	28	**439**	723
Other assets		**1,887**	2,043
Assets held for sale	40	**12**	13
Total assets		**259,944**	275,448
Liabilities			
Deposits by banks	21	**13,993**	20,332
Deposits by customers	22	**180,967**	190,850
Repurchase agreements - non-trading	23	**8,617**	8,411
Derivative financial instruments	11	**702**	818
Other financial liabilities at fair value through profit or loss	24	**1,055**	899
Debt securities in issue	25	**35,673**	33,910
Macro hedge of interest rate risk		**47**	86
Other liabilities	26	**1,852**	2,479
Provisions	27	**611**	402
Deferred tax liabilities	9	**246**	186
Retirement benefit obligations	28	**23**	66
Subordinated liabilities	29	**2,385**	2,386
Total liabilities		**246,171**	260,825
Equity			
Share capital	31	**3,105**	3,105
Share premium	31	**5,620**	5,620
Other equity instruments	32	**1,860**	1,956
Other reserves		**(333)**	(353)
Retained earnings		**3,521**	4,295
Total equity		**13,773**	14,623
Total liabilities and equity		**259,944**	275,448

The accompanying Notes to the Financial Statements form an integral part of these Consolidated Financial Statements.

The Financial Statements were approved and authorised for issue by the Board on 7 March 2025 and signed on its behalf by:

Mike Regnier
Chief Executive Officer

Angel Santodomingo
Chief Financial Officer

Company Registered Number: 02294747

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2024 £m	2023 £m	2022 £m
Cash flows from operating activities				
Profit before tax		**1,349**	2,100	1,874
Adjustments for:				
Non-cash items included in profit				
– Depreciation and amortisation	6	**300**	290	296
– Loss from disposal of mortgage portfolio		**31**	—	—
– Provisions for other liabilities and charges		**689**	335	419
– Impairment losses		**94**	195	284
– Other non-cash items		**65**	(749)	1,497
– Pension charge for defined benefit pension schemes		**13**	13	28
		1,192	84	2,524
Net change in operating assets and liabilities:				
– Cash and balances at central banks		**731**	(88)	275
– Derivative assets		**228**	975	(726)
– Other financial assets at fair value through profit or loss		**130**	40	877
– Loans and advances to banks and customers		**8,065**	12,112	(9,966)
– Reverse repurchase agreements - non-trading		**2,130**	(5,120)	5,335
– Other assets		**118**	(141)	(574)
– Deposits by banks and customers		**(16,059)**	(13,504)	(3,128)
– Repurchase agreements - non-trading		**206**	429	(3,684)
– Derivative liabilities		**(116)**	(133)	174
– Other financial liabilities at fair value through profit or loss		**179**	102	(973)
– Debt securities in issue		**212**	962	3,120
– Other liabilities		**(1,403)**	(67)	(98)
		(5,579)	(4,433)	(9,368)
Corporation taxes paid	9	**(240)**	(537)	(405)
Effects of exchange rate differences		**(53)**	(518)	1,383
Net cash flows from operating activities		**(3,331)**	(3,304)	(3,992)
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		**(528)**	(385)	(496)
Proceeds from sale of property, plant and equipment and intangible assets		**148**	175	159
Purchase of financial assets at amortised cost and financial assets at FVOCI		**(10,343)**	(10,899)	(2,884)
Proceeds from sale and redemption of financial assets at amortised cost and financial assets at FVOCI		**6,183**	8,362	3,023
Net cash flows from investing activities		**(4,540)**	(2,747)	(198)
Cash flows from financing activities				
Issue of other equity instruments	33	**400**	—	750
Issue of debt securities and subordinated notes		**8,425**	5,276	4,794
Issuance costs of debt securities and subordinated notes		**(28)**	(18)	(16)
Repayment of debt securities and subordinated notes		**(6,539)**	(3,539)	(3,076)
Repurchase of other equity instruments	33	**(500)**	—	(985)
Dividends paid on ordinary shares	10	**(1,311)**	(1,530)	(1,014)
Dividends paid on preference shares and other equity instruments		**(129)**	(123)	(150)
Principal elements of lease payments	33	**(33)**	(47)	(26)
Net cash flows from financing activities		**285**	19	277
Change in cash and cash equivalents		**(7,586)**	(6,032)	(3,913)
Cash and cash equivalents at beginning of the year		**36,781**	42,871	45,715
Effects of exchange rate changes on cash and cash equivalents		**(14)**	(58)	69
Cash and cash equivalents at the end of the year		**29,181**	36,781	42,871
Cash and cash equivalents consist of:				
Cash and balances at central banks		**29,881**	38,214	44,190
Less: restricted balances		**(1,580)**	(2,311)	(2,223)
		28,301	35,903	41,967
Other cash equivalents: Loans and advances to banks - Non-trading		**880**	878	904
Cash and cash equivalents at the end of the year		**29,181**	36,781	42,871

The accompanying Notes to the Financial Statements form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Other equity instruments	Other reserves: Fair value	Other reserves: Cash flow hedging	Other reserves: Currency translation	Retained earnings	Total	Non-controlling interests	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	3,105	5,620	1,956	(6)	(348)	1	4,295	14,623	—	14,623
Profit after tax	—	—	—	—	—	—	971	971	—	971
Other comprehensive (expense)/income, net of tax:										
- Fair value reserve (debt instruments)	—	—	—	(11)	—	—	—	(11)	—	(11)
- Cash flow hedges	—	—	—	—	31	—	—	31	—	31
- Pension remeasurement	—	—	—	—	—	—	(289)	(289)	—	(289)
- Own credit adjustment	—	—	—	—	—	—	(12)	(12)	—	(12)
Total other comprehensive (expense)/income	—	—	—	(11)	31	—	(301)	(281)	—	(281)
Total comprehensive (expense)/income	—	—	—	(11)	31	—	670	690	—	690
Issue of other equity instruments	—	—	400	—	—	—	—	400	—	400
Repurchase of other equity instruments	—	—	(496)	—	—	—	(4)	(500)	—	(500)
Dividends on ordinary shares	—	—	—	—	—	—	(1,311)	(1,311)	—	(1,311)
Dividends on preference shares and other equity instruments	—	—	—	—	—	—	(129)	(129)	—	(129)
At 31 December 2024	3,105	5,620	1,860	(17)	(317)	1	3,521	13,773	—	13,773
At 1 January 2023	3,105	5,620	1,956	5	(1,128)	1	4,848	14,407	—	14,407
Profit after tax	—	—	—	—	—	—	1,541	1,541	—	1,541
Other comprehensive (expense)/income, net of tax:										
- Fair value reserve (debt instruments)	—	—	—	(11)	—	—	—	(11)	—	(11)
- Cash flow hedges	—	—	—	—	780	—	—	780	—	780
- Pension remeasurement	—	—	—	—	—	—	(431)	(431)	—	(431)
- Own credit adjustment	—	—	—	—	—	—	(11)	(11)	—	(11)
Total other comprehensive (expense)/income	—	—	—	(11)	780	—	(442)	327	—	327
Total comprehensive (expense)/income	—	—	—	(11)	780	—	1,099	1,868	—	1,868
Other	—	—	—	—	—	—	1	1	—	1
Dividends on ordinary shares	—	—	—	—	—	—	(1,530)	(1,530)	—	(1,530)
Dividends on preference shares and other equity instruments	—	—	—	—	—	—	(123)	(123)	—	(123)
At 31 December 2023	3,105	5,620	1,956	(6)	(348)	1	4,295	14,623	—	14,623
At 1 January 2022	3,105	5,620	2,191	25	107	1	5,053	16,102	—	16,102
Profit after tax	—	—	—	—	—	—	1,394	1,394	—	1,394
Other comprehensive (expense)/income, net of tax:										
- Fair value reserve (debt instruments)	—	—	—	(20)	—	—	—	(20)	—	(20)
- Cash flow hedges	—	—	—	—	(1,235)	—	—	(1,235)	—	(1,235)
- Pension remeasurement	—	—	—	—	—	—	(455)	(455)	—	(455)
- Own credit adjustment	—	—	—	—	—	—	20	20	—	20
Total other comprehensive expense	—	—	—	(20)	(1,235)	—	(435)	(1,690)	—	(1,690)
Total comprehensive (expense)/income	—	—	—	(20)	(1,235)	—	959	(296)	—	(296)
Issue of other equity instruments	—	—	750	—	—	—	—	750	—	750
Repurchase of other equity instruments	—	—	(985)	—	—	—	—	(985)	—	(985)
Dividends on ordinary shares	—	—	—	—	—	—	(1,014)	(1,014)	—	(1,014)
Dividends on preference shares and other equity instruments	—	—	—	—	—	—	(150)	(150)	—	(150)
At 31 December 2022	3,105	5,620	1,956	5	(1,128)	1	4,848	14,407	—	14,407

The accompanying Notes to the Financial Statements form an integral part of these Consolidated Financial Statements.

Company Balance Sheet

At 31 December 2024

	Notes	2024 £m	2023 £m
Assets			
Cash and balances at central banks		**29,881**	38,214
Derivative financial instruments	11	**1,482**	1,695
Other financial assets at fair value through profit or loss	12	**100**	214
Loans and advances to banks		**926**	1,052
Loans and advances to customers	13	**217,780**	223,511
Reverse repurchase agreements – non-trading	16	**10,338**	12,468
Other financial assets at amortised cost	17	**5,206**	1,833
Macro hedge of interest rate risk		**(910)**	(848)
Financial assets at fair value through other comprehensive income		**9,040**	8,481
Interests in other entities	18	**1,257**	1,220
Intangible assets	19	**1,498**	1,525
Property, plant and equipment	20	**973**	988
Current tax assets	9	**528**	568
Retirement benefit assets	28	**439**	723
Other assets		**1,803**	1,946
Assets held for sale	40	**12**	13
Total assets		**280,353**	293,603
Liabilities			
Deposits by banks	21	**19,521**	25,699
Deposits by customers	22	**201,215**	207,516
Repurchase agreements non-trading	23	**8,617**	8,411
Derivative financial instruments	11	**2,607**	1,974
Other financial liabilities at fair value through profit or loss	24	**1,055**	899
Debt securities in issue	25	**31,833**	31,228
Macro hedge of interest rate risk		**(9)**	10
Other liabilities	26	**1,789**	2,371
Provisions	27	**313**	395
Deferred tax liabilities	9	**130**	141
Retirement benefit obligations	28	**23**	66
Subordinated liabilities	29	**2,386**	2,387
Total liabilities		**269,480**	281,097
Equity			
Share capital	31	**3,105**	3,105
Share premium	31	**5,620**	5,620
Other equity instruments	32	**1,860**	1,956
Other reserves		**(306)**	(197)
Retained earnings		**594**	2,022
Total shareholders' equity		**10,873**	12,506
Total liabilities and equity		**280,353**	293,603

The accompanying Notes to the Financial Statements form an integral part of these Financial Statements.

The profit after tax of the Company attributable to shareholders was £313m (2023: £1,568m). As permitted by Section 408 of the UK Companies Act 2006, the Company's Income Statement has not been presented.

The Financial Statements were approved and authorised for issue by the Board on 7 March 2025 and signed on its behalf by:

Mike Regnier
Chief Executive Officer

Angel Santodomingo
Chief Financial Officer

Company Registered Number: 02294747

Company Cash Flow Statement

For the year ended 31 December

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Profit before tax		**659**	2,165
Adjustments for:			
Non-cash items included in profit			
– Depreciation and amortisation	6	**238**	220
– Loss from disposal of mortgage portfolio		**31**	–
– Provisions for other liabilities and charges		**356**	334
– Impairment losses		**164**	193
– Other non-cash items		**(282)**	(1,101)
– Pension charge for defined benefit pension schemes		**13**	12
		520	(342)
Net change in operating assets and liabilities:			
– Cash and balances at central banks		**731**	(88)
– Derivative assets		**213**	898
– Other financial assets at fair value through profit or loss		**116**	21
– Loans and advances to banks and customers		**5,947**	11,452
– Reverse repurchase agreements – non-trading		**2,130**	(5,120)
– Other assets		**64**	(174)
– Deposits by banks and customers		**(12,320)**	(10,638)
– Repurchase agreements – non-trading		**206**	429
– Derivative liabilities		**633**	(50)
– Other financial liabilities at fair value through profit or loss		**179**	102
– Debt securities in issue		**218**	968
– Other liabilities		**(1,377)**	(83)
		(3,260)	(2,283)
Corporation taxes paid	9	**(172)**	(442)
Effects of exchange rate differences		**(53)**	(518)
Net cash flows from operating activities		**(2,306)**	(1,420)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(221)**	(294)
Proceeds from sale of property, plant and equipment and intangible assets		**5**	64
Purchase of financial assets at amortised cost and financial assets at FVOCI		**(11,325)**	(10,899)
Proceeds from sale and redemption of financial assets at amortised cost and financial assets at FVOCI		**7,048**	8,232
Net cash flows from investing activities		**(4,493)**	(2,897)
Cash flows from financing activities			
Issue of other equity instruments	33	**400**	–
Issue of debt securities and subordinated notes		**7,175**	3,214
Issuance costs of debt securities and subordinated notes		**(28)**	(6)
Repayment of debt securities and subordinated notes		**(6,439)**	(3,253)
Repurchase of other equity instruments	33	**(500)**	–
Dividends paid on ordinary shares	10	**(1,311)**	(1,530)
Dividends paid on preference shares and other equity instruments		**(129)**	(123)
Principal elements of lease payments	33	**(31)**	(45)
Net cash flow from financing activities		**(863)**	(1,743)
Change in cash and cash equivalents		**(7,662)**	(6,060)
Cash and cash equivalents at beginning of the year		**36,753**	42,871
Effects of exchange rate changes on cash and cash equivalents		**(14)**	(58)
Cash and cash equivalents at the end of the year		**29,077**	36,753
Cash and cash equivalents consist of:			
Cash and balances at central banks		**29,881**	38,214
Less: regulatory minimum cash balances		**(1,580)**	(2,311)
		28,301	35,903
Other cash equivalents: Loans and advances to banks - Non-trading		**776**	850
Cash and cash equivalents at the end of the year		**29,077**	36,753

The accompanying Notes to the Financial Statements form an integral part of these Financial Statements.

Company Statement of Changes in Equity

For the year ended 31 December

				Other reserves			
	Share capital £m	Share premium £m	Other equity instruments £m	Fair value £m	Cash flow hedging £m	Retained earnings £m	Total £m
At 1 January 2024	**3,105**	**5,620**	**1,956**	**(6)**	**(191)**	**2,022**	**12,506**
Profit after tax	–	–	–	–	–	**313**	**313**
Other comprehensive (expense) net of tax:							
- Fair value reserve (debt instruments)	–	–	–	**(10)**	–	–	**(10)**
- Cash flow hedges	–	–	–	–	**(99)**	–	**(99)**
- Pension remeasurement	–	–	–	–	–	**(289)**	**(289)**
- Own credit adjustment	–	–	–	–	–	**(12)**	**(12)**
Total other comprehensive expense	–	–	–	**(10)**	**(99)**	**(301)**	**(410)**
Total comprehensive (expense)/income	–	–	–	**(10)**	**(99)**	**12**	**(97)**
Issue of other equity instruments	–	–	**400**	–	–	–	**400**
Repurchase of other equity instruments	–	–	**(496)**	–	–	**(4)**	**(500)**
Other	–	–	–	–	–	**4**	**4**
Dividends on ordinary shares	–	–	–	–	–	**(1,311)**	**(1,311)**
Dividends on preference shares and other equity instruments	–	–	–	–	–	**(129)**	**(129)**
At 31 December 2024	**3,105**	**5,620**	**1,860**	**(16)**	**(290)**	**594**	**10,873**
At 1 January 2023	3,105	5,620	1,956	5	(795)	2,552	12,443
Profit after tax	–	–	–	–	–	1,568	1,568
Other comprehensive (expense)/income, net of tax:							
- Fair value reserve (debt instruments)	–	–	–	(11)	–	–	(11)
- Cash flow hedges	–	–	–	–	604	–	604
- Pension remeasurement	–	–	–	–	–	(431)	(431)
- Own credit adjustment	–	–	–	–	–	(11)	(11)
Total other comprehensive (expense)/income	–	–	–	(11)	604	(442)	151
Total comprehensive income	–	–	–	(11)	604	1,126	1,719
Other	–	–	–	–	–	(3)	(3)
Dividends on ordinary shares	–	–	–	–	–	(1,530)	(1,530)
Dividends on preference shares and other equity instruments	–	–	–	–	–	(123)	(123)
At 31 December 2023	3,105	5,620	1,956	(6)	(191)	2,022	12,506

The accompanying Notes to the Financial Statements form an integral part of these Financial Statements.

1. ACCOUNTING POLICIES

These financial statements are prepared for Santander UK plc (the Company) and the Santander UK plc group (the Santander UK group) under the UK Companies Act 2006. The principal activity of the Santander UK group is the provision of a wide range of banking and financial services to personal, business and corporate customers. Santander UK plc is a public company, limited by shares and incorporated and registered in England and Wales having a registered office at 2 Triton Square, Regent's Place, London, NW1 3AN. It is an operating company undertaking banking and financial services transactions.

Basis of preparation

These financial statements incorporate the financial statements of the Company and entities it controls (its subsidiaries) made up to 31 December each year. The consolidated financial statements have been prepared on the going concern basis using the historical cost convention, except for financial assets and liabilities that have been measured at fair value. An assessment of the appropriateness of the adoption of the going concern basis of accounting is disclosed in the statement of going concern in the Directors' report.

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Santander UK group and the separate financial statements of the Company comply with UK-adopted International Accounting Standards (IAS). The financial statements are also prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS as issued by the IASB for the periods presented.

Disclosures required by IFRS 7 'Financial Instruments: Disclosure' relating to the nature and extent of risks arising from financial instruments, and IAS 1 'Presentation of Financial Statements' relating to objectives, policies and processes for managing capital, have been included in the Risk review section of this Annual Report. This information forms an integral part of these financial statements by this cross reference, is marked as audited, and is covered by the Independent auditors' report.

Climate change

Santander UK continues to develop its assessment of the potential impacts that climate change and the transition to a low carbon economy may have on the assets and liabilities recognised and presented in its financial statements.

Santander UK is mindful of its responsibilities as a responsible lender and is focused on aligning with the objectives of the Paris Agreement on climate change and to support the UK's transition to a climate-resilient, net zero economy.

Santander UK's current climate change strategy focuses on three main areas to achieve Banco Santander's ambition to reach net zero emissions by 2050:

1. Managing climate risks by integrating climate considerations into risk management frameworks, screening and stress testing our portfolio for climate related financial risks, and setting risk appetites to help steer our portfolio in line with the Paris Agreement,

2. Supporting our customers' transition by developing products and services that promote a reduction in CO_2 emissions, and

3. Reducing emissions in our operations and supply chain by focusing on continuous improvement in our operations, and environmental and energy management systems in accordance with ISO14001 and 15001, promoting responsible procurement practices and employee engagement.

Santander UK's current climate change strategy and its view of the risks associated with climate change and the transition to a low carbon economy are reflected in its critical judgements and accounting estimates, although climate change risk did not require any material adjustments at 31 December 2024 and 2023, consistent with management's assessment that climate change and the transition to a low carbon economy are not currently expected to have a meaningful impact on the viability of the Santander UK group in the medium term.

At31 December 2024 and 2023, management specifically considered the potential impact of climate change and the transition to a low carbon economy on:

- Loans and advances to customers (see Note 13 and the credit risk section of the Risk review). Some climate change risks arise due to the requirements of IFRS 9 and others relate to specific portfolios and sectors:
  - ECL calculations are based on multiple forward-looking economic scenarios developed by management covering a period of five years, during which timeframe climate change risks may crystallise; .
  - For mortgages in Retail & Business Banking and commercial real estate lending in Corporate & Commercial Banking, the value of property collateral might be affected by physical impacts related to the frequency and scale of extreme weather events, such as flood and subsidence risk, or changing environmental performance standards for property.
  - For automotive loans in Consumer Finance, the residual value of automotive vehicles might be impacted by diesel obsolescence and the transition to electric vehicles.
  - For corporate lending in Corporate & Commercial Banking, certain sectors give rise to fossil fuel exposures, such as Oil & Gas, Mining & Extraction and Power Generation.
- Goodwill impairment assessment (see Note 19). Estimates underpinning the determination of whether or not goodwill balances are impaired are partly based on forecast business performance beyond the time horizon for management's detailed plans.
- Unity Place our new corporate headquarters in Milton Keynes has been built with sustainability at its core. All property assets are evaluated annually for potential flood damage and are currently considered low risk.

Future changes to Santander UK's climate change strategy may impact Santander UK's critical judgements and accounting estimates and result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods.

Change in accounting policy

In 2024, Santander UK voluntarily changed its accounting policy to remove reverse repurchase agreements (reverse repos) from being treated as cash equivalents under IAS 7 for the purposes of the cashflow statement. This change provides reliable and more relevant information to users of the financial statements where the bank is using reverse repos as an investment instrument to manage net interest income and operational liquidity rather than as cash equivalents. The change in accounting policy has no effect on any other primary financial statements, income statement metrics, key indicators, liquidity ratios, or maturity and offsetting disclosures. This change aligns Santander UK's accounting policy on the treatment of reverse repos under IAS 7 with the policy applied by its ultimate parent, Banco Santander, SA. The impact of the change on prior periods is set out below:

For the year ended 31 December

2023	Group Balance before change £m	Group (Decrease)/ increase £m	Group Balance after change £m	Company Balance before change £m	Company (Decrease)/ increase £m	Company Balance after change £m
Cash and cash equivalents at beginning of the year	46,484	(3,613)	42,871	46,484	(3,613)	42,871
Cash and cash equivalents at the end of the year	42,502	(5,721)	36,781	42,474	(5,721)	36,753
Effects of exchange rate changes on cash and cash equivalents	(121)	63	(58)	(121)	63	(58)
Net change in operating assets and liabilities:						
– Reverse repurchase agreements – non trading	(3,224)	(1,896)	(5,120)	(3,224)	(1,896)	(5,120)
– Repurchase agreements – non trading	704	(275)	429	703	(274)	429
– Other liabilities	–	–	–	(82)	(1)	(83)
Net cash flows from operating activities	(1,133)	(2,171)	(3,304)	751	(2,171)	(1,420)

2022	Group Balance before change £m	Group (Decrease)/ increase £m	Group Balance after change £m
Cash and cash equivalents at beginning of the year	49,254	(2,539)	46,715
Cash and cash equivalents at the end of the year	46,484	(3,613)	42,871
Effects of exchange rate changes on cash and cash equivalents	121	(52)	69
Net change in operating assets and liabilities:			
– Reverse repurchase agreements – non trading	6,818	(1,483)	5,335
– Repurchase agreements – non trading	(4,145)	461	(3,684)
Net cash flows from operating activities	(2,970)	(1,022)	(3,992)

The value of reverse repo transactions at 31 December 2024 no longer included as cash and cash equivalents was £6,193m.

Future accounting developments
The IASB issued the following new/amended accounting standards which are not yet effective and have not been endorsed for use in the UK:

- Effective 1 January 2026: 'Amendments to the Classification and Measurement of Financial Instruments' (Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures') - the amendments set out changes to settling financial liabilities using an electronic payment system, assessing contractual cash flow characteristics of financial assets including those with environmental, social and governance (ESG)-linked features and requiring additional disclosures for certain financial instruments.
- Effective 1 January 2027: IFRS 18 'Presentation and Disclosure in Financial Statements' – the new standard will replace IAS 1 'Presentation of Financial Statements' and introduces changes to the categories for classifying income and expenses and subtotals presented in the income statement and new or amended disclosures in respect of management-defined performance measures and specified expenses by nature.

The Santander UK group is assessing these new/amended accounting standards to determine the potential impacts on the financial statements when they become effective or if they are otherwise earlier adopted when available.

Comparative information
As required by US public company reporting requirements, these financial statements include two years of comparative information for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes.

Material accounting policy information
The following material accounting policies have been applied in preparing these financial statements. For material accounting policies which involve the application of judgements or accounting estimates that are determined to be critical to the preparation of these financial statements see 'Critical judgements and accounting estimates'.

Consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by it and its subsidiaries. The acquisition method of accounting is used to account for the acquisition of subsidiaries which meet the definition of a business.

Business combinations between entities under common control (i.e. fellow subsidiaries of Banco Santander SA, the ultimate parent) are outside the scope of IFRS 3 – 'Business Combinations', and there is no other guidance for such transactions under IFRS. The Santander UK group elects to account for business combinations between entities under common control at their book values in the acquired entity by including the acquired entity's results from the date of the business combination and not restating comparatives. Reorganisations of entities within the Santander UK group are also accounted for at their book values.

Credit protection entities established as part of significant risk transfer (SRT) transactions are not consolidated by the Santander UK group in cases where third party investors have the exposure, or rights, to all of the variability of returns from the performance of the entities.

Revenue recognition

a) Interest income and expense

Interest and similar income and expense are recognised in the income statement using the effective interest rate method for: all financial instruments measured at amortised cost; debt instruments measured at FVOCI; and the effective part of any related accounting hedging instruments.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (i.e. Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision). For more information on stage allocations of credit risk exposures, see 'Significant increase in credit risk' in the 'Santander UK group level – credit risk management' section of the Risk review.

b) Fee and commission income and expense

Fees and commissions that are not an integral part of the effective interest rate are recognised when the service is performed. Most fee and commission income is recognised at a point in time. Certain commitment, upfront and management fees are recognised over time but are not material. For retail and corporate products, fee and commission income consists principally of collection services fees, commission on foreign currencies, commission and other fees received from retailers for processing credit card transactions, fees received from other credit card issuers for providing cash advances for their customers through the Santander UK group's branch and ATM networks, annual fees payable by credit card holders and fees for non-banking financial products.

For insurance products, fee and commission income consists principally of commissions and profit share arising from the sale of building and contents insurance and life protection insurance. Commissions arising from the sale of buildings and contents insurance are recognised over the period of insurance cover, adjusted to take account of cancelled policies. Profit share income from the sale of buildings and contents insurance which is not subject to any adjustment is recognised when the profit share income is earned. Commissions and profit share arising from the sale of life protection insurance is subject to adjustment for cancellations of policies within 3 years from inception.

Fee and commission income which forms an integral part of the effective interest rate of a financial instrument (for example certain loan commitment fees) is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

c) Other operating income

Other operating income includes all gains and losses from changes in the fair value of financial assets and liabilities held at fair value through profit or loss (comprising financial assets and liabilities held for trading, trading derivatives and other financial assets and liabilities at fair value through profit or loss), together with related interest income, expense, dividends, and changes in fair value of any derivatives managed in conjunction with these assets and liabilities. Other operating income also includes hedge ineffectiveness arising from fair value and cash flow hedging, income from operating lease assets, and profits and losses arising on the sales of property, plant and equipment and subsidiary undertakings.

Defined benefit pension schemes (see 'Critical judgements and accounting estimates')

A defined benefit scheme is a pension scheme that guarantees an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. Pension costs are charged to 'Administration expenses', within the line item 'Operating expenses before impairment losses, provisions and charges' with the net interest on the defined benefit asset or liability included within 'Net interest income' in the income statement. The asset or liability recognised in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the balance sheet date, less the fair value of scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The assets of the schemes are measured at their fair values at the balance sheet date.

The present value of the defined benefit obligation is estimated by projecting forward the growth in current accrued pension benefits to reflect inflation and salary growth to the date of pension payment, then discounted to present value using the yield applicable to high-quality AA rated corporate bonds of the same currency and which have terms to maturity closest to the terms of the scheme liabilities, adjusted where necessary to match those terms. In determining the value of scheme liabilities, demographic and financial assumptions are made by management about life expectancy, inflation, discount rates, pension increases and earnings growth, based on past experience and future expectations. Financial assumptions are based on market conditions at the balance sheet date and can generally be derived objectively.

Demographic assumptions require a greater degree of estimation and judgement to be applied to externally derived data. Any surplus or deficit of scheme assets over liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit). An asset is only recognised to the extent that the surplus can be recovered through reduced contributions in the future or through refunds from the scheme.

Share-based payments

The Santander UK group engages in cash-settled and equity-settled share-based payment transactions in respect of services received from certain of its employees. Shares of the Santander UK group's parent, Banco Santander SA are purchased in the open market by the Santander UK group (for the Employee Sharesave scheme) or are purchased by Banco Santander SA or another Banco Santander subsidiary (including awards granted under the Long-Term Incentive Plan and the Deferred Shares Bonus Plan) to satisfy share options or awards as they vest.

Options granted under the Employee Sharesave scheme and awards granted under the Transformation Incentive Plan are accounted for as cash-settled share-based payment transactions. Awards granted under the Long-Term Incentive Plan and Deferred Shares Bonus Plan are accounted for as equity-settled share-based payment transactions.

The fair value of the options granted under the Employee Sharesave scheme is determined using an option pricing model, which takes into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the Banco Santander SA share price over the life of the option and the dividend growth rate. The fair value of the awards granted for the Long-Term Incentive Plan was determined at the grant date using an option pricing model, which takes into account the share price at grant date, the risk-free interest rate, the expected volatility of the Banco Santander SA share price over the life of the award and the dividend growth rate.

Goodwill and other intangible assets (for goodwill see 'Critical judgements and accounting estimates')
Goodwill represents the excess of the cost of an acquisition, as well as the fair value of any interest previously held, over the fair value of the share of the identifiable net assets of the acquired subsidiary, or business at the date of acquisition. Goodwill on the acquisition of subsidiaries and businesses is included in intangible assets. Goodwill is tested for impairment annually, or more frequently when events or changes in circumstances dictate and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity or business include the carrying amount of goodwill relating to the entity or business sold.

Other intangible assets are recognised if they arise from contractual or other legal rights or if they are capable of being separated or divided from Santander UK and sold, transferred, licensed, rented or exchanged. The value of such intangible assets, where they are available for use, is amortised on a straight-line basis generally over a three year useful economic life and the assets are reviewed annually for impairment indicators and tested for impairment where indicators are present. Other intangible assets that are not yet available for use are tested for impairment annually or more frequently when events or changes in circumstances dictate.

Software development costs are capitalised when they are direct costs associated with identifiable and unique software products that are expected to provide future economic benefits, and the cost of those products can be measured reliably. These costs include payroll, materials, services and directly attributable overheads. Internally developed software meeting these criteria and externally purchased software are classified in intangible assets on the balance sheet and amortised on a straight-line basis generally over a three year useful life unless the software is an integral part of the related computer hardware, in which case it is treated as property, plant and equipment as described below. Capitalisation of costs ceases when the software is capable of operating as intended. Costs of maintaining software are expensed as incurred.

Property, plant and equipment
Property, plant and equipment include owner-occupied properties (including leasehold properties), office fixtures and equipment and computer software. Property, plant and equipment also includes operating leases where the Santander UK group is the lessor and right-of-use assets where the Santander UK group is the lessee. Internally developed software meeting the criteria set out in 'Goodwill and other intangible assets' above and externally purchased software are classified in property, plant and equipment where the software is an integral part of the related computer hardware (for example, the operating system of a computer). Classes of property, plant and equipment are depreciated on a straight-line basis over their useful life, as follows:

Owner-occupied properties	Not exceeding 50 years
Office fixtures and equipment	3 to 35 years
Computer software	Generally 3 years
Right-of-use assets	Shorter of the lease term or the useful life of the underlying asset
Operating lease assets - vehicles	1 to 4 years

Depreciation is not charged on freehold land. Depreciation of operating lease assets where the Santander UK group is the lessor is described in 'Leases' below.

In 2024, the range of useful lives for Office fixtures and equipment expanded to 35 years due to the addition of fixtures and equipment in Unity Place.

Financial instruments (for impairment of debt instrument financial assets see 'Critical judgements and accounting estimates: Credit impairment losses')
a) Initial recognition and measurement
Financial assets and liabilities are initially recognised when the Santander UK group becomes a party to the contractual terms of the instrument. The Santander UK group determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned. Regular way purchases and sales of financial assets measured at amortised cost are recognised on settlement date; all other regular way purchases and sales of financial assets are recognised on trade date.

b) Financial assets and liabilities
i) Classification and subsequent measurement
The Santander UK group classifies its financial assets in the measurement categories of amortised cost, FVOCI and FVTPL.

Financial assets and financial liabilities are classified as FVTPL where there is a requirement to do so or where they are otherwise designated at FVTPL on initial recognition. Financial assets and financial liabilities which are required to be held at FVTPL include:

- Financial assets and financial liabilities held for trading.
- Debt instruments that do not have solely payments of principal and interest (SPPI) characteristics. Otherwise, such instruments are measured at amortised cost or FVOCI, and
- Equity instruments that have not been designated as held at FVOCI.

Financial assets and financial liabilities are classified as held for trading if they are derivatives or if they are acquired or incurred principally for the purpose of selling or repurchasing in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

In certain circumstances, other financial assets and financial liabilities are designated at FVTPL where this results in more relevant information. This may arise because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on a different basis, where the assets and liabilities are managed and their performance evaluated on a fair value basis or, in the case of financial liabilities, where it contains one or more embedded derivatives which are not closely related to the host contract.

The classification and measurement requirements for financial asset debt and equity instruments and financial liabilities are set out below.

Financial assets: debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and debt securities which consist mainly of government bonds and covered bonds. Classification and subsequent measurement of debt instruments depend on the Santander UK group's business model for managing the asset, and the cash flow characteristics of the asset.

Business model
The business model reflects how the Santander UK group manages the assets in order to generate cash flows and, specifically, whether the Santander UK group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable, such as where the financial assets are held for trading purposes, then the financial assets are classified as part of an 'other' business model and measured at FVTPL. Factors considered in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

SPPI
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Santander UK group assesses whether the assets' cash flows represent SPPI. In making this assessment, the Santander UK group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, the Santander UK group classifies its debt instruments into one of the following measurement categories:

- Amortised cost – Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL recognised and measured as presented in Note 13. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method. When estimates of future cash flows are revised, the carrying amount of the respective financial assets is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.
- FVOCI – Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are recognised in OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other operating income'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- FVTPL – Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL, including any debt instruments designated at fair value, is recognised in profit or loss and presented in the income statement in 'Other operating income' in the period in which it arises.

The Santander UK group reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets: equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective, being instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets. All equity investments are subsequently measured at FVTPL; management may elect, at initial recognition, to irrevocably designate an equity investment at FVOCI but has not currently done so. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. ECLs (and reversal of ECLs) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the right to receive payments is established. Gains and losses on equity investments at FVTPL are included in 'Other operating income' in the income statement.

Financial liabilities
Financial liabilities, which include deposits by banks, deposits by customers, debt securities in issue and subordinated liabilities, are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL (see Note 24): this classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVTPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability) and partially in profit or loss (the remaining amount of change in the fair value of the liability)
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Santander UK group recognises any expense incurred on the financial liability, and
- Financial guarantee contracts and loan commitments.

Preference shares which carry a contractual obligation to transfer economic benefits are classified as financial liabilities and are presented in subordinated liabilities. The coupon on these preference shares is recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

Contracts involving the receipt of cash on which customers receive an index-linked return are accounted for as equity index-linked deposits. The principal products are Capital Guaranteed/Protected Products, which give the customers a limited participation in the upside growth of an equity index. In the event the index falls in price, a cash principal element is guaranteed/protected. The equity index-linked deposits contain embedded derivatives. These embedded derivatives, in combination with the principal cash deposit element, are designed to replicate the investment performance profile tailored to the return agreed in the contracts with customers. The cash principal element is accounted for as deposits by customers at amortised cost. The embedded derivatives are separated from the host instrument and are separately accounted for as derivatives.

Sale and repurchase agreements (including stock borrowing and lending)
Securities sold subject to a commitment to repurchase them at a predetermined price (repos) under which substantially all the risks and rewards of ownership are retained by the Santander UK group remain on the balance sheet and a liability is recorded in respect of the consideration received. Securities purchased under commitments to resell (reverse repos) are not recognised on the balance sheet and the consideration paid is recorded as an asset. The difference between the sale and repurchase price is treated as trading income in the income statement, except where the repo is not treated as part of the trading book, in which case the difference is recorded in interest income or expense.

Securities lending and borrowing transactions are generally secured, with collateral in the form of securities or cash advanced or received. Securities borrowed are not reflected on the balance sheet. Collateral in the form of cash received or advanced is recorded as a deposit or a loan. Collateral in the form of securities is not recognised.

Day One profit adjustments

The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, sometimes the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Santander UK group recognises a trading gain or loss at inception (Day One gain or loss), being the difference between the transaction price and the fair value. When significant unobservable parameters are used, the entire Day One gain or loss is deferred and is recognised in the income statement over the life of the transaction until the transaction matures, is closed out, the valuation inputs become observable, or an offsetting transaction is entered into.

ii) Impairment of debt instrument financial assets

The Santander UK group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from financial guarantee contracts and loan commitments. The Santander UK group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money, and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Grouping of instruments for losses measured on a collective basis

We typically group instruments and assess them for impairment collectively where they share risk characteristics (as described in the Credit risk section of the Risk review) using one or more statistical models. Where we have used internal capital or similar models as the basis for our ECL models, this typically results in a large number of relatively small homogenous groups which are determined by the permutations of the underlying characteristics in the statistical models. We calculate separate collective provisions for instruments in Stages 1, 2 and 3 where the instrument is not individually assessed, as described below.

Individually assessed impairments (IAIs)

We assess significant Stage 3 cases individually. We do this for Corporate & Commercial Banking cases, but not for Business Banking cases in Retail & Business Banking which we assess collectively. To calculate the estimated loss, we estimate the future cash flows under several scenarios each of which uses case-specific factors and circumstances. We then probability-weight the net present value of the cash flows under each scenario to arrive at a weighted average provision requirement. We update our assessment process every quarter and more frequently if there are changes in circumstances that might affect the scenarios, cash flows or probabilities we apply.

For more on how ECL is calculated, see the Credit risk section of the Risk review.

- **Write-off**

  For secured loans, a write-off is only made when all collection procedures have been exhausted and the security has been sold and/or a claim made on any mortgage indemnity guarantee or other insurance. In the corporate loan portfolio, there may be occasions where a write-off occurs for other reasons, such as following a consensual restructure or refinancing of the debt or where the debt is sold for strategic reasons into the secondary market at a value lower than its face value.

There is no threshold based on past due status beyond which all secured loans are written off as there can be significant variations in the time needed to enforce possession and sale of the security, especially due to the different legal frameworks that apply in different regions of the UK. For unsecured loans, a write-off is only made when all internal avenues of collecting the debt have been exhausted. Where appropriate the debt is passed over to external collection agencies. A past due threshold is applied to unsecured debt where accounts that are 180 days past due are written off unless there is a dispute awaiting resolution. Contact is made with customers with the aim to achieve a realistic and sustainable repayment arrangement. Litigation and/or enforcement of security is usually carried out only when the steps described above have been undertaken without success.

All write-offs are assessed / made on a case-by-case basis, taking account of the exposure at the date of write-off, after accounting for the value from any collateral or insurance held against the loan. The exception to this is in cases where fraud has occurred, where the exposure is written off once investigations have been completed and the probability of recovery is minimal. The time span between discovery and write-off will be short and may not result in an impairment loss allowance being raised. The write-off policy is regularly reviewed. Write-offs are charged against previously established loss allowances.

- **Recoveries**

  Recoveries of credit impairment charges are not included in the impairment loss allowance but are taken to income and offset against credit impairment charges. Recoveries of credit impairment charges are classified in the income statement as 'Credit impairment charges'.

iii) Modifications of financial assets

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset normally depends upon whether the renegotiation or modification is due to financial difficulties of the borrower or for other commercial reasons.

- **Contractual modifications due to financial difficulties of the borrower:** where the Santander UK group modifies the contractual conditions to enable the borrower to fulfil their payment obligations, the asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated/modified contractual cash flows that are discounted at the financial asset's original EIR and any gain or loss arising from the modification is recognised in the income statement.
- **Contractual modifications for other commercial reasons:** an assessment is performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement, after considering changes in the cash flows arising from the modified terms and the overall instrument risk profile. Where terms are substantially different, such modifications are treated as a new transaction resulting in derecognition of the original financial asset, and the recognition of a 'new' financial asset with any difference between the carrying amount of the derecognised asset and the fair value of the new asset is recognised in the income statement as a gain or loss on derecognition. Where terms are not substantially different, the carrying value of the financial asset is adjusted to reflect the present value of modified cash flows discounted at the original EIR with any gain or loss arising from modification recognised immediately in the income statement.

Any other contractual modifications, such as where a regulatory authority imposes a change in certain contractual terms or due to legal reasons, are assessed on a case-by-case basis to establish whether or not the financial asset should be derecognised.

iv) Derecognition other than on a modification
Financial assets are derecognised when the rights to receive cash flows have expired or the Santander UK group has transferred its contractual right to receive the cash flows from the assets and either: (1) substantially all the risks and rewards of ownership have been transferred; or (2) the Santander UK group has neither retained nor transferred substantially all of the risks and rewards but has transferred control.

Financial liabilities are derecognised when extinguished, cancelled or expired.

c) Financial guarantee contracts and loan commitments
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of the amount of the loss allowance, and the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15. Loan commitments are measured as the amount of the loss allowance (determined in accordance with IFRS 9 as described in Credit risk section of the Risk review). The Santander UK group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For financial guarantee contracts and loan commitments, the loss allowance is recognised as a provision and charged to credit impairment charges in the income statement. The loss allowance in respect of revolving facilities is classified in loans and advances to customers to the extent of any drawn balances. The loss allowance in respect of undrawn amounts is classified in provisions. When amounts are drawn, any related loss allowance is transferred from provisions to loans and advances to customers.

Derivative financial instruments (derivatives)
Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date. Transactions are undertaken in interest rate, cross currency, equity, residential property and other index-related swaps, forwards, caps, floors, swaptions, as well as credit default and total return swaps, equity index contracts and exchange traded interest rate futures, and equity index options.

Derivatives are held for risk management purposes. Derivatives are classified as held for trading unless they are designated as being in a hedge accounting relationship. The Santander UK group chooses to designate certain derivatives as in a hedging relationship if they meet specific criteria, as further described in 'Hedge accounting' below.

Derivatives are recognised initially (on the date on which a derivative contract is entered into), and are subsequently remeasured, at their fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are estimated using valuation techniques, including discounted cash flow and option pricing models.

Certain derivatives may be embedded in hybrid contracts. If the hybrid contract contains a host that is a financial asset, then the Santander UK group assesses the entire contract as described in the financial asset section above for classification and measurement purposes. Otherwise, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Contracts containing embedded derivatives are not subsequently reassessed for separation unless either there has been a change in the terms of the contract which significantly modifies the cash flows (in which case the contract is reassessed at the time of modification) or the contract has been reclassified (in which case the contract is reassessed at the time of reclassification).

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative, except where netting is permitted. The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments and, if the latter, the nature of the risks being hedged. Gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement and included in Other operating income.

Offsetting financial assets and liabilities
Financial assets and liabilities including derivatives are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Santander UK group is party to a number of arrangements, including master netting arrangements under industry standard agreements which facilitate netting of transactions in jurisdictions where netting agreements are recognised and have legal force. These netting arrangements do not generally result in an offset of balance sheet assets and liabilities for accounting purposes, as transactions are usually settled on a gross basis.

Hedge accounting
The Santander UK group applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its risk management strategies. Derivatives are used to hedge exposures to interest rates, inflation and exchange rates.

At the time a financial instrument is designated as a hedge (i.e. at the inception of the hedge), the Santander UK group formally documents the relationship between the hedging instrument(s) and hedged item(s), its risk management objective and strategy for undertaking the hedge. The documentation includes the identification of each hedging instrument and respective hedged item, the nature of the risk being hedged (including the benchmark interest rate being hedged in a hedge of interest rate risk) and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk is to be assessed. Accordingly, the Santander UK group formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been and will be highly effective in offsetting changes in the fair value attributable to the hedged risk during the period that the hedge is designated. A hedge is normally regarded as highly effective if, at inception and throughout its life, the Santander UK group can expect, and actual results indicate that changes in the fair value or cash flow of the hedged items are effectively offset by changes in the fair value or cash flow of the hedging instrument. If at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the derivatives may be designated as either: (i) hedges of the change in fair value of recognised assets or liabilities or firm commitments (fair value hedges); (ii) hedges of the variability in highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedges); or (iii) a hedge of a net investment in a foreign operation (net investment hedges). The Santander UK group applies fair value and cash flow hedge accounting but not hedging of a net investment in a foreign operation.

a) Fair value hedge accounting
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Where the hedged item is measured at amortised cost, the fair value changes due to the hedged risk adjust the carrying amount of the hedged asset or liability. Changes in the fair value of portfolio hedged items are presented separately in the consolidated balance sheet in macro hedge of interest rate risk and recognised in the income statement. If the hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the income statement. For fair value hedges of interest rate risk, the cumulative adjustment that has been made to the carrying amount of the hedged item is amortised to the income statement using the effective interest method over the period to maturity. For portfolio hedged items, the cumulative adjustment is amortised to the income statement using the straight-line method over the period to maturity.

b) Cash flow hedge accounting
The effective portion of changes in the fair value of qualifying cash flow hedges is recognised in other comprehensive income in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. The Santander UK group is exposed to variability in future cash flows attributable to i) interest rate and inflation risks on its GBP floating rate assets and liabilities ii) foreign currency risk on debt issuances denominated in foreign currency and iii) equity price risk from operating the Employee Sharesave scheme. Cash flow hedging is used to hedge the variability in cash flows arising from these risks.

Securitisation transactions
The Santander UK group has entered into arrangements where undertakings have issued mortgage-backed and other asset-backed securities or have entered into funding arrangements with lenders in order to finance specific loans and advances to customers. The Santander UK group has also entered into synthetic securitisation arrangements, as part of significant risk transfer (SRT) transactions to reduce its risk-weighted assets, where undertakings have issued credit-linked notes, and in some cases deposited the funds raised as collateral, for credit protection in respect of specific loans and advances to customers. As the Santander UK group has retained substantially all the risks and rewards of the underlying assets, such financial instruments continue to be recognised on the balance sheet, and a liability recognised for the proceeds of the funding transaction, or in the case of SRT transactions, collateral deposited.

Impairment of non-financial assets
At each balance sheet date, or more frequently when events or changes in circumstances dictate, property plant and equipment (including operating lease assets) and intangible assets (including goodwill) are assessed for indicators of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying value of the asset or cash generating unit with its recoverable amount: the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The cash-generating unit represents the lowest level at which non-financial assets, including goodwill, are monitored for internal management purposes and is not larger than an operating segment.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is calculated by discounting management's expected future cash flows obtainable as a result of the asset's continued use (after making allowance for increases in regulatory capital requirements), including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. The recoverable amounts of goodwill have been based on value in use calculations.

For conducting goodwill impairment reviews, cash generating units are the lowest level at which management monitors the return on investment on assets.

Leases (as lessor)
Operating lease assets are recorded at cost and the difference between cost and residual value (RV) is depreciated over the life of the asset. Operating lease rental income and depreciation is recognised on a straight-line basis over the life of the asset. After initial recognition, residual values are reviewed regularly, and any changes are recognised prospectively through remaining depreciation charges.

Amounts due from lessees under finance leases and hire purchase contracts are recorded as receivables at the amount of the Santander UK group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Santander UK group's net investment outstanding in respect of the leases and hire purchase contracts. A provision is recognised to reflect a reduction in any anticipated unguaranteed RV. A provision is also recognised for voluntary termination of the contract by the customer, where appropriate.

Income taxes, including deferred taxes
The tax expense represents the sum of the income tax currently payable and deferred income tax.

A current tax liability for the current or prior period is measured at the amount expected to be paid to the tax authorities. Where the amount of the final tax liability is uncertain or where a position is challenged by a taxation authority, the liability recognised is the most likely outcome. Where a most likely outcome cannot be determined, a weighted average basis is applied.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with not more than three months maturity from the date of acquisition, including cash and non-restricted balances with central banks and loans and advances to banks. Balances with central banks represent amounts held at the Bank of England as part of the Santander UK group's liquidity management activities. It includes reserves collateralised accounts in respect of Santander UK's participation in certain payments schemes which are required to be maintained with the Bank of England and are restricted balances.

Provisions and contingent liabilities (see 'Critical judgements and accounting estimates')
Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation, and it can be reliably estimated.

Customer remediation provisions are made for the estimated cost of making redress payments with respect to the past sales of products, using conclusions such as the number of claims, the number of those that will be upheld, the estimated average settlement per case and other related costs. Provision is made for the anticipated cost of restructuring, including redundancy costs, when an obligation exists. An obligation exists when the Santander UK group has a detailed formal plan for restructuring a business, has raised valid expectations in those affected by the restructuring, and has started to implement the plan or announce its main features.

When a leasehold property ceases to be used in the business, provision is made where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Loan commitments are measured as the amount of the loss allowance, determined in line with IFRS 9 as set out in the Credit risk section of the Risk review.

Contingent liabilities are possible obligations whose existence will be confirmed only by certain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

Critical judgements and accounting estimates
The preparation of Santander UK's consolidated financial statements in accordance with IFRS requires management to make judgements and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management has considered the impact of developments in principal risks and uncertainties, as set out in the Risk review, on critical judgements and accounting estimates.

The significant judgements, apart from those involving estimation, made by management in applying Santander UK's accounting policies in these financial statements (key judgements) and the key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year (key estimates), which together are considered critical to Santander UK's results and financial position, are as follows:

a) Credit impairment allowance
The application of the ECL impairment methodology for calculating credit impairment allowances is highly susceptible to change from period to period. The methodology requires management to make judgmental assumptions in determining the estimates. Any significant difference between the estimated amounts and actual amounts could have a material impact on the future financial results and financial condition. The impact of the cost of living crisis has increased the uncertainty around ECL impairment calculations and has required management to make additional judgements and accounting estimates that affect the amount of assets and liabilities at the reporting date and the amount of income and expenses in the reporting period. The key additional judgements due to the impact of the cost of living crisis mainly reflect the increased uncertainty around forward-looking economic data and the need for additional judgemental adjustments.

Key judgements	– Establishing the criteria for a significant increase in credit risk (SICR) and, for corporate borrowers, internal credit risk rating – Determining the need for any judgemental adjustments – Determining an appropriate definition of default – Establishing low credit risk exemption (LCRE) criteria to determine that the credit risk did not increase significantly since initial recognition – Determining the need to assess corporate Stage 3 exposures individually
Key estimates	– Forward-looking multiple economic scenario assumptions – Probability weights assigned to multiple economic scenarios

For more on each of these key judgements and estimates, see 'Critical Judgements and accounting estimates applied in calculating ECL' in the 'Credit risk – credit risk management' section of the Risk review.

Sensitivity of ECL allowance
For detailed disclosures, see 'Sensitivity of ECL allowance' in the 'Credit risk – credit risk management' section of the Risk review.

b) Provisions and contingent liabilities

Key judgements	– Determining whether a present obligation exists – Determining the likely outcome of future legal decisions
Key estimates	– Probability, timing, nature and amount of any outflows that may arise from past events

Included in Litigation and other regulatory provisions in Note 27 are amounts in respect of management's best estimates of liability relating to a legal dispute regarding allocation of responsibility for a specific PPI portfolio of complaints, and Plevin related litigation. Note 30 provides disclosure relating to ongoing factual issues and reviews that could impact the timing and amount of any outflows. It includes disclosure relating to an investigation in relation to the historical involvement of Santander UK plc, Santander Financial Services plc and Cater Allen International Limited (all subsidiaries of Santander UK Group Holdings plc) in German dividend tax arbitrage transactions. It also includes disclosure relating to the historical use of discretionary commission arrangements by Santander Consumer (UK) plc.

These judgements are based on the specific facts available and often require specialist professional advice. There can be a wide range of possible outcomes and uncertainties, particularly in relation to legal actions, and regulatory and consumer credit matters. As a result, it is often not possible to make reliable estimates of the likelihood and amount of any potential outflows, or to calculate any resulting sensitivities. For more on each of these key judgements and estimates, see Notes 27 and 30.

c) Retirement benefit plans
The Santander UK group operates a number of defined benefit pension schemes as described in Note 28 and estimates their position as described in the accounting policy 'Pensions and other post retirement benefits'.

Key judgements	– Setting the criteria for constructing the corporate bond yield curve used to determine the discount rate – Determining the methodology for setting the inflation assumption
Key estimates	– Discount rate applied to future cash flows – Rate of price inflation – Expected lifetime of the schemes' members – Valuation of pension fund assets whose values are not based on market observable data

For more on each of these key judgements and estimates, see Note 28.

Sensitivity of defined benefit pension scheme estimates
For detailed disclosures, see 'Actuarial assumption sensitivities' in Note 28. The Scheme is invested in certain assets whose values are not based on market observable data, such as investments in private equity funds and property. Due diligence has been conducted to support the values obtained in respect of these assets represent fair value. Given the nature of these investments, we are unable to prepare sensitivities on how their values could vary as market conditions or other variables change.

d) Goodwill
The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Santander UK undertakes an annual assessment to evaluate whether the carrying amount of goodwill is impaired, carrying out this assessment more frequently if reviews identify indicators of impairment or when events or changes in circumstances dictate.

Key judgement:	– Determining the basis of goodwill impairment testing methodology, including the need for planning assumptions and internal capital allocations
Key estimates:	– Forecast cash flows for cash generating units – Discount rates which factor in risk-free rates and applicable risk premiums All of these variables are subject to fluctuations in external market rates and economic conditions beyond management's control

Santander UK group undertakes an annual assessment to evaluate whether the carrying amount of goodwill is impaired, carrying out this assessment more frequently if reviews identify indicators of impairment or when events or changes in circumstances dictate.

The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

For more on each of these key judgements and estimates, see Note 19.

Sensitivity of goodwill
For detailed disclosures, see 'Sensitivities of key assumptions in calculating 'VIU' in Note 19.

e) Valuation of intercompany derivatives (Company)
The application of the methodology for estimating the fair value of covered bond pool and securitisation funding swaps is highly susceptible to change from period to period. The methodology requires management to make judgemental assumptions in determining the estimates. Any significant difference between the estimated amounts and actual amounts could have a material impact on the future financial results and financial condition.

Key judgements:	Identifying significant unobservable inputs Determining appropriate valuation techniques
Key estimate:	Weighted average mortgage rate payable

For more on each of these key judgements and estimates, see Note 38.

Sensitivity of level 3 intercompany derivative valuation estimates
For detailed disclosures, see 'Effect of changes in significant unobservable assumptions to reasonably possible alternatives' in Note 38.

As discussed above, the fair value of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data and, as such require the application of a degree of judgement. Changing one or more of the inputs to the valuation models to reasonably possible alternative assumptions would change the fair values significantly.

2. SEGMENTS

Santander UK's principal activity is financial services, mainly in the UK. The business is managed and reported on the basis of four segments, which are strategic business units that offer different products and services, have different customers and require different technology and marketing strategies. Geographical information is not provided, as substantially all of Santander UK's activities are in the UK.

- **Retail & Business Banking** consists of two business units, Mortgages and Everyday Banking. Mortgages provides prime UK mortgage lending to owner occupiers and buy-to-let landlords with small portfolios. Everyday Banking provides banking services and unsecured lending to individuals and small businesses as well as wealth management for high-net-worth clients.
- **Consumer Finance** provides prime auto consumer financing for individuals, businesses, and automotive distribution networks.
- **Corporate & Commercial Banking** provides banking products and services to SMEs, mid-sized and larger corporates, typically with annual turnovers of between £2m and £500m as well as to Local Authorities and Housing Associations.
- **Corporate Centre** provides treasury services for asset and liability management of our balance sheet.

Retail & Business Banking delivers products through our omni-channel presence comprising branches, ATMs, telephony, digital and intermediary channels. Consumer Finance business is primarily introduced by car dealerships acting as our intermediary along with a small amount of new business introduced via digital channels. Corporate and Commercial Banking expertise is provided by relationship managers, product specialists and through digital and telephony channels, and covers clients' needs both in the UK and overseas.

The segmental data is prepared on a statutory basis of accounting, in line with the accounting policies set out in Note 1. Transactions between segments are on normal commercial terms and conditions. Internal charges and internal UK transfer pricing adjustments are reflected in the results of each segment and eliminate on consolidation. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on Santander UK's cost of wholesale funding. Interest income and interest expense have not been reported separately. The majority of segment revenues are interest income in nature and net interest income is relied on primarily to assess segment performance and to make decisions on the allocation of segment resources.

Results by segment
For the year ended 31 December

2024	Retail & Business Banking £m	Consumer Finance £m	Corporate & Commercial Banking £m	Corporate Centre £m	Total £m
Net interest income	3,426	144	694	48	4,312
Non-interest income/(expense)	121	182	128	(86)	345
Total operating income/(expense)	3,547	326	822	(38)	4,657
Operating expenses before credit impairment charges, provisions and charges	(1,976)	(152)	(417)	(3)	(2,548)
Credit impairment charges	(50)	(17)	(4)	—	(71)
Provisions for other liabilities and charges	(297)	(332)	(50)	(10)	(689)
Total credit impairment charges, provisions and charges	(347)	(349)	(54)	(10)	(760)
Profit/(loss) before tax	1,224	(175)	351	(51)	1,349
Revenue/(expense) from external customers	3,711	754	562	(370)	4,657
Inter-segment (expense)/revenue	(164)	(428)	260	332	—
Total operating income/(expense)	3,547	326	822	(38)	4,657
Revenue/(expense) from external customers includes the following fee and commission income:[1]					
– Current account and debit card fees	424	—	50	—	474
– Insurance, protection and investments	48	—	—	—	48
– Credit cards	92	—	—	—	92
– Non-banking and other fees[2]	3	28	73	15	119
Total fee and commission income	567	28	123	15	733
Fee and commission expense	(442)	(7)	(10)	(22)	(481)
Net fee and commission income/(expense)	125	21	113	(7)	252
Customer loans	171,724	4,759	18,029	—	194,512
Customer deposits	151,815	—	22,137	2,781	176,733
Average number of full-time equivalent staff	15,993	773	2,494	—	19,260

(1) The disaggregation of fees and commission income as shown above is not included in reports provided to the chief operating decision maker but is provided to show the split by reportable segments.
(2) Non-banking and other fees include mortgages (except mortgage account fees), consumer finance, commitment commission, asset finance, invoice finance and trade finance.

2023	Retail & Business Banking £m	Consumer Finance £m	Corporate & Commercial Banking £m	Corporate Centre £m	Total £m
Net interest income/(expense)	3,716	156	841	(55)	4,658
Non-interest income/(expense)	182	192	135	(71)	438
Total operating income/(expense)	3,898	348	976	(126)	5,096
Operating expenses before credit impairment charges, provisions and charges	(1,813)	(141)	(351)	(151)	(2,456)
Credit impairment charges	(149)	(15)	(40)	(1)	(205)
Provisions for other liabilities and charges	(233)	(18)	(15)	(69)	(335)
Total credit impairment charges, provisions and charges	(382)	(33)	(55)	(70)	(540)
Profit/(loss) before tax	1,703	174	570	(347)	2,100
Revenue from external customers	3,597	663	712	124	5,096
Inter-segment revenue/(expense)	301	(315)	264	(250)	—
Total operating income/(expense)	3,898	348	976	(126)	5,096
Revenue from external customers includes the following fee and commission income:[1]					
– Current account and debit card fees	493	—	49	—	542
– Insurance, protection and investments	47	—	—	—	47
– Credit cards	94	—	—	—	94
– Non-banking and other fees[2]	3	25	79	14	121
Total fee and commission income	637	25	128	14	804
Fee and commission expense	(458)	(6)	(11)	(26)	(501)
Net fee and commission income/(expense)	179	19	117	(12)	303
Customer loans	179,887	5,228	17,939	—	203,054
Customer deposits	158,329	—	24,066	5,050	187,445
Average number of full-time equivalent staff	16,330	816	2,376	24	19,546

2022	Retail & Business Banking £m	Consumer Finance £m	Corporate & Commercial Banking £m	Corporate Centre £m	Total £m
Net interest income/(expense)	3,671	180	580	(6)	4,425
Non-interest income/(expense)	209	195	146	(19)	531
Total operating income/(expense)	3,880	375	726	(25)	4,956
Operating expenses before credit impairment charges, provisions and charges	(1,682)	(144)	(342)	(175)	(2,343)
Credit impairment charges	(262)	(27)	(31)	—	(320)
Provisions for other liabilities and charges	(394)	(6)	(8)	(11)	(419)
Total credit impairment charges, provisions and charges	(656)	(33)	(39)	(11)	(739)
Profit/(loss) before tax	1,542	198	345	(211)	1,874
Revenue/(expense) from external customers	4,109	513	732	(398)	4,956
Inter-segment (expense)/revenue	(229)	(138)	(6)	373	—
Total operating income/(expense)	3,880	375	726	(25)	4,956
Revenue from external customers includes the following fee and commission income:[1]					
– Current account and debit card fees	502	—	60	—	562
– Insurance, protection and investments	78	—	—	—	78
– Credit card fees	95	—	—	—	95
– Non-banking and other fees[2]	2	20	77	5	104
Total fee and commission income	677	20	137	5	839
Fee and commission expense	(478)	(5)	(18)	(8)	(509)
Net fee and commission income/(expense)	199	15	119	(3)	330
Customer loans	191,836	5,384	18,518	—	215,738
Customer deposits	161,748	—	24,798	3,365	189,911
Average number of full-time equivalent staff	15,212	531	2,336	44	18,123

(1) The disaggregation of fees and commission income as shown above is not included in reports provided to the chief operating decision maker but is provided to show the split by reportable segments.
(2) Non-banking and other fees include mortgages (except mortgage account fees), consumer finance, commitment commission, asset finance, invoice finance and trade finance.

The table below shows the relationship between Customer assets and Loans and advances to customers as presented in the Consolidated Balance Sheet. Customer assets exclude intercompany balances (including joint ventures), as they carry low credit risk and therefore have an immaterial ECL, Accrued interest that we have not yet charged to the customer's account, and Other items, consisting mainly of cash collateral. It also shows the relationship between Customer deposits (see above) and Deposits by customers as presented in the Consolidated Balance Sheet.

	Assets		Liabilities	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Customer balances (gross)	**194,512**	203,054	**176,733**	187,445
Loan loss allowance	**(784)**	(914)	**—**	—
Customer balances (net)	**193,728**	202,140	**176,733**	187,445
Intercompany balances (including joint ventures)	**4,832**	4,544	**3,632**	2,825
Accrued interest	**714**	739	**854**	830
Other items	**134**	12	**(252)**	(250)
Loans and advances to customers / Deposits by customers	**199,408**	207,435	**180,967**	190,850

3. NET INTEREST INCOME

For the year ended 31 December

			Group
	2024	2023	2022
	£m	£m	£m
Interest and similar income:			
Loans and advances to customers	**9,290**	8,767	5,774
Loans and advances to banks	**1,523**	1,751	618
Reverse repurchase agreements – non-trading	**987**	626	149
Other	**639**	473	167
Total interest and similar income[1]	**12,439**	11,617	6,708
Interest expense and similar charges:			
Deposits by customers	**(4,276)**	(3,230)	(905)
Deposits by banks	**(839)**	(1,165)	(496)
Repurchase agreements – non-trading	**(644)**	(538)	(120)
Debt securities in issue	**(2,171)**	(1,852)	(650)
Subordinated liabilities	**(193)**	(169)	(108)
Other	**(4)**	(5)	(4)
Total interest expense and similar charges[2]	**(8,127)**	(6,959)	(2,283)
Net interest income	**4,312**	4,658	4,425

(1) Includes £296m (2023: £230m, 2022: £87m) of interest income on financial assets at FVOCI.
(2) Includes £762m (2023: £706m, 2022: £6m) of interest expense on the effective part of derivatives hedging debt issuances and £3m (2023: £3m, 2022: £3m) of interest expense on lease liabilities.

4. NET FEE AND COMMISSION INCOME

For the year ended 31 December

			Group
	2024	2023	2022
	£m	£m	£m
Fee and commission income:			
Current account and debit card fees	**474**	542	562
Insurance, protection and investments	**48**	47	78
Credit cards	**92**	94	95
Non-banking and other fees[1]	**119**	121	104
Total fee and commission income	**733**	804	839
Total fee and commission expense	**(481)**	(501)	(509)
Net fee and commission income	**252**	303	330

(1) Non-banking and other fees include mortgages (except mortgage account fees), consumer finance, commitment commission, asset finance, invoice finance and trade finance.

5. OTHER OPERATING INCOME

For the year ended 31 December

	Group		
	2024	2023	2022
	£m	£m	£m
Net (losses)/gains on financial instruments designated at fair value through profit or loss[1]	**(38)**	(57)	62
Net (losses) on financial instruments mandatorily at fair value through profit or loss[2]	**(12)**	(11)	(75)
Hedge ineffectiveness	**22**	19	29
Income from operating lease assets	**113**	117	129
Other	**8**	67	56
	93	135	201

(1) Net (losses) /gains on financial instruments designated at fair value through profit or loss includes losses of £16m on deposits (2023: £24m losses, 2022 £35m gains), losses of £22m on debt securities 2023: £32m losses, 2022: £31m gains).
(2) Net losses on financial instruments mandatorily at fair value through profit or loss include gains of £7m on debt securities (2023: £5m gains, 2022: £13m gains).

Net gains on financial instruments mandatorily at FVTPL includes fair value losses of £21m (2023: losses of £12m, 2022: gains of £14m) on embedded derivatives bifurcated from certain equity index-linked deposits, as described in the derivatives accounting policy in Note 1. The embedded derivatives are economically hedged, the results of which are also included in this line item and amounted to gains of £21m (2023: gains of £12m, 2022: losses of £14m). As a result, the net fair value movements recognised on the equity index-linked deposits and the related economic hedges were net gains of £nil (2023: £nil, 2022: £nil).

	Group		
	2024	2023	2022
	£m	£m	£m
Exchange rate differences in the consolidated income statement on items not at fair value through profit and loss	**495**	1,288	(2,163)
These are principally offset by related releases from the cash flow hedge reserve	**(500)**	(1,248)	2,129

In 2024, no subordinated liabilities were repurchased as part of ongoing liability management exercises (2023: profit of £4m).

In 2024, Other includes £8m of losses on the sale of property as part of our transformation (2023: £nil; 2022: £7m).

6. OPERATING EXPENSES BEFORE CREDIT IMPAIRMENT CHARGES, PROVISIONS AND CHARGES

For the year ended 31 December

	Group			Company		
	2024	2023	2022	**2024**	2023	2022
	£m	£m	£m	**£m**	£m	£m
Staff costs:						
Wages and salaries	**866**	839	745	**813**	787	683
Performance-related payments	**164**	162	170	**159**	156	160
Social security costs	**122**	115	112	**116**	109	102
Pensions costs: – defined contribution plans	**79**	71	60	**74**	67	54
– defined benefit plans	**13**	13	28	**13**	12	25
Other personnel costs	**33**	41	44	**32**	40	42
	1,277	1,241	1,159	**1,207**	1,171	1,066
Other administration expenses	**971**	925	888	**937**	890	882
Depreciation, amortisation and impairment	**300**	290	296	**238**	220	219
	2,548	2,456	2,343	**2,382**	2,281	2,167

Staff costs

Performance-related payments include bonuses paid in cash and share awards granted under the arrangements described in Note 35. Included in this are equity-settled share-based payments, none of which related to option-based schemes. These are disclosed in the table below as 'Shares awards'. Performance-related payments above include amounts related to deferred performance awards as follows:

	Costs recognised in 2024			Costs expected to be recognised in 2025 or later		
	Arising from awards in current year	Arising from awards in prior year	Total	Arising from awards in current year	Arising from awards in prior year	Total
	£m	£m	£m	£m	£m	£m
Cash	**3**	**5**	**8**	7	7	14
Shares	**2**	**5**	**7**	6	7	13
	5	**10**	**15**	13	14	27

The following table shows the amount of bonus awarded to employees for the performance year 2024. In the case of deferred cash and shares awards, the final amount paid to an employee is influenced by forfeiture provisions and any performance conditions to which the awards are subject. The deferred shares award amount is based on the fair value of the awards at the date of grant.

	Expenses charged in the year		Expenses deferred to future periods			Total
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Cash award – not deferred	**140**	140		—	**140**	140
– deferred	**8**	7	**14**	12	**22**	19
Shares award – not deferred	**9**	8		—	**9**	8
– deferred	**7**	7	**13**	11	**20**	18
Total discretionary bonus	**164**	162	**27**	23	**191**	185

Other share-based payments consist of options granted under the Employee Sharesave scheme which comprise the Santander UK group's cash-settled share-based payments. For more, see Note 35.

The average number of full-time equivalent staff in the year is set out in Note 2. For the Company, the average number of full-time equivalent staff was 18,378 (2023: 18,631, 2022: 16,830).

Depreciation, amortisation and impairment
In 2024, depreciation, amortisation and impairment included depreciation of £75m (2023: £64m, 2022: £73m) on operating lease assets (where the Santander UK group is the lessor) with a carrying amount of £574m at 31 December 2024 (2023: £488m, 2022: £577m). It also included depreciation of £18m (2023: £30m, 2022: £19m) on right-of-use assets with a carrying amount of £79m at 31 December 2024 (2023: £90m, 2022: £112m).

Other administration expenses includes £18m (2023: £19m, 2022: £21m) related to short-term leases.

In 2024, depreciation, amortisation and impairment included an impairment charge of £nil (2023: £25m, 2022: £10m) associated with branch and head office site closures as part of our transformation. For more, see Note 20.

For the Company, in 2024 impairment associated with branch and head office site closures as part of our transformation was £nil (2023: £25m, 2022: £10m).

7. AUDIT AND OTHER SERVICES

For the year ended 31 December

			Group
	2024	2023	2022
	£m	£m	£m
Audit fees:			
Fees payable to the Company's auditor and its associates for the audit of the Santander UK group's annual financial statements	**13.8**	13.9	11.8
Fees payable to the Company's auditor and its associates for other services to the Santander UK group:			
– Audit of the Santander UK group's subsidiaries	**0.6**	0.6	0.7
Total audit fees(1)	**14.4**	14.5	12.5
Non-audit fees:			
Audit-related assurance services	**0.6**	0.7	0.6
Other assurance services	**1.0**	0.5	0.3
Other non-audit services	**0.6**	0.1	—
Total non-audit fees	**2.2**	1.3	0.9

(1) 2024 audit fees included £0.1m (2023: £0.7m, 2022: £0.6m) which related to the prior year.

Audit fees payable for the statutory audit of Santander UK plc were £12.9m (2023: £12.7m, 2022: £10.9m).

Audit-related assurance services mainly comprised services performed in connection with review of the financial information of the Company and reporting to the Company's UK regulators.

Other non-audit services mainly comprised services performed in support of various debt issuance programmes.

Of the total non-audit fees, £0.2m (2023: £0.3m, 2022: £0.2m) accords with the definition of 'Audit Fees' per US Securities and Exchange Commission (SEC) guidance, £2.0m (2023: £1.0m, 2022: £0.7m) accords with the definition of 'Audit related fees' per that guidance and £48,300 (2023: £12,550, 2022: £nil) accords with the definition of 'All other fees' per that guidance.

In 2024, the Company's auditors earned £1.8m (2023: £1.6m, 2022: £1.6m), in relation to incremental work undertaken in support of the audit of Banco Santander SA.

8. CREDIT IMPAIRMENT CHARGES AND PROVISIONS

For the year ended 31 December

			Group
	2024	2023	2022
	£m	£m	£m
Credit impairment charges:			
Loans and advances to customers	**87**	191	248
(Recoveries)/charges of loans and advances, net of collection costs	**(23)**	10	36
Off-balance sheet credit exposures (See Note 27)	**7**	4	36
	71	205	320
Provisions for other liabilities and charges (excluding off-balance sheet credit exposures) (See Note 27)	**687**	334	422
Charge/(release) for residual value and voluntary termination	**2**	1	(3)
	689	335	419
	760	540	739

In 2024, 2023 and 2022 there were no material credit impairment charges on Loans and advances to banks, Non-trading reverse repurchase agreements, Other financial assets at amortised cost and Financial assets at FVOCI.

9. TAXATION

For the year ended 31 December

			Group
	2024	2023	2022
	£m	£m	£m
Current tax:			
UK corporation tax on profit for the year	**205**	475	526
Adjustments in respect of prior years	**(47)**	(15)	(81)
Total current tax	**158**	460	445
Deferred tax:			
Charge/(credit) for the year	**187**	106	(29)
Adjustments in respect of prior years	**33**	(7)	64
Total deferred tax	**220**	99	35
Tax on profit from continuing operations	**378**	559	480

The standard rate of UK corporation tax was 28% for banking entities and 25% for non-banking entities (2023: 27.75%) for banking entities and 23.50% for non-banking entities; 2022: 27% for banking entities and 19% for non-banking entities) following the introduction of a surcharge on banking companies in 2016. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Santander UK group's effective tax rate for 2024 was 28.0% (2023: 26.6%, 2022: 25.6%). Tax on profit differs from that calculated at the statutory rate as follows:

For the year ended 31 December

			Group
	2024	2023	2022
	£m	£m	£m
Profit before tax	**1,349**	2,100	1,874
Tax calculated at the statutory rate of 25% (2023: 23.5%, 2022: 19%)	**337**	494	356
Bank surcharge on profits	**41**	85	121
Non-deductible preference dividends paid	**9**	9	9
Non-deductible UK Bank Levy	**12**	10	13
Non-deductible conduct remediation, fines and penalties	**3**	13	48
Other non-deductible costs and non-taxable income	**26**	2	29
Effect of change in tax rate on deferred tax provision	**—**	2	(29)
Tax relief on dividends in respect of other equity instruments	**(36)**	(34)	(40)
Adjustment to prior year provisions	**(14)**	(22)	(27)
Tax on profit	**378**	559	480

It is not anticipated that the OECD Pillar Two rules which became effective from 1 January 2024 will impact the Santander UK group.

Current tax assets

Movements in current tax assets during the year were as follows:

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
Assets	**490**	478	**568**	557
At 1 January	**490**	478	**568**	557
Income statement charge (including discontinued operations)	**(158)**	(460)	**(198)**	(436)
Other comprehensive income charge	**(47)**	(70)	**—**	—
Corporate income tax paid	**240**	537	**172**	442
Other movements	**(19)**	5	**(14)**	5
	506	490	**528**	568
Assets	**506**	490	**528**	568
At 31 December	**506**	490	**528**	568

The amount of corporation income tax paid differs from the tax charge for the period as a result of the timing of payments due to the tax authorities, the effects of movements in deferred tax, adjustments to prior period current tax provisions and current tax recognised directly in other comprehensive income.

Santander UK group engages in discussion, and co-operates, with HM Revenue & Customs (HMRC) in their oversight of the Santander UK group's tax matters. The accounting policy for recognising provisions for any tax risks identified is described in Note 1. It is not expected that there will be any material movement in such provisions within the next 12 months.

The Santander UK group consistently applies the UK's Code of Practice on Taxation for Banks. For more information, see our Taxation Strategy on our website aboutsantander.co.uk.

Deferred tax

The table below shows the deferred tax balances including the movement in the deferred tax account during the year. Deferred tax balances are presented in the balance sheet after offsetting assets and liabilities where the Santander UK group and Company has the legal right to offset and intends to settle on a net basis.

							Group
	Fair value of financial instruments	Pension remeasurement	Cash flow hedges	Fair value reserve	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**(8)**	**(186)**	**73**	**3**	**18**	**(86)**	**(186)**
Income statement charge	**(144)**	**(44)**	—	—	**(24)**	**(8)**	**(220)**
Transfers/reclassifications	**—**	**—**	**2**	**1**	—	—	**3**
Credited to other comprehensive income	—	**113**	**35**	**4**	—	**5**	**157**
At 31 December 2024	**(152)**	**(117)**	**110**	**8**	**(6)**	**(89)**	**(246)**
At 1 January 2023	27	(290)	305	(1)	35	(111)	(35)
Income statement (charge)/credit	(35)	(63)	—	—	(18)	17	(99)
Transfers/reclassifications	—	—	(3)	(1)	1	4	1
Credited/(charged) to other comprehensive income	—	167	(229)	5	—	4	(53)
At 31 December 2023	(8)	(186)	73	3	18	(86)	(186)

							Company
	Fair value of financial instruments	Pension remeasurement	Cash flow hedges	Fair value reserve	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**(11)**	**(186)**	**74**	**4**	**13**	**(35)**	**(141)**
Income statement charge	**(63)**	**(44)**	—	—	**(21)**	**(20)**	**(148)**
Transfers/reclassifications	**—**	**—**	**—**	**—**	**—**	**(1)**	**(1)**
Credited to other comprehensive income	—	**113**	**38**	**4**	—	**5**	**160**
At 31 December 2024	**(74)**	**(117)**	**112**	**8**	**(8)**	**(51)**	**(130)**
At 1 January 2023	63	(290)	308	(1)	30	(34)	76
Income statement (charge)/credit	(74)	(63)	—	—	(17)	(7)	(161)
Transfers/reclassifications	—	—	1	—	—	2	3
Credited/(charged) to other comprehensive income	—	167	(235)	5	—	4	(59)
At 31 December 2023	(11)	(186)	74	4	13	(35)	(141)

The deferred tax assets and liabilities above have been recognised in both the Company and the Santander UK group on the basis that sufficient future taxable profits are forecast within the foreseeable future, in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse. Based on the conditions at the balance sheet date, management determined that a reasonably possible change in any of the key assumptions underlying the estimated future taxable profits in the Santander UK group's three-year plan (described in Note 19) would not cause a reduction in the deferred tax assets recognised. In 2024, there were £nil unrecognised deferred tax assets on capital losses carried forward (2023: £nil).

10. DIVIDENDS ON ORDINARY SHARES

Dividends on ordinary shares declared and paid in the year were as follows:

For the year ended 31 December

	Group and Company			Group and Company		
	2024	2023	2022	**2024**	2023	2022
	Pence per share	Pence per share	Pence per share	**£m**	£m	£m
In respect of current year – first interim	**1.78**	1.32	1.25	**554**	410	389
– second interim	**2.44**	3.61	2.01	**757**	1,120	625
	4.22	4.93	3.26	**1,311**	1,530	1,014

In 2024, an interim dividend of £1,311m (2023: £1,530m, 2022: £1,014m) was paid on the Company's ordinary shares in issue. In 2024, £804m (2023: £750m, 2022: £300m) of the dividends were special dividends. These were paid following review and approval by the Board in line with our dividend policy.

11. DERIVATIVE FINANCIAL INSTRUMENTS

a) Use of derivatives
Santander UK undertakes derivative activities primarily to provide customers with risk management solutions and to manage and hedge its own risks. These derivative activities do not give rise to significant open positions in portfolios of derivatives. Any residual position is managed to ensure that it remains within acceptable risk levels, with matching transactions used to achieve this where necessary. When entering into derivatives, Santander UK employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

b) Analysis of derivatives
The table below includes the notional amounts of transactions outstanding at the balance sheet date; they do not represent actual exposures.

						Group
			2024			2023
			Fair value			Fair value
	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
Derivatives held for trading:						
Exchange rate contracts	**13,755**	**238**	**156**	12,927	92	217
Interest rate contracts	**29,296**	**294**	**489**	28,351	389	583
Equity and credit contracts	**681**	**124**	**21**	765	133	20
Total derivatives held for trading	**43,732**	**656**	**666**	42,043	614	820
Derivatives held for hedging						
Designated as fair value hedges:						
Exchange rate contracts	**1,712**	**42**	**8**	1,145	29	2
Interest rate contracts	**146,172**	**1,055**	**477**	107,540	1,275	839
	147,884	**1,097**	**485**	108,685	1,304	841
Designated as cash flow hedges:						
Exchange rate contracts	**21,535**	**698**	**266**	21,618	1,008	289
Interest rate contracts	**54,267**	**326**	**928**	50,896	553	915
Inflation rate contracts	**1,794**	**70**	**—**	—	—	—
	77,596	**1,094**	**1,194**	72,514	1,561	1,204
Total derivatives held for hedging	**225,480**	**2,191**	**1,679**	181,199	2,865	2,045
Derivative netting[1]	**—**	**(1,643)**	**(1,643)**	—	(2,047)	(2,047)
Total derivatives	**269,212**	**1,204**	**702**	223,242	1,432	818

(1) Derivative netting excludes the effect of cash collateral, which is offset against the gross derivative position. The amount of cash collateral received that had been offset against the gross derivative assets was £489m (2023: £472m) and the amount of cash collateral paid that had been offset against the gross derivative liabilities was £32m (2023: £12m).

At 31 December 2024, the fair value of derivative assets included amounts due from Banco Santander group entities of £544m (2023: £762m) and the fair value of derivative liabilities included amounts due to Banco Santander group entities of £244m (2023: £230m).

						Company
			2024			2023
			Fair value			Fair value
	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
Derivatives held for trading:						
Exchange rate contracts	**31,646**	**553**	**300**	25,861	397	322
Interest rate contracts	**69,248**	**358**	**2,589**	62,005	560	1,918
Equity and credit contracts	**681**	**124**	**21**	765	133	20
Total derivatives held for trading	**101,575**	**1,035**	**2,910**	88,631	1,090	2,260
Derivatives held for hedging						
Designated as fair value hedges:						
Exchange rate contracts	**1,524**	**41**	**4**	948	23	2
Interest rate contracts	**144,346**	**1,013**	**464**	105,678	1,226	836
	145,870	**1,054**	**468**	106,626	1,249	838
Designated as cash flow hedges:						
Exchange rate contracts	**12,931**	**649**	**152**	14,910	869	256
Interest rate contracts	**46,549**	**317**	**720**	45,490	534	667
Inflation rate contracts	**1,794**	**70**	**—**	—	—	—
	61,274	**1,036**	**872**	60,400	1,403	923
Total derivatives held for hedging	**207,144**	**2,090**	**1,340**	167,026	2,652	1,761
Derivative netting[1]	**—**	**(1,643)**	**(1,643)**	—	(2,047)	(2,047)
Total derivatives	**308,719**	**1,482**	**2,607**	255,657	1,695	1,974

(1) Derivative netting excludes the effect of cash collateral, which is offset against the gross derivative position. The amount of cash collateral received that had been offset against the gross derivative assets was £489m (2023: £472m) and the amount of cash collateral paid that had been offset against the gross derivative liabilities was £32m (2023: £12m).

At 31 December 2024, for the Company, the fair value of derivative assets included amounts due from Banco Santander group entities of £544m (2023: £762m) and the fair value of derivative liabilities included amounts due to Banco Santander group entities of £244m (2023: £230m).

For information about the impact of netting arrangements on derivative assets and liabilities in the table above, see Note 39.

The table below analyses the notional and fair values of derivatives by trading and settlement method.

	Notional			Asset	Liability
	Traded over the counter				
	Settled by central counterparties	Not settled by central counterparties	Total	Traded over the counter	Traded over the counter
2024	**£m**	**£m**	**£m**	**£m**	**£m**
Exchange rate contracts	**—**	**37,002**	**37,002**	**978**	**430**
Interest rate contracts	**217,159**	**12,576**	**229,735**	**32**	**251**
Inflation rate contracts	**1,794**		**1,794**	**70**	
Equity and credit contracts	**—**	**681**	**681**	**124**	**21**
	218,953	**50,259**	**269,212**	**1,204**	**702**
2023					
Exchange rate contracts	—	35,690	35,690	1,129	508
Interest rate contracts	174,460	12,327	186,787	170	290
Equity and credit contracts	—	765	765	133	20
	174,460	48,782	223,242	1,432	818

c) Analysis of derivatives designated as hedges
Santander UK applies hedge accounting on both a fair value and cash flow basis depending on the nature of the underlying exposure. We establish the hedge ratio by matching the notional of the derivative with the underlying position being hedged. Only the designated risk is hedged and therefore other risks, such as credit risk are managed but not hedged. For interest rate hedges, the designated hedged risk is determined with reference to the underlying benchmark rate.

Fair value hedges
Portfolio hedges of interest rate risk
Santander UK holds portfolios of fixed rate assets and liabilities which expose it to changes in fair value due to movements in market interest rates. We manage these exposures by entering into interest rate swaps. Each portfolio contains assets or liabilities that are similar in nature and share the risk exposure that is designated as being hedged.

The interest rate risk component is the change in fair value of fixed rate instruments for changes in the designated benchmark rate. Such changes are usually the largest component of the overall change in fair value. Separate hedges are maintained for each underlying currency. Effectiveness is assessed by comparing changes in the fair value of the hedged item attributable to changes in the designated benchmark interest rate, with changes in the fair value of the interest rate swaps.

Micro hedges of interest rate risk and foreign currency risk
Santander UK accesses international markets to obtain funding, to issue fixed rate debt or to invest in fixed rate debt of other issuers as part of maintaining a portfolio of HQLA (High Quality Liquid Assets) in its functional currency and other currencies. We are therefore exposed to changes in fair value due to changes in market interest rates and/or foreign exchange rates, principally in USD and EUR, which we mitigate through the use of receive fixed/pay floating rate interest rate swaps and/or receive fixed/pay floating rate cross currency swaps.

The interest rate risk component is the change in fair value of the fixed rate debt due to changes in the benchmark rate. The foreign exchange component is the change in the fair value of the fixed rate debt issuance due to changes in foreign exchange rates prevailing from the time of execution. Effectiveness is assessed by using linear regression techniques to compare changes in the fair value of the debt caused by changes in the benchmark interest rate and foreign exchange rates, with changes in the fair value of the interest rate swaps and/or cross currency swaps.

Cash flow hedges
Hedges of interest rate risk
Santander UK manages its exposure to the variability in cash flows of floating rate assets and liabilities attributable to movements in market interest rates by entering into interest rate swaps. The interest rate risk component is determined with reference to the underlying benchmark rate attributable to the floating rates asset or liability. Designated benchmark rates referenced are currently SONIA or BoE base rate. Effectiveness is assessed by comparing changes in the fair value of the interest rate swap with changes in the fair value of the hedged item attributable to the hedged risk, applying a hypothetical derivative method using linear regression techniques.

Hedges of inflation risk
Santander UK has exposure to inflation risk arising on UK inflation-linked gilts, that is hedged by entering into inflation swaps. Cash flow hedging is applied whereby the inflation swap is hedging variability in cash flows of the inflation-linked gilt due to changes in GBP RPI. Effectiveness is assessed by comparing changes in the fair value of the inflation swap with changes in the fair value of the hedged item attributable to the hedged risk, applying a hypothetical derivative method using linear regression techniques.

Hedges of foreign currency risk
As Santander UK obtains funding in international markets, we assume significant foreign currency risk exposure, mainly in USD and EUR. In addition, Santander UK also holds debt securities for liquidity purposes which assumes foreign currency exposure, principally in JPY and CHF.
Santander UK manages the exposures to the variability in cash flows of foreign currency denominated assets and liabilities to movements in foreign exchange rates by entering into either foreign exchange contracts (spot, forward and swaps) or cross-currency swaps. These instruments are entered into to match the cash flow profile and maturity of the estimated interest and principal repayments of the hedged item.

The foreign currency risk component is the change in cash flows of the foreign currency debt arising from changes in the relevant foreign currency forward exchange rate. Such changes constitute a significant component of the overall changes in cash flows of the instrument. Effectiveness is assessed by comparing changes in the fair value of the foreign exchange contracts (spot, forward and swaps) or cross currency swaps with changes in the fair value of the hedged debt attributable to the hedged risk applying a hypothetical derivative method using linear regression techniques.

Possible sources of hedge ineffectiveness
For both fair value and cash flow hedges, hedge ineffectiveness can arise from hedging derivatives with a non-zero fair value at the date of initial designation. In addition, for:

Fair value hedges
Hedge ineffectiveness can also arise due to differences in discounting between the hedged item and the hedging instrument as cash collateralised swaps discount using Overnight Indexed Swaps discount curves not applied to the hedged item; and where counterparty credit risk impacts the fair value of the derivative but not the hedged item. For portfolio hedges of interest rate risk, it can also arise due to differences in the expected and actual volume of prepayments.

Cash flow hedges
Hedge ineffectiveness can also arise due to differences in the timing of cash flows between the hedged item and the hedging instrument. For micro hedges of interest rate risk, it can also arise due to differences in the basis of cash flows between the hedged item and the hedging instrument.

Maturity profile and average price/rate of hedging instruments

The following table sets out the maturity profile and average price/rate of the hedging instruments used in the Santander UK group's hedging strategies:

							Group
2024	**Hedging Instruments**	**≤1 month**	**>1 and ≤3 months**	**>3 and ≤12 months**	**>1 and ≤5 years**	**>5 years**	**Total**
Fair value hedges:							
Interest rate risk	Interest rate contracts - Nominal amount (£m)	**4,174**	**6,301**	**53,531**	**77,233**	**3,409**	**144,648**
	Average fixed interest rate - GBP	**3.75 %**	**4.29 %**	**4.50 %**	**3.87 %**	**3.65 %**	
	Average fixed interest rate - EUR	**0.20 %**	**(0.35)%**	**(0.45)%**	**0.58 %**	**4.37 %**	
	Average fixed interest rate - USD	**1.68 %**	**1.53 %**	**1.53 %**	**5.76 %**	**0.45 %**	
Interest rate/FX risk	Exchange rate contracts - Nominal amount (£m)	**—**	**88**	**128**	**1,018**	**478**	**1,712**
	Interest rate contracts - Nominal amount (£m)	**—**	**88**	**86**	**872**	**478**	**1,524**
	Average GBP - EUR exchange rate	**—**	**1.14**	**1.16**	**1.16**	**1.18**	
	Average GBP - USD exchange rate	**—**	**—**	**—**	**1.32**	**1.28**	
	Average fixed interest rate - EUR	**—**	**—**	**1.35 %**	**3.30 %**	**2.94 %**	
	Average fixed interest rate - USD	**—**	**—**	**—**	**4.83 %**	**4.38 %**	
Cash flow hedges:							
Interest rate risk	Interest rate contracts – Nominal amount (£m)	**4,300**	**3,366**	**11,598**	**28,336**	**3,587**	**51,187**
	Average fixed interest rate - GBP	**4.59 %**	**4.05 %**	**4.76 %**	**3.70 %**	**4.35 %**	
FX risk	Exchange rate contracts - Nominal amount (£m)	**258**	**792**	**4,927**	**10,976**	**1,306**	**18,259**
	Interest rate contracts - Nominal amount (£m)	**—**	**—**	**—**	**—**	**958**	**958**
	Average GBP - JPY exchange rate	**178.37**	**179.99**	**187.64**	**—**	**—**	
	Average GBP - CHF exchange rate	**—**	**—**	**1.09**	**1.11**	**—**	
	Average GBP - CAD exchange rate	**—**	**—**	**1.76**	**—**	**—**	
	Average GBP - EUR exchange rate	**—**	**1.20**	**1.19**	**1.18**	**1.16**	
	Average GBP - USD exchange rate	**—**	**—**	**1.24**	**1.30**	**1.39**	
Interest rate/FX risk	Exchange rate contracts - Nominal amount (£m)	**826**	**394**	**534**	**1,104**	**418**	**3,276**
	Interest rate contracts - Nominal amount (£m)	**826**	**—**	**327**	**799**	**170**	**2,122**
	Average GBP - EUR exchange rate	**1.12**	**1.37**	**1.16**	**1.21**	**1.18**	
	Average GBP - USD exchange rate	**—**	**—**	**1.54**	**1.32**	**1.54**	
	Average fixed interest rate - GBP	**1.48 %**	**2.76 %**	**2.65 %**	**2.74 %**	**4.81 %**	
Inflation risk	Inflation derivative contracts - Nominal amount (£m)	**—**	**—**	**—**	**—**	**1,794**	**1,794**
	Average fixed interest rate - GBP	**—**	**—**	**—**	**—**	**4.98 %**	
2023							
Fair value hedges:							
Interest rate risk	Interest rate contracts- Nominal amount (£m)	3,612	7,141	32,241	60,590	3,008	106,592
	Average fixed interest rate - GBP	2.38 %	3.19 %	3.42 %	3.90 %	3.99 %	
	Average fixed interest rate - EUR	1.14 %	0.18 %	0.45 %	0.21 %	3.92 %	
	Average fixed interest rate - USD	2.60 %	2.46 %	4.23 %	1.36 %	4.91 %	
Interest rate/FX risk	Exchange rate contracts - Nominal amount (£m)	—	18	—	1,041	86	1,145
	Interest rate contracts - Nominal amount (£m)	—	18	—	844	86	948
	Average GBP - EUR exchange rate	—	1.11	—	1.16	1.15	
	Average GBP - USD exchange rate	—	—	—	1.32	—	
	Average fixed interest rate - EUR	—	—	—	2.77 %	3.48 %	
	Average fixed interest rate - USD	—	—	—	4.83 %	—	
Cash flow hedges:							
Interest rate risk	Interest rate contracts - Nominal amount (£m)	911	2,993	12,770	27,721	1,219	45,614
	Average fixed interest rate - GBP	5.06 %	2.98 %	5.39 %	3.83 %	3.45 %	
FX risk	Exchange rate contracts - Nominal amount (£m)	927	3,238	2,692	9,447	588	16,892
	Interest rate contracts - Nominal amount (£m)	—	2,199	—	—	942	3,141
	Average GBP - JPY exchange rate	154.14	153.95	167.85	—	—	
	Average GBP - CHF exchange rate	1.09	1.09	1.09	1.12	1.12	
	Average GBP - EUR exchange rate	—	1.20	1.17	1.18	—	
	Average GBP - USD exchange rate	—	1.39	—	1.28	1.39	
Interest rate/FX risk	Exchange rate contracts - Nominal amount (£m)	87	785	500	2,896	458	4,726
	Interest rate contracts - Nominal amount (£m)	—	—	—	1,975	166	2,141
	Average GBP - EUR exchange rate	1.18	—	1.25	1.20	1.19	
	Average GBP - USD exchange rate	—	1.66	—	1.38	1.54	
	Average fixed interest rate - GBP	2.57 %	2.54 %	2.96 %	2.31 %	4.74 %	

							Company
2024	**Hedging Instruments**	**≤1 month**	**>1 month and ≤3 months**	**>3 and ≤12 months**	**>1 and ≤5 years**	**>5 years**	**Total**
Fair value hedges:							
Interest rate risk	Interest rate contracts – Nominal amount (£m)	**4,172**	**6,296**	**53,514**	**75,503**	**3,337**	**142,822**
	Average fixed interest rate – GBP	**3.75 %**	**4.29 %**	**4.50 %**	**3.83 %**	**3.65 %**	
	Average fixed interest rate – EUR	**0.20 %**	**(0.35)%**	**(0.45)%**	**0.58 %**	**— %**	
	Average fixed interest rate – USD	**1.68 %**	**1.53 %**	**1.53 %**	**5.76 %**	**0.45 %**	
Interest rate/FX risk	Exchange rate contracts – Nominal amount (£m)	**—**	**88**	**86**	**872**	**478**	**1,524**
	Interest rate contracts – Nominal amount (£m)	**—**	**88**	**86**	**872**	**478**	**1,524**
	Average GBP - EUR exchange rate	**—**	**1.14**	**1.16**	**1.16**	**1.18**	
	Average GBP - USD exchange rate	**—**	**—**	**—**	**1.32**	**1.28**	
	Average fixed interest rate – EUR	**—**	**—**	**0.80**	**3.06 %**	**2.94 %**	
	Average fixed interest rate – USD	**—**	**—**	**—**	**4.83 %**	**4.38**	
Cash flow hedges:							
Interest rate risk	Interest rate contracts – Nominal amount (£m)	**4,300**	**3,366**	**11,598**	**22,305**	**2,727**	**44,296**
	Average fixed interest rate - GBP	**4.59 %**	**4.06 %**	**4.76 %**	**3.83 %**	**4.33 %**	
FX risk	Exchange rate contracts – Nominal amount (£m)	**258**	**792**	**4,927**	**4,634**	**479**	**11,090**
	Interest rate contracts – Nominal amount (£m)	**—**	**—**	**—**	**—**	**958**	**958**
	Average GBP - JPY exchange rate	**179.37**	**179.99**	**187.64**	**—**	**—**	
	Average GBP - CAD exchange rate	**—**	**—**	**1.76**	**—**	**—**	
	Average GBP - CHF exchange rate	**—**	**—**	**1.09**	**—**	**—**	
	Average GBP - EUR exchange rate	**—**	**1.20**	**1.19**	**1.18**	**—**	
	Average GBP - USD exchange rate	**—**	**—**	**1.29**	**1.32**	**1.39**	
Interest rate/FX risk	Exchange rate contracts – Nominal amount (£m)	**—**	**394**	**327**	**895**	**225**	**1,841**
	Interest rate contracts – Nominal amount (£m)	**—**	**—**	**327**	**799**	**169**	**1,295**
	Average GBP - EUR exchange rate	**—**	**1.37**	**—**	**—**	**—**	
	Average GBP - USD exchange rate	**—**	**—**	**1.54**	**1.32**	**1.54**	
	Average fixed interest rate – GBP	**—**	**2.22 %**	**3.34 %**	**2.62 %**	**4.59 %**	
Inflation risk	Inflation derivative contracts - Nominal amount (£m)	**—**	**—**	**—**	**—**	**1,794**	**1,794**
	Average fixed interest rate - GBP	**— %**	**— %**	**— %**	**— %**	**4.98 %**	
2023							
Fair value hedges:							
Interest rate risk	Interest rate contracts – Nominal amount (£m)	3,609	7,135	32,217	59,562	2,207	104,730
	Average fixed interest rate – GBP	2.38 %	3.19 %	3.42 %	3.87 %	3.52 %	
	Average fixed interest rate – EUR	1.14 %	0.18 %	0.45 %	0.21 %	0.58 %	
	Average fixed interest rate – USD	2.60 %	2.46 %	4.23 %	1.36 %	4.91 %	
Interest rate/FX risk	Exchange rate contracts – Nominal amount (£m)	—	18	—	844	85	948
	Interest rate contracts – Nominal amount (£m)	—	18	—	844	85	948
	Average GBP - EUR exchange rate	—	1.11	—	1.15	1.15	
	Average GBP - USD exchange rate	—	—	—	1.32	—	
	Average fixed interest rate - EUR	—	—	—	2.39 %	3.48 %	
	Average fixed interest rate - USD	—	—	—	4.83 %	—	
Cash flow hedges:							
Interest rate risk	Interest rate contracts – Nominal amount (£m)	911	2,993	11,913	24,152	1,107	41,076
	Average fixed interest rate - GBP	5.06 %	2.98 %	5.66 %	4.05 %	3.24 %	
FX risk	Exchange rate contracts – Nominal amount (£m)	927	3,238	1,825	5,816	471	12,277
	Interest rate contracts – Nominal amount (£m)	—	2,199	—	—	942	3,141
	Average GBP - JPY exchange rate	154.14	153.95	167.85	—	—	
	Average GBP - CHF exchange rate	1.09	1.09	1.09	—	—	
	Average GBP - EUR exchange rate	—	1.20	—	1.18	—	
	Average GBP - USD exchange rate	—	1.39	—	1.28	1.39	
Interest rate/FX risk	Exchange rate contracts – Nominal amount (£m)	—	785	—	1,627	221	2,633
	Interest rate contracts – Nominal amount (£m)	—	—	—	1,107	166	1,273
	Average GBP - EUR exchange rate	—	—	—	1.37	—	
	Average GBP - USD exchange rate	—	1.66	—	1.38	1.54	
	Average fixed interest rate – GBP	—	2.54 %	—	2.65 %	4.59 %	

Net gains or losses arising from fair value and cash flow hedges included in other operating income

	Group			Company		
	2024	2023	2022	**2024**	2023	2022
	£m	£m	£m	**£m**	£m	£m
Fair value hedging:						
Gains/(Losses) on hedging instruments	**193**	(1,879)	2,381	**220**	(1,920)	2,685
(Losses)/Gains on hedged items attributable to hedged risks	**(168)**	1,896	(2,316)	**(201)**	1,927	(2,626)
Fair value hedging ineffectiveness	**25**	17	65	**19**	7	59
Cash flow hedging ineffectiveness	**(3)**	2	(36)	**(4)**	—	(34)
	22	19	29	**15**	7	25

Hedge ineffectiveness can be analysed by risk category as follows:

	Group								
	2024			2023			2022		
	Change in FV of hedging instruments	**Change in FV of hedged items**	**Recognised in income statement**	Change in FV of hedging instruments	Change in FV of hedged items	Recognised in income statement	Change in FV of hedging instruments	Change in FV of hedged items	Recognised in income statement
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Fair value hedges:									
Interest rate risk	**167**	**(151)**	**16**	(1,865)	1,877	12	2,392	(2,333)	59
Interest rate/FX risk	**26**	**(17)**	**9**	(14)	19	5	(11)	17	6
	193	**(168)**	**25**	(1,879)	1,896	17	2,381	(2,316)	65

		Group			
		Hedging Instruments			
		Change in FV	Recognised in OCI	Recognised in Income Statement	Reclassified from reserves to income
	Income statement line item affected by reclassification	£m	£m	£m	£m
Cash flow hedges:					
2024					
Interest rate risk	Net interest income	**(764)**	**761**	**(3)**	**(488)**
FX risk	Net interest income/other operating income	**414**	**(405)**	**9**	**216**
Interest rate/FX risk	Net interest income/other operating income	**(181)**	**172**	**(9)**	**(231)**
Inflation Risk	Net Interest Income	**71**	**(71)**	**—**	**3**
		(460)	**457**	**(3)**	**(500)**
2023					
Interest rate risk	Net interest income	466	(445)	21	(469)
FX risk	Net interest income/other operating income	(396)	377	(19)	(392)
Interest rate/FX risk	Net interest income/other operating income	(237)	237	—	(387)
		(167)	169	2	(1,248)
2022					
Interest rate risk	Net interest income	(1,161)	1,160	(1)	(96)
FX risk	Net interest income/other operating income	1,604	(1,604)	—	1,692
Interest rate/FX risk	Net interest income/other operating income	(54)	19	(35)	533
		389	(425)	(36)	2,129

									Company
		2024			2023			2022	
	Change in FV of hedging instruments	Change in FV of hedged items	Recognised in income statement	Change in FV of hedging instruments	Change in FV of hedged items	Recognised in income statement	Change in FV of hedging instruments	Change in FV of hedged items	Recognised in income statement
Fair value hedges:	£m	£m	£m	£m	£m	£m	£m	£m	£m
Interest rate risk	**186**	**(171)**	**15**	(1,907)	1,916	9	2,676	(2,622)	54
Interest rate/FX risk	**34**	**(30)**	**4**	(13)	11	(2)	9	(4)	5
	220	**(201)**	**19**	(1,920)	1,927	7	2,685	(2,626)	59

					Company
		Hedging Instruments		Recognised in Income Statement	Reclassified from reserves to income
		Change in FV	Recognised in OCI		
	Income statement line item affected by reclassification	£m	£m	£m	£m
Cash flow hedges:					
2024					
Interest rate risk	Net interest income	**(616)**	**614**	**(2)**	**(333)**
FX risk	Net interest income/other operating income	**587**	**(582)**	**5**	**523**
Interest rate/FX risk	Net interest income/other operating income	**(54)**	**47**	**(7)**	**(64)**
Inflation Risk	Net Interest Income	**71**	**(71)**	**—**	**3**
		(12)	**8**	**(4)**	**129**
2023					
Interest rate risk	Net interest income	418	(416)	2	(312)
FX risk	Net interest income/other operating income	(204)	200	(4)	(205)
Interest rate/FX risk	Net interest income/other operating income	(168)	170	2	(277)
		46	(46)	—	(794)
2022					
Interest rate risk	Net interest income	(782)	782	—	(77)
FX risk	Net interest income/other operating income	1,295	(1,299)	(4)	1,366
Interest rate/FX risk	Net interest income/other operating income	67	(97)	(30)	442
		580	(614)	(34)	1,731

In 2024, cash flow hedge accounting of £nil (2023: £nil) had to cease due to the hedged cash flows no longer being expected to occur.

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (before tax) resulting from hedge accounting.

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
Balance at 1 January	**(496)**	(1,575)	**(262)**	(1,102)
Effective portion of changes in fair value:				
– Interest rate risk	**(761)**	445	**(614)**	416
– Foreign currency risk	**405**	(377)	**582**	(200)
– Interest rate/foreign currency risk	**(172)**	(237)	**(47)**	(170)
– Inflation risk	**71**	—	**71**	—
	(457)	(169)	**(8)**	46
Income statement transfers:				
– Interest rate risk	**488**	469	**333**	312
– Foreign currency risk	**(216)**	392	**(523)**	205
– Interest rate/foreign currency risk	**231**	387	**64**	277
– Inflation risk	**(3)**	—	**(3)**	—
	500	1,248	**(129)**	794
Balance at 31 December	**(453)**	(496)	**(399)**	(262)

Hedged exposures

Santander UK hedges its exposures to various risks, including interest rate risk and foreign currency risk, as set out in the following table.

										Group
	2024					2023				
		Accumulated amount of FV hedge adjustments			Change in value to calculate hedge ineffective ness		Accumulated amount of FV hedge adjustments			Change in value to calculate hedge ineffective ness
	Carrying value	Hedged item	Portfolio hedge of interest rate risks	Of which Discontinued hedges		Carrying value	Hedged item	Portfolio hedge of interest rate risks	Of which Discontinued hedges	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fair value hedges										
Interest rate risk:										
Loans and advances to customers	62,773	—	(731)	(290)	(154)	73,194	—	(625)	(435)	1,968
Other financial assets at amortised cost	1,667	(45)	(7)	(7)	(44)	152	1	(8)	(8)	5
Reverse repurchase agreements – non trading	6,423	—	(1)	—	(1)	6,186	—	—	—	4
Other financial assets at FVOCI	2,100	(131)	—	(95)	(18)	2,013	(113)	—	(131)	82
Deposits by customers	(21,726)	18	9	1	(1)	(15,892)	38	(10)	—	(53)
Debt securities in issue	(3,811)	150	(54)	(77)	52	(4,091)	118	(75)	(114)	(128)
Subordinated liabilities	(511)	(12)	(1)	(36)	15	(522)	(27)	(1)	(42)	(1)
Interest rate/FX risk:										
Other financial assets at FVOCI	1,503	16	—	—	(30)	989	4	—	—	12
Debt securities in issue	(200)	(9)	—	(14)	13	(214)	(14)	—	(24)	8
Subordinated liabilities	—	—	—	—	—	—	—	—	—	(1)
	48,218	(13)	(785)	(518)	(168)	61,815	7	(719)	(754)	1,896

						Group
	2024			2023		
	Change in value to calculate hedge ineffectiveness	Cash flow hedge reserve	Balances on cash flow hedge reserve for discontinued hedges	Change in value to calculate hedge ineffectiveness	Cash flow hedge reserve	Balances on cash flow hedge reserve for discontinued hedges
Hedged item balance sheet line item	£m	£m	£m	£m	£m	£m
Cash flow hedges:						
Interest rate risk:						
Loans and advances to customers	361	(497)	2	(163)	(462)	1
Cash and balances at central banks	464	(192)	(50)	(281)	99	(76)
Deposits by banks	(4)	—	—	(1)	(1)	—
Repurchase agreements - non trading	(60)	52	—	—	—	—
FX risk:						
Other financial assets at FVOCI	(487)	1	—	(253)	1	—
Not applicable – highly probable forecast transactions	4	—	—	88	1	—
Deposits by customers	—	—	—	(33)	—	—
Debt securities in issue	78	181	—	617	(9)	—
Repurchase agreements - non trading	—	—	—	(42)	—	—
Interest rate/FX risk:						
Debt securities in issue/loans and advances to customers	148	(12)	—	99	(75)	—
Deposits by customers	21	(37)	—	94	(39)	—
Subordinated liabilities/loans and advances to customers	3	(16)	51	44	(11)	52
Inflation risk:						
Other financial assets at amortised cost	(70)	66	—	—	—	—
Other financial assets at FVOCI	(1)	1	—	—	—	—
	457	(453)	3	169	(496)	(23)

										Company
	2024					2023				
		Accumulated amount of FV hedge adjustments			Change in value to calculate hedge ineffectiveness		Accumulated amount of FV hedge adjustments			Change in value to calculate hedge ineffectiveness
	Carrying value	Hedged item	Portfolio hedge of interest rate risks	Of which Discontinued hedges		Carrying value	Hedged item	Portfolio hedge of interest rate risks	Of which Discontinued hedges	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fair value hedges										
Interest rate risk:										
Loans and advances to customers	**62,694**	**—**	**(903)**	**(461)**	**(153)**	73,117	—	(839)	(649)	1,967
Other financial assets at amortised cost	**1,667**	**(45)**	**(7)**	**(7)**	**(44)**	152	1	(8)	(8)	5
Reverse repurchase agreements – non trading	**6,423**	**—**	**(1)**	**—**	**(1)**	6,186	—	—	—	4
Other financial assets at FVOCI	**2,100**	**(131)**	**—**	**(95)**	**(18)**	2,013	(113)	—	(131)	82
Deposits by customers	**(21,726)**	**18**	**10**	**1**	**(1)**	(16,031)	38	(10)	—	(53)
Debt securities in issue	**(2,035)**	**64**	**—**	**—**	**32**	(2,312)	35	—	—	(88)
Subordinated liabilities	**(512)**	**(13)**	**—**	**(35)**	**14**	(524)	(28)	—	(42)	(1)
Interest rate/FX risk:										
Other financial assets at FVOCI	**1,503**	**17**	**—**	**—**	**(30)**	989	4	—	—	12
Subordinated liabilities	**—**	**—**	**—**	**—**	**—**	—	—	—	—	(1)
	50,114	**(90)**	**(901)**	**(597)**	**(201)**	63,590	(63)	(857)	(830)	1,927

						Company
	2024			2023		
	Change in value to calculate hedge ineffectiveness	Cash flow hedge reserve	Balances on cash flow hedge reserve for discontinued hedges	Change in value to calculate hedge ineffectiveness	Cash flow hedge reserve	Balances on cash flow hedge reserve for discontinued hedges
Hedged item balance sheet line item	£m	£m	£m	£m	£m	£m
Cash flow hedges:						
Interest rate risk:						
Loans and advances to customers	**214**	**(312)**	**2**	(133)	(268)	1
Cash and balances at central banks	**464**	**(191)**	**(50)**	(281)	99	(76)
Deposits by banks	**(4)**	**—**	**—**	(1)	(1)	—
Repurchase agreements - non trading	**(60)**	**52**	**—**	—	—	—
FX risk:						
Other financial assets at FVOCI	**(487)**	**1**	**—**	(253)	1	—
Not applicable – highly probable forecast transactions	**4**	**—**	**—**	88	1	—
Deposits by customers	**—**	**—**	**—**	(33)	—	—
Debt securities in issue	**(99)**	**48**	**—**	440	(13)	—
Repurchase agreements - non trading	**—**	**—**	**—**	(42)	—	—
Interest rate/FX risk:						
Debt securities in issue/loans and advances to customers	**23**	**(2)**	**—**	35	(21)	(2)
Deposits by customers	**21**	**(38)**	**(1)**	94	(41)	(2)
Subordinated liabilities/loans and advances to customers	**3**	**(23)**	**43**	41	(19)	44
Inflation risk:						
Other financial assets at amortised cost	**(70)**	**65**	**—**	—	—	—
Other financial assets at FVOCI	**(1)**	**1**	**—**	—	—	—
	8	**(399)**	**(6)**	(45)	(262)	(35)

12. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Loans and advances to customers:				
Loans to housing associations	**4**	8	**4**	8
Other loans	**40**	38	**40**	38
	44	46	**44**	46
Debt securities	**56**	167	**56**	168
Other debt instruments	**36**	49	**—**	—
	136	262	**100**	214

For the Santander UK group, other financial assets at FVTPL comprised £60m (2023: £8m) of financial assets designated at FVTPL and £76m (2023: £254m) of financial assets mandatorily held at FVTPL. For the Company, other financial assets at FVTPL comprised £60m (2023: £8m) of financial assets designated at FVTPL and £40m (2023: £206m) of financial assets mandatorily held at FVTPL.

Loans and advances to customers principally represent other loans, being a portfolio of roll-up mortgages. These are managed, and have their performance evaluated, on a fair value basis in accordance with a documented investment strategy, and information about them is provided on that basis to management.

The net loss in the year attributable to changes in credit risk for loans and advances at FVTPL was £nil (2023: £nil, 2022: £1m). The cumulative net loss attributable to changes in credit risk for loans and advances at FVTPL at 31 December 2024 was £3m (2023: £3m,2022: £3m).

13. LOANS AND ADVANCES TO CUSTOMERS

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
Loans secured on residential properties	**165,214**	172,854	**165,214**	172,854
Corporate loans	**18,550**	18,267	**17,778**	17,794
Finance leases	**4,222**	4,530	**—**	—
Other unsecured loans	**6,601**	7,232	**6,521**	7,065
Accrued interest and other adjustments	**796**	943	**961**	882
Amounts due from fellow Banco Santander subsidiaries and joint ventures	**4,814**	4,489	**3**	4
Amounts due from Santander UK Group Holdings plc	**18**	55	**18**	55
Amounts due from subsidiaries	**—**	—	**27,999**	25,903
Loans and advances to customers	**200,215**	208,370	**218,494**	224,557
Credit impairment loss allowances on loans and advances to customers	**(784)**	(914)	**(714)**	(1,046)
Residual value and voluntary termination provisions on finance leases	**(23)**	(21)	**—**	—
Net loans and advances to customers	**199,408**	207,435	**217,780**	223,511

For movements in expected credit losses, see the 'Movement in total exposures and the corresponding ECL' table in the Santander UK group level – Credit risk review section of the Risk review.

Finance lease and hire purchase contract receivables may be analysed as follows:

						Group
	2024			2023		
	Gross investment	Unearned finance income	Net investment	Gross investment	Unearned finance income	Net investment
	£m	£m	£m	£m	£m	£m
No later than one year	**1,400**	**(208)**	**1,192**	1,502	(216)	1,286
Later than one year and not later than two years	**1,423**	**(215)**	**1,208**	1,426	(208)	1,218
Later than two years and not later than three years	**1,220**	**(184)**	**1,036**	1,331	(194)	1,137
Later than three years and not later than four years	**721**	**(109)**	**612**	882	(129)	753
Later than four years and not later than five years	**115**	**(17)**	**98**	99	(14)	85
Later than five years	**90**	**(14)**	**76**	60	(9)	51
	4,969	**(747)**	**4,222**	5,300	(770)	4,530

At 31 December 2024 and 2023, the Company had no finance lease and hire purchase contract receivables.

The Santander UK group enters into finance leasing arrangements primarily for the financing of motor vehicles and a range of assets for its corporate customers. Included in the carrying value of net investment in finance leases and hire purchase contracts is £1,748m (2023: £1,830m) of unguaranteed RV at the end of the current lease terms, which is expected to be recovered through re-payment, re-financing or sale. Contingent rent income of £nil (2023: £nil, 2022: £nil) was earned in the year, which was classified in 'Interest and similar income'. Finance income on the net investment in finance leases was £308m (2023: £266m, 2022: £230m).

Finance lease receivable balances are secured over the asset leased. The Santander UK group is not permitted to sell or repledge the asset in the absence of default by the lessee. The Directors consider that the carrying amount of the finance lease receivables approximates to their fair value.

Included within loans and advances to customers are advances assigned to bankruptcy remote structured entities and Abbey Covered Bonds LLP. These loans provide security to issues of covered bonds and mortgage-backed or other asset-backed securities issued by the Santander UK group. For more, see Note 14.

At 31 December 2024 and 2023, the Santander UK group had contracted with lessees for the following future undiscounted minimum lease payments receivable under operating leases.

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
No later than one year	**27**	28	**25**	27
Later than one year and not later than two years	**21**	26	**20**	24
Later than two years and not later than three years	**17**	18	**16**	17
Later than three years and not later than four years	**7**	14	**7**	13
Later than four years and not later than five years	**5**	7	**4**	6
Later than five years	**11**	18	**7**	13
	88	111	**79**	100

14. SECURITISATIONS AND COVERED BONDS

The information in this Note relates to securitisations and covered bonds for consolidated structured entities, used to obtain funding or collateral. It excludes structured entities relating to credit protection transactions.

The Santander UK group uses structured entities to securitise some of the mortgage and other loans to customers that it originates. The Santander UK group also issues covered bonds, which are guaranteed by, and secured against, a pool of the Santander UK group's mortgage loans transferred to Abbey Covered Bonds LLP. The Santander UK group issues mortgage-backed securities, other asset-backed securities and covered bonds mainly in order to obtain diverse, low-cost funding, but also to use as collateral for raising funds via third party bilateral secured funding transactions or for liquidity purposes in the future. The Santander UK group has successfully used bilateral secured transactions as an additional form of medium-term funding; this has allowed the Santander UK group to further diversify its medium-term funding investor base.

Loans and advances to customers include portfolios of residential mortgage loans, and receivables derived from credit agreements with retail customers for the purchases of financed vehicles, which are subject to non-recourse finance arrangements. These loans and receivables have been purchased by, or assigned to, structured entities or Abbey Covered Bonds LLP, and have been funded primarily through the issue of mortgage-backed securities, other asset-backed securities or covered bonds. No gain or loss has been recognised as a result of these sales. The structured entities and Abbey Covered Bonds LLP are consolidated as subsidiary undertakings. The Company and its subsidiaries do not own directly, or indirectly, any of the share capital of any of the structured entities.

a) Securitisations

i) Master trust structures

The Santander UK group makes use of master trust structures, whereby a pool of residential mortgage loans is assigned to a trust company by the asset originator. A funding entity acquires a beneficial interest in the pool of assets held by the trust company with funds borrowed from qualifying structured entities, which at the same time issue asset-backed securities to third-party investors or the Santander UK group.

Santander UK plc and its subsidiaries receive payments from the securitisation companies in respect of fees for administering the loans, and payment of deferred consideration for the sale of the loans. Santander UK plc and its subsidiaries have no right or obligation to repurchase any securitised loan, except if certain representations and warranties given by Santander UK plc or its subsidiaries at the time of transfer are breached and, in certain cases, if there is a product switch or further advance, if a securitised loan is in arrears for over two months or if a securitised loan does not comply with regulatory requirements.

ii) Other securitisation structures

The Santander UK group also makes use of auto loan securitisations, whereby a pool of auto loans originated by a member of the Santander UK group is sold to a special purpose vehicle by the asset originator. The special purpose vehicle funds the purchase of the auto loans by issuing asset-backed securities to third-party investors. A proportion of the securities are also retained by members of the Santander UK group. Members of the Santander UK group also receive payments from the special purpose vehicle in respect of fees for administering the auto loans, and payment of deferred consideration for the sale of the auto loans. The seller has no right or obligation to repurchase any securitised loan, except if certain representations and warranties given by the seller at the time of transfer are breached and, in certain cases, if there has been a subsequent variation in the terms of the underlying auto loan not permitted under the sale agreement.

b) Covered bonds

Santander UK plc also issues covered bonds, which are its direct, unsecured and unconditional obligation. The covered bonds benefit from a guarantee from Abbey Covered Bonds LLP. Santander UK plc makes a term advance to Abbey Covered Bonds LLP equal to the sterling proceeds of each issue of covered bonds. Abbey Covered Bonds LLP uses the proceeds of the term advance to purchase portfolios of residential mortgage loans and their security from Santander UK plc. Under the terms of the guarantee, Abbey Covered Bonds LLP has agreed to pay an amount equal to the guaranteed amounts when the same shall become due for payment, but which would otherwise be unpaid by Santander UK plc.

c) Analysis of securitisations and covered bonds

The Santander UK group's principal securitisation programmes and covered bond programme, together with the balances of the advances subject to securitisation (or for the covered bond programme assigned) and the carrying value of the notes in issue at 31 December 2024 and 2023 are listed below. The gross assets in the Group table below were transferred from the Company to the securitisations and covered bond programme vehicles but do not qualify for derecognition from the Company.

						Group
	Gross assets		External notes in issue		Notes held within the Group	
	2024	2023	**2024**	2023	**2024**	2023
	£m	£m	**£m**	£m	**£m**	£m
Mortgage-backed master trust structures:						
– Holmes	**5,109**	3,242	**3,379**	2,119	**389**	300
– Fosse	**2,383**	2,048	**—**	100	**1,408**	1,382
	7,492	5,290	**3,379**	2,219	**1,797**	1,682
Other asset-backed securitisation structures:						
– Repton	**718**	757	**550**	550	**—**	—
Total securitisation programmes	**8,210**	6,047	**3,929**	2,769	**1,797**	1,682
Covered bond programme:						
– Euro 35bn Global Covered Bond Programme	**25,695**	21,880	**17,211**	15,000	**1,224**	—
Total securitisation and covered bond programmes	**33,905**	27,927	**21,140**	17,769	**3,021**	1,682

	Gross assets		External notes in issue		Notes held within the Company	Company
	2024	2023	2024	2023	2024	2023
	£m	£m	£m	£m	£m	£m
Covered bond programme:						
– Euro 35bn Global Covered Bond Programme	**25,695**	21,880	**17,300**	15,087	**1,224**	—
Total securitisation and covered bond programmes	**25,695**	21,880	**17,300**	15,087	**1,224**	—

The following table sets out the internal and external issuances and redemptions in 2024 and 2023 for each securitisation and covered bond programme.

	Internal issuances		External issuances		Internal redemptions		External redemptions	Group
	2024	2023	2024	2023	2024	2023	2024	2023
	£m	£m	£m	£m	£m	£m	£m	£m
Mortgage-backed master trust structures:								
– Holmes	**106**	241	**1,250**	1,500	**17**	121	—	186
– Fosse	**894**	—	—	—	**865**	—	**100**	—
Other asset-backed securitisation structures:								
– Motor	—	—	—	—	—	—	—	7
– Repton	—	—	—	550	—	—	—	—
Covered bond programme:								
– Euro 35bn Global Covered Bond Programme	—	—	**5,890**	—	**41**	—	**3,359**	—
	1,000	241	**7,140**	2,050	**923**	121	**3,459**	193

	Internal issuances		External issuances		Internal redemptions		External redemptions	Company
	2024	2023	2024	2023	2024	2023	2024	2023
	£m	£m	£m	£m	£m	£m	£m	£m
Covered bond programme:								
– Euro 35bn Global Covered Bond Programme	—	1,100	**5,890**	1,844	**41**	16	**3,359**	1,897
	—	1,100	**5,890**	1,844	**41**	16	**3,359**	1,897

Holmes Funding Ltd has a beneficial interest of £3,735m (2023: £2,396m) in the residential mortgage loans held by Holmes Trustees Ltd. The remaining share of the beneficial interest in residential mortgage loans held by Holmes Trustees Ltd belongs to Santander UK plc.

Fosse Funding (No.1) Ltd has a beneficial interest of £1,394m (2023: £1,393m) in the residential mortgage loans held by Fosse Trustee (UK) Ltd. The remaining share of the beneficial interest in residential mortgage loans held by Fosse Trustee (UK) Ltd belongs to Santander UK plc.

The Holmes securitisation companies have cash deposits of £126m (2023: £80m), which have been accumulated to finance the redemption of a number of securities issued by the Holmes securitisation companies. The share of Holmes Funding Ltd in the trust assets is therefore reduced by this amount.

The Fosse securitisation companies have cash deposits of £48m (2023: £108m), which have been accumulated to finance the redemption of a number of securities issued by the Fosse securitisation companies. The share of Fosse Funding (No.1) Ltd's beneficial interest in the assets held by Fosse Trustee (UK) Ltd is therefore reduced by this amount.

15. TRANSFERS OF FINANCIAL ASSETS NOT QUALIFYING FOR DERECOGNITION

The Santander UK group enters into transactions in the normal course of business by which it transfers recognised financial assets directly to third parties or to structured entities. These transfers may give rise to the full or partial derecognition of those financial assets. Transferred financial assets that do not qualify for derecognition consist of (i) securities held by counterparties as collateral under repurchase agreements, (ii) securities lent under securities lending agreements, and (iii) loans that have been transferred under securitisation or covered bond arrangements by which the Santander UK group retains a continuing involvement in such transferred assets.

As a result of these sale and repurchase and securities lending transactions, the Santander UK group is unable to use, sell or pledge the transferred assets for the duration of the transaction. The Santander UK group remains exposed to interest rate risk and credit risk on these pledged instruments. The counterparty's recourse is not limited to the transferred assets.

The Santander UK group securitisation and covered bond transfers do not qualify for derecognition. The Santander UK group remains exposed to credit risks arising from the mortgage loans or credit agreements and has retained control of the transferred assets. Circumstances in which the Santander UK group has continuing involvement in the transferred assets may include retention of servicing rights over the transferred assets (the servicing fee in respect of which is dependent on the amount or timing of the cash flows collected from, or the non-performance of, the transferred assets), entering into a derivative transaction with the securitisation or covered bond vehicle, retaining an interest in the securitisation or covered bond vehicle or providing a cash reserve fund. Where the Santander UK group has continuing involvement, it continues to recognise the transferred assets to the extent of its continuing involvement and recognises an associated liability. The net carrying amount of the transferred assets and associated liabilities reflects the rights and obligations that the Santander UK group has retained.

The carrying amount of the assets transferred under securitisation and covered bond arrangements and associated financial liabilities is set out in Note 14 c). The following table analyses the carrying amount of other financial assets that did not qualify for derecognition and their associated financial liabilities:

				Group
		2024		2023
	Assets	Liabilities	Assets	Liabilities
Nature of transaction	£m	£m	£m	£m
Sale and repurchase agreements	**1,346**	**(1,372)**	14	(15)
Securities lending agreements	**3,304**	**(2,807)**	3,136	(2,735)

				Company
		2024		2023
	Assets	Liabilities	Assets	Liabilities
Nature of transaction	£m	£m	£m	£m
Sale and repurchase agreements	**1,346**	**(1,372)**	14	(14)
Securities lending agreements	**2,358**	**(2,307)**	2,228	(2,735)

16. REVERSE REPURCHASE AGREEMENTS – NON-TRADING

		Group		Company
	2024	2023	2024	2023
	£m	£m	£m	£m
Agreements with banks	**1,363**	2,397	**1,363**	2,397
Agreements with customers	**8,975**	10,071	**8,975**	10,071
	10,338	12,468	**10,338**	12,468

17. OTHER FINANCIAL ASSETS AT AMORTISED COST

		Group		Company
	2024	2023	2024	2023
	£m	£m	£m	£m
Asset backed securities	**–**	–	**1,798**	1,681
Debt securities	**3,408**	152	**3,408**	152
	3,408	152	**5,206**	1,833

A significant portion of the debt securities are held in our eligible liquidity pool and consist mainly of government bonds and covered bonds. In 2024, Santander UK increased the allocation of liquid assets to longer-dated, duration-hedged UK Gilts to support ongoing HQLA requirements. Detailed disclosures can be found in the 'Liquidity risk' section of the Risk review.

The Company's asset backed securities include investments in debt securities issued by Santander UK structured entities.

18. INTERESTS IN OTHER ENTITIES

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Subsidiaries	**–**	–	**1,257**	1,220
Joint Ventures	**289**	245	**–**	–
	289	245	**1,257**	1,220

The Santander UK group consists of a parent company, Santander UK plc, incorporated and domiciled in the UK and a number of subsidiaries and joint ventures held directly and indirectly by it.

Details of subsidiaries and joint ventures are set out in the Shareholder Information section and form an integral part of these financial statements.

Details of subsidiaries benefitting from an audit exemption according to section 479A of the Companies Act 2006 are also set out in the Shareholder Information section and form an integral part of these financial statements.

a) Interests in subsidiaries
The Company holds directly or indirectly 100% of the issued ordinary share capital of its principal subsidiaries. All companies operate principally in their country of incorporation or registration.

The movement in the Company's interests in subsidiaries was as follows:

			Company
	Cost	Impairment	Carrying amount
	£m	£m	£m
At 1 January 2024	**1,220**	**–**	**1,220**
Capital contribution	**37**	**–**	**37**
At 31 December 2024	**1,257**	**–**	**1,257**
At 1 January 2023	1,234	(2)	1,232
Reversal	(14)	2	(12)
At 31 December 2023	1,220	–	1,220

Interests in consolidated structured entities
Structured entities are formed by Santander UK to accomplish specific and well-defined objectives. Santander UK consolidated these structured entities when the substance of the relationship indicates control, as described in Note 1. In addition to the structured entities disclosed in Note 14 which are used for securitisation and covered bond programmes, the only other structured entities consolidated by Santander UK are described below. All the external assets and liabilities in these entities are included in the financial statements and in relevant Notes. Other than as set out below, no significant judgements were required with respect to control or significant influence.

Motor Securities 2018-1 Designated Activity Company (Motor 2018)
Motor 2018 is a credit protection entity, and a Designated Activity Company limited by shares, incorporated in Ireland. It issued a series of credit linked notes varying in seniority which referenced a portfolio of Santander UK group auto loans. Concurrently, this entity sold credit protection to SCUK in respect of the referenced loans and, in return for a fee, was liable to make protection payments to SCUK upon the occurrence of a credit event in relation to any of the referenced loans. Motor 2018 is consolidated as Santander UK held a variable interest by retaining the junior tranche of notes issued by the entity. The outstanding notes were redeemed and the transaction terminated in 2023.

b) Interests in joint ventures
Santander UK does not have any individually material interests in joint ventures. In 2024, Santander UK's share in the profit after tax of its joint ventures was £45m (2023: £43m) before elimination of transactions between Santander UK and the joint ventures. At 31 December 2024, the carrying amount of Santander UK's interest was £289m (2023: £245m). At 31 December 2024 and 2023, the joint ventures had no commitments and contingent liabilities.

c) Interests in unconsolidated structured entities

Structured entities sponsored by the Santander UK group

Santander UK has interests in structured entities which it sponsors but does not control. Santander UK considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. Other than as set out below, no significant judgements were required with respect to control or significant influence. The structured entities sponsored but not consolidated by Santander UK are as follows:

i) Santander (UK) Common Investment Fund (the Fund)

The Fund is a common investment fund that was established to hold the assets of the Santander (UK) Group Pension Scheme. The Fund is not consolidated by Santander UK, but its assets of £7,591m (2023: £8,551m) are accounted for as part of the defined benefit assets and obligations recognised on Santander UK's balance sheet. For more on the Fund, see Note 28. As the Fund holds the assets of the pension scheme, it is outside the scope of IFRS 10. Santander UK's maximum exposure to loss is the carrying amount of the assets held.

ii) Credit protection entities

Santander UK has established five (2023: four) unconsolidated credit protection entities, which are Designated Activity Companies limited by shares, incorporated in Ireland. Each entity has issued a series of credit linked notes varying in seniority which reference portfolios of Santander UK group loans. Concurrently, these entities sell credit protection to Santander UK in respect of the referenced loans and, in return for a fee, are liable to make protection payments to Santander UK upon the occurrence of a credit event in relation to any of the referenced loans.

Credit linked notes, which amounted to £226m (2023: £185m), are all held by third party investors. Funds raised by the sale of the credit linked notes are deposited with Santander UK as collateral for the credit protection.

Deposits and associated guarantees in respect of the credit linked notes are included in 'Deposits by customers' (see Note 22).

The entities are not consolidated by Santander UK because the third-party investors have the exposure, or rights, to all of the variability of returns from the performance of the entities. No assets are transferred to, or income received from, these entities. Since the credit linked notes are fully cash collateralised, Santander UK's maximum exposure to loss is equal to any unamortised fees paid to the entities in connection with the credit protection outlined above.

Structured entities not sponsored by the Santander UK group

Santander UK also has interests in structured entities which it does not sponsor or control. These consist of holdings of mortgage and other asset backed securities issued by entities that were established and/or sponsored by other unrelated financial institutions. These securities comprise the asset backed securities held by the Company included in Note 17. Management has concluded that the Santander UK group has no control or significant influence over these entities and that the carrying value of the interests held in these entities represents the maximum exposure to loss.

19. INTANGIBLE ASSETS

a) Goodwill

	Group			Company		
	Cost	Accumulated impairment	Carrying amount	Cost	Accumulated impairment	Carrying amount
	£m	£m	£m	£m	£m	£m
At 1 January 2024	**1,269**	**(70)**	**1,199**	**1,194**	**(4)**	**1,190**
Movement in the period	**—**	**—**	**—**	**—**	**(21)**	**(21)**
At 31 December 2024	**1,269**	**(70)**	**1,199**	**1,194**	**(25)**	**1,169**

Impairment of goodwill
In 2024 and 2023 for the Santander UK group, no impairment of goodwill was recognised. Goodwill is tested for impairment annually, or more frequently, if reviews identify an impairment indicator or when events or changes in circumstances dictate. Goodwill is tested for impairment annually at 31 December, with a review for impairment indicators at 30 June.

For the Company, an impairment of £21m was recognised in 2024.

The annual review identified that the uncertain macroeconomic and geopolitical environment increases the risk around the UK economic trajectory, and its potential impact on the carrying value of goodwill as impairment indicators for all cash-generating units (CGUs). As a result, management updated the impairment test at 31 December 2024 for all CGUs.

Basis of the recoverable amount
The recoverable amount of all CGUs was determined based on its value in use (VIU) methodology at each testing date. For each CGU, the VIU is calculated by discounting management's cash flow projections for the CGU. The cash flow projections also take account of increased internal capital allocations needed to achieve internal and regulatory capital targets including the leverage ratio. The key assumptions used in the VIU calculation for each CGU are set out below. The Retail & Business Banking segment consists of the Private Banking CGU and the rest of Retail & Business Banking, known as the Personal Financial Services CGU.

Carrying amount of Goodwill by CGU and key assumptions in the VIU calculation

	Goodwill		Discount rate		Growth rate beyond initial cash flow projections	
	2024	2023	2024	2023	2024	2023
CGU	£m	£m	%	%	%	%
Personal Financial Services	**1,169**	1,169	**12.1**	12.2	**1.5**	1.6
Private Banking	**30**	30	**10.0**	9.8	**1.5**	1.6
	1,199	1,199				

The CGUs do not carry on their balance sheets any other intangible assets with indefinite useful lives.

Management's judgement in estimating the cash flows of a CGU
The cash flow projections for the purpose of impairment testing for each CGU are derived from the latest 3-year plan presented to the Board. The Board challenges and endorses management's planning assumptions in light of internal capital allocations needed to support Santander UK's strategy, current market conditions and the macroeconomic outlook. For the goodwill impairment tests conducted at 31 December 2024, the determination of the carrying amount of the Personal Financial Services CGU was based on an allocation of regulatory capital and management's cash flow projections until the end of 2027. The assumptions included in the cash flow projections reflect an allocation to the cost of capital to support future growth, as well as the expected impact of recent events in the UK economic environment on the financial outlook within which the CGUs operate. The cash flow projections are supported by Santander UK's base case economic scenario. For more on the base case economic scenario, including our forecasting approach and the assumptions in place at 31 December 2024, see the Credit risk – Santander UK group level section of the Risk review. The cash flow projections take into account the likely impact of recent changes to the BoE Bank Rate, inflation and also consider the impact of future climate change.

Cash flow projections for the purpose of impairment testing do not take account of any adverse outcomes arising from contingent liabilities (see Note 30), whose existence will be confirmed by uncertain future events or where any obligation is not probable or otherwise cannot be measured reliably, nor do they take account of the benefits arising from Santander UK's transformation plans that had not yet been implemented or committed at 31 December 2024.

Discount rate
The rate used to discount the cash flows is based on the cost of equity assigned to each CGU, which is derived using a capital asset pricing model (CAPM) and calculated on a post-tax basis. The CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The inputs to the CAPM are observable on a post-tax basis. In determining the discount rate, management has identified the cost of equity associated with market participants that closely resemble our CGUs and adjusted them for tax to arrive at the pre-tax equivalent rate. The pre-tax equivalent rate applicable to the Personal Financial Services CGU was 16.5% (2023: 16.7%) and Private Banking CGU was 15.1% (2023: 14.6%). The Private Banking CGU has a different discount rate compared to the Personal Financial Services CGU because different market participants closely resemble each CGU.

Growth rate beyond initial cash flow projections
The growth rate for periods beyond the initial cash flow projections is used to extrapolate the cash flows in perpetuity because of the long-term perspective of CGUs. In line with the accounting requirements, management uses the UK Government's official estimate of UK long-term average GDP growth rate, as this is lower than management's estimate of the long-term average growth rate of the business. The estimated UK long-term average GDP growth rate has regard to the long-term impact of inherent uncertainties, such as elevated wage growth, weak productivity, large government debt burden and fragile business and consumer confidence.

Goodwill arising on the acquisition of Personal Financial Services and Private Banking
The VIU of each CGU remains higher than the carrying value of the related goodwill. The VIU review at 31 December 2024 did not indicate the need for an impairment in the Company's goodwill balances. Management considered the level of headroom and the uncertainty relating to the respective estimates of the VIU for those CGUs but determined that there was a sufficient basis to conclude that no impairment was required.

Sensitivities of key assumptions in calculating the value in use
At 31 December 2024 and 31 December 2023, the VIU of the Personal Financial Services CGU was sensitive to reasonably possible changes in the key assumptions supporting the recoverable amount.

The table below presents a summary of the key assumptions underlying the most sensitive inputs to the model for the Personal Financial Services CGU, the main risks associated with each and details of a reasonably possible change in assumptions, such as a decrease in mortgage new business. The sensitivity analysis presented below has been prepared on the basis that a change in each key assumption would not have a consequential impact on other assumptions used in the impairment review. However, due to the interrelationships between some of the assumptions, a change in one of the assumptions might impact one or more of the other assumptions and could result in a larger or smaller overall impact.

Reasonably possible changes in key assumptions

CGU	Input	Key assumptions	Associated risks	Reasonably possible change
Personal Financial Services	Cash flow projections	– BoE Bank Rate – UK house price growth – UK mortgage loan market growth – UK unemployment rate – Position in the market – Regulatory capital levels.	– Uncertain market outlook – Higher interest rate environment impact on customer affordability – Customer remediation and regulatory action outcomes – Uncertain regulatory capital requirements.	– Cash flow projections decrease by 10% (2023: 10%).
	Discount rate	– Discount rate used is a reasonable estimate of a suitable market rate for the profile of the business.	– Market rates of interest rise.	– Discount rate increases by 100 basis points (2023: increased by 100 basis points).

At 31 December 2024 and 31 December 2023, a reasonably possible change in the key assumptions in relation to the VIU calculation for the goodwill balance in the Personal Financial Services CGU would have resulted in a decrease/increase in headroom as follows.

		Decrease in headroom	
		2024	2023
CGU	Reasonably possible change	£m	£m
Personal Financial Services	Cash flow projections decrease by 10% (2023: 10%)	**764**	818
	Discount rate increases by 100 basis points (2023: increased by 100 basis points)	**622**	663

Sensitivity of Value in use changes to current assumptions to achieve £nil headroom

Although there was no impairment of goodwill relating to the Personal Financial Services CGU or the Private Banking CGU at 31 December 2024, the test for the Personal Financial Services CGU remains sensitive to some of the assumptions used, as described above. In addition, the changes in assumptions detailed below for the discount rate and cash flow projections would eliminate the current headroom. As a result, there is a risk of impairment in the future should business performance or economic factors diverge from forecasts.

In 2024, there was a decrease in headroom arising from a decline in cash flow forecasts, partially offset by a decrease to RWAs which led to a reduction in the required CET1 capital requirement.

The sensitivity analysis presented below has been prepared on the basis that a change in each key assumption would not have a consequential impact on other assumptions used in the impairment review. However, due to the interrelationships between some of the assumptions, a change in one of the assumptions might impact one or more of the other assumptions and could result in a larger or smaller overall impact.

2024	Carrying value	Value in use	Headroom	Increase in discount rate	Decrease in cash flows
CGU	£m	£m	£m	bps	%
Personal Financial Services	**7,294**	**7,639**	**345**	**53**	**5**
2023					
Personal Financial Services	7,513	8,178	665	101	8

b) Other intangibles

	Group			Company		
	Cost	Accumulated amortisation / impairment	Carrying amount	Cost	Accumulated amortisation / impairment	Carrying amount
	£m	£m	£m	£m	£m	£m
At 1 January 2024	**1,339**	**(990)**	**349**	**1,382**	**(1,047)**	**335**
Additions	**120**	**—**	**120**	**116**	**—**	**116**
Disposals	**(703)**	**700**	**(3)**	**(703)**	**700**	**(3)**
Charge	**—**	**(126)**	**(126)**	**—**	**(119)**	**(119)**
At 31 December 2024	**756**	**(416)**	**340**	**795**	**(466)**	**329**
At 1 January 2023	1,261	(910)	351	1,309	(970)	339
Additions	114	—	114	109	—	109
Disposals	(36)	36	—	(36)	36	—
Charge	—	(116)	(116)	—	(113)	(113)
At 31 December 2023	1,339	(990)	349	1,382	(1,047)	335

Other intangibles which consist of computer software, include computer software under development of £99m (2023: £157m), of which £20m is internally generated (2023: £35m). For the Company, £19m of computer software under development is internally generated (2023: £26m).

The impairment charge of £5m (2023: £nil) relates to computer software no longer expected to yield future economic benefits. For the Company, the impairment charge of £3m (2023: £nil) relates to computer software no longer expected to yield future economic benefits.

20. PROPERTY, PLANT AND EQUIPMENT

						Group
	Property	Office fixtures and equipment	Computer software	Operating lease assets	Right-of-use assets	Total[1]
	£m	£m	£m	£m	£m	£m
Cost:						
At 1 January 2024	**918**	**877**	**67**	**635**	**263**	**2,760**
Additions	**35**	**47**	**—**	**304**	**21**	**407**
Disposals	**(20)**	**(41)**	**(60)**	**(223)**	**(14)**	**(358)**
Other	**8**	**9**	**—**	**—**	**—**	**17**
At 31 December 2024	**941**	**892**	**7**	**716**	**270**	**2,826**
Accumulated depreciation:						
At 1 January 2024	**226**	**653**	**67**	**147**	**173**	**1,266**
Charge for the year	**21**	**60**	**—**	**75**	**18**	**174**
Impairment during the year	**(5)**	**(3)**	**—**	**—**	**—**	**(8)**
Disposals	**(11)**	**(33)**	**(60)**	**(80)**	**—**	**(184)**
Other	**7**	**8**	**—**	**—**	**—**	**15**
At 31 December 2024	**238**	**685**	**7**	**142**	**191**	**1,263**
Carrying amount	**703**	**207**	**—**	**574**	**79**	**1,563**
Cost:						
At 1 January 2023	889	823	72	722	267	2,773
Additions	87	83	—	85	31	286
Reclassification from assets held for sale	8	—	—	—	—	8
Disposals	(66)	(29)	(5)	(172)	(35)	(307)
At 31 December 2023	918	877	67	635	263	2,760
Accumulated depreciation:						
At 1 January 2023	270	618	72	145	155	1,260
Charge for the year	17	62	—	64	30	173
Impairment during the year	—	—	—	—	(11)	(11)
Disposals	(61)	(27)	(5)	(62)	(1)	(156)
At 31 December 2023	226	653	67	147	173	1,266
Carrying amount	692	224	—	488	90	1,494

(1) Property, plant and equipment includes investment properties of £16m (2023: £17m).

	Property £m	Office fixtures and equipment £m	Computer software £m	Right-of-use assets £m	Company Total[1] £m
Cost:					
At 1 January 2024	**913**	**854**	**61**	**247**	**2,075**
Additions	**35**	**47**	**—**	**20**	**102**
Disposals	**(20)**	**(41)**	**(60)**	**(13)**	**(134)**
Other	**3**	**9**	**—**	**—**	**12**
At 31 December 2024	**931**	**869**	**1**	**254**	**2,055**
Accumulated depreciation:					
At 1 January 2024	**228**	**630**	**61**	**168**	**1,087**
Charge for the year	**21**	**60**	**—**	**17**	**98**
Impairment during the year	**(5)**	**(3)**	**—**	**—**	**(8)**
Disposals	**(11)**	**(33)**	**(60)**	**—**	**(104)**
Other	**1**	**8**	**—**	**—**	**9**
At 31 December 2024	**234**	**662**	**1**	**185**	**1,082**
Carrying amount	**697**	**207**	**—**	**69**	**973**
Cost:					
At 1 January 2023	834	800	61	252	1,947
Additions	87	83	—	29	199
Reclassification from assets held for sale	8	—	—	—	8
Disposals	(16)	(29)	—	(34)	(79)
At 31 December 2023	913	854	61	247	2,075
Accumulated depreciation:					
At 1 January 2023	223	594	61	151	1,029
Charge for the year	17	62	—	28	107
Impairment during the year	—	—	—	(11)	(11)
Disposals	(12)	(26)	—	—	(38)
At 31 December 2023	228	630	61	168	1,087
Carrying amount	685	224	—	79	988

(1) Property includes investment properties of £16m (2023: £17m).

In 2023, right-of-use assets were impaired as part of our transformation. The impairment relates to leasehold properties within the scope of our branch network restructuring programme and head office sites which are either closing or consolidating.

21. DEPOSITS BY BANKS

	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Items in the course of transmission	**523**	732	**517**	719
Deposits held as collateral	**682**	860	**682**	860
Other deposits[1]	**12,787**	18,737	**12,781**	18,733
Amounts due to Santander UK subsidiaries	**1**	3	**5,541**	5,387
	13,993	20,332	**19,521**	25,699

(1) Includes balance drawn from the TFSME of £11bn (2023: £17bn).

22. DEPOSITS BY CUSTOMERS

	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Demand and time deposits[1]	**177,335**	188,004	**172,222**	183,010
Amounts due to other Santander UK Group Holdings plc subsidiaries	**122**	114	**26,933**	22,524
Amounts due to Santander UK Group Holdings plc[2]	**1,793**	1,772	**1,793**	1,772
Amounts due to fellow Banco Santander subsidiaries and joint ventures	**1,717**	960	**267**	210
	180,967	190,850	**201,215**	207,516

(1) Includes capital amount guaranteed / protected equity index-linked deposits of £173m (2023: £304m).
(2) Includes downstreamed funding from our immediate parent company Santander UK Group Holdings plc.

23. REPURCHASE AGREEMENTS – NON-TRADING

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
Agreements with banks	**2,336**	551	**2,336**	551
Agreements with customers	**6,281**	7,860	**6,281**	7,860
	8,617	8,411	**8,617**	8,411

24. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
Structured Notes Programmes	**355**	369	**355**	369
Structured deposits	**605**	426	**605**	426
Zero Amortising Guaranteed Notes	**95**	104	**95**	104
	1,055	899	**1,055**	899

For the Santander UK group and the Company, all (2023: all) of the other financial liabilities at FVTPL were designated as such.

Gains and losses arising from changes in the credit spread of securities issued by the Santander UK group reverse over the contractual life of the debt, provided that the debt is not repaid at a premium or a discount. The net loss during the year attributable to changes in the Santander UK group's own credit risk on the above securities was £17m (2023: £21m loss, 2022: £25m gain). The cumulative net loss attributable to changes in the Santander UK group's own credit risk on the above securities at 31 December 2024 was £4m (2023: £6m loss, 2022: £15m gain).

At 31 December 2024, the amount that would be required to be contractually paid at maturity of the securities above was £76m (2023: £97m) higher than the carrying value.

25. DEBT SECURITIES IN ISSUE

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
Medium-term notes:				
– US $30bn Euro Medium Term Note Programme	**696**	744	**696**	744
– Euro €30bn Euro Medium Term Note Programme	**2,997**	3,784	**2,997**	3,784
- US SEC-registered Debt Programme - Santander UK plc	**5,929**	7,128	**5,929**	7,128
	9,622	11,656	**9,622**	11,656
Euro €35bn Global Covered Bond Programme	**17,211**	15,000	**17,300**	15,087
US$20bn Commercial Paper Programmes	**3,274**	2,761	**3,274**	2,761
Certificates of deposit	**1,196**	1,530	**1,196**	1,530
Credit linked notes	**441**	194	**441**	194
Securitisation programmes	**3,929**	2,769	**—**	—
	35,673	33,910	**31,833**	31,228

26. OTHER LIABILITIES

	Group		Company	
	2024	2023	2024	2023
	£m	£m	£m	£m
Lease liabilities	**88**	111	**79**	100
Other	**1,764**	2,368	**1,710**	2,271
	1,852	2,479	**1,789**	2,371

27. PROVISIONS

	Group								
	Customer remediation	Litigation and other regulatory	Regulatory levies and fees	Bank Levy	Property	ECL on undrawn facilities and guarantees	Restructuring	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	106	132	—	—	47	78	32	7	402
Additional provisions (See Note 8)	306	29	44	41	2	7	87	185	701
Provisions released (See Note 8)	—	(4)	—	—	(1)	—	—	—	(5)
Utilisation and other	(64)	(45)	(42)	(58)	(20)	—	(101)	(178)	(508)
Recharge [1]	—	—	—	15	—	—	—	—	15
Reclassification from provisions to other assets	—	—	—	6	—	—	—	—	6
At 31 December 2024	348	112	2	4	28	85	18	14	611

(1) Recharge in respect of the UK Bank Levy paid on behalf of other UK entities in the Banco Santander group

Provisions expected to be settled within no more than 12 months after 31 December 2024 were £208m (2023: £217m).

	Company								
	Customer remediation	Litigation and other regulatory	Regulatory levies and fees	Bank Levy	Property	ECL on undrawn facilities and guarantees	Restructuring	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	106	125	—	—	47	78	32	7	395
Additional provisions	13	18	44	37	2	7	84	163	368
Provisions released	—	(4)	—	—	(1)	—	—	—	(5)
Utilisation and other	(64)	(28)	(42)	(58)	(20)	—	(98)	(156)	(466)
Recharge [1]	—	—	—	15	—	—	—	—	15
Reclassification from provisions to other assets	—	—	—	6	—	—	—	—	6
At 31 December 2024	55	111	2	—	28	85	18	14	313

(1) Recharge in respect of the UK Bank Levy paid on behalf of other UK entities in the Banco Santander group

Provisions expected to be settled by the Company within no more than 12 months after 31 December 2024 were £203m (2023: £209m).

a) Customer remediation
SCUK - Motor Finance Broker Commissions
Following the FCA's Motor Market review in 2019 which resulted in a change in rules in January 2021, Santander Consumer (UK) plc (SCUK) has received a number of county court claims and complaints in respect of its historical use of discretionary commission arrangements (DCAs) prior to the 2021 rule changes. During 2024 the FCA commenced a review of the use of DCAs between lenders and credit brokers (FCA review) which, following an extension, it stated it anticipated to conclude by May 2025. Pending the conclusion of its review, the FCA first paused DCA related complaints and then extended this to motor finance commission related complaints which are now paused until 4 December 2025. A claim against SCUK, Santander UK plc and others in the Competition Appeal Tribunal, which alleges that SCUK's historical DCAs in respect of used car financing operated in breach of the Competition Act 1998 is currently paused until the end of July 2025 pending the outcome of the FCA's review.

The outcome of the FCA's review may be informed by an appeal to the Supreme Court to be heard in April 2025 of the Court of Appeal's judgment of October 2024 relating to the use of DCAs by two other lenders, and by an appeal to the Court of Appeal of the High Court's judicial review of the Financial Ombudsman Service's final decision relating to a complaint about the use of a DCA by another lender.

In light of the Court of Appeal's judgment of October 2024, the Santander UK group recognised a provision of £295m in its financial results for 2024. This includes estimates for operational and legal costs and potential awards, based on various scenarios using a range of assumptions, including the outcomes of the appeals above. There continue to be significant uncertainties as to the extent of any misconduct, if any, as well as the perimeter of commission models, and the nature, extent and timing of any remediation action if required. As such, the ultimate financial impact could be materially higher or lower than the amount provided and it is not practicable to quantify the extent of any remaining contingent liability.

The table below shows the sensitivity of the provision to changes in the claim rate.

Assumption	Change in assumption	Increase / (decrease) in provision 2024 £m
Claim rate	5% increase	47
Claim rate	5% decrease	(47)

The claim rate represents the proportion of customers who make a request for reimbursement and is a critical accounting estimate that could materially change the ultimate financial impact.

Our best estimate of liability is based on similar experience to PPI claim rates which peaked at up to 50% over the lifetime of the redress programme.

Mortgages
Provisions were also recognised in 2024 for customer remediation relating to our mortgage book. These provisions remain subject to change as additional data becomes available and remediation boundaries are finalised.

b) Litigation and other regulatory
Litigation and other regulatory provisions principally comprised of amounts in respect of litigation and other regulatory charges, operational loss and operational risk provisions, and related expenses. A number of uncertainties exist with respect to these provisions given the uncertainties inherent in litigation and other regulatory matters, that affect the amount and timing of any potential outflows with respect to which provisions have been established. These provisions are reviewed at least quarterly.

In 2024 there were net charges of £39m for legal provisions.

The balance also includes an amount in respect of our best estimate of liability relating to a legal dispute regarding allocation of responsibility for a specific PPI portfolio of complaints, further described in Note 30. No further information on the best estimate is provided on the basis that it would be seriously prejudicial.

c) Regulatory levies and fees
Regulatory levies and fees are payable to regulatory bodies such as the FCA, PRA and Bank of England in the ordinary course of business. In 2024 there were charges of £42m relating to the new Bank of England levy.

d) Bank Levy
In 2024, a rate of 0.05% (2023: 0.05%) was charged on long term chargeable equity and liabilities and 0.10% on short-term chargeable liabilities (2023: 0.10%).

e) Property
Property provisions include leasehold vacant property provisions, dilapidation provisions for leased properties within the scope of IFRS 16 and decommissioning and disposal costs relating to vacant freehold properties. Leasehold vacant property provisions are made by reference to an estimate of any expected sub-let income, compared to the head rent, and the possibility of disposing of Santander UK's interest in the lease, taking into account conditions in the property market.

Property provisions include a release of £2m relating to transformation activity in 2024 (2023: charge of £4m). In 2024, these charges consisted of costs relating to leasehold head office closures, along with decommissioning costs relating to freehold head office sites which are either closing or consolidating.

f) ECL on undrawn facilities and guarantees
Provisions include expected credit losses relating to guarantees given to third parties and undrawn loan commitments.

g) Restructuring
Restructuring provisions relate to severance costs associated with transformation and organisational changes. The provision includes a charge of £82m as part of our transformation to improve future returns, focused on simplifying, digitising and automating the bank.

h) Other
Other provisions include provisions that do not fit into any of the other categories, such as fraud losses and some categories of operational losses. In 2024, Other provisions included charges for operational risk provisions of £161m, including fraud losses of £122m.

28. RETIREMENT BENEFIT PLANS

The amounts recognised in the balance sheet were as follows:

	Group and Company	
	2024	2023
	£m	£m
Assets/(liabilities)		
Funded defined benefit pension scheme - surplus	**439**	723
Funded defined benefit pension scheme - deficit	**—**	(41)
Unfunded pension and post-retirement medical benefits	**(23)**	(25)
Total net assets	**416**	657

a) Defined contribution pension plans
The majority of employees are members of a defined contribution Master Trust, LifeSight. This is the plan into which eligible employees are enrolled automatically. The assets of LifeSight are held in separate trustee-administered funds. Funds arising from Additional Voluntary Contributions (AVCs) are largely held within the main defined benefit scheme operated by the Santander UK group.

An expense of £79m (2023: £71m) was recognised for defined contribution plans in the year and is included in staff costs within operating expenses (see Note 6).

b) Defined benefit pension schemes
The Santander UK group operates a number of defined benefit pension schemes. The main scheme is the Santander (UK) Group Pension Scheme (the Scheme). It comprises seven legally segregated sections. The Scheme covers 6% (2023: 7%) of the Santander UK group's current employees and is a funded defined benefit scheme which is closed to new members. Members accrue final salary benefits for each year of service in the Scheme, according to a salary definition which varies across the sections.

The corporate trustee of the Scheme is Santander (UK) Group Pension Scheme Trustees Limited (the Trustee), a private limited company incorporated in 1996 and a wholly owned subsidiary of Santander UK Group Holdings plc. The principal duty of the Trustee is to act in the best interests of the members of the Scheme. The Trustee board comprises six (2023: six) Directors selected by Santander UK Group Holdings plc, plus four (2023: four) member-nominated Directors selected from eligible members who apply for the role.

The assets of the Scheme are held independently of the Santander UK group's assets in separate trustee administered funds. Investment strategy across the sections of the Scheme remains under regular review. Responsibility for investment decisions, policy and strategy rests with the Trustee of the Scheme who is required under the Pensions Act 2004 to prepare a statement of investment principles. The defined benefit pension schemes expose the Santander UK group to risks such as investment risk, interest rate risk, longevity risk and inflation risk. The Santander UK group does not hold any insurance policies over the defined benefit pension schemes and has not entered into any significant transactions with them.

For IAS 19, an accounting valuation of the assets and liabilities of the defined benefits schemes is prepared at each balance sheet date. For funding purposes, formal actuarial valuations are carried out on at least a triennial basis. Both valuations are carried out by independent professionally qualified actuaries. The Scheme Trustee is responsible for the funding actuarial valuations and in doing so considers, or relies in part on, a report of a third-party expert. The latest triennial funding valuation for the Scheme at 31 March 2022 was finalised in November 2022, with an overall scheme deficit of £183m. The next scheduled triennial funding valuation will be at 31 March 2025. Any funding surpluses can be recovered by Santander UK plc from the Scheme through refunds as the Scheme is run off over time or could be used to pay for the cost of benefits which are accruing.

The main differences between the assumptions used for assessing the defined benefit liabilities for the funding valuation and those used for IAS 19 are that the financial and demographic assumptions used for the funding valuation are generally more prudent than those used for the IAS 19 valuation.

The total amount (credited) / charged to the income statement was as follows:

			Group
	2024	2023	2022
	£m	£m	£m
Net interest income	**(34)**	(54)	(30)
Current service cost	**13**	13	30
Past service and GMP costs	**—**	1	—
Administration costs	**9**	7	9
	(12)	(33)	9

The amounts recognised in other comprehensive income were as follows:

			Group
	2024	2023	2022
	£m	£m	£m
Return on plan assets (excluding amounts included in net interest expense)	**1,217**	352	5,527
Actuarial gains arising from changes in demographic assumptions	**(113)**	(51)	(122)
Actuarial losses arising from experience adjustments	**84**	91	481
Actuarial (gains)/losses arising from changes in financial assumptions	**(786)**	206	(5,164)
	402	598	722

Movements in the present value of defined benefit scheme obligations were as follows:

	Group and Company 2024 £m	Group and Company 2023 £m
At 1 January	**(8,201)**	(7,933)
Current service cost paid by Santander UK plc	**(13)**	(13)
Interest cost	**(371)**	(379)
Employer salary sacrifice contributions	**(4)**	(1)
Past service cost	**–**	(1)
Remeasurement due to actuarial movements arising from:		
– Changes in demographic assumptions	**113**	51
– Experience adjustments	**(84)**	(91)
– Changes in financial assumptions	**786**	(206)
Benefits paid	**394**	372
At 31 December	**(7,380)**	(8,201)

Movements in the fair value of the schemes' assets were as follows:

	Group and Company 2024 £m	Group and Company 2023 £m
At 1 January	**8,858**	8,958
Interest income	**405**	433
Contributions paid by employer and scheme members	**153**	198
Administration costs paid	**(9)**	(7)
Return on plan assets (excluding amounts included in net interest expense)	**(1,217)**	(352)
Benefits paid	**(394)**	(372)
At 31 December	**7,796**	8,858

The composition and fair value of the schemes' assets by category was:

	Quoted prices in active markets		Prices not quoted in active markets		Total		Group and Company Valuation
2024	**£m**	**%**	**£m**	**%**	**£m**	**%**	**technique**
Overseas equities	**–**	**–**	**776**	**10**	**776**	**10**	**A,C**
Corporate bonds	**2,511**	**33**	**186**	**2**	**2,697**	**35**	**A,C**
Government fixed interest bonds	**1,348**	**17**	**–**	**–**	**1,348**	**17**	**A**
Government index-linked bonds	**4,444**	**58**	**–**	**–**	**4,444**	**58**	**A**
Property	**–**	**–**	**1,073**	**14**	**1,073**	**14**	**B**
Derivatives	**–**	**–**	**(18)**	**–**	**(18)**	**–**	**A**
Cash	**–**	**–**	**341**	**4**	**341**	**4**	**A**
Repurchase agreements[1]	**–**	**–**	**(3,328)**	**(43)**	**(3,328)**	**(43)**	**A**
Infrastructure	**–**	**–**	**112**	**1**	**112**	**1**	**B,C**
Annuities	**–**	**–**	**267**	**3**	**267**	**3**	**D**
Longevity swap	**–**	**–**	**(83)**	**(1)**	**(83)**	**(1)**	**D**
Other	**–**	**–**	**167**	**2**	**167**	**2**	**C**
	8,303	**108**	**(507)**	**(8)**	**7,796**	**100**	
2023							
Overseas equities	–	–	980	11	980	11	A,C
Corporate bonds	2,284	26	242	3	2,526	29	A,C
Government fixed interest bonds	1,618	18	–	–	1,618	18	A
Government index-linked bonds	4,422	50	–	–	4,422	50	A
Property	–	–	1,080	12	1,080	12	B
Derivatives	–	–	(2)	–	(2)	–	A
Cash	–	–	586	7	586	7	A
Repurchase agreements[1]	–	–	(3,062)	(35)	(3,062)	(35)	A
Infrastructure	–	–	408	5	408	5	B,C
Annuities	–	–	293	3	293	3	D
Longevity swap	–	–	(16)	–	(16)	–	D
Other	–	–	25	–	25	–	C
	8,324	94	534	6	8,858	100	

(1) Sale and repurchase agreements net of purchase and resale agreements.

Valuation techniques
The main methods for measuring the fair value of the Scheme's assets at 31 December 2024 and 2023 are set out below.

A. The asset valuation is provided by the asset manager. The valuation is based on observable market data, and where relevant is typically based on bid price values, or the single price if only one price is available.
B. The underlying asset valuations are prepared by an independent expert, adjusted for any cash movements where necessary since the latest valuation.
C. Assets are valued by reference to the latest manager statements provided by the managers, adjusted for any cash movements since the latest valuation.
D. Assets relating to insured liabilities are valued by the actuaries based on our year-end accounting assumptions.

The 'Other' category includes cash receivables in 2025 from secondary market sales in 2024.

A number of insurance transactions have been entered into that have been included in the asset valuation under annuities and Longevity swap. The transactions were as follows:

- In May 2020 a pensioner buy-in was entered into by the Trustee. This transaction insured 100% of the SMA section pensioner liabilities and 50% of the SPI section pensioner liabilities based on membership in the Scheme at 31 December 2018.
- In March 2021, the Trustee entered into a longevity swap. Approximately 85%of pensioner liabilities were covered by the longevity swap at inception, excluding pensioners in the SMA and SPI sections.
- In 2022, a pensioner buy-in was entered into by the Trustee covering pensioners in the SMA and SPI sections who were uninsured at 30 June 2021.
- In July 2022, the Trustee entered into a second longevity swap, extending the insurance over uninsured pensioners in the same membership groups covered by the first swap transacted in March 2021, based on membership in the Scheme at 31 December 2021.

At 31 December 2024 and 2023, as highlighted above, the Scheme was invested in certain assets whose values are not based on market observable data, such as the investments in unquoted equities and bonds, as well as property and infrastructure. The valuation of these assets relies on unobservable data as these assets do not have a readily available quoted price in an active market. A large proportion of the property is directly held and valued using a bespoke valuation method taking both the nature of the properties and the tenancy schedules as inputs to derive the fair value. Where there is a time lag between the net asset value and the balance sheet date, management adjusts the value of the assets for any cash movements. Due diligence has been conducted to ensure the values obtained in respect of these assets are appropriate and represent fair value. Given the nature of these investments, we are unable to prepare sensitivities on how their values could vary as market conditions or other variables change.

A strategy is in place to manage interest rate and inflation risk relating to the liabilities. The Scheme also hedges a proportion of its foreign exchange exposure to manage currency risk. At 31 December 2024 the currency forwards had a notional value of £709m (2023: £859m). In 2024, we increased our allocation to corporate bonds and reduced our investments in infrastructure and private equity.

The Santander UK group's pension schemes did not directly hold any equity securities of the Company or any of its related parties at 31 December 2024 and 2023. The Santander UK group's pension scheme assets do not include any property or other assets that are occupied or used by the Santander UK group.

Funding
In November 2022, in compliance with the Pensions Act 2004, the Trustee and the Santander UK group agreed to a new recovery plan in respect of the Scheme and a schedule of contributions following the finalisation of the 31 March 2022 actuarial valuation. The funding target for this actuarial valuation is for the Scheme to have sufficient assets to make payments to members in respect of the accrued benefits as and when they fall due. In accordance with the terms of the Trustee agreement in place at the time, the Santander UK group contributed £150m in 2024 (2023: £195m) to the Scheme, of which £119m (2023: £164m) was in respect of agreed deficit repair contributions. The agreed schedule of the Santander UK group's contributions to the Scheme covers the period up to 31 March 2026, and comprises contingent contributions which become due if the funding position of any section falls behind the agreed plan. The Santander UK group also meets Scheme administration expenses. The funding valuation is used to judge the amount of cash contributions the Santander UK group needs to put into the pension scheme. It will always be different to the IAS 19 accounting position, which is an accounting rule concerning employee benefits and shown on the balance sheet of our financial statements.

Actuarial assumptions
The principal actuarial assumptions used for the Scheme were:

	Group and Company		
	2024	2023	2022
	%	%	%
To determine benefit obligations[1]:			
– Discount rate for scheme liabilities	**5.5**	4.6	4.9
– General price inflation	**3.1**	3.0	3.1
– General salary increase	**1.0**	1.0	1.0
– Expected rate of pension increase	**3.0**	3.0	3.0

	Years	Years	Years
Longevity at 60 for current pensioners, on the valuation date:			
– Males	**26.9**	27.0	27.4
– Females	**29.8**	29.8	30.1
Longevity at 60 for future pensioners currently aged 40, on the valuation date:			
– Males	**28.5**	28.6	28.9
– Females	**31.3**	31.3	31.6

(1) The discount rate and inflation related assumptions set out in the table above reflect the assumptions calculated based on the Scheme's duration and cash flow profile as a whole. The actual assumptions used were determined for each section independently based on each section's duration and cash flow profile.

The majority of the liability movement in 2024 was due to increased fixed interest gilt yields.

Discount rate for scheme liabilities
The rate used to discount the retirement benefit obligation for accounting purposes is based on the annual yield at the balance sheet date of high-quality corporate bonds on that date. There are only a limited number of higher quality Sterling-denominated corporate bonds, particularly those that are longer-dated. Therefore, in order to set a suitable discount rate, we need to construct a corporate bond yield curve. The model which we use to construct the curve uses corporate bond data but excludes convertible bonds, asset-backed bonds and government related bonds. The curve is then constructed from this data by extrapolating the spot rates from 30 years to 50 years by holding the spread above nominal gilt spot rates constant. From 50 years onwards, it is assumed that spot rates remain constant. When considering an appropriate assumption, we project forward the expected cash flows of each section of the Scheme and adopt a single equivalent cash flow weighted discount rate for each section, subject to management judgement.

In 2024, we adopted a new version of the model that we currently use to set the discount rate. The updated model is based on an expanded data set which improves the stability of the model.

General price inflation
Consistent with our discount rate methodology, we set the inflation assumption using the expected cash flows for each section of the Scheme, fitting them to an inflation curve to give a weighted average inflation assumption. We then deduct an inflation risk premium to reflect the compensation holders of fixed rate instruments expect to receive for taking on the inflation risk. This premium is subject to a cap, to better reflect management's view of inflation expectations.

General salary increase
From 1 March 2015, a cap on pensionable pay increases of 1% each year was applied to staff in the Scheme.

Expected rate of pension increase
The pension increase assumption methodology uses a stochastic model, which is calibrated to consider both the observed historical volatility term structure and derivative pricing. The model allows for the likelihood that high or low inflation in one year, feeds into inflation remaining high or low in the next year.

Mortality assumptions
The mortality assumptions are based on an independent analysis of the Scheme's actual mortality experience, carried out as part of the triennial actuarial valuation, together with recent evidence from the Continuous Mortality Investigation. An allowance is then made for expected future improvements to life expectancy based on the Continuous Mortality Investigation Tables. Following this review the S3 Medium all pensioner mortality table was adopted with appropriate adjustments to reflect the actual mortality experience. At 31 December 2024 the assumption for future improvements was updated and the CMI 2023 projection model adopted, with an initial addition to improvements of 0.25% per annum, and a long-term rate of future improvements to life expectancy of 1.25% for male and female members.

In 2022, the methodology for setting the demographic assumptions was changed to better represent current expectations, following a review carried out by the Trustee as part of the 2022 triennial valuation. This review resulted in changes in the assumptions for family statistics, early retirement and the withdrawal assumption, which were retained at 31 December 2024.

Actuarial assumption sensitivities
The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

		Group and Company	
		(Decrease)/increase	
		2024	2023
Assumption	Change in pension obligation at period end from	**£m**	£m
Discount rate	50bps increase	**(413)**	(507)
General price inflation	50bps increase	**316**	385
Mortality	Each additional year of longevity assumed	**190**	223

The 50bps sensitivity to the inflation assumption includes the corresponding impact of changes in future pension increase assumptions before and after retirement. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method used to calculate the defined benefit obligation recognised in the balance sheet. There were no changes in the methods and assumptions used in preparing the sensitivity analyses from prior years.

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter are:

Year ending 31 December	£m
2025	**478**
2026	**405**
2027	**424**
2028	**444**
2029	**463**
Five years ending 2034	**2,438**

The average duration of the defined benefit obligation at 31 December 2024 was 12.7 years (2023: 13.8 years).

Emerging risks
In 2024, we focused on the risks arising from the Scheme's private market assets, rising interest rates and cybersecurity risk. The Santander UK group collaborated with the Trustee to identify and monitor such risks to ensure they are adequately managed. The Trustee has an independent cybersecurity advisor to review the cybersecurity arrangements of its most critical suppliers and provide recommendations on potential improvements.

The Trustee Sustainability Committee is responsible for overseeing the Scheme's policies, regulatory obligations and priorities in respect of climate change and wider Environmental, Social and Governance (ESG) related matters. This includes the monitoring of climate related risks and opportunities, scenario analysis and monitoring of investments from an ESG perspective.

The Santander UK group's employee pension funds recognise the magnitude of the challenges that climate and energy transition pose to governments, companies and civil society. They are also aware of their impact on the ability to comply with their fiduciary duty providing long-term risk-adjusted returns to their members. They have an ambition to achieve net zero by 2050, showing their full support for Banco Santander's vision and ambition to be a responsible and sustainable bank.

29. SUBORDINATED LIABILITIES

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
£325m Sterling preference shares	**343**	343	**343**	343
Undated subordinated liabilities	**205**	205	**205**	205
Dated subordinated liabilities	**1,837**	1,838	**1,838**	1,839
	2,385	2,386	**2,386**	2,387

In 2024, no subordinated liabilities were repurchased as part of ongoing liability management exercises (2023: profit of £4m).

The above securities will, in the event of the winding up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer, other than creditors whose claims rank equally with, or are junior to, the claims of the holders of the subordinated liabilities. The subordination amongst each of the subordinated liabilities upon a winding up of the issuer is specified in their respective terms and conditions.

In 2024 and 2023, the Santander UK group had no defaults of principal, interest or other breaches with respect to its subordinated liabilities. No repayment or purchase by the issuer of the subordinated liabilities may be made prior to their stated maturity without the consent of the PRA.

Undated subordinated liabilities

		Group		Company	
		2024	2023	**2024**	2023
	First call date	**£m**	£m	**£m**	£m
10.0625% Exchangeable capital securities	n/a	**205**	205	**205**	205
		205	205	**205**	205

In common with other debt securities issued by Santander UK group companies and notwithstanding the issuer's first call dates in the table above, in the event of certain tax changes affecting the treatment of payments of interest on subordinated liabilities in the UK, the 10.0625% Exchangeable capital securities are redeemable on any interest payment date – each in whole at the option of Santander UK, at their principal amount together with any accrued interest.

The 10.0625% Exchangeable capital securities are exchangeable into fully paid 10.375% non-cumulative non-redeemable sterling preference shares of £1 each, at the option of Santander UK, on the business day immediately following any interest payment date.

Dated subordinated liabilities

		Group		Company	
		2024	2023	**2024**	2023
	Maturity	**£m**	£m	**£m**	£m
4.75% Subordinated notes	2025	**332**	326	**332**	326
7.95% Subordinated notes	2029	**189**	193	**189**	193
6.50% Subordinated notes	2030	**1**	1	**1**	1
5.875% Subordinated notes	2031	**7**	7	**8**	8
5.625%Subordinated notes	2045	**226**	222	**226**	222
7.869% Subordinated notes	2033	**314**	321	**314**	321
8.296% Subordinated notes	2033	**768**	768	**768**	768
		1,837	1,838	**1,838**	1,839

The dated subordinated liabilities are redeemable in whole at the option of Santander UK in the event of certain tax changes affecting the treatment of payments of interest on the subordinated liabilities in the UK, at their principal amount together with any accrued interest.

30. CONTINGENT LIABILITIES AND COMMITMENTS

	Group			Company
	2024	2023	2024	2023
	£m	£m	£m	£m
Guarantees given to subsidiaries	–	–	**5,185**	5,052
Guarantees given to third parties	**493**	452	**493**	452
Formal standby facilities, credit lines and other commitments	**35,156**	30,976	**35,155**	30,954
	35,649	31,428	**40,833**	36,458

At 31 December 2024, the Santander UK group had credit impairment loss provisions relating to guarantees given to third parties and undrawn loan commitments. See Note 27 for more details.

Where the items set out below can be reliably estimated, they are disclosed in the table above.

Guarantees given to subsidiaries
Santander UK plc has guaranteed the payment of any liabilities to Cater Allen Limited's account holders. This guarantee expires on 31 December 2025, although customer deposit balances on or before 31 December 2025 will remain guaranteed after the expiry date.

Santander UK plc has also undertaken, for the purposes of section 479C of the Companies Act 2006 (the Act), the guarantee of the payment of all outstanding liabilities to which certain direct or indirect subsidiaries were subject at 31 December 2024, until they are satisfied in full, in order to allow those subsidiaries to benefit from the audit exemption provided for by Section 479A of the Act for the year ended 31 December 2024. The subsidiaries benefiting from this guarantee are listed in the Shareholder information section of this Annual Report.

Guarantees given to third parties
Guarantees given to third parties consist primarily of letters of credit, bonds and guarantees granted as part of normal product facilities which are offered to customers.

Formal standby facilities, credit lines and other commitments

Standby facilities, credit lines and other commitments are also granted as part of normal product facilities which are offered to customers. Retail facilities comprise undrawn facilities granted on flexible mortgages, bank overdrafts and credit cards. On flexible mortgages, the credit limit is set at the point of granting the loan through property value and affordability assessments.

Ongoing assessments are made to ensure that credit limits remain appropriate considering any change in the security value or the customer's financial circumstances. For unsecured overdraft facilities and credit cards, the facilities are granted based on new business risk assessment and are reviewed more frequently based on internal, as well as external data. Corporate facilities can comprise standby and revolving facilities which are subject to ongoing compliance with covenants and may require the provision of agreed security.

FSCS
The FSCS is the UK's independent statutory compensation fund for customers of authorised financial services firms and pays compensation if a firm is unable to pay certain claims against it. The FSCS is funded by levies on the industry and recoveries and borrowings where appropriate.

Loan representations and warranties
In connection with the securitisations and covered bond transactions described in Note 14, the Santander UK group entities selling the relevant loans into the applicable securitisation or covered bond portfolios make representations and warranties with respect to such loans, as of the date of the sale of the loans into the applicable portfolio. These representations and warranties cover, among other things, the relevant Santander UK group entity's ownership of the loan, the absence of a material breach or default by the relevant borrower, the loan's compliance with applicable laws, and absence of material disputes with respect to the relevant borrower, asset or loan. The specific representations and warranties made by Santander UK group companies which act as sellers of loans in these securitisations and covered bond transactions depend in each case on the nature of the transaction and the requirements of the transaction structure.

In the event that there is a material breach of the representations and warranties given by Santander UK plc as seller of loans under the residential mortgage-backed securitisations or the covered bond programme included in Note 14, or if such representations and warranties prove to be materially untrue at the date when they were given, Santander UK plc may be required to repurchase the affected mortgage loans (generally) at their outstanding principal balance plus accrued interest). These securitisations and covered bond programme are collateralised by prime residential mortgage loans. Santander UK plc is principally a retail prime lender and has no appetite or product offering for any type of sub-prime business.

Similarly, under the auto loan securitisations in Note 14, in the event that there is a breach or inaccuracy in respect of a representation or warranty relating to the loans, the relevant Santander UK group entity who sold the auto loans into the securitisation portfolio will be required to repurchase such loans from the structure (also at their outstanding principal balance plus accrued interest). In addition to breaches of representation and warranties, under the auto loan securitisations, the seller may also have a repurchase obligation if certain portfolio limits are breached (which include, amongst other things, limits as to the size of a loan given to an individual customer, LTV ratio, average term to maturity and average seasoning).

In the case of a repurchase of a loan from the relevant securitisation or covered bond programmes, the Santander UK group may bear any subsequent credit loss on such loan. The Santander UK group manages and monitors its securitisation and covered bond activities closely to minimise potential claims.

Other legal, regulatory or tax matters
Santander UK engages in discussion, and co-operates, with the FCA, PRA, CMA and other regulators and government agencies in various jurisdictions in their supervision and review of Santander UK including reviews exercised under statutory powers, regarding its interaction with past and present customers, both as part of general thematic work and in relation to specific products, services and activities. During the ordinary course of business, Santander UK is also subject to complaints and threatened legal proceedings brought by or on behalf of current or former employees, customers, investors or other third parties. In addition, Santander UK is subject to audits, reviews, challenges and tax, regulatory or law enforcement investigations or proceedings by relevant regulators or government agencies in various jurisdictions. All such matters are assessed periodically to determine the likelihood of Santander UK incurring a liability.

In those instances where it is concluded that it is not yet probable that a quantifiable payment will be made, for example because the facts are unclear or further time is required to fully assess the merits of the case or to reasonably quantify the expected payment, no provision is made. In addition, where it is not currently practicable to estimate the possible financial effect of these matters, no provision is made.

Payment Protection Insurance
AXA France IARD and AXA France Vie (former GE Capital Corporation Group entities (GE Capital), known as Financial Insurance Company Ltd (FICL) and Financial Assurance Company Ltd (FACL), acquired by AXA SA in 2015) (together, AXA France) have brought a claim for £552m (plus interest) against (i) Santander Cards UK Limited (former GE Capital entity known as GE Capital Bank Limited (GECB), which was acquired by Banco Santander SA in 2008 and subsequently transferred to Santander UK plc); and (ii) Santander Insurance Services UK Limited (a Banco Santander SA subsidiary) (together the Santander Entities). The claim relates to the allocation of liability for compensation and associated costs in respect of a large number of PPI policies distributed by GECB pre-2005, which were underwritten by FICL and FACL. AXA France reduced their claim from £670m (plus interest) to £552m (plus interest) in their Re-Re-Amended Particulars of Claim dated 29 June 2023. The Santander Entities strongly refute the claim. Trial has been fixed for six weeks, beginning on 11 March 2025.

There are ongoing factual issues to be resolved which may have legal consequences including in relation to liability. These issues create uncertainties which mean that it is difficult to reliably predict the outcome or the timing of the resolution of the matter. The litigation and other regulatory provision in Note 27 includes our best estimate of the Santander Entities' liability to the specific portfolio. Further information has not been provided on the basis that it would be seriously prejudicial to the Santander Entities' interests in connection with the dispute.

In addition, and in relation to PPI more generally, the PPI provision includes an amount relating to legal claims challenging the FCA's industry guidance on the treatment of Plevin / recurring non-disclosure assessments. This provision is based on current stock levels, future projected claims, and average redress. There remains a risk that volumes received in future may be higher than forecast. The provision in Note 27 includes our best estimate of Santander UK's liability for the specific issue. The actual cost of customer compensation could differ from the amount provided. It is not currently practicable to provide an estimate of the risk and amount of any further financial impact.

German dividend tax arbitrage transactions
In June 2018 the Cologne Criminal Prosecution Office.and the German Federal Tax Office commenced an investigation in relation to the historical involvement of Santander UK plc, Santander Financial Services plc and Cater Allen International Limited (all subsidiaries of Santander UK Group Holdings plc) in German dividend tax arbitrage transactions (known as cum/ex transactions). These transactions allegedly exploited a loophole of a specific German settlement mechanism through short-selling and complex derivative structuring which resulted in the German government either refunding withholding tax where such tax had not been paid or refunding it more than once. The German authorities are investigating numerous institutions and individuals in connection with alleged transactions and practices which may be found to be illegal under German law.

During 2024 we continued to cooperate with the German authorities and, with the assistance of external experts, to progress an internal investigation into the matters in question. From Santander UK plc's perspective, the investigation is focused principally on the period 2009-2011 and remains on-going. There remain factual issues to be resolved which may have legal consequences including potentially material financial penalties. These issues create uncertainties which mean that it is difficult to predict the resolution of the matter including timing or the significance of the possible impact. These uncertainties mean it is not currently practicable to make a reliable assessment of the size of any related potential liability.

SCUK - Motor Finance Broker Commissions
As set out in Note 27, Santander UK has recognised a provision for historical motor finance commission payments. There continue to be significant uncertainties as to the extent of any misconduct, if any, as well as the perimeter of commission models, and the nature, extent and timing of any remediation action if required. As such, the ultimate financial impact could be materially higher or lower than the amount provided and it is not practicable to quantify the extent of any remaining contingent liability.

Other
In 2016, Visa Europe Ltd was sold to Visa Inc. As a member and shareholder of Visa Europe Ltd, Santander UK received upfront consideration made up of cash and convertible preferred stock. The convertible preferred stock is now held by Santander Equity Investments Limited (SEIL), outside the ring-fenced bank. Conversion of the preferred stock into Class A Common Stock of Visa Inc. depends on the outcome of litigation against Visa involving UK & Ireland multilateral interchange fees (UK&I MIFs).

In addition, Santander UK and certain other UK&I banks have agreed to indemnify Visa Inc. in the event that the preferred stock is insufficient to meet the costs of this litigation. Visa Inc. has recourse to this indemnity once more than €1bn of losses relating to UK&I MIFs have arisen or once the total value of the preferred stock issued on closing has been reduced to nil. Santander UK's liability under this indemnity is capped at €40m. At this stage, it is unclear whether the litigation will give rise to more than €1bn of losses relating to UK&I MIFs, which means it is difficult to predict whether the indemnity would be called upon, or the timing or significance of any potential impact.

As part of the sale of subsidiaries, businesses and other entities, and as is normal in such circumstances, Santander UK plc (and/or, where relevant, its subsidiaries) has given warranties and/or indemnities to the purchasers.

Obligations under stock borrowing and lending agreements
Obligations under stock borrowing and lending agreements represent contractual commitments to return stock borrowed. These obligations are offset by a contractual right to receive stock under other contractual agreements. See Note 34.

Other off-balance sheet commitments
The Santander UK group has commitments to lend at fixed interest rates which expose us to interest rate risk. For further information, see the Risk review.

Capital support arrangements
At 31 December 2024, Santander UK plc, Cater Allen Limited, Santander ISA Managers Limited and certain other non-regulated subsidiaries of Santander UK plc were party to a capital support deed dated 3 December 2024 which was effective from 3 December 2024 (the RFB Sub-Group Capital Support Deed). These parties were permitted by the PRA to form a core UK group as defined in the PRA Rulebook, a permission which expires on 3 December 2027. Exposures of each of the regulated entities to other members of the core UK group are exempt from large exposure limits that would otherwise apply and these exposures are risk-weighted at 0%. Where applicable this permission also provides for intra-group exposures to be excluded from the leverage exposure measure. The purpose of the RFB Sub-Group Capital Support Deed is to facilitate the prompt transfer of available capital resources from, or repayment of liabilities by, the non-regulated entities to any of the regulated entities in the event that one of the regulated entities breached or was at risk of breaching its capital resources or risk concentrations requirements.

Liquidity support arrangement
Under the PRA's liquidity rules, Santander UK plc and its subsidiary Cater Allen Limited form the RFB Domestic Liquidity Sub-group (the RFB DoLSub), which allows them to collectively meet regulatory requirements to manage liquidity risk. Each member of the RFB DoLSub will support the other by transferring surplus liquidity in times of stress.

31. SHARE CAPITAL

	Group and Company		
	Ordinary shares of £0.10 each		Total
Issued and fully paid share capital	No.	£m	£m
At 31 December 2023, 1 January 2024 and 31 December 2024	**31,051,768,866**	**3,105**	**3,105**

	Group and Company	
	2024	2023
Share premium	£m	£m
At 1 January and 31 December	**5,620**	5,620

The Company has one class of ordinary shares which carries no right to fixed income. The Company's £325m sterling preference shares are classified as Subordinated Liabilities as described in Note 29.

32. OTHER EQUITY INSTRUMENTS

			Group and Company	
	Interest rate		2024	2023
	%	Next call date	£m	£m
AT1 securities:				
- £500m Perpetual Capital Securities	6.75	June 2024	—	496
- £500m Perpetual Capital Securities	6.30	March 2025	**500**	500
- £210m Perpetual Capital Securities	4.25	March 2026	**210**	210
- £750m Perpetual Capital Securities	6.50	June 2027	**750**	750
- £400m Perpetual Capital Securities	8.75	Sept 2029	**400**	—
			1,860	1,956

AT1 securities
The AT1 securities issued by the Company were subscribed for by its immediate parent company, Santander UK Group Holdings plc. The AT1 securities are perpetual and pay a quarterly distribution. At each distribution payment date, the Company can decide whether to pay the distribution, which is non-cumulative, in whole or in part. The distribution rate resets every five years. The securities will be automatically written down and the investors will lose their entire investment in the securities should the CET1 capital ratio of the Santander UK prudential consolidation group, or the Company (calculated on a solo basis), fall below 7%.

All AT1 securities are redeemable at the option of the Company, and only with the consent of the PRA.

33. NOTES TO CASH FLOWS

Changes in liabilities and equity arising from financing activities
The table below shows the changes in liabilities arising from financing activities. The changes in equity arising from financing activities are set out in the Consolidated Statement of Changes in Equity.

	Balance sheet line item					Group
	Debt securities in issue	Subordinated liabilities	Other equity instruments	Lease liabilities	Dividends paid	Total
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January	**33,910**	**2,386**	**1,956**	**111**	**—**	**38,363**
Proceeds from issue of debt securities	**8,397**	**—**	**—**	**—**	**—**	**8,397**
Repayment of debt securities	**(6,539)**	**—**	**—**	**—**	**—**	**(6,539)**
Issue of other equity instruments	**—**	**—**	**400**	**—**	**—**	**400**
Repurchase of other equity instruments	**—**	**—**	**(500)**	**—**	**—**	**(500)**
Principal elements of lease payments	**—**	**—**	**—**	**(33)**	**—**	**(33)**
Dividends paid	**—**	**—**	**—**	**—**	**(1,440)**	**(1,440)**
Liability-related other changes	**283**	**1**	**—**	**10**	**—**	**294**
Non-cash changes:						
– Unrealised foreign exchange	**(395)**	**3**	**—**	**—**	**—**	**(392)**
– Other changes	**17**	**(5)**	**4**	**—**	**—**	**16**
At 31 December	**35,673**	**2,385**	**1,860**	**88**	**(1,440)**	**38,566**
2023						
At 1 January	31,531	2,332	1,956	125	—	35,944
Proceeds from issue of debt securities	4,208	—	—	—	—	4,208
Repayment of debt securities	(2,568)	—	—	—	—	(2,568)
Proceeds from issue of subordinated liabilities	—	1,050	—	—	—	1,050
Repayment of subordinated liabilities	—	(971)	—	—	—	(971)
Principal elements of lease payments	—	—	—	(47)	—	(47)
Dividends paid	—	—	—	—	(1,653)	(1,653)
Liability-related other changes	1,004	25	—	33	—	1,062
Non-cash changes:						
– Unrealised foreign exchange	(651)	(22)	—	—	—	(673)
– Other changes	386	(28)	—	—	1,653	2,011
At 31 December	33,910	2,386	1,956	111	—	38,363
2022						
At 1 January	25,520	2,228	2,191	132	—	30,071
Proceeds from issue of debt securities	4,778	—	—	—	—	4,778
Repayment of debt securities	(3,036)	—	—	—	—	(3,036)
Repayment of subordinated liabilities	—	(40)	—	—	—	(40)
Issue of other equity instruments	—	—	750	—	—	750
Repurchase of other equity instruments	—	—	(985)	—	—	(985)
Principal elements of lease payments	—	—	—	(26)	—	(26)
Dividends paid	—	—	—	—	(1,164)	(1,164)
Liability-related other changes	3,155	2	—	19	—	3,176
Non-cash changes:						
– Unrealised foreign exchange	1,554	87	—	—	—	1,641
– Other changes	(440)	55	—	—	1,164	779
At 31 December	31,531	2,332	1,956	125	—	35,944

2024	Debt securities in issue £m	Subordinated liabilities £m	Other equity instruments £m	Lease liabilities £m	Dividends paid £m	Company Total £m
	Balance sheet line item					
At 1 January	**31,228**	**2,387**	**1,956**	**100**	—	**35,671**
Proceeds from issue of debt securities	**7,147**	—	—	—	—	**7,147**
Repayment of debt securities	**(6,439)**	—	—	—	—	**(6,439)**
Issue of other equity instruments	—	—	**400**	—	—	**400**
Repurchase of other equity instruments	—	—	**(500)**	—	—	**(500)**
Principal elements of lease payments	—	—	—	**(31)**	—	**(31)**
Dividends paid	—	—	—	—	**(1,440)**	**(1,440)**
Liability-related other changes	**276**	**1**	—	**10**	—	**287**
Non-cash changes:						
– Unrealised foreign exchange	**(395)**	**3**	—	—	—	**(392)**
– Other changes	**16**	**(5)**	**4**	—	—	**15**
At 31 December	**31,833**	**2,386**	**1,860**	**79**	**(1,440)**	**34,718**
2023						
At 1 January	30,721	2,336	1,956	115	—	35,128
Proceeds from issue of debt securities	2,158	—	—	—	—	2,158
Repayment of debt securities	(2,282)	—	—	—	—	(2,282)
Proceeds from issue of subordinated liabilities	—	1,050	—	—	—	1,050
Repayment of subordinated liabilities	—	(971)	—	—	—	(971)
Principal elements of lease payments	—	—	—	(45)	—	(45)
Dividends paid	—	—	—	—	(1,653)	(1,653)
Liability-related other changes	990	25	—	30	—	1,045
Non-cash changes:						
– Unrealised foreign exchange	(651)	(22)	—	—	—	(673)
– Other changes	292	(31)	—	—	1,653	1,914
At 31 December	31,228	2,387	1,956	100	—	35,671
2022						
At 1 January	24,554	2,233	2,191	122	—	29,100
Proceeds from issue of debt securities	4,178	—	—	—	—	4,178
Repayment of debt securities	(2,596)	—	—	—	—	(2,596)
Repayment of subordinated liabilities	—	(40)	—	—	—	(40)
Issue of other equity instruments	—	—	750	—	—	750
Repurchase of other equity instruments	—	—	(985)	—	—	(985)
Principal elements of lease payments	—	—	—	(24)	—	(24)
Dividends paid	—	—	—	—	(1,164)	(1,164)
Liability-related other changes	3,155	2	—	17	—	3,174
Non-cash changes:						
– Unrealised foreign exchange	1,577	87	—	—	—	1,664
– Other changes	(147)	54	—	—	1,164	1,071
At 31 December	30,721	2,336	1,956	115	—	35,128

Footnotes to the consolidated cash flow statement
Net cash flows from operating activities includes interest received of £12,370m (2023: £11,395m, 2022: £6,508m), interest paid of £8,033m (2023: £6,326m, 2022: £2,089m) and dividends received of £nil (2023: £nil, 2022: £nil).

Total cash outflow for leases was £36m (2023: £50m, 2022: £28m).

Footnotes to the Company cash flow statement
Net cash flows from operating activities includes interest received of £12,975m (2023: £11,828m, 2022: £6,605m), interest paid of £7,931m (2023: £6,327m, 2022: £2,301m) and dividends received of £240m (2023: £420m, 2022: £548m).

Total cash outflow for leases was £34m (2023: £47m, 2022: £26m).

34. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

a) Assets charged as security for liabilities
The financial assets below are analysed between those assets accounted for on-balance sheet and off-balance sheet.

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
On-balance sheet:				
Cash and balances at central banks	**1,580**	1,480	**1,580**	1,480
Loans and advances to banks	**139**	191	**139**	189
Loans and advances to customers - securitisations and covered bonds (See Note 14)	**32,721**	27,088	**—**	—
Loans and advances to customers - other	**14,846**	20,699	**14,846**	20,699
Other financial assets at amortised cost	**1,529**	14	**1,529**	14
Financial assets at fair value through other comprehensive income	**4,504**	5,183	**4,504**	5,183
Total on-balance sheet	**55,319**	54,655	**22,598**	27,565
Total off-balance sheet	**9,564**	10,185	**9,564**	10,185

Santander UK provides assets as collateral in the following areas of the business.

Sale and repurchase agreements
Santander UK also enters into sale and repurchase agreements and similar transactions of debt securities. Upon entering into such transactions, Santander UK provides collateral in excess of the borrowed amount. The carrying amount of assets that were so provided at 31 December 2024 was £16,987m (2023: £13,291m), of which £2,472m (2023: £909m) was classified in 'Loans and advances to customers – securitisations and covered bonds' in the table above.

Securitisations and covered bonds
As described in Note 14, Santander UK plc and certain of its subsidiaries issue securitisations and covered bonds through or involving structured entities. At 31 December 2024, there were £33,905m (2023: £27,927m) of gross assets in these secured programmes and £1,184m (2023: £839m) of these related to internally retained issuances that were available for use as collateral for liquidity purposes in the future.

At 31 December 2024, £3,003m (2023: £2,928m) of notes issued under securitisation and covered bond programmes had been retained internally, a proportion of which had been used as collateral via third party bilateral secured funding transactions, which totalled £1,500m at 31 December 2024 (2023: £1,500m), or for use as collateral for liquidity purposes in the future.

Stock borrowing and lending agreements
Asset balances under stock borrowing and lending agreements represent stock lent by Santander UK. These balances amounted to £15,860m at 31 December 2024 (2023: £23,644m) and are offset by contractual commitments to return stock borrowed or cash received.

Derivatives and other business
In addition to the arrangements described above, collateral is also provided in the normal course of derivative business to counterparties. At 31 December 2024, £1,787m (2023: £1,726m) of such collateral in the form of cash had been provided by Santander UK and is included in the table.

b) Collateral accepted as security for assets
The collateral held as security for assets, analysed between those liabilities accounted for on balance sheet and off-balance sheet, was:

	Group		Company	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
On-balance sheet:				
Deposits by banks	**682**	860	**682**	860
Total on-balance sheet	**682**	860	**682**	860
Total off-balance sheet	**14,392**	14,992	**14,392**	14,992

Purchase and resale agreements
Santander UK also enters into purchase and resale agreements and similar transactions of debt securities. Upon entering into such transactions, Santander UK receives collateral in excess of the loan amount. The level of collateral held is monitored daily and if required, further calls are made to ensure the market values of collateral remains at least equal to the loan balance. The subsidiaries are permitted to sell or repledge the collateral held in the absence of default. At 31 December 2024, the fair value of such collateral received was £13,221m (2023: £12,982m). Of the collateral received, almost all was sold or repledged. The subsidiaries have an obligation to return collateral that they have sold or pledged.

Stock borrowing and lending agreements
Obligations representing contractual commitments to return stock borrowed by the Santander UK group amounted to £1,171m at 31 December 2024 (2023: £2,010m) and are offset by a contractual right to receive stock lent.

Derivatives business
In addition to the arrangements described, collateral is also received from counterparties in the normal course of derivative business. At 31 December 2024, £682m (2023: £860m) of such collateral in the form of cash had been received by Santander UK and is included in the table.

Lending activities
In addition to the collateral held as security for assets, the Santander UK group may obtain a charge over a customer's property in connection with its lending activities. Details of these arrangements are set out in the 'Credit risk' section of the Risk review.

35. SHARE-BASED COMPENSATION

The Santander UK group operates share schemes and arrangements for eligible employees. The main current schemes are the Sharesave Schemes, the Deferred Shares Bonus Plan, the Partnership Shares scheme and the Transformation Incentive Plan. All the share options and awards relate to shares in Banco Santander SA.

The amount charged to the income statement in respect of share-based payment transactions is set out in Note 6.

At 31 December 2024, the carrying amount of liabilities arising from share-based payment transactions, excluding any cash element was £24m (2023: £15m), of which £1m had vested at 31 December 2024 (2023: £1m).

a) Sharesave Schemes

The Santander UK group launched its sixteenth HM Revenue & Customs approved Sharesave invitation under Banco Santander SA sponsorship in September 2024. Sharesave invitations have been offered since 2008 under broadly similar terms. Under the Sharesave Scheme's HMRC-approved savings limits, eligible employees may enter into contracts to save between £5 and £500 per month. For all schemes, at the end of a fixed term of three or five years after the grant date, the employees can use these savings to buy shares in Banco Santander SA at a discount, calculated in accordance with the rules of the scheme. The option price is calculated as the average middle market quoted price of Banco Santander SA shares over the first three dealing days prior to invitation and, for schemes up to and including 2023, discounted by up to 20%. This year, a 10% discount was applied. The vesting of awards under the scheme depends on continued employment with the Banco Santander group. Participants in the scheme have six months from the date of vesting to exercise the option.
The table below summarises movements in the number of options, and changes in weighted average exercise price over the same period.

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	'000	£	'000	£
Outstanding at 1 January	**27,139**	**2.19**	29,988	2.00
Granted	**4,991**	**3.36**	7,175	2.78
Exercised	**(4,004)**	**2.29**	(5,980)	1.70
Forfeited/expired	**(2,437)**	**2.37**	(4,044)	2.53
Outstanding at 31 December	**25,689**	**2.39**	27,139	2.19
Exercisable at 31 December	**1,115**	**2.36**	868	1.84

The weighted average share price at the date the options were exercised was £3.64 (2023: £3.22).

The following table summarises the range of exercise prices and weighted average remaining contractual life of the options at 31 December 2024 and 2023.

	2024		2023	
	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price
Range of exercise prices	Years	£	Years	£
£1 to £2	**2**	**1.85**	3	1.84
£2 to £3	**2**	**2.71**	3	2.65
£3 to £4	**4**	**3.36**	0	3.46
£4 to £5	**0**	**—**	0	—

The fair value of each option at the date of grant is estimated using an analytical model that also reflects the correlation between EUR and GBP. This model uses assumptions on the share price, the EUR/GBP FX rate, the EUR/GBP risk-free interest rate, dividend yields, the expected volatilities of both the underlying shares and EUR/GBP for the expected lives of options granted. The weighted average grant-date fair value of options granted during the year was £0.23 (2023: £0.33).

b) Deferred shares bonus plan

Deferred bonus awards are designed to align employee performance with shareholder value and encourage increased retention of senior employees. Those employees who are designated as Material Risk Takers receive part of their annual bonus as a deferred award comprising 50% in shares and 50% in cash. Either 40% (for any variable pay award of less than £500,000) or 60% (for any variable pay award greater than £500,000) is deferred over a four-, five- or seven- year period from the anniversary of the initial award. Deferred bonus awards in shares or share options are subject to an additional one-year retention period from the point of delivery. Any deferred awards are dependent on continued employment and subject to Santander UK's discretion, and the vesting of deferred bonus awards is subject to potential performance adjustment.

c) Partnership Shares scheme

A Partnership Shares scheme is operated for eligible employees under the Share Incentive Plan (SIP) umbrella. Participants can choose to invest up to £1,800 per tax year (or no more than 10% of an employee's salary for the tax year) from pre-tax salary to buy Banco Santander SA shares. Shares are held in trust for the participants. There are no vesting conditions attached to these shares, and no restrictions as to when the shares can be removed from the trust. However, if a participant chooses to sell the shares before the end of five years, they will be liable for the taxable benefit received when the shares are taken out of the trust. The shares can be released from trust after five years free of income tax and national insurance contributions. At 31 December 2024, 3,662,718 shares were outstanding (2023: 3,937,473 shares).

d) Transformation Incentive Plan

Awards under this one-off long-term incentive plan were granted in 2021, 2022 and 2023 with performance assessed over the period 1 January 2021 to 31 December 2023. Awards for Material Risk Takers were granted half in cash and half in share based awards (linked to the Banco Santander SA share price), and will vest in accordance with regulatory requirements. The liability arising from share-based payment transactions, excluding any cash element was £5.2m (2023: £3.8m).

36. TRANSACTIONS WITH DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a) Remuneration of Directors and Other Key Management Personnel
The remuneration of the Directors and Other Key Management Personnel (KMP) of the Santander UK group is set out in aggregate below.

Directors' remuneration	2024 £	2023 £	2022 £
Salaries and fees	**4,879,413**	4,733,761	4,696,699
Performance-related payments	**2,871,476**	1,002,607	3,701,569
Other fixed remuneration (pension and other allowances & non-cash benefits)[2]	**516,442**	222,538	906,201
Expenses	**—**	—	27,715
Total remuneration	**8,267,331**	5,958,906	9,332,184
Compensation for loss of office[1]	**—**	—	172,856

Directors' and Other Key Management Personnel compensation	2024 £	2023 £	2022 £
Short-term employee benefits	**21,742,485**	18,449,360	22,627,595
Post-employment benefits	**868,368**	858,437	1,026,848
Compensation for loss of office[1]	**—**	—	1,713,256
Total compensation	**22,610,853**	19,307,797	25,367,699

(1) During 2024 and 2023, no compensation for loss of office was paid to Directors or Other KMPs (2022: two Directors, £172,856 and three Other KMPs, £1,540,400).
(2) Included in Other fixed remuneration is an employer pension contribution to a defined contribution scheme of £122,915 (2023: £nil).

In 2024, the remuneration, excluding pension contributions, of the highest paid Director, was £3,160,709 (2023: £2,640,491, 2022: £3,510,441) of which £1,431,612 (2023: £1,002,607, 2022: £1,900,506) was performance related. In 2024, the accrued defined benefit pension relating to the highest paid director was £nil (2023: £nil, 2022: £nil for a different individual) per annum.

b) Retirement benefits
Defined benefit pension schemes are provided to certain employees. See Note 28 for details of the schemes and the related costs and obligations. No director has a deferred pension benefit accruing under a defined benefit scheme. Ex-gratia pensions paid to former Directors of Santander UK plc in 2024, which have been provided for previously, amounted to £430,904 (2023: £327,462; 2022: £379,945). Since the Company became part of the Banco Santander group, the Board has not awarded any new ex-gratia pensions.

c) Transactions with Directors, Other Key Management Personnel and each of their connected persons
Directors, Other KMP (defined as the Executive Committee of Santander UK plc who served during the year) and their connected persons have undertaken the following transactions with the Santander UK group in the ordinary course of business.

	2024		2023	
	No.	£000	No.	£000
Secured loans, unsecured loans and overdrafts				
At 1 January	**8**	**1,075**	10	871
Net movements	**2**	**(79)**	(2)	204
At 31 December	**10**	**996**	8	1,075
Deposit, bank and instant access accounts and investments				
At 1 January	**17**	**1,702**	23	4,133
Net movements	**2**	**78**	(6)	(2,431)
At 31 December	**19**	**1,780**	17	1,702

In 2024 and 2023, no Director held any interest in the shares of any company in the Santander UK group and no Director exercised or was granted any rights to subscribe for shares in any company in the Santander UK group. In addition, in 2024 and 2023, no Directors exercised share options over shares in Banco Santander SA, the ultimate parent company of the Company.

Secured loans, unsecured loans and overdrafts are made to Directors, Other KMP and their connected persons, in the ordinary course of business, with terms prevailing for comparable transactions and on the same terms and conditions as applicable to other employees in the Santander UK group. Such loans do not involve more than the normal risk of collectability or present any unfavourable features. Amounts deposited by Directors, Other KMP and their connected persons earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees in the Santander UK group. Deposits, bank and instant access accounts and investments are entered into by Directors, Other KMP and their connected persons on normal market terms and conditions, or on the same terms and conditions as applicable to other employees in Santander UK group.

In 2024 two Directors had loans (2023: two Directors), with a principal amount of £180,000 outstanding at 31 December 2024 (2023: £495,281). In 2024, two Other KMPs had loans (2023: six), with a principal amount of £781,285 outstanding at 31 December 2024 (2023: £579,383).

In 2024 and 2023, there were no other transactions, arrangements or agreements with Santander UK in which Directors, Other KMP or their connected persons had a material interest. In addition, in 2024 and 2023, no Director had a material interest in any contract of significance with Santander UK other than a service contract or appointment letter, as appropriate.

37. RELATED PARTY DISCLOSURES

a) Parent undertaking and controlling party
The Company's immediate parent is Santander UK Group Holdings plc, a company incorporated in England and Wales. Its ultimate parent and controlling party is Banco Santander SA, a company incorporated in Spain. The smallest and largest groups into which the Santander UK group's results are included are the group accounts of Santander UK Group Holdings plc and Banco Santander SA respectively, copies of which may be obtained from Shareholder Relations, 2 Triton Square, Regent's Place, London NW1 3AN, on the corporate website (aboutsantander.co.uk) or on the Banco Santander corporate website (santander.com).

b) Transactions with related parties
Transactions with related parties during the year and balances outstanding at the year-end:

										Group
	Interest, fees and other income received			Interest, fees and other expenses paid			Amounts owed by related parties		Amounts owed to related parties	
	2024	2023	2022	**2024**	2023	2022	**2024**	2023	**2024**	2023
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	**£m**	£m
Ultimate parent	**(23)**	(8)	(710)	**138**	414	47	**587**	800	**(944)**	(1,062)
Immediate parent	**(7)**	(7)	(6)	**526**	504	308	**—**	—	**(12,392)**	(13,279)
Fellow subsidiaries	**(42)**	(38)	(69)	**228**	203	177	**68**	101	**(346)**	(370)
Joint ventures	**(258)**	(183)	(76)	**84**	55	17	**4,812**	4,486	**(1,567)**	(781)
	(330)	(236)	(861)	**976**	1,176	549	**5,467**	5,387	**(15,249)**	(15,492)

										Company
	Interest, fees and other income received			Interest, fees and other expenses paid			Amounts owed by related parties		Amounts owed to related parties	
	2024	2023	2022	**2024**	2023	2022	**2024**	2023	**2024**	2023
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	**£m**	£m
Ultimate parent	**(12)**	(8)	(689)	**127**	414	28	**587**	800	**(944)**	(1,062)
Immediate parent	**(7)**	(7)	(6)	**526**	504	308	**—**	—	**(12,392)**	(13,279)
Subsidiaries	**(1,311)**	(1,014)	(514)	**2,535**	1,359	782	**30,090**	27,686	**(34,274)**	(28,968)
Fellow subsidiaries	**(37)**	(33)	(67)	**221**	197	172	**60**	101	**(345)**	(369)
Joint ventures	**—**	—	—	**1**	1	—	**1**	1	**(117)**	(31)
	(1,367)	(1,062)	(1,276)	**3,410**	2,475	1,290	**30,738**	28,588	**(48,072)**	(43,709)

For more on this, see 'Balances with other Banco Santander group members' in the Risk review, Note 13. Loans and advances to customers, Note 22. Deposits by customers and Note 32. Other Equity Instruments. In addition, transactions with pension schemes operated by the Santander UK group are described in Note 28.

The above transactions were made in the ordinary course of business, on substantially the same terms as for comparable transactions with third party counterparties, and within limits acceptable to the PRA. Such transactions do not involve more than the normal risk of collectability or present any unfavourable features.

In November 2022, Santander (UK) Group Pension Scheme Trustees Limited entered into an unsecured committed liquidity facility with Santander UK plc for £600m for a two year period. On expiry, a new liquidity facility agreement was entered into for £300m with a maturity date of 4 November 2026. This facility provides an alternate source of short-term liquidity for day-to-day operational needs. At the balance sheet date, no drawings had been made from this facility and the entire facility remained undrawn.

38. FINANCIAL INSTRUMENTS

a) Fair value measurement and hierarchy
(i) Fair value measurement
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which Santander UK has access at that date. The fair value of a liability reflects its non-performance risk.

Financial instruments valued using observable market prices
If a quoted market price in an active market is available for an instrument, the fair value is calculated as the current exit price multiplied by the number of units of the instrument held.

Financial instruments valued using a valuation technique
In the absence of a quoted market price in an active market, management uses internal models to make its best estimate of the price that the market would set for that financial instrument. In order to make these estimations, various techniques are employed, including extrapolation from observable market data and observation of similar financial instruments with similar characteristics. Wherever possible, valuation parameters for each product are based on prices directly observable in active markets or that can be derived from directly observable market prices. Chosen valuation techniques incorporate all the factors that market participants would take into account in pricing transactions.

Santander UK manages certain groups of financial assets and liabilities on the basis of its net exposure to either market risks or credit risk. As a result, it has elected to use the exception under IFRS 13 which permits the fair value measurement of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions.

(ii) Fair value hierarchy
Santander UK applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three categories are: quoted prices in active markets (Level 1), internal models based on observable market data (Level 2) and internal models based on other than observable market data (Level 3). If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

Santander UK categorises assets and liabilities measured at fair value within the fair value hierarchy based on the inputs to the valuation techniques as follows:

Level 1	Unadjusted quoted prices for identical assets or liabilities in an active market that Santander UK can access at the measurement date. Active markets are assessed by reference to average daily trading volumes in absolute terms and, where applicable, by reference to market capitalisation for the instrument.
Level 2	Quoted prices in inactive markets, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.
Level 3	Significant inputs to the pricing or valuation techniques are unobservable. These unobservable inputs reflect the assumptions that market participants would use when pricing assets or liabilities and are considered significant to the overall valuation.

Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Santander UK group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques at the end of the reporting period.

b) Valuation techniques
The main valuation techniques employed in internal models to measure the fair value of the financial instruments at 31 December 2024 and 2023 are set out below. In substantially all cases, the principal inputs into these models are derived from observable market data. Santander UK did not make any material changes to the valuation techniques and internal models it used in 2024, 2023 and 2022.

A. In the valuation of financial instruments requiring static hedging (for example interest rate, currency derivatives and property derivatives) and in the valuation of loans and advances and deposits, the 'present value' method is used. Expected future cash flows are discounted using the interest rate curves of the applicable currencies or forward house price index levels, as well as credit spreads. The interest rate curves are generally observable market data and reference yield curves derived from quoted interest rates in appropriate time bandings, which match the timings of the cash flows and maturities of the instruments.

B. In the valuation of equity financial instruments requiring dynamic hedging (principally equity securities, options and other structured instruments), proprietary local volatility and stochastic volatility models are used. These types of models are widely accepted in the financial services industry. Observable market inputs used in these models include the bid-offer spread, foreign currency exchange rates, volatility and correlation between indices. In limited circumstances, other inputs may be used in these models that are based on unobservable market data, such as the Halifax's UK HPI volatility, HPI forward growth, HPI spot rate, mortality and mean reversion.

C. In the valuation of financial instruments exposed to interest rate risk that require either static or dynamic hedging (such as interest rate swaps, caps and floors), the present value method (swaps), and Black's model (caps/floors) are used. These types of models are widely accepted in the financial services industry. The significant inputs used in these models are observable market data, including appropriate interest rate curves, volatilities, correlations and exchange rates. In limited circumstances, other inputs may be used in these models that are based on unobservable market data, such as HPI volatility, HPI forward growth, HPI spot rate and mortality.

D. In the valuation of linear instruments such as credit risk and fixed-income derivatives, credit risk is measured using dynamic models similar to those used in the measurement of interest rate risk. In the case of non-linear instruments, if the portfolio is exposed to credit risk such as credit derivatives, the probability of default is determined using the credit default spread market. The main inputs used to determine the underlying cost of credit of credit derivatives are quoted credit risk premiums and the correlation between the quoted credit derivatives of various issuers.

The fair values of the financial instruments arising from Santander UK's internal models take into account, among other things, contract terms and observable market data, which include such factors as bid-offer spread, interest rates, credit risk, exchange rates, the quoted market price of equity securities, and volatility. In all cases, when it is not possible to derive a valuation for a particular feature of an instrument, management uses judgement to determine the fair value of the particular feature. In exercising this judgement, a variety of tools are used including proxy observable data, historical data and extrapolation techniques. Extrapolation techniques take into account behavioural characteristics of equity markets that have been observed over time, and for which there is a strong case to support an expectation of a continuing trend in the future. Estimates are calibrated to observable market prices when they become available.

Santander UK believes its valuation methods are appropriate and consistent with other market participants. Nevertheless, the use of different valuation methods or assumptions, including imprecision in estimating unobservable market inputs, to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date and the amount of gain or loss recorded for a particular instrument. Most of the valuation models are not significantly subjective, because they can be tested and, if necessary, recalibrated by the internal calculation of and subsequent comparison to market prices of actively traded securities, where available.

c) Control framework
Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk-taker. To this end, ultimate responsibility for the determination of fair values lies with the Risk Department. For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or verification is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, Santander UK will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

The factors that are considered in this regard include:

- The extent to which prices may be expected to represent genuine traded or tradeable prices
- The degree of similarity between financial instruments
- The degree of consistency between different sources
- The process followed by the pricing provider to derive the data
- The elapsed time between the date to which the market data relates and the balance sheet date
- The manner in which the data was sourced.

The source of pricing data is considered as part of the process that determines the classification of the level of a financial instrument. Consideration is given to the quality of the information available that provides the current mark-to-model valuation and estimates of how different these valuations could be on an actual trade, taking into consideration how active the market is. For spot assets that cannot be sold due to illiquidity, forward estimates are discounted to estimate a realisable value over time. Adjustments for illiquid positions are regularly reviewed to reflect changing market conditions.

For fair values determined using a valuation model, the control framework may include as applicable, independent development and / or validation of: (i) the logic within the models; (ii) the inputs to those models; and (iii) any adjustments required outside the models. Internal valuation models are validated independently within the Risk Department. A validation report is produced for each model-derived valuation that assesses the mathematical assumptions behind the model, the implementation of the model and its integration within the trading system.

d) Fair values of financial instruments carried at amortised cost
The following tables analyse the fair value of the financial instruments carried at amortised cost at 31 December 2024 and 2023, including their levels in the fair value hierarchy - Level 1, Level 2 and Level 3. Cash and balances at central banks, which consist of demand deposits with the Bank of England, together with cash in tills and ATMs, have been excluded from the table as the carrying amount is deemed an appropriate approximation of fair value.

	2024					2023				Group
	Fair value			Fair	Carrying	Fair value			Fair	Carrying
	Level 1	Level 2	Level 3	value	value	Level 1	Level 2	Level 3	value	value
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets										
Loans and advances to customers	—	—	**198,376**	**198,376**	**199,408**	—	—	205,917	205,917	207,435
Loans and advances to banks	—	**1,032**	—	**1,032**	**1,032**	—	1,080	—	1,080	1,080
Reverse repurchase agreements - non-trading	—	**10,342**	—	**10,342**	**10,338**	—	12,470	—	12,470	12,468
Other financial assets at amortised cost	**3,190**	—	—	**3,190**	**3,408**	144	—	—	144	152
	3,190	**11,374**	**198,376**	**212,940**	**214,186**	144	13,550	205,917	219,611	221,135
Liabilities										
Deposits by customers	—	**185**	**180,282**	**180,467**	**180,967**	—	71	190,561	190,632	190,850
Deposits by banks	—	**13,934**	**39**	**13,973**	**13,993**	—	20,342	40	20,382	20,332
Repurchase agreements - non-trading	—	**8,622**	—	**8,622**	**8,617**	—	8,413	—	8,413	8,411
Debt securities in issue	**21,173**	**12,910**	**1,771**	**35,854**	**35,673**	1,689	30,743	1,189	33,621	33,910
Subordinated liabilities	**1,129**	**10**	**1,622**	**2,761**	**2,385**	—	2,591	209	2,800	2,386
	22,302	**35,661**	**183,714**	**241,677**	**241,635**	1,689	62,160	191,999	255,848	255,889

	2024					2023				Company
				Fair value	Carrying	Fair value				Carrying
	Level 1	Level 2	Level 3	Fair value	value	Level 1	Level 2	Level 3	Fair value	value
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets										
Loans and advances to customers	—	—	**216,851**	**216,851**	**217,780**	—	—	222,208	222,208	223,511
Loans and advances to banks	—	**926**	—	**926**	**926**	—	1,052	—	1,052	1,052
Reverse repurchase agreements - non-trading	—	**10,342**	—	**10,342**	**10,338**	—	12,470	—	12,470	12,468
Other financial assets at amortised cost	**3,190**	**1,977**	—	**5,167**	**5,206**	144	1,681	—	1,825	1,833
	3,190	**13,245**	**216,851**	**233,286**	**234,250**	144	15,203	222,208	237,555	238,864
Liabilities										
Deposits by customers	—	**185**	**200,530**	**200,715**	**201,215**	—	71	207,216	207,287	207,516
Deposits by banks	—	**13,922**	**5,579**	**19,501**	**19,521**	—	20,326	5,424	25,750	25,699
Repurchase agreements - non-trading	—	**8,621**	—	**8,621**	**8,617**	—	8,413	—	8,413	8,411
Debt securities in issue	**17,870**	**12,846**	**1,379**	**32,095**	**31,833**	999	29,181	841	31,021	31,228
Subordinated liabilities	**1,129**	**10**	**1,598**	**2,737**	**2,386**	—	2,592	209	2,801	2,387
	18,999	**35,584**	**209,086**	**263,669**	**263,572**	999	60,583	213,690	275,272	275,241

The carrying value above of any financial assets and liabilities that are designated as hedged items in a portfolio (or macro) fair value hedge relationship excludes gains and losses attributable to the hedged risk, as this is included as a separate line item on the balance sheet.

Valuation methodology for financial instruments carried at amortised cost
The valuation approach to specific categories of financial instruments is described below.

Assets:
Loans and advances to customers
The approach to estimating the fair value of loans and advances to customers has been determined by discounting expected cash flows to reflect either current market rates or credit spreads relevant to the specific industry of the borrower. The determination of their fair values is an area of considerable estimation and uncertainty as there is no observable market and values are significantly affected by customer behaviour.

i) Advances secured on residential property
The fair value of the mortgage portfolio is calculated by discounting contractual cash flows by different spreads for each LTV Band, after taking account of expected customer prepayment rates. The spread is based on new business interest rates derived from publicly available competitor market information.

ii) Corporate loans
The determination of the fair values of performing loans is calculated by discounting the contractual cash flows and also deducting other costs relating to expected credit losses, cost of capital, credit risk capital, operational risk capital, cost of funding and operating costs.

iii) Other loans
These consist of unsecured personal loans, credit cards, overdrafts and consumer (auto) finance. The weighted average lives of these portfolios are typically short and relate to relatively new business. For unsecured personal loans and consumer (auto) finance loans, a small surplus or deficit has been recognised based on the differential between existing portfolio margins and the current contractual interest rates.

Loans and advances to banks
These comprise secured loans, short-term placements with banks including collateral and unsettled financial transactions. The secured loans have been valued based on a discounted spread for the term of the loans using valuation technique A as described above. The carrying amount of the other items is deemed a reasonable approximation of their fair value, as the transactions are very short-term in duration.

Reverse repurchase agreements - non-trading
The fair value of the reverse repurchase agreements - non trading has been estimated using valuation technique A as described above, using a spread appropriate to the underlying collateral.

Other financial assets at amortised cost
These consist of asset backed securities and debt securities. The asset backed securities can be complex products and in some instances are valued with the assistance of an independent, specialist valuation firm. These fair values are determined using industry-standard valuation techniques, including discounted cash flow models. The inputs to these models used in these valuation techniques include quotes from market makers, prices of similar assets, adjustments for differences in credit spreads, and additional quantitative and qualitative research. The debt security investments consist of a portfolio of government debt securities. The fair value of this portfolio has been determined using quoted market prices.

Liabilities:
Deposits by customers
The majority of deposit liabilities are payable on demand and therefore can be deemed short-term in nature with the fair value equal to the carrying value. Certain of the deposit liabilities are at a fixed rate until maturity. The deficit/surplus of fair value over carrying value of these liabilities has been estimated by reference to the market rates available at the balance sheet date for similar deposit liabilities of similar maturities. The fair value of such deposit liabilities has been estimated using valuation technique A as described above.

Deposits by banks
The fair value of deposits by banks, including repos, has been estimated using valuation technique A as described above, discounted at the appropriate credit spread.

Repurchase agreements - non-trading
The fair value of the repurchase agreements - non trading has been estimated using valuation technique A as described above, discounted at a spread appropriate to the underlying collateral.

Debt securities in issue and subordinated liabilities
Where reliable prices are available, the fair value of debt securities in issue and subordinated liabilities has been calculated using quoted market prices. Where reliable prices are not available, internal models have been used to determine fair values, which take into account, among other things, contract terms and observable market data, which include such factors as interest rates, credit risk and exchange rates. In all cases, when it is not possible to derive a valuation for a particular feature of an instrument, management uses judgement to determine the fair value of the particular feature. In exercising this judgement, a variety of tools are used including proxy observable data.

e) Fair values of financial instruments measured at fair value

The following tables summarise the fair values of the financial assets and liabilities accounted for at fair value at 31 December 2024 and 31 December 2023, analysed by their levels in the fair value hierarchy - Level 1, Level 2 and Level 3.

										Group
					2024				2023	
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Valuation
		£m	£m	£m	£m	£m	£m	£m	£m	technique
Assets										
Derivative financial instruments	Exchange rate contracts	—	**978**	—	**978**	—	1,129	—	1,129	A
	Interest rate contracts	—	**1,675**	—	**1,675**	—	2,216	1	2,217	A & C
	Inflation rate contracts	—	**70**	—	**70**	—	—	—	—	A
	Equity and credit contracts	—	**89**	**35**	**124**	—	98	35	133	B & D
	Netting	—	**(1,643)**	—	**(1,643)**	—	(2,047)	—	(2,047)	
		—	**1,169**	**35**	**1,204**	—	1,395	36	1,432	
Other financial assets at FVTPL	Loans and advances to customers	—	—	**44**	**44**	—	—	46	46	A
	Debt securities	—	**56**	**36**	**92**	—	167	49	216	A, B & D
		—	**56**	**80**	**136**	—	167	95	262	
Financial assets at FVOCI	Debt securities	**8,805**	**201**	**34**	**9,040**	8,293	188	—	8,481	D
		8,805	**201**	**34**	**9,040**	8,293	188	—	8,481	
Total assets at fair value		**8,805**	**1,426**	**149**	**10,380**	8,293	1,751	131	10,175	
Liabilities										
Derivative financial instruments	Exchange rate contracts	—	**430**	—	**430**	—	508	—	508	A
	Interest rate contracts	—	**1,894**	—	**1,894**	—	2,336	1	2,337	A & C
	Equity and credit contracts	—	**7**	**14**	**21**	—	11	9	20	B & D
	Netting	—	**(1,643)**	—	**(1,643)**	—	(2,047)	—	(2,047)	
		—	**688**	**14**	**702**	—	808	10	818	
Other financial liabilities at FVTPL	Debt securities in issue	—	**355**	—	**355**	—	369	—	369	A
	Structured deposits	—	**605**	—	**605**	—	426	—	426	A
	Zero Amortising Guaranteed Notes	—	**95**	—	**95**	—	104	—	104	D
		—	**1,055**	—	**1,055**	—	899	—	899	
Total liabilities at fair value		—	**1,743**	**14**	**1,757**	—	1,707	10	1,717	

		2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m	2024 Total £m	2023 Level 1 £m	2023 Level 2 £m	2023 Level 3 £m	2023 Total £m	Company Valuation technique
Assets										
Derivative financial instruments	Exchange rate contracts	—	**1,243**	—	**1,243**	—	1,289	—	1,289	A
	Interest rate contracts	—	**1,685**	**3**	**1,688**	—	2,187	133	2,320	A & C
	Inflation rate contracts	—	**70**	—	**70**	—	—	—	—	A
	Equity and credit contracts	—	**89**	**35**	**124**	—	98	35	133	B & D
	Netting	—	**(1,643)**	—	**(1,643)**	—	(2,047)	—	(2,047)	
		—	**1,444**	**38**	**1,482**	—	1,527	168	1,695	
Other financial assets at FVTPL	Loans and advances to customers	—	—	**44**	**44**	—	—	46	46	A
	Debt securities and other debt instruments	—	**56**	—	**56**	—	168	—	168	C
		—	**56**	**44**	**100**	—	168	46	214	
Financial assets at FVOCI	Debt securities	**8,805**	**201**	**34**	**9,040**	8,293	188	—	8,481	D
		8,805	**201**	**34**	**9,040**	8,293	188	—	8,481	
Total assets at fair value		**8,805**	**1,701**	**116**	**10,622**	8,293	1,883	214	10,390	
Liabilities										
Derivative financial instruments	Exchange rate contracts	—	**456**	—	**456**	—	580	—	580	A
	Interest rate contracts	—	**1,933**	**1,840**	**3,773**	—	2,350	1,071	3,421	A & C
	Equity and credit contracts	—	**7**	**14**	**21**	—	11	9	20	B
	Netting	—	**(1,643)**	—	**(1,643)**	—	(2,047)	—	(2,047)	
		—	**753**	**1,854**	**2,607**	—	894	1,080	1,974	
Other financial liabilities at FVTPL	Debt securities in issue	—	**355**	—	**355**	—	369	—	369	A
	Structured deposits	—	**605**	—	**605**	—	426	—	426	A
	Zero Amortising Guaranteed Notes	—	**95**	—	**95**	—	104	—	104	D
		—	**1,055**	—	**1,055**	—	899	—	899	
Total liabilities at fair value		—	**1,808**	**1,854**	**3,662**	—	1,793	1,080	2,873	

Transfers between levels of the fair value hierarchy
In 2024 there were no significant (2023: £22m) transfers of financial instruments between levels of the fair value hierarchy.

f) Fair value adjustments
The internal models incorporate assumptions that Santander UK believes would be made by a market participant to establish fair value. Fair value adjustments are adopted when Santander UK considers that there are additional factors that would be considered by a market participant that are not incorporated in the valuation model.

Santander UK classifies fair value adjustments as either 'risk-related' or 'model-related'. The fair value adjustments form part of the portfolio fair value and are included in the balance sheet values of the product types to which they have been applied.

The fair value adjustments are set out in the following table:

	2024 £m	Group 2023 £m
Risk-related:		
- Bid-offer and trade specific adjustments	**6**	(6)
- Uncertainty	**4**	6
- Credit risk adjustment	**1**	1
- Funding fair value adjustment	**—**	1
	11	2
Day One profit	**—**	1
	11	3

		Company
	2024	2023
	£m	£m
Risk-related:		
- Bid-offer and trade specific adjustments	8	(6)
- Uncertainty	4	6
- Credit risk adjustment	1	1
- Funding fair value adjustment	—	1
	13	2
Day One profit	—	1
	13	3

Risk-related adjustments
Risk-related adjustments are driven, in part, by the magnitude of Santander UK's market or credit risk exposure, and by external market factors, such as the size of market spreads.

(i) Bid-offer and trade specific adjustments
Portfolios are marked at bid or offer, as appropriate. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the cost that would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position. For debt securities, the bid-offer spread is based on a market price at an individual security level. For other products, the major risk types are identified. For each risk type, the net portfolio risks are first classified into buckets, and then a bid-offer spread is applied to each risk bucket based upon the market bid-offer spread for the relevant hedging instrument.

(ii) Uncertainty
Certain model inputs may be less readily determinable from market data, and/or the choice of model itself may be more subjective. In these circumstances, a range of possible values exists that the financial instrument or market parameter may assume, and an adjustment may be needed to reflect the likelihood that in estimating the fair value of the financial instrument, market participants would adopt more conservative values for uncertain parameters and/or model assumptions than those used in the valuation model.

(iii) Credit risk adjustment
Credit risk adjustments comprise credit and debit valuation adjustments. The credit valuation adjustment (CVA) is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default, and Santander UK may not receive the full market value of the transactions. The debit valuation adjustment (DVA) is an adjustment to the valuation of the OTC derivative contracts to reflect within the fair value the possibility that Santander UK may default, and that Santander UK may not pay full market value of the transactions.

Santander UK calculates a separate CVA and DVA for each Santander UK legal entity, and within each entity for each counterparty to which the entity has exposure. Santander UK calculates the CVA by applying the probability of default of the counterparty to the expected positive exposure to the counterparty, and multiplying the result by the loss expected in the event of default i.e. LGD. Conversely, Santander UK calculates the DVA by applying the PD of the Santander UK group, to the expected positive exposure of the counterparty to Santander UK and multiplying the result by the LGD. Both calculations are performed over the life of the potential exposure.

For most products Santander UK uses a simulation methodology to calculate the expected positive exposure to a counterparty. This incorporates a range of potential exposures across the portfolio of transactions with the counterparty over the life of the portfolio. The simulation methodology includes credit mitigants such as counterparty netting agreements and collateral agreements with the counterparty.

(iv) Funding fair value adjustment (FFVA)
The FFVA is an adjustment to the valuation of OTC derivative positions to include the net cost of funding uncollateralised derivative positions. This is calculated by applying a suitable funding cost to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio.

Day One profit adjustments
Day One profit adjustments are adopted where the fair value estimated by a valuation model is based on one or more significant unobservable inputs. Day One profit adjustments are calculated and reported on a portfolio basis.

The timing of recognition of deferred Day One profit and loss is determined individually. It is deferred until either the instrument's fair value can be determined using market observable inputs or is realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred Day One profit and loss. Subsequent changes in fair value are recognised immediately in the Income Statement without immediate reversal of deferred Day One profits and losses.

g) Internal models based on information other than market data (Level 3)
The table below provides an analysis of financial instruments valued using internal models based on information other than market data together with further details on the valuation techniques used for each type of instrument. Each instrument is initially valued at transaction price:

							Group
			Balance sheet value		Fair value movements recognised in profit/(loss)		
			2024	2023	2024	2023	2022
Balance sheet line item	Category	Financial instrument product type	£m	£m	£m	£m	£m
1. Derivative assets	Equity and credit contracts	Reversionary property interests	**35**	35	**6**	12	(8)
2. FVTPL assets	Loans and advances to customers	Roll-up mortgage portfolio	**22**	24	**(1)**	(2)	(18)
3. FVTPL assets	Loans and advances to customers	Other loans	**22**	22	**—**	4	(4)
4. FVTPL assets	Debt securities	Reversionary property securities	**36**	49	**2**	(3)	—
5. FVOCI assets	Debt Instruments	Other securities	**34**	—	**—**	—	—
			149	130	**7**	11	(30)
Other Level 3 assets			**—**	1	**—**	(1)	10
Other Level 3 liabilities			**(14)**	(10)	**(5)**	(2)	3
Total net assets			**135**	121			
Total income/(expense)					**2**	8	(17)

Valuation techniques (Group)

1. Derivative assets – Equity and credit contracts
These are valued using a probability weighted set of HPI forward prices, which are assumed to be a reasonable representation of the increase in value of the Santander UK group's reversionary interest portfolio underlying the derivatives. The probability used reflects the likelihood of the homeowner vacating the property and is calculated from mortality rates and acceleration rates which are a function of age and gender, obtained from the relevant mortality tables. Indexing is felt to be appropriate due to the size and geographical dispersion of the reversionary interest portfolio. These are determined using HPI Spot Rates adjusted to reflect estimated forward growth. Non-seasonally adjusted (NSA) national and regional HPI are used in the valuation model to avoid any subjective judgement in the adjustment process, which is made by Markit, which publishes the Halifax House Price Index.

The inputs used to determine the value of the reversionary property derivatives are HPI spot, HPI forward growth and mortality rates. The principal pricing parameter is HPI forward growth.

2. FVTPL assets – Loans and advances to customers – roll-up mortgage portfolio
These represent roll-up mortgages (sometimes referred to as lifetime mortgages), which are an equity release scheme under which a property owner takes out a loan secured against their home. The owner does not have to make any interest payments during their lifetime in which case the fixed interest payments are rolled up into the mortgage. The loan or mortgage (capital and rolled-up interest) is repaid upon the owner's vacation of the property and the value of the loan is only repaid from the value of the property. This is known as a 'no negative equity guarantee'. Santander UK suffers a loss if the sale proceeds from the property are insufficient to repay the loan, as it is unable to pursue the homeowner's estate or beneficiaries for the shortfall.

The value of the mortgage 'rolls up' or accretes until the owner vacates the property. In order to value the roll-up mortgages, Santander UK uses a probability-weighted set of European option prices (puts) determined using the Black-Scholes model, in which the 'no negative equity guarantee' are valued as short put options. The probability weighting applied is calculated from mortality rates and acceleration rates as a function of age and gender, taken from mortality tables.

The inputs used to determine the value of these instruments are HPI spot, HPI forward growth, HPI volatility, mortality rates and repayment rates. The principal pricing parameter is HPI forward growth. The HPI forward growth rate used is unobservable and is the same as used in the valuation of Instrument 1 above. The other parameters do not have a significant effect on the value of the instruments.

3. FVTPL assets – Loans and advances to customers – other loans
These relate to loans to transport and education companies. The fair value of these loans is estimated using the 'present value' model based on a credit curve derived from current market spreads. Loan specific credit data is unobservable, so a proxy population is applied based on industry sector and credit rating.

4. FVTPL assets – Debt securities
These consist of reversionary property securities and are an equity release scheme, where the property owner receives an upfront lump sum in return for paying a fixed percentage of the sales proceeds of the property when the owner vacates the property. These reversionary property securities are valued using a probability-weighted set of HPI forward prices which are assumed to be a reasonable representation of the increase in value of Santander UK's reversionary interest portfolio underlying the derivatives. The probability weighting used reflects the probability of the homeowner vacating the property through death or moving into care and is calculated from mortality rates and acceleration factors which are a function of age and gender, obtained from the relevant mortality table.

The inputs used to determine the value of these instruments are HPI spot, HPI forward growth and mortality rates. The principal pricing parameter is HPI forward growth. Discussion of the HPI spot rate, HPI forward growth rate and mortality rates for this financial instrument is the same as Instrument 1 above. An adjustment is also made to reflect the specific property risk. Specific property risk is from the difference between the specific properties in the portfolio, and the average price as expressed in the regionally weighted house price index.

5. FVOCI assets – Debt instruments
These consist of asset-back securities where third-party prices are not available or reliable. The fair value is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings.

			Company				
			Balance sheet value		Fair value movements recognised in profit/(loss)		
			2024	2023	2024	2023	2022
Balance sheet line item	Category	Financial instrument product type	£m	£m	£m	£m	£m
1. Derivative assets	Interest rate contracts	Securitisation swaps	3	132	(131)	131	—
2. Derivative asset	Equity and credit contracts	Reversionary property interests	35	35	6	12	(8)
3. FVTPL Assets	Loans and advances to customers	Roll-up mortgage portfolio	22	24	(1)	(2)	(18)
4. FVTPL Assets	Loans and advances to customers	Other loans	22	22	—	4	(4)
5. FVOCI Assets	Debt securities	Other securities	34	—	—	—	—
6. Derivative liabilities	Interest rate contracts	Securitisation swaps	(1,840)	(1,070)	(749)	(61)	(1,143)
			(1,724)	(857)	(875)	84	(1,173)
Other Level 3 assets			—	1	—	4	10
Other Level 3 liabilities			(14)	(10)	(5)	(6)	5
Total net assets			(1,738)	(866)	—	—	—
Total (expense)/income			—	—	(880)	82	(1,158)

Valuation techniques (Company)
1 & 6 . Derivative assets / liabilities - Interest rate contracts
For covered pool swap and securitisation funding swap models, the valuation is created using internal prepayment speeds and rate projections to estimate future mortgage flows which are subsequently discounted using net present value techniques based upon current market levels.

2. Derivative assets – Equity and credit contracts
See Group valuation technique 1.

3. FVTPL assets – Loans and advances to customers – roll-up mortgage portfolio
See Group valuation technique 2.

4. FVTPL assets – Loans and advances to customers – other loans
See Group valuation technique 3.

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy
The following table sets out the movements in Level 3 financial instruments in 2024 and 2023:

	Group						
	Assets				Liabilities		
	Derivatives	Other financial assets at FVTPL	Financial assets at FVOCI	Total	Derivatives	Other financial liabilities at FVTPL	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	36	95	—	131	(10)	—	(10)
Total gains/(losses) recognised:							
Fair value movements[1]	6	1	—	7	(5)	—	(5)
Purchases	—	—	34	34	—	—	—
Settlements	(7)	(16)	—	(23)	1	—	1
At 31 December 2024	35	80	34	149	(14)	—	(14)
Gains/(losses) recognised in profit or loss/other comprehensive income relating to assets and liabilities held at the end of the year[1]	6	1	—	7	(5)	—	(5)
At 1 January 2023	37	117	—	154	(12)	(3)	(15)
Total gains/(losses) recognised:							
Fair value movements[1]	10	—	—	10	(2)	—	(2)
Purchases	—	1	—	1	—	—	—
Netting[2]	—	(3)	—	(3)	—	—	—
Settlements	(11)	(20)	—	(31)	4	3	7
At 31 December 2023	36	95	—	131	(10)	—	(10)
(Losses)/gains recognised in profit or loss/other comprehensive income relating to assets and liabilities held at the end of the year[1]	10	—	—	10	(2)	—	(2)

(1) This relates to the effect of netting on the fair value of the credit linked notes due to a legal right of set-off between the principal amounts of the senior notes and the associated cash deposits. For more, see 'ii) Credit protection entities' in Note 18.
(2) Fair value movements relating to derivatives and other financial assets at FVTPL are recognised in other operating income in the income statement.

									Company
					Assets				Liabilities
	Derivatives	Other financial assets at FVTPL	Financial assets at FVOCI	Assets held for sale	Total	Derivatives	Other financial liabilities at FVTPL	Liabilities held for sale	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	**168**	**46**	**—**	**—**	**214**	**(1,080)**	**—**	**—**	**(1,080)**
Total gains/(losses) recognised:									
Fair value movements[1]	**(125)**	**(1)**	**—**	**—**	**(126)**	**(754)**	**—**	**—**	**(754)**
Purchases	**2**	**—**	**34**	**—**	**36**	**(22)**	**—**	**—**	**(22)**
Settlements	**(7)**	**(1)**	**—**	**—**	**(8)**	**2**	**—**	**—**	**2**
At 31 December 2024	**38**	**44**	**34**	**—**	**116**	**(1,854)**	**—**	**—**	**(1,854)**
Gains/(losses) recognised in profit or loss/other comprehensive income relating to assets and liabilities held at the end of the year[1]	**(125)**	**(1)**	**—**	**—**	**(126)**	**(754)**	**—**	**—**	**(754)**
At 1 January 2023	33	47	—	—	80	(995)	(3)	—	(998)
Total gains/(losses) recognised:									
Fair value movements[1]	146	3	—	—	149	(67)	—	—	(67)
Purchases	—	1	—	—	1	(27)	—	—	(27)
Netting[2]	—	(3)	—	—	(3)	—	—	—	—
Settlements	(11)	(2)	—	—	(13)	9	3	—	12
At 31 December 2023	168	46	—	—	214	(1,080)	—	—	(1,080)
Gains/(losses) recognised in profit or loss/other comprehensive income relating to assets and liabilities held at the end of the year[1]	146	3	—	—	149	(67)	—	—	(67)

(1) This relates to the effect of netting on the fair value of the credit linked notes due to a legal right of set-off between the principal amounts of the senior notes and the associated cash deposits. For more, see 'ii) Credit protection entities' in Note 18.
(2) Fair value movements relating to derivatives and other financial assets at FVTPL are recognised in other operating income in the income statement. Fair value movements relating to financial assets at FVOCI are recognised in the movement in fair value reserve (debt instruments).

Effect of changes in significant unobservable assumptions to reasonably possible alternatives (Level 3)
As discussed above, the fair value of financial instruments are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions in the same instrument and are not based on observable market data and, as such require the application of a degree of judgement. Changing one or more of the inputs to the valuation models to reasonably possible alternative assumptions would change the fair values significantly. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions.

Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable input as described in the table below. The potential effects do not take into effect any hedged positions.

							Company
		Significant unobservable input				Sensitivity	
			Assumption value				
2024	**Fair value £m**	**Assumption description**	**Range (1)**	**Weighted average**	**Shift**	**Favourable changes £m**	**Unfavourable changes £m**
1. Derivative assets – Interest rate contracts: – Securitisation swaps	**3**	Weighted Average Mortgage Rate Payable	**5% - 6%**	**5 %**	**0.5 %**	**20**	**(20)**
2. Derivative liabilities - Interest rate contracts: – Securitisation swaps	**(1,840)**	Weighted Average Mortgage Rate Payable	**2% - 7%**	**4 %**	**0.5 %**	**384**	**(384)**
2023							
1. Derivative assets – Interest rate contracts: – Securitisation swaps	132	Weighted Average Mortgage Rate Payable	3% - 8%	7 %	0.5 %	29	(29)
2. Derivative liabilities - Interest rate contracts: – Securitisation swaps	(1,070)	Weighted Average Mortgage Rate Payable	1% - 8%	3.75 %	0.5 %	279	(279)

(1) The range of actual assumption values used to calculate the weighted average disclosure.

h) Maturities of financial liabilities and off-balance sheet commitments

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities and off-balance sheet commitments of Santander UK based on the remaining period to the contractual maturity date at the balance sheet date. Deposits by customers largely consist of retail deposits. This table is not intended to show the liquidity of Santander UK.

						Group
	On demand	Not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
2024	£m	£m	£m	£m	£m	£m
Financial liabilities						
Derivative financial instruments	**–**	**165**	**136**	**317**	**173**	**791**
Other financial liabilities at fair value through profit or loss	**10**	**3**	**135**	**556**	**524**	**1,228**
Deposits by customers	**169,285**	**3,487**	**4,004**	**4,451**	**355**	**181,582**
Deposits by banks	**1,352**	**1,561**	**7,618**	**4,459**	**–**	**14,990**
Repurchase agreements – non trading	**–**	**7,894**	**762**	**–**	**–**	**8,656**
Debt securities in issue	**–**	**5,907**	**1,959**	**26,332**	**7,761**	**41,959**
Subordinated liabilities	**–**	**27**	**628**	**332**	**1,895**	**2,882**
Lease liabilities	**–**	**–**	**28**	**58**	**17**	**103**
Total financial liabilities	**170,647**	**19,044**	**15,270**	**36,505**	**10,725**	**252,191**
Off-balance sheet commitments given	**4,007**	**19,088**	**916**	**8,391**	**3,247**	**35,649**
2023						
Financial liabilities						
Derivative financial instruments	1	192	52	478	183	906
Other financial liabilities at fair value through profit or loss	–	8	7	538	520	1,073
Deposits by customers	179,732	3,217	3,447	4,690	288	191,374
Deposits by banks	1,454	1,749	573	18,084	–	21,860
Repurchase agreements – non trading	–	8,418	8	–	–	8,426
Debt securities in issue	–	6,380	4,908	17,029	12,216	40,533
Subordinated liabilities	–	27	83	876	2,470	3,456
Lease liabilities	–	–	29	70	23	122
Total financial liabilities	181,187	19,991	9,107	41,765	15,700	267,750
Off-balance sheet commitments given	3,795	15,205	1,408	7,399	3,621	31,428

						Company
2024	£m	£m	£m	£m	£m	£m
Financial liabilities						
Derivative financial instruments	**–**	**159**	**135**	**387**	**2,577**	**3,258**
Other financial liabilities at fair value through profit or loss	**10**	**3**	**135**	**556**	**524**	**1,228**
Deposits by customers	**188,933**	**3,780**	**4,173**	**4,089**	**910**	**201,885**
Deposits by banks	**6,880**	**1,561**	**7,618**	**4,459**	**–**	**20,518**
Repurchase agreements – non trading	**–**	**7,894**	**762**	**–**	**–**	**8,656**
Debt securities in issue	**–**	**5,865**	**1,535**	**25,575**	**3,548**	**36,523**
Subordinated liabilities	**–**	**27**	**628**	**332**	**1,895**	**2,882**
Lease liabilities	**–**	**–**	**27**	**56**	**12**	**95**
Total financial liabilities	**195,823**	**19,289**	**15,013**	**35,454**	**9,466**	**275,045**
Off-balance sheet commitments given	**8,730**	**19,104**	**916**	**8,837**	**3,246**	**40,833**
2023						
Financial liabilities						
Derivative financial instruments	23	175	58	555	1,558	2,369
Other financial liabilities at fair value through profit or loss	–	8	7	538	520	1,073
Deposits by customers	195,901	3,479	3,440	4,288	1,060	208,168
Deposits by banks	1,395	1,824	742	24,114	–	28,075
Repurchase agreements – non trading	–	8,418	8	–	–	8,426
Debt securities in issue	–	6,354	4,801	16,078	9,630	36,863
Subordinated liabilities	–	27	83	875	2,470	3,455
Lease liabilities	–	–	28	67	17	112
Total financial liabilities	197,319	20,285	9,167	46,515	15,255	288,541
Off-balance sheet commitments given	8,271	15,214	1,408	7,945	3,620	36,458

As the above table is based on contractual maturities, no account is taken of call features related to subordinated liabilities. In addition, the repayment terms of debt securities may be accelerated in line with relevant covenants. Further, no account is taken of the possible early repayment of Santander UK's mortgage-backed non-recourse finance which is redeemed by Santander UK as funds become available from redemptions of the residential mortgages. Santander UK has no control over the timing and amount of redemptions of residential mortgages.

39. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The following table shows the impact of netting arrangements on:

- All financial assets and liabilities that are reported net on the balance sheet
- All derivative financial instruments and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements described above.

For derivative contracts, the 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur. For repurchase and reverse repurchase agreements and other similar secured lending and borrowing, the 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated if a counterparty defaults.

Santander UK engages in a variety of counterparty credit mitigation strategies in addition to netting and collateral arrangements. Therefore, the net amounts presented in the tables below do not represent Santander UK's total credit exposure.

	Amounts subject to enforceable netting arrangements							Group
	Effects of offsetting on balance sheet			Related amounts not offset				
	Gross amounts	Amounts offset	Net amounts on balance sheet	Financial instruments	Financial collateral[1]	Net amount	Assets not subject to enforceable netting arrangements[2]	Balance sheet total[3]
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Assets								
Derivative financial assets	**2,799**	**(1,643)**	**1,156**	**(407)**	**(711)**	**38**	**48**	**1,204**
Reverse repurchase, securities borrowing & similar agreements:								
- Amortised cost	**16,175**	**(5,837)**	**10,338**	**(63)**	**(10,275)**	**—**	**—**	**10,338**
Loans and advances to customers and banks[4]	**5,421**	**(635)**	**4,786**	**—**	**—**	**4,786**	**195,654**	**200,440**
	24,395	**(8,115)**	**16,280**	**(470)**	**(10,986)**	**4,824**	**195,702**	**211,982**
Liabilities								
Derivative financial liabilities	**2,325**	**(1,643)**	**682**	**(407)**	**(127)**	**148**	**20**	**702**
Repurchase, securities lending & similar agreements:								
- Amortised cost	**14,454**	**(5,837)**	**8,617**	**(63)**	**(8,554)**	**—**	**—**	**8,617**
Deposits by customers and banks[4]	**635**	**(635)**	**—**	**—**	**—**	**—**	**194,960**	**194,960**
	17,414	**(8,115)**	**9,299**	**(470)**	**(8,681)**	**148**	**194,980**	**204,279**
2023								
Assets								
Derivative financial assets	3,429	(2,047)	1,382	(471)	(823)	88	50	1,432
Reverse repurchase, securities borrowing & similar agreements:								
- Amortised cost	15,625	(3,157)	12,468	(118)	(12,350)	—	—	12,468
Loans and advances to customers and banks[4]	5,363	(790)	4,573	—	—	4,573	203,942	208,515
	24,417	(5,994)	18,423	(589)	(13,173)	4,661	203,992	222,415
Liabilities								
Derivative financial liabilities	2,838	(2,047)	791	(471)	(161)	159	27	818
Repurchase, securities lending & similar agreements:								
- Amortised cost	11,568	(3,157)	8,411	(118)	(8,293)	—	—	8,411
Deposits by customers and banks[4]	4,218	(790)	3,428	—	—	3,428	207,754	211,182
	18,624	(5,994)	12,630	(589)	(8,454)	3,587	207,781	220,411

(1) Financial collateral is reflected at its fair value but has been limited to the net balance sheet exposure so as not to include any over-collateralisation.
(2) This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
(3) The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.
(4) The amounts offset within loans and advances to customers/banks or deposits by customers/banks relate to offset mortgages which are classified as either and that are subject to netting.

	Amounts subject to enforceable netting arrangements							Company
	Effects of offsetting on balance sheet			Related amounts not offset				
2024	Gross amounts £m	Amounts offset £m	Net amounts on balance sheet £m	Financial instruments £m	Financial collateral[1] £m	Net amount £m	Assets not subject to enforceable netting arrangements[2] £m	Balance sheet total[3] £m
Assets								
Derivative financial assets	**3,078**	**(1,643)**	**1,435**	**(686)**	**(711)**	**38**	**47**	**1,482**
Reverse repurchase, securities borrowing & similar agreements:								
– Amortised cost	**16,175**	**(5,837)**	**10,338**	**(63)**	**(10,275)**	**—**	**—**	**10,338**
Loans and advances to customers and banks[4]	**5,421**	**(635)**	**4,786**	**—**	**—**	**4,786**	**213,920**	**218,706**
	24,674	**(8,115)**	**16,559**	**(749)**	**(10,986)**	**4,824**	**213,967**	**230,526**
Liabilities								
Derivative financial liabilities	**4,230**	**(1,643)**	**2,587**	**(686)**	**(127)**	**1,774**	**20**	**2,607**
Repurchase, securities lending & similar agreements:								
– Amortised cost	**14,454**	**(5,837)**	**8,617**	**(63)**	**(8,554)**	**—**	**—**	**8,617**
Deposits by customers and banks[4]	**635**	**(635)**	**—**	**—**	**—**	**—**	**220,736**	**220,736**
	19,319	**(8,115)**	**11,204**	**(749)**	**(8,681)**	**1,774**	**220,756**	**231,960**
2023								
Assets								
Derivative financial assets	3,695	(2,047)	1,648	(734)	(823)	91	47	1,695
Reverse repurchase, securities borrowing & similar agreements:								
– Amortised cost	15,625	(3,157)	12,468	(118)	(12,350)	—	—	12,468
Loans and advances to customers and banks[4]	26,986	(790)	26,196	—	—	26,196	198,367	224,563
	46,306	(5,994)	40,312	(852)	(13,173)	26,287	198,414	238,726
Liabilities								
Derivative financial liabilities	3,994	(2,047)	1,947	(734)	(161)	1,052	27	1,974
Repurchase, securities lending & similar agreements:								
– Amortised cost	11,568	(3,157)	8,411	(118)	(8,293)	—	—	8,411
Deposits by customers and banks[4]	31,262	(790)	30,472	—	—	30,472	202,743	233,215
	46,824	(5,994)	40,830	(852)	(8,454)	31,524	202,770	243,600

(1) Financial collateral is reflected at its fair value but has been limited to the net balance sheet exposure so as not to include any over-collateralisation.
(2) This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
(3) The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.
(4) The amounts offset within loans and advances to customers/banks or deposits by customers/banks relate to offset mortgages which are classified as either and that are subject to netting.

40. ASSETS HELD FOR SALE

Sale of property
Buckingham House, Bletchley, was sold in 2024 with a gain of £1m. The sale of Santander House, Milton Keynes is expected to complete in 2025. As such, the Santander UK group classified Santander House, which is included in the Corporate Centre segment and carried at the sales price, as held for sale.

At 31 December 2024 and 31 December 2023, assets held for sale comprised:

	2024 £m	2023 £m
Assets		
Property, plant and equipment	**12**	13
	12	13

41. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events between 31 December 2024 and the date of approval of these financial statements which would require a change to or additional disclosure in the financial statements.

Shareholder information

In this section

Subsidiaries and related undertakings (audited)

In accordance with Section 409 of the Companies Act 2006, details of the Company's subsidiaries and related undertakings at 31 December 2024 are set out below. This section forms an integral part of the financial statements.

Subsidiaries
All subsidiaries are owned 100% and consolidated by Santander UK.

Incorporated and registered in England and Wales:

Name of subsidiary	Registered office[1]	Direct/Indirect ownership	Share class through which ownership is held	Proportion of ownership interest %
2 & 3 Triton Limited	A	Direct	Ordinary £1	100
A & L CF June (3) Limited (In Liquidation)	E	Indirect	Ordinary £1	—
A & L CF September (4) Limited (In Liquidation)	E	Indirect	Ordinary £1	—
Abbey National Nominees Limited	A	Direct	Ordinary £1	100
Abbey National Property Investments	A	Direct	Ordinary £1	100
Alliance & Leicester Personal Finance Limited	A	Direct	Ordinary £1	100
Cater Allen Limited	A	Indirect	Ordinary £1	—
First National Tricity Finance Limited	A	Indirect	Ordinary £1	—
Santander Asset Finance (December) Limited	A	Indirect	Ordinary £1	—
Santander Asset Finance plc	A	Direct	Ordinary £0.10	100
Santander Cards Limited	A	Indirect	Ordinary £1	—
Santander Cards UK Limited	A	Direct	Ordinary £1	100
Santander Consumer (UK) plc	B	Direct	Ordinary £1	100
Santander Consumer Credit Services Limited	A	Indirect	Ordinary £1	—
Santander Estates Limited	F	Direct	Ordinary £1	100
Santander Global Consumer Finance Limited	A	Indirect	Ordinary £0.0001	—
Santander Guarantee Company	A	Direct	Ordinary £1	100
Santander Lending Limited	A	Direct	Ordinary £1	100
Santander Private Banking UK Limited	A	Direct	Ordinary £1	100
Santander UK Operations Limited	A	Direct	Ordinary £1	100
Santander UK (Structured Solutions) Limited	A	Direct	Ordinary £0.01	100
			Preference £0.01	100
Santander UK Technology Limited	A	Direct	Ordinary £1	100
The Alliance & Leicester Corporation Limited (In Liquidation)	E	Direct	Ordinary £1	100
Time Retail Finance Limited (In Liquidation)	E	Indirect	Ordinary £1	—
			Ordinary £0.0001	—

(1) Refer to the key at the end of this section for the registered office address.

Incorporated and registered outside England and Wales:

Name of subsidiary	Registered office[1]		Share class through which ownership is held	Proportion of ownership interest
Santander Cards Ireland Limited	H	Indirect	Ordinary €1	100
			Ordinary €1.27	100
Santander ISA Managers Limited	G	Direct	Ordinary £1	100

(1) Refer to the key at the end of this section for the registered office address, including the country.

Subsidiaries benefitting from an audit exemption according to section 479A of the Companies Act 2006

Name of subsidiary	Company number
2 & 3 Triton Limited	06024916
Santander Asset Finance (December) Limited	01562865
Santander Estates Limited	02304569
Santander Global Consumer Finance Limited	00048468
Santander UK Operations Limited	04137550
Santander UK Technology Limited	05212726
Santander Private Banking UK Limited	02582000

Other subsidiary undertakings
All entities are registered in England and Wales except for Motor Securities 2018-1 Designated Activity Company which is registered in Ireland.

The Company and its subsidiaries do not own directly, or indirectly, any of the share capital of any of the entities, however they are consolidated by the Santander UK group because the substance of the relationship indicates control, as described in Note 1 to the Consolidated Financial Statements.

Name of entity	Registered office[1]	Name of entity	Registered office[1]
Abbey Covered Bonds (Holdings) Limited	D	Holmes Master Issuer plc	A
Abbey Covered Bonds (LM) Limited	D	Holmes Trustees Limited	A
Abbey Covered Bonds LLP	A	MAC No.1 Limited	A
Fosse (Master Issuer) Holdings Limited	C	Motor 2016-1 Holdings Limited	C
Fosse Funding (No.1) Limited	C	Motor Securities 2018-1 Designated Activity Company (in liquidation)	J
Fosse Master Issuer plc	C	Repton 2023-1 Limited	C
Fosse Trustee (UK) Limited	A		
Holmes Funding Limited	A		
Holmes Holdings Limited	A		

(1) Refer to the key at the end of this section for the registered office address.

Related undertakings
All of these entities, which are registered in England and Wales, are accounted for by the equity method of accounting, with 50% ownership being held.

Name of entity	Registered office[1]	Direct/ Indirect ownership	Share class through which ownership is held	Proportion of ownership interest %
Hyundai Capital UK Limited	I	Indirect	Ordinary £1	—
Volvo Car Financial Services UK Limited	K	Indirect	Ordinary £1	—

(1) Refer to the key at the end of this section for the registered office address.

Overseas branches
The Company has no overseas branches.

Key of registered office addresses
A 2 Triton Square, Regent's Place, London NW1 3AN
B Santander House, 86 Station Road, Redhill RH1 1SR
C 1 Bartholomew Lane, London EC2V 2AX
D Wilmington Trust SP Services (London) Limited, 1 Kings Arms Yard, London EC2R 7AF
E Griffins Tavistock House North, Tavistock Square, London, WC1H 9HR
F Carlton Park, Narborough, Leicester LE19 0AL
G 287 St. Vincent Street, Glasgow, Scotland G2 5NB
H 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland
I London Court, 39 London Road, Reigate RH2 9AQ
J Trinity House, Charleston Road, Ranelagh, Dublin 6, Dublin, Ireland
K Scandinavia House, Norreys Drive, Maidenhead, Berkshire SL6 4FL

Forward-looking statements

The Company and its subsidiaries (together Santander UK) may from time to time make written or oral forward-looking statements. The Company makes written forward-looking statements in this Annual Report and may also make forward-looking statements in its periodic reports to the SEC on Forms 20-F and 6-K, in its offering circulars and prospectuses, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Examples of such forward-looking statements include, but are not limited to:

- projections or expectations of revenues, costs, profit or (loss), earnings or (loss) per share, dividends, capital structure or other financial items or ratios
- statements of plans, objectives or goals of Santander UK or its management, including those related to products or services
- statements of future economic performance, and
- statements of assumptions underlying such statements

Words such as 'believes', 'anticipates', 'expects', 'intends', 'aims', 'plans', 'targets' and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements are not statements of historical or current facts; they cannot be objectively verified, are speculative and involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Santander UK cautions 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 made by Santander UK or on its behalf. Some of these factors, which could affect Santander UK's business, financial condition and/or results of operations, are considered in detail in the Risk review, and include:

- the effects of geopolitical tensions, regional conflicts and wars
- the effects of UK economic conditions and disruptions in the global economy and global financial markets
- the effects of the UK's withdrawal from the European Union
- the effects of climate change
- the effects of competition from other financial institutions, including new entrants into the financial services sector
- Santander UK's ability to maintain its competitive position depending, in part, on competition from new entrants and other financial institutions in the sector, the success of new products and services Santander UK offers its customers and its ability to continue offering products and services from third parties
- the extent to which Santander UK's loan portfolio is subject to risk of prepayment
- the risk of damage to Santander UK's reputation
- the risk that Santander UK is unable to manage the growth of its operations
- the extent to which regulatory capital, liquidity and leverage requirements, and any changes to these requirements may affect Santander UK
- liquidity constraints and Santander UK's ability to access funding on acceptable financial terms
- the effects of an adverse movement in external credit ratings assigned to Santander UK or any of its debt securities
- the effects of any changes in the pension liabilities and obligations of Santander UK
- the effects of fluctuations in interest rates and other market risks
- the extent to which Santander UK may be required to record negative changes in positions recorded at fair value for its financial assets due to changes in market conditions
- Santander UK's ability to control the level of non-performing or poor credit quality loans and whether Santander UK's loan loss reserves are sufficient to cover loan losses
- the risk that the value of the collateral, including real estate, securing Santander UK's loans may not be sufficient and that Santander UK may be unable to realise the full value of the collateral securing its loan portfolio
- the effects of the financial services laws, regulations, government oversight, administrative actions and policies and any changes thereto in each location or market in which Santander UK operates
- the risk that Santander UK may become subject to the provisions of the Banking Act 2009, including the bail-in and write-down powers thereunder
- the effects of any failure to comply with laws and regulations relating to anti-money laundering, anti-terrorism, anti-bribery and corruption, sanctions and preventing the facilitation of tax evasion, or the risk of any failure to prevent, detect or deter any illegal or improper activities
- the effects of taxation (and any changes to tax) in each location in which Santander UK operates
- Santander UK's exposure to any risk of loss and damage from civil litigation and/or criminal legal and regulatory proceedings
- the risk of failing to successfully apply or to improve Santander UK's credit risk management systems
- the risk that Santander UK's data management policies and procedures are not sufficiently robust
- the effect of cybersecurity on Santander UK's business
- the risks related to the developing fields of artificial intelligence and machine learning
- the risks arising from any non-compliance with Santander UK's regulations, policies, from any employee misconduct, human error, negligence and deliberate acts of harm or dishonesty, including fraud
- the risk of failing to effectively manage changes in Santander UK's information technology infrastructure and management information systems in a timely manner
- Santander UK's exposure to unidentified or unanticipated risks despite its risk management policies, procedures and methods and Santander UK's exposure to risks related to errors in its risk modelling
- the risks arising from Santander UK's reliance on third parties for important infrastructure support, products and services
- the ability of Santander UK to recruit, retain and develop appropriate senior management and skilled personnel
- the effects of any inaccuracy within the judgements and accounting estimates which underpin aspects of the financial statements, and the consequent risk of any material misstatement of Santander UK's financial results
- the effect of any change in accounting standards

Please refer to our latest filings with the SEC (including, without limitation, the Risk Factors section in this Annual Report on Form 20-F for the year ended 31 December 2024) for a discussion of certain risk factors and forward-looking statements. Undue reliance should not be placed on forward-looking statements when making decisions with respect to any Santander UK member and/or its securities. Investors and others should take into account the inherent risks and uncertainties of forward-looking statements and should carefully consider the foregoing non-exhaustive list of important factors. Forward-looking statements speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time. Santander UK does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Alternative Performance Measures (APMs)

In addition to the financial information prepared under IFRS, this Annual Report contains non-IFRS financial measures that constitute APMs, as defined in European Securities and Markets Authority (ESMA) guidelines. The financial measures contained in this Annual 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.

A description of the Santander UK group's APMs and their calculation, is set out below.

APM	Description and calculation
Non-interest income	Net fee and commission income plus other operating income.
Stage 1 ratio	Sum of Stage 1 drawn assets divided by the sum of total drawn assets.
Stage 2 ratio	Sum of Stage 2 drawn assets divided by the sum of total drawn assets.
Stage 3 ratio	Sum of Stage 3 drawn and undrawn assets divided by the sum of total drawn assets and Stage 3 undrawn assets.
Wholesale funding	Deposits by customers reported in Corporate Centre, debt securities in issue, subordinated debt, AT1 issuance and Central Bank facilities, TFSME and indexed-long term repos used for funding.

Glossary

Our glossary of industry and other main terms is available on our website: santander.co.uk/uk/about-santander-uk/investor-relations-glossary.