

Santander UK plc

2025 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 Banco Santander (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). 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 [203](#).

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.

By Order of the Board.

Tom Scholar
Chair
9 March 2026

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Our business model and overview

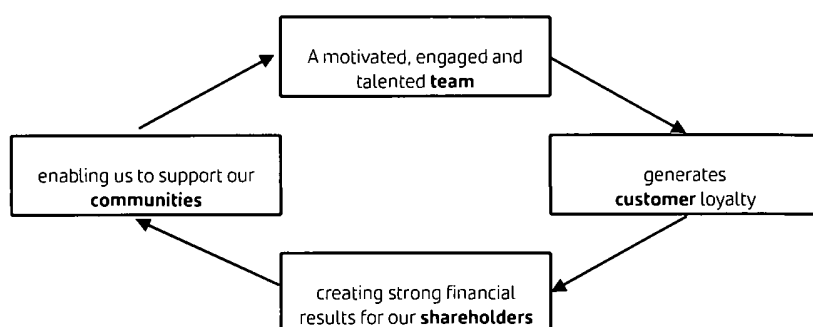
We follow the Santander Way

Our purpose: To help people and businesses prosper.

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 how: Everything we do should be Simple, Personal and Fair.

We create value for all



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 advantages

Scaled and established bank in the UK - Scale in our core banking businesses combined with an innovative mindset.

Strong balance sheet with a prudent approach to risk - High asset quality and capital metrics well above regulatory requirements.

Part of a global banking group - Benefit from Banco Santander's global capabilities and scale.

A talented and motivated team - A highly talented and engaged team, with the right skills in place to support our customers and transform the bank.

Strategic priorities

Continue to be customer centric and increase primacy.

Focus on simplification, automation, AI and digitalisation.

Create value and be disciplined with capital allocation.

Be a responsible 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

13.6 million active UK customers.

c.15,400 full time equivalent (FTE) employees

£167.3bn in mortgage lending

£183.6bn in customer deposits

Our sustainability strategy

Environment: Supporting our customers in their transition goals, embedding climate into risk management and aiming to align our activity with the Paris Agreement Goals.

Social: Support productive and inclusive growth for our customers, communities, and employees, enabling prosperity through financial health, skills, inclusion, and opportunity.

Governance: Maintain clear and robust governance systems, with well defined accountability, that support the success of Santander UK, its customers, and wider stakeholders.

Our business model and overview continued

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 2025 Annual Report, which does not form part of this report.

Santander's proposed acquisition of TSB

On 1 July 2025, Banco Santander announced that it reached an agreement to acquire 100% of TSB Banking Group plc (TSB) from Banco de Sabadell SA (Sabadell) with a valuation of approx. £2.65bn in an all-cash transaction. Sabadell shareholder approval was given at Sabadell's Extraordinary General Meeting on 6 August 2025. Completion of the acquisition of TSB by Santander UK plc is contingent on regulatory approval and other consents and is expected to occur in Q2 2026.

This transaction would involve acquisition of approx. £34bn of mortgages and approx. £35bn in customer deposits. When combined with Santander UK plc, the two banks would serve nearly 28 million retail and business customers nationwide, giving TSB customers access to Banco Santander's international network and allowing them to benefit from the Santander UK group's leading technology platforms.

Proven integration capability

Banco Santander is one of the largest international investors in the UK financial services industry, having successfully acquired and integrated Abbey National plc in 2004 and both Alliance & Leicester plc and the Bradford & Bingley savings business in 2008. It has a proven track record in successful banking platform migrations.

By integrating technology across Santander UK and TSB, Banco Santander expects to unlock substantial operational efficiencies and support long-term profitability through a simplified, scalable digital banking model.

We are fully committed to ensuring a seamless integration following completion of the acquisition, by leveraging our market leading technology and significant experience. Maintaining the highest levels of service for customers across both banks will be a key priority.

We look forward to welcoming our new colleagues from TSB, and we will support all colleagues through the transition as we invest in building a stronger bank for the future.

Our market overview

Improving economic environment

What we have seen

In the UK, we saw economic conditions improve with annual growth of 1.3% in 2025 compared to 1.1% in 2024.

Inflation remained volatile over 2025 peaking in September 2025 at 3.9%, but falling further over the rest of the year. The housing market was less buoyant in 2025 compared to 2024 due to uncertainty and the change in Stamp Duty Land Tax.

The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate four times in 2025, to end the year at 3.75%.

Our response and looking ahead

In a declining interest rate environment, our focus remains on ensuring profitable balance sheet growth. Further, with inflation above the Bank of England target and continued Bank Rate cuts, cost discipline remains a focus.

In 2025, we returned to growth while reducing our funding gap and improving our margins. We ensured strong transformation momentum through simplification, automation and digitisation, ensuring better customer experiences while reducing our operating expenses.

Looking ahead, we expect the Bank of England to cut the Bank Rate twice in 2026 as inflation approaches target. 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

In 2025, the UK banking market remained highly competitive. Balance sheet scale continues to be concentrated among the largest UK banks, while digital challengers continued to grow their customer base through different digital propositions.

The UK banking industry delivered a strong performance in 2025, recording robust financial results that have been reflected in improved equity market valuations across the sector.

Consolidation remained a prominent feature, with several acquisitions in the year. In July 2025, Banco Santander announced the proposed acquisition of TSB, with the aim to add scale to its UK operations and accelerate our transformation.

Across the market, banks continued to invest in common strategic themes in response to evolving customer needs, including further digitisation, AI, and enhancing capabilities for SME banking and mass-affluent customers.

Our response and looking ahead

2025 saw a return to balance sheet growth, underpinned by continued pricing discipline. Our focus remains on serving our customers' needs better while continuing to transform our business, including the use of AI to strengthen financial crime controls and fraud management.

Banco Santander's global capabilities continue to be our competitive advantage, supporting enhancements across our product and technology platforms, including our cards' infrastructure.

Looking ahead, we expect large peers to continue investing in product propositions and customer experience to attract and retain customers, while digital banks are likely to continue their focus on market share growth and improving profitability.

Customers becoming digital

What we have seen

2025 was another year of customers increasingly choosing digital channels to manage their banking needs.

Digital engagement continued to rise, with 82% of all transactions now completed through digital channels. This ongoing shift demonstrates our customers' preference for convenience, speed, and the enhanced functionality our digital platforms provide.

Our response and looking ahead

Throughout 2025, we continued to enhance our OneApp, introducing new functionality designed to make banking even simpler and more personalised. In 2026, we plan to continue to build on the success of OneApp by further enhancing its functionality and personalisation, so customers can access a wider range of products and journeys within the app.

In 2025, we launched a digital onboarding journey with a pilot for Sole Traders – the new journey improves time-to-open and customer experience. In 2026 we plan to expand and scale the pilot with a safe and controlled approach to extend this digital capability to more customers including Limited Companies, delivering a faster, simpler onboarding experience for UK businesses.

At the same time, we remain focused on ensuring that customers who prefer in-person support continue to receive exceptional service. We are optimising our branch network to reflect evolving customer needs, including opening three new Work Cafés in 2025. This reinforces our commitment to combining digital innovation with community-focused, face-to-face banking.

Our market overview continued

Deployment of AI technology

What we have seen

The market continues to evolve at pace, with enterprise AI adoption now common through tools such as OpenAI's ChatGPT and Microsoft Co-Pilot. Across the industry, banks have increased their strategic focus on AI whilst maintaining strong risk management practices, delivering use cases with a 'human in the loop' ensuring review of outputs before they are communicated to customers. The emergent use of Agentic AI which uses autonomous AI systems that can reason, plan, and act independently to achieve a defined set of goals is the next transformative phase for many businesses, with banks exploring implementation.

Our response and looking ahead

In 2025, we mobilised our strategy to accelerate our transformation using Data and AI. This helped us to continue delivering machine learning and AI solutions into the business supporting our customers and our people. We have deployed enterprise solutions like ChatGPT to many parts of the business and the majority of our customer-facing teams are now using AI for better customer interactions.

Most of our developers are using AI to increase productivity and deploy AI-assisted code. We have also developed new tools to detect, deter and disrupt criminal networks, working closely with government agencies, to protect our customers from financial crime.

Looking ahead, we plan to deploy a number of global AI platforms in the UK to accelerate our transformation further. We will start exploring the use of Agentic AI and put AI tools directly in front of our customers whilst maintaining strong risk management and oversight to ensure we deliver innovation and good customer outcomes.

Evolving regulatory landscape

What we have seen

2025 saw significant activity in the financial services regulatory environment. The government encouraged UK regulators to reduce the regulatory burden faced by banks in order to encourage economic growth, which has led to a wide range of proposals from the FCA and PRA.

This includes a number of changes to the mortgage rules, including the LTI limit, and discussion papers from the FCA and PRA on broader rule changes. We have also seen consultations to improve the operation of the Financial Ombudsman Service and the SMC&R regime, delays to the implementation of the market risk element of the Basel package and introduction of targeted support for investments and pensions. There has been progress on a new model for the design and delivery of next generation payments infrastructure, linked to the National Payments Vision and Strategy.

Policymakers are also conducting reviews of the UK's capital and ring-fencing regimes. The FCA also published a consultation paper on 7 October 2025 regarding a proposed industry-wide motor finance consumer redress scheme (Consultation).

Our response and looking ahead

We welcome the government's commitment to improving the balance of regulation. Throughout 2025, we worked with industry regulators to support the government's growth agenda and identify areas where the regulatory regime can be improved to foster growth, whilst maintaining the stability of the financial system and delivering good outcomes for customers.

We responded to the FCA's Consultation on motor finance commission and continue to engage constructively with the FCA on its detailed consideration of the Consultation proposals.

Delivering on our sustainability ambitions

What we have seen

Investors, regulators, and other stakeholders continue to increase their scrutiny of sustainability practices, with particular attention to alignment between stated objectives and actual outcomes. This heightened focus is driving organisations to provide clearer disclosure with progress toward their sustainability ambitions.

Our response and looking ahead

In 2025, we continued to support our customers in their transition goals, with tailored green finance solutions and practical advice. Since 2021, we have provided £23.6bn in green financing surpassing our ambition of £20bn and supported over 237,500 customers with products and services that make the green transition more achievable, surpassing our ambition to support 180,000 customers.

In 2025, we also launched our social strategy to support productive and inclusive growth with our customers, communities and our people. We contacted over 2.1 million customers showing early signs of financial difficulty, potential money worries, or who have missed payments.

We also launched a new five-year charity partnership with The King's Trust to help young people build skills for a brighter future.

For our people, we made progress towards our inclusive culture ambitions through increased senior female representation, now 35.3%, and senior ethnic minority representation, now 14.5%.¹

We continue to implement our new Governance Strategy, with a primary focus in 2025 on appointing a new Chair.

Looking ahead, we continue to focus on ensuring our sustainability strategy delivers wider value to our business and real world impact.

¹ Our workforce is UK-based and our ambitions relate to UK performance in compliance with relevant UK law. These ambitions support business performance and all employment decisions are based on merit.

Our strategic priorities

Focused on customer loyalty, improved efficiency and growth

Customer centric & increase primacy

Initiatives aimed at enhancing how we serve and engage with our customers, leveraging the Banco Santander group's global technology and operational capabilities to provide consistent and accessible financial services across multiple channels.

2025 progress: in mortgages, we were the first lender to change our affordability rules enabling some families to borrow as much as £133k more. We launched several new propositions for our customers, including Edge Explorer, our new added value current account with lifestyle benefits, our classic Business Current Account and digital onboarding for cards.

For our corporate customers, following Santander Navigator's success in the UK, we have now launched Navigator Global which is an end-to-end digital first, human-led platform that helps ambitious businesses grow internationally. We also digitised and automated processes reflected in a more than 20% reduction in the time it takes to onboard a client.

Simplification, automation, AI & 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'.

2025 progress: we are bringing the power of AI and automation to our customers and employees. We deployed enterprise solutions like ChatGPT to large portions of the business and the majority of our customer-facing teams are using AI to have better informed customer interactions. Most of our developers are using AI to increase productivity and deploy AI-assisted code, which helps to digitise and transform the business at pace.

AI is game-changing in the fight against Economic Crime, and we deployed a number of use cases in Financial Crime to detect, deter and disrupt criminal networks, with a 50% alert reduction in some use cases. Across all our payment services, we invested in AI-powered fraud capabilities too, using machine learning models for real-time fraud detection.

Value creation & disciplined capital allocation

Continued focus on sustainable value creation for all stakeholders – customers, employees, shareholders and communities – while maintaining strong risk and profitability management and a disciplined approach to capital allocation.

2025 progress: returned to balanced balance sheet growth while maintaining a disciplined approach to capital allocation across asset classes. This approach ensured that we maintained significant headroom above regulatory capital requirements.

Be a responsible bank

Initiatives aimed at supporting our customers with a just and orderly transition to a low carbon economy and helping them get the skills they need to thrive.

2025 progress: achieved two of our public ambitions in 2025. This includes from 2021–2025 surpassing our ambition of £20bn green finance raised and facilitated, together with our ambition to support 180,000 customers with products and services to support their transition goals.

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 2025 Annual Report, which does not form part of this report.

Risk management overview

Managing continuous transformation in Risk & Compliance was a key focus throughout 2025 and remains a priority in 2026, as we also manage the proposed acquisition and integration of TSB into the business (subject to regulatory approvals).

In 2025, and moving into 2026, we continue delivering a transformation focused on streamlining, simplification and enabling business growth. Through key initiatives we are reducing duplication, embedding automation and enhancing clarity and timeliness of risk insights.

By investing in technology, data and process redesign, we are improving efficiency and strengthening resilience in line with regulatory expectations.

Top Risks

We monitor our Top Risks bi-annually at the ERCC and BRC. Along with Emerging Risks, they are used as part of our risk challenge to strategic business plans, and are considered in our ICAAP scenario testing. In 2025, we continued to ensure our Top and Emerging risks are relevant to the changing strategic landscape. Changes made include the addition of TSB's integration, which will require execution in a timely and controlled manner, and Execution of AI as we build towards deployment at scale and pace. Model risk impacts have been combined with Regulatory Capital given the importance of compliance with SS1/23; and Outsourcing and Third Party and Resiliency have been combined as Operational Resilience, given the inter-related nature of these risk types.

Top Risk Descriptions	Mitigating Actions
Economic Crime Sanctions Complexity Sanctions risks and complexity has increased with the evolving geopolitical landscape. Addressing emerging sanctions evasion risks remains a key focus. The G7 continues to use sanctions and associated "tools", requiring continued vigilance across the industry.	Our Economic Crime risk team work closely with the business units, providing continued support in identifying evolving sanctions risks. We also engage closely across the banking industry to ensure our approach to managing complex sanctions risks remains in line with best practice.
Responding to Regulatory Change It is vital to keep pace with and respond to Regulatory Change in an increasingly complex environment driven by ever higher customer expectations. Failure to do so can lead to compliance risks and fines, as well as lost commercial opportunities.	We continue to enhance our Compliance oversight function through a transformation programme which is deploying a range of regulatory technology compliance tools, AI, automation and data analytics which provide real-time oversight, enhanced risk detection and simplified workflows.
Execution Risks associated with TSB integration Integrating TSB in a timely and controlled manner is key to achieving planned commercial benefits from the acquisition and a significant contribution to the achievement of our business plans. Linked to Execution of Strategic Transformation.	Risk and Compliance have been heavily involved in the 'change in control' process and engagement with the PRA. Already established and embedded Line 2 loads are now focused on the integration project across a range of workstreams. Risk is offering a wide range of support on governance, risk frameworks, and risk appetite and reporting.
Execution Risks associated with Strategic Transformation This remains a key focus to ensure we have adequate funding, resource capacity and capability to deliver. With the addition of TSB integration to the list of priorities, there are increased delivery risks and challenges that need to be managed.	We continue to focus on enhancing our management of change, with planned actions implemented on clarifying roles and responsibilities, bank of work prioritisation, overall governance, and our wider Transformation and Change Framework. Utilisation of 'Agile' programmes has become a relatively new feature in our approach.
Geopolitically Motivated Cyber-Attack We are focused on reducing the potential for ransomware to be injected into our technology platforms either directly or through a third-party supplier, which could cause significant business disruption, a potential regulatory fine and reputational risk.	We have an ongoing dedicated Cyber & Information Security plan for continuous enhancement and strengthening of our cyber risk and control environment. Cyber is an asymmetric risk heavily influenced by the evolution of the external threat landscape and accordingly our aim continues to be to minimise risks to acceptable levels.
Operational Resilience threats Identifying and mitigating Operational Resilience threats, for example a ransomware attack or loss of a third-party, is critical in supporting our ability to recover important Business Services (IBS), reducing the risk of a regulatory fine and possible reputational risk.	We have developed a framework which encompasses a plan for mitigating actions to address key identified threats, which also include loss of Critical National and Financial Markets Infrastructure. We will continue to drive maturity in our approach during 2026.
Technology Infrastructure Obsolescence Maintaining a robust and fit for purpose Technology Infrastructure reduces the risk of a single point of failure in our network and loss of an IBS, as well as limiting the potential for increased reputational risk or a regulatory fine.	Reducing network single point of failure risk (SPoF) and obsolescence within our Zero Tolerance assets remains a key focus, with significant progress made during 2025 via our technology remediation programme. These efforts have significantly enhanced the health, security and resilience of our IT platform estate.
Execution of Payment Systems Transformation It is important that we continue to keep pace with the scale of change impacting payments technology platforms across the industry to ensure we take full advantage of commercial opportunities and retain our competitive advantage relative to our peers.	Our focus is on enhancing our payments processes through leveraging Banco Santander's platforms and also ensuring that we have the capacity and capability to participate in regulatory or payment scheme initiatives, for example, the National Payments Vision; and industry initiatives such as tokenisation, CBDC, and Regulated Liability Network (RLN).
Model Risk and Regulatory Capital Changes Compliance with SS1/23 Model Risk Principles is vital in retaining IRB Models approvals and avoiding capital add-ons, impacting regulatory capital. There also remains an ongoing sensitivity to regulatory capital changes and decisions, and other factors such as potential crystallisation of conduct losses, although Model Risk is regarded as most significant.	We are further transforming our Models capability, whilst ensuring regulatory compliance. Our Transformation Programme has been addressing SS1/23 requirements, whilst building a modern, compliant and efficient Model Risk Management framework. Targeted benefits include reduction in lifecycle effort and improvement in delivery timelines.
Data Ownership and Controls Weak Data Ownership, and ineffective and insufficient controls can lead to poor customer outcomes, inaccurate regulatory reporting and ineffective decision making. Poor quality external data is also a risk to making effective policy decisions (e.g. ONS revisions).	We are progressing with our plans to enhance and embed our Data Management Operating Model with clearly defined roles and responsibilities. Data Management metrics are reported regularly in Risk and Governance forums, and new Governance Standards are being developed in close co-ordination between key business areas and risk.
Volatile Geopolitical and Macroeconomic Environment Future shocks such as volatile energy prices, renewed Middle East or Ukraine related supply disruptions, tariff and trade related impacts, and divergent US-European rate paths, could trigger sterling weakness, higher import costs and renewed inflationary pressures.	Geopolitical related risks including tariffs remain a key focus for our risk reporting. We co-ordinate this through our 'Agile Squad' of subject-matter experts across the business and risk. This facilitates regular and consistent messaging, related to any potential impacts on our overall Risk Profile, to ERCC, BRC, and Board, as well as to Banco Santander.
Execution of AI adoption Poor execution of AI adoption could lead to strategic underperformance against peers, and loss of competitive advantage. The potential also exists for undesirable events such as significant data loss, a major cyber security incident, and GenAI deepfakes.	We continue to build our GenAI Capability, which is critical to our deployment of AI use cases across the bank. We are taking a phased approach to developing our AI maturity over the next year building towards deployment at scale and pace. AI use cases and risk issues are being discussed at local business and risk and control forums enabling Line 2 oversight.
Mitigating Margin Compression risks Proactive hedging actions in a timely fashion is vital to mitigating Margin Compression risk particularly in a falling rate environment where we are unable to replace our deposits as quickly as our mortgage assets.	Structural Position (SP) hedging over 2024 and 2025 has reduced our exposure to downwards rate movements, as deposits remain relatively fixed to downwards rate moves. Higher for longer is less of a concern, and with respect to rate increases, there is the opportunity to undertake SP hedging at higher rates.
Sophisticated Social Engineering Fraud Failure to develop prevention and detection technology to mitigate the scale and sophistication of Social Engineering Fraud aided by AI, could lead to significant losses, regulatory attention and poor financial performance.	We have a broad range of controls to manage the prevention and detection of fraud, which requires continuous investment and enhancements of capabilities to maintain and improve performance. Despite the increased sophistication of fraud attacks, our fraud target performance has improved compared to 2024.

Emerging Risks

We monitor these risks via our Risk Radar and regularly provide a combined bi-annual update, alongside Top Risks to ERCC and BRC. Highlighted below are our Emerging Risks in 2025 and our associated mitigating actions. Most Emerging Risks we face are systemic risk issues which also impact our peers. However, 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 2025, we made some changes to our Emerging Risks, although the overall profile remained broadly unchanged. We added: Loss of Critical National and Financial Market Infrastructure considering elevated geopolitical risks; Developments in Quantum Technology noting the need to ensure our cryptography estate becomes 'post quantum safe'; Credit impacts of AI Deployment cognisant of employment displacement risks; and Climate Change, now redefined and reclassified from a Top Risk to an Emerging Risk.

Emerging Risks Descriptions	Mitigating Actions
Demanding Regulatory Agenda	
Inconsistent Implementation of Global Regulation This may leave the UK at a competitive disadvantage compared to other global finance jurisdictions such as the EU and the US, which could adversely impact our ability to meet future growth plans.	Government's 'pro-growth' initiatives, such as the 'Leeds Reforms' are welcomed in key areas such as ring-fencing, regulatory capital levels, and retail mortgage lending initiatives related to affordability. However the overall pace of regulatory change in relative terms remains a concern and our Regulatory Affairs team continue to engage with regulators and ministers to promote reforms.
Uncertain Macroeconomic and Geopolitical Environment	
UK Macro and Government Policy UK Government Policies may fail to stimulate economic growth, and as a result the fiscal position could worsen during the next 18 months, adversely impacting the attractiveness of investing in the UK and our ability to meet future growth plans. Bank of England quantitative tightening has put further pressures on government borrowing costs.	UK domestic related challenges remain an area of primary concern for the bank including: 'sticky' inflation, persistent low growth, lack of long-term fiscal policy credibility, weak productivity and business investment, labour market fragility, and data uncertainty (a.g. ONS revisions). Our risk coverage and reporting on these issues is co-ordinated between the business and risk via our 'Agile Squad' as described under Top Risks.
Loss of Critical National & Financial Market Infrastructure This could lead to failure to recover Important Business Service(s) within set timeframes. This would have significant regulatory and reputational risk implications, and is also an increasing threat, given the heightened geopolitical risk environment.	Our Business and Services Management team assess these risks with a view to developing scenarios and playbooks in the event that they materialise. Potential scenarios include loss of power (requiring back up provision) and loss of communications and other essential business facilities for a sustained period. We also have defined emergency protocols and processes for these situations, depending upon the severity.
Markets, Competition & Technology	
Digital Bank challengers There are challenges to our growth plans from Digital Banks with a lower cost basis that are looking to gain a commercial edge by attracting a growing number of digital based customers. Open Finance legislation may also impact in the future, with auto switching between savings providers and disintermediation via Digital Wallets.	We continue to leverage Banco Santander capabilities in the digital customer space and maintain our investment in the development of AI to enable quick and accurate responses to customer needs through a range of digital channels. Overall this approach facilitates a cost-efficient approach, supported by Banco Santander's scale and platforms.
Digital Currencies, Tokenisation & Crypto Assets Failure to keep pace with developments in Digital Currencies, Tokenisation, and Crypto assets could increase the risk of loss of commercial deposits, increase wholesale funding costs and adversely impact the achievement of our longer-term business plans.	Our Regulatory Affairs team have responded to consultations held by the Bank of England with respect to the Digital Pound initiative. Santander UK is also involved in an evolving alternative banking industry solution, the Regulated Liability Network. We recognise digital currencies and payments industry transformation are closely related and we continue to have close engagement with our peers and industry regulators on future developments.
Developments in Quantum Technology This is an evolving technology which could pose security risks to Santander UK and our customers over the medium to longer term, particularly via long-standing and trusted security measures such as cryptography which to date has protected financial data and communications.	Our Line 1 Cyber team maintains an inventory of internal cryptography and is ensuring that we have identified any potential areas that may require upgrading and modernisation. Finding a potential solution is an industry wide issue in order to move towards becoming 'Post Quantum Safe', as these capabilities evolve and mature.
Environmental and Social	
UK Political and Social Dislocation A growing sense of public frustrations relating to government policies over many years, could result in political and social fragmentation. This may impact future business and investor confidence in the UK, if sentiment deteriorates further, and pose additional challenges to the achievement of our business plans.	Through our regular co-ordinated monitoring and reporting of the external risk environment across the business and risk, we closely assess both external and internal warning indicators, to aid in the assessment of our overall risk profile. This informs discussion, review and challenge at both ERCC and BRC as to whether further mitigating actions need to be taken across financial and non-financial risks.
Credit impacts from AI Deployment AI deployment at scale and pace over our planning period and more widely across industry in the UK could impact upon our customers through job displacement and ultimately affect the performance of our credit portfolios.	Whilst AI adoption may initially have only a modest and relatively temporary impact on unemployment, once longer term efficiency gains materialise, job displacement could become more material in some industries. Unemployment is one of the key economic factors we monitor closely and factor into our credit policies and provisioning.
Climate Change: Impacts of Future Events Climate change related risks either from impacts of future physical events or net-zero policy and transition failure could lead to both economic and operational resilience challenges.	Our internal climate change risk scenario analysis, is considered as part of our ICAMP scenario testing, and identifies related risks covering government policies (net zero transition) and physical events such as severe flooding in certain UK regions.

Financial overview

In 2025, we made great progress in our ambition to become the best bank for customers.

Our 2025 financial results reflect strong business performance, with an increase in profit before tax in the year, mainly due to higher income, and lower costs and provision charges, partly offset by higher transformation costs.

2025 saw a return to growth in our balance sheet after several years of deleveraging. Customer loans and deposits increased, with broad based growth across all segments. As a result, we saw an improved customer funding gap.

Our balance sheet remains robust, with strong asset and credit quality. We are well capitalised and continue to have a strong liquidity and funding position. Our CET1 capital ratio increased due to ongoing organic capital generation and almost no dividend for 2025, in anticipation of the proposed acquisition of TSB. We remain focused on capital efficiency.

Our financial results

Summarised consolidated income statement

	2025	2024
	£m	£m
Net interest income	4,380	4,312
Non-interest income ¹	349	345
Total operating income	4,729	4,657
Operating expenses before credit impairment charges, provisions and charges	(2,457)	(2,548)
Credit impairment charges	(193)	(71)
Provisions for other liabilities and charges	(597)	(689)
Profit before tax	1,482	1,349
Tax on profit	(396)	(378)
Profit after tax	1,086	971

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

- Profit before tax increased to £1,482m in 2025, a 10% increase from 2024. This increase reflects higher income, and lower costs and provision charges, partially offset by higher transformation costs.
- Net interest income increased 2%, driven by lower cost of deposits and supported by our structural hedge.
- Non-interest income was up 1%, mainly due to higher retail and corporate fee income.
- Operating expenses before credit impairment charges, provisions and charges were down 4%, driven by simplification and automation, including a 12-month headcount reduction of over 2,700 FTE.
- Cost management discipline will remain a key focus for management throughout 2026.
- Credit impairment charges were up £122m, trending to pre-pandemic levels, as previously guided.
- Provisions for other liabilities and charges were down 13%, mainly due to a lower provision charge in 2025 relating to historical motor finance commission payments, partly offset by higher transformation related charges.
- Tax on profit increased by 5%, reflecting the increase in profit before tax in the year.

Motor Finance

Further to the publication of the FCA's consultation paper on 7 October 2025 regarding a proposed industry-wide motor finance consumer redress scheme (Consultation), the Santander UK group has reassessed the potential financial impact arising from motor finance related redress payments. The Santander UK group responded to the Consultation and continues to engage constructively with the FCA in respect of its detailed consideration of the Consultation proposals.

Based on its detailed consideration, the Santander UK group considers that there remains significant uncertainty regarding the ultimate outcome of the Consultation.

The Santander UK group recognised a provision of £295m in its financial results for 2024. This provision was determined based upon the information then available. It included estimates for operational and legal costs and potential awards based on various scenarios and used a range of assumptions, including the possible outcome of an appeal to the Supreme Court in 2025 of the Court of Appeal's decision in Hopcraft.

The Santander UK group has updated its range of scenarios which has resulted in an additional estimated charge of £183m, increasing the total provision to £461m. The provision is based on various scenarios using a range of assumptions, including potential changes to the proposed scheme following responses to the Consultation or publication of the FCA's final scheme rules.

There continue to be significant uncertainties as to the nature, extent and timing of redress payments. The ultimate financial impact could be materially higher or lower than the amount provided.

For more, see Note 27 to the Consolidated Financial Statements.

Summarised segmental balance sheet

At 31 December	2025	2024
	£bn	£bn
Customer loans by segment		
Retail & Business Banking	173.5	171.7
Consumer Finance	5.0	4.8
Corporate & Commercial Banking	18.9	18.0
Corporate Centre	—	—
Customer loans	197.4	194.5
Loans to JVs, accrued interest, ECL and other	5.2	4.9
Loans and advances to customers	202.6	199.4
Cash, repos, other financial assets and other assets non-interest earning	64.2	60.5
Total assets	266.8	259.9
Customer deposits by segment		
Retail & Business Banking	155.7	151.8
Corporate & Commercial Banking	24.4	22.1
Corporate Centre	3.5	2.8
Customer deposits	183.6¹	176.7
Deposits from JVs, accrued interest and other	3.7	4.2
Deposits by customers	187.3	181.0
Financial liabilities, repos and other liabilities non-interest earning	64.4	65.2
Total liabilities	251.7	246.2
Shareholders' equity	15.1	13.8
Total liabilities and equity	266.8	259.9

2025 saw a return to growth in our balance sheet after several years of deleveraging. Customer loans and deposits increased, with broad based growth across all segments. As a result, we saw an improved customer funding gap.

Our loan portfolio continues to underpin the performance of our balance sheet and has performed well throughout the cycle.

As a lender who is primarily focused on UK mortgages, our mortgage portfolio accounts for 85% (2024: 84%) of customer loans and has a relatively low stock loan-to-value ratio of 52% (2024: 51%).

Mortgage loans increased to £167.3bn (Dec-24: £165.1bn) and we saw higher gross mortgage lending in 2025 of £25.3bn (2024: £16.1bn) with £14.7bn in H2-25 and £10.6bn in H1-25. We also completed the sale of £1.2bn of high RWA mortgage loans in Q3-25 with positive capital generation.

Unsecured retail lending, which includes credit cards, overdrafts and UPLs continued to account for 3% (2024: 3%) of our portfolio. Consumer Finance accounted for 3% (2024: 3%) of the loan book at the year-end and is largely collateralised on vehicles.

Our corporate loan customers remain well diversified across sectors. Customers remain largely resilient, with an overall improvement in asset quality in the year. We maintain relatively low exposures to Commercial Real Estate (CRE) and Buy-To-Let (BTL).

Arrears remain low. Loans in Stage 2 and Stage 3 improved, highlighting underlying asset quality and the sale of high RWA mortgage loans in Q3-25.

The Stage 3 ratio¹ of our loan book was 1.18%, down 24bps from Dec-24, 13bps of which was due to the sale of high RWA mortgage loans in Q3-25.

Customer deposits increased to £183.6bn (Dec-24: £176.7bn) driven by growth across all segments. In Retail & Business Banking, Savings increased following a successful ISA season, successful deposit campaigns, including cahoot, and customer migration from Current Accounts.

¹ Non-IFRS measure

Segmental performance

We continue to manage our business through three core operating segments plus the Corporate Centre. We work closely with our Banco Santander colleagues in Spain and across Europe to ensure consistency and to leverage shared investment, best practice, and expertise.

Our business segments

Retail & Business Banking – provides UK residential mortgages for customers with good credit quality, lending and banking services and unsecured lending to individuals and small businesses.

Corporate & Commercial Banking – provides banking products and services to SMEs, mid-sized and larger corporates.

Consumer Finance – provides prime auto consumer financing for cars, vans, motorbikes and leisure vehicles.

Corporate Centre – provides treasury services for asset and liability management of our balance sheet.

Retail & Business Banking remained focused on growing our franchise, by delivering more value for our customers with new propositions and improved digital journeys, while maintaining a human touch for the moments that matter. At the same time, we continued to transform the bank and deploy capital effectively.

We expanded our Santander Edge product with the launch of Edge Explorer, a premium product offering customers a range of insurance and lifestyle benefits, cashback and access to a preferential savings rate. We also consolidated our Business Banking proposition into one product, the Business Current Account Classic to ensure a consistent offering.

We enhanced our mobile apps, OneApp and Kingfisher, with 15 new releases in 2025 and enhanced our customer journeys, launching new digital onboarding for Business Banking and credit cards. For mortgage customers, we strengthened their digital experience through improvements to My Home Manager and partnered with Energy Saving Trust (EST) to deliver a new online Home Energy Saving Tool to help homeowners make energy efficiencies and reduce their household bills.

Customer loans and deposits grew with targeted competitive pricing. Profit before tax of £1,291m (2024: £1,224m) was up, mainly due to higher income, and lower costs, partly offset by higher credit impairment charges and transformation costs, including charges relating to changes in our branch network.

Consumer Finance maintains a prime portfolio, with 98% of lending secured on the vehicle and relatively low levels of default. Customer loans increased slightly in 2025, and we continue to focus on value and capital generation.

In 2025, our Original Equipment Manufacturer (OEM) partners were responsible for 24% of all new car registrations in the UK, and 30% of new business was for green assets (i.e. electric vehicles and hybrids), with tailpipe emissions under 50CO₂e/km.

Loss before tax of £76m (2024: loss before tax of £175m) decreased, mainly due to lower provision charges in respect of historical motor finance commission payments.

Corporate & Commercial Banking (CCB) continued to focus on high-value and international business, with over 400 new clients onboarded in 2025. We saw a higher proportion being internationally active and choosing to transfer their prime banking.

We saw a significant increase in corporate facilities and grew our participation in the Government Growth Guarantee Scheme which provided additional access to finance SMEs.

Working closely with Banco Santander, we increased support for multinational businesses arriving in the UK, whilst helping exporters that are reaching out into new overseas markets.

We launched our new Navigator Global platform that provides online, personalised support for businesses looking to expand overseas.

Profit before tax of £324m (2024: £351m) was down, mainly due to higher credit impairment charges, partly offset by cost discipline.

Corporate Centre loss before tax increased slightly to £57m in 2025 (2024: loss before tax of £51m) due to lower non-interest income and increased credit impairment charges, mostly offset by higher income on liquid assets.

Strong liquidity, funding and capital position

We remain strongly capitalised, with our capital position well above the regulatory requirements and remain focused on capital efficiency. CET1 capital ratio increased to 15.8% due to ongoing organic capital generation and almost no dividend for 2025, partially offset by higher RWAs.

A strong LCR of 162% (Dec-24: 154%), increased largely due to a reduction in the customer funding gap in 2025.

Our diversified funding across well-established issuance programmes across a range of currencies and classes continued in 2025. We issued £10.5bn in Sterling equivalent medium-term funding, including Covered Bond, RMBS, AT1 and Senior Unsecured issuances.

We repaid £7.1bn of TFSME in 2025, with an outstanding balance of £3.9bn at the year-end, of which £2.5bn is due for repayment in 2027 and £1.4bn is due in 2031.

The structural hedge position decreased to £103bn at Dec-25 (Dec-24: £110bn), as we position ourselves well for further Bank Rate reductions.

Looking ahead

Following our return to growth in 2025, we expect to see net lending growth continue in 2026.

Our structural hedge position keeps us well positioned for further Bank Rate reductions.

We expect further cost efficiencies in 2026, driven by simplification and automation of our business.

Sustainability overview

At Santander UK, we are here to help people and businesses prosper. Our core business is critical to this, but we also know that we need to go beyond banking. For us, prosperity includes opportunity, fairness, and resilience for our customers, communities, and our people. It also means working with stakeholders to support a just and orderly transition to a more sustainable future.

Further detailed information on the progress of our Sustainability strategy is provided in the 2025 Sustainability Supplement. The Supplement is published on the Santander UK website and does not form part of this Annual Report. It includes the results of a limited assurance exercise on specific sustainability metrics.

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.

Section 172: Stakeholder voice

The Boards of the Company and Santander UK Group Holdings plc (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 2025, 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 employee networks in 2025 below.

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 March 2025 Board cycle in Madrid in order to strengthen relations and understand Banco Santander's views more clearly.

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
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Social Strategy

Section 172 matters	A, B, C, D, E
Stakeholders considered	Customers, Employees, Communities

Background

In Spring 2025, the Boards approved Santander UK's Social Strategy, providing a clear framework to support productive and inclusive growth for customers, communities and employees. The strategy prioritises financial inclusion and financial health for customers, supporting communities through skills development and creating a productive and inclusive workplace for colleagues.

How the Board approached it

The Boards considered the Social Strategy in the context of their duties under s.172 and recognised the importance of aligning the strategy to Santander UK's purpose and long-term success. There was a particular emphasis on delivering tangible benefits for customers and society, supporting customers to improve their financial health and access banking products and services that meet their needs. The Boards also examined how Santander UK could help communities to build the skills that improve career prospects.

Outcome

The approval of the Social Strategy provided a clear mandate for management to strengthen support for customers' financial inclusion and financial health, embedding these considerations more consistently into products, services and customer interactions.

The strategy also reinforced Santander UK's efforts for its communities, supporting initiatives that help individuals develop skills and improve employability, while strengthening the people agenda to support colleague wellbeing, skills development and inclusion. The Boards continue to receive updates on progress, ensuring that the Strategy delivers sustainable, long-term benefits for customers, communities and employees.

Employee Network Engagement

Section 172 matters	B, C
Stakeholders considered	Employees

Background

The Boards support Employee Networks through individual NED sponsorship. Each Network has a NED sponsor who stays informed on its activities and champions its priorities throughout the year. NED sponsors meet with their respective Networks at least annually, and in 2025 the Board met with the Networks collectively.

How the Board approached it

In July 2025, the Boards invited employee Network Leads and members of their leadership teams to join them at an informal lunch. Each Board and Executive Committee Network Sponsor sat with their respective Network with the aim of the session to discuss opportunities for Network growth, as well as increasing Network impact and the current lived experiences of members working in Santander UK.

Outcome

The Boards praised the engaging work undertaken by each of the Networks, highlighting the impact of their work as well as the motivation and drive of their members. In the context of transformation and acquisition activities, it was acknowledged that there was a degree of hesitancy from some individuals around speaking up due to concerns around negative perceptions on their capabilities or performance. The Boards noted therefore that it would be essential for Network sponsors and their respective Network Chairs to work together to create a safe and supportive environment where employees felt comfortable voicing their thoughts and concerns. We will also ensure that the work of the Networks is communicated and promoted not only within the Network community but more broadly to ensure alignment and reinforce trust.

Clear actions were identified from the session along with designated owners responsible for addressing each to ensure accountability and follow-through on key points raised.

Sustainability

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Sustainability overview

Climate-related financial disclosures

Our Climate strategy supports our customers in the transition to a lower carbon economy, as we work to align our activity with the UN Paris Agreement. 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 use and carbon footprint in line with SECR regulations. Emissions are calculated using the UK Government Department for Energy Security and Net Zero (DESNZ) conversion factors. In 2025, we consumed 79,991,734 kWh of energy, compared to the 89,511,041 kWh used in 2024. The reduction was primarily driven by the rationalisation of our head office estate. Electricity consumption also decreased, reflecting these head office closures and the continued upgrade and optimisation of building systems to improve energy efficiency. Santander UK plc partially occupies our Triton Square office, which is also used by other Banco Santander entities. As Santander UK plc holds operational control, including areas of the building that we do not directly occupy, we have made the decision to fully account for its emission profile within the reporting for this entity. This approach was jointly agreed with Banco Santander and has been in place since 2019, our baseline year. In 2025, we recorded 4,509 tCO₂e of greenhouse gas emissions compared with 5,466 tCO₂e in 2024. Our total Scope 1, 2, and 3 emissions for 2025 are set out in the SECR table. In 2025, emissions from business travel reduced from 3,009 tCO₂e to 2,394 tCO₂e. The majority of this reduction was driven by updates to the UK Government's emission conversion factors, which lowered the calculated emissions compared to the prior year. In addition, there was a modest reduction attributable to changes in travel behaviour. While total distance travelled increased during the year, the travel mix shifted towards lower-emitting modes, including increased use of rail and electric vehicles. This lowered emissions per kilometre travelled and helped moderate the impact of increased travel volumes.

	2025	2024
Scope 1 tCO ₂ e	2,115	2,456
Scope 2 tCO ₂ e (Location-based)	12,339	16,195
Scope 2 tCO ₂ e (Market-based)	—	1.13
Scope 3 tCO ₂ e (Business Travel)	2,394	3,009
Total	4,509	5,466
YoY %	(18)%	3 %
Total emissions per employee (tCO ₂ e/FTE)	0.3	0.3

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. Emissions calculations from these sources follow the GHG Protocol Corporate Standard. Consumption and transport data is extracted from relevant source systems and records. Internal systems include meter readings, maintenance records, mileage claims, and internal travel systems. External systems include bill validation systems and external supplier invoices. 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.

Scope 2: GHG emissions from purchased electricity and electric fleet and company cars. For Santander UK, we use the market-based approach to quantify our Scope 2 emissions. This means we use emissions factors provided by our electricity suppliers. For our Scope 2 emissions, this method 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 electric vehicles are calculated using the Residual Mix from DESNZ Fuel Mix Disclosure. Data for electricity consumption and travel by electric vehicles are extracted from relevant source systems including billing invoices and mileage claims.

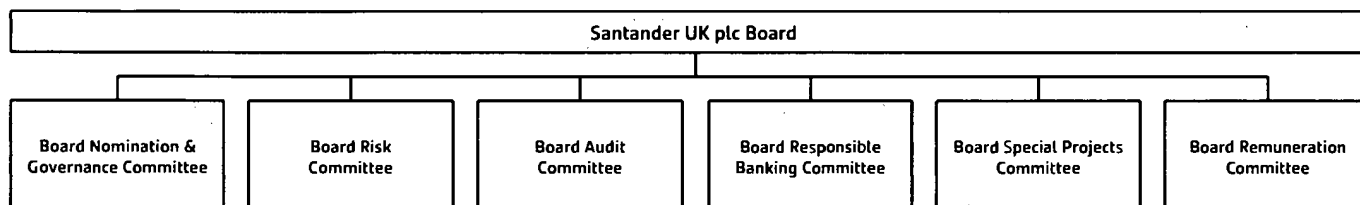
Scope 3 – Business travel: This includes GHG emissions from indirect travel that have not been included in Scope 1 and 2. Business travel by air, road, and rail is included. Business travel records are taken from relevant internal systems or provided by our third-party travel administrator. The distance travelled in kilometres is converted into GHG emissions using relevant factors from UK Government DESNZ and collated into a total for Scope 3 business travel emissions. Car data is based on engine size, flight figures are based on average cabin seat class, and rail data is based on average cabin seat class. Rail figures are based on national rail conversion factors. Taxi travel is excluded due to lack of mileage data. Business travel data expenses are recognised for reporting when they are logged into our systems. There can be a small amount travel that occurred shortly before 1 January 2025 included in 2025 reporting. This is in line with the company policy grace period for registering travel. We have completed the analysis to understand the impact of this approach, and we have deemed it immaterial compared to the total amount of travel undertaken throughout the year.

Governance

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Governance overview



Executive level committees

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 2025						
12 February Enrique Alvarez appointed ¹	31 March Ed Giera resigned	16 May Tom Scholar appointed ²	18 July William Vereker resigned	30 September Dirk Marzluf resigned	1 October Mahesh Aditya appointed	3 October Mike Regnier announced intention to step down

¹ Resigned from the Board on 25 February 2026.

² Tom Scholar became Chair on 18 July 2025

Compliance with the UK Corporate Governance Code
The UK Corporate Governance Code (the Code) sets out a framework of principles and provisions for corporate governance 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. As well as voluntarily applying the UK corporate Governance Code, as far as is applicable to Santander UK, we 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 the day to day running of the business by 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 has granted Santander UK plc certain ring-fencing governance rule modifications, recognising our ownership structure and chosen business model. These ring-fencing rule modifications have allowed us to simplify our governance arrangements while not losing strength, including the ability to have common Santander UK Group Holdings plc and Santander UK plc Board and Board Committee memberships, subject to certain safeguards. The composition of the Board and Board Committees of the two companies are fully 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 David Oldfield. Nicky Morgan would 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 shareholders, 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 and provides some meaningful examples of how we have taken stakeholders into consideration in our decision making.

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, which does not form part of this Annual Report.

The Chair, has 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 Executive 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, 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 business performance and 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](https://about.santander.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 membership provides 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 six core Board Committees, shown on the previous page, the Boards are also supported by committees which are stood up as needed to allow dedicated time for topics at a more focused forum.

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 and are expected to exercise independent judgement, the INEDs bring external perspective, objective judgement in respect of Board decisions, and provide constructive challenge to management. Directors also have collective responsibilities for the integrity of financial information, internal controls and risk management systems.

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, frameworks 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 consider 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 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 we lead by example and that our activities reflect the culture we wish to instill throughout the business to deliver on our values of simple, personal and fair. Every year we hold one Board meeting at one of our regional offices, when we have the opportunity to meet local staff, and listening to their views.

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, visiting offices, branches and contact centres and inviting our eight people networks, which each have a Board sponsor, to a Board lunch to hear about their activities and needs. Our people engagement is led by our 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 employees. 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.

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

Through the work of 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 review, 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.

William Vereker stepped down as Chair on 18 July 2025. The Board would like to thank William for the invaluable role he played in steering the business through some of the most challenging circumstances in recent times, including Covid and the Cost of Living Crisis. In addition to me joining the Board, in 2025, we welcomed Enrique Alvarez Labiano as an Executive Director (ED) and Mahesh Aditya as Group-nominated Director (GNED). Enrique subsequently stepped down from the Board after a year of service. Mahesh succeeded Dirk Marzluf as a GNED. David Oldfield succeeded Ed Giera as chair of the Board Risk Committee (BRC) in March 2025. We would like to thank Dirk and Ed for their commitment and valuable contributions and insights during their tenure.

Nicky Morgan was appointed as SID with effect from 20 February 2025, succeeding Ed Giera.

In October 2025, Mike Regnier announced his intention to step down as CEO and Executive Director in 2026. Following a thorough and comprehensive succession process, the Board appointed Mahesh Aditya as CEO, with effect from 1 March 2026. The Board is very grateful to Mike for his remarkable leadership and drive over the last four years. He has delivered significant and very valuable transformation during his tenure,

while also strengthening our culture through what has been a period of significant change. The Board looks forward to working with Mahesh as he leads the next phase of Santander UK's development.

On 5 March 2026, the Board approved the appointment of Victoria Roig and Manuel Preto as GNEDs, with effect from 13 March 2026. These appointments further strengthen the breadth and experience on the Board.

At 31 December 2025, the Board consisted of the Chair (independent on appointment), seven INEDs, three EDs and three GNEDs. Biographies of the Directors are available at [aboutsantander.co.uk](https://about.santander.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.

The 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 required to be 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. 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 data in the register is correct.

The fees paid to INEDs for Board and Board Committee chairmanship and membership were unchanged in 2025. Adjustments to individual INEDs' total fees were solely due to changes in their responsibilities, such as appointment or cessation of committee roles or assumption of a committee chair or other notable position. 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 assume new or additional responsibilities during the year, including membership of a new Board Committee, receive tailored induction or handover support as appropriate. Committee Chairs also agree committee-specific training and workshop sessions where relevant. Directors are provided with ongoing opportunities to undertake further development on key topics.

During the year, workshops covered cyber readiness, enhancing understanding of containment considerations during a cyber incident; the corporate technology and operations framework; adoption of the Go-To Model; the Recovery Plan; and Digital Internal Audit. These sessions are designed to ensure that the Board remains well informed on matters relevant to Santander UK and is equipped to discharge its duties and responsibilities effectively.

Board meetings in the year

We held 12 Board meetings in 2025. As part of our governance cycle, the Board held a dedicated Board Strategy day, to consider the five year road map and ensure alignment between executive priorities and shareholder interest at a time of rapid technological change. Meetings of the Company were held concurrently with Santander UK Group Holdings plc.

Regular updates are provided to the Board by the Chair, 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. The Chair, leads the Board agenda setting process, assisted by the Company Secretary and with input from the CEO, with a view to ensuring that 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

The Chair, 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; challenges and opportunities, sharing successes and allowing directors to provide advice and oversight; 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. INEDs are also available to Senior leaders for advice and support.

The Boards regularly monitor progress against the strategic priorities and performance targets of the business, and in 2025, once again held a separate Board Strategy Day. This was an opportunity to look at a longer-term horizon to consider the type of bank we want to become over the next five years, at a time of rapid technological and competitive change. The Board discussed options to radically transform our operating model by leveraging global scale and capabilities. External presenters gave their thoughts on opportunities for Santander in the AI space, and around high-performance culture.

In July 2025, Banco Santander announced an agreement to acquire 100% of TSB Banking Group plc (TSB) from Banco de Sabadell. The Board considered the acquisition of TSB and the governance arrangements around the acquisition and integration, providing oversight of the Change in Control regulatory application process. The transaction remains subject to regulatory approval. This acquisition is an opportunity to accelerate our strategy to create the best bank in the UK for our customers and demonstrates Banco Santander's long-term commitment and confidence in the UK.

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. An annual Board offsite held at one of the UK regional offices provides an opportunity for the Board to interact informally and listen to colleagues's views. This year we have incorporated a customer engagement session to hear about external perspectives, local business environment and general economic landscape.

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 Stakeholder Voice statement in the Strategic report. In 2025, 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.

Chair's report on corporate governance continued

Theme	Action taken by the Board and outcomes	Stakeholders considered
Business and Customer Strategy	- As part of the Board Strategy Day, considered approaches to transforming the operating model to improve outcomes for customers and stakeholders, and strategies for using technology and scale to enhance time to market, customer satisfaction and operational efficiency. - Discussed reports on performance against strategy from principal business areas including: - Corporate and Commercial Banking - Retail and Business Banking, including Mortgages and the re-launch of our Business Banking offering - Private Banking and Select - Payments and cards - Considered our strategic workforce plan and strategy to optimise the real estate portfolio. - Considered our marketing and communication plan and its alignment with Santander global operating model to leverage tech capabilities. - Reviewed, challenged, and approved the 3-year business plan (2026-2028) and the 2025 budget, including assumptions underpinning the plan. - Conducted a customer engagement session to gather insight on customer's views of the economic landscape, including customer's business risk and opportunities. - Received periodic updates on the progress of the TSB acquisition and market outlook and competitor insights.	Customers Investors Employees
Transformation including leveraging Banco Santander scale	- Reviewed initiatives and opportunities to collaborate and leverage resources and capability across Europe and the Banco Santander group, including approving the Banco Santander Go-to Model strategy and Technology & Operation Corporate Framework. - Received regular reports on progress driving operational efficiencies and management's revised approach to strategic change management and investment prioritisation. - Received a demonstration of the agile working practices and their implementation in the Cards and Payments and Financial Crime businesses. - Considered the AI data strategy and received a demonstration on AI use cases. - Participated in workshops delivered on operationalising the Banco Santander's Go-to Model technology and operations framework and the UK adoption of the Go-To Model. - Considered the impact of a high-performance culture in the transformation of Santander UK.	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 top female talent. - 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.	Customers Employees
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, sustainability, cyber security, operational resilience, strategic transformation, payment systems, treasury, corporate credit, retail credit 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, and progress made to return Santander UK plc to Board Risk Appetite on a sustainable basis. - Reviewed and approved the Consumer Duty report on recommendation of the RBC, recognising the valuable enhancements it had made to customer outcomes and value. - As part of the annual review, approved the Risk Appetite Statement and the Risk Framework, the tax strategy and the operational resilience self-assessment. - Approved the 2025 Internal Audit plan and received annual reports on whistleblowing. - Participated in a crisis readiness workshop based on a cyber scenario. Discussed an internal report on the approach to ongoing oversight of the UK Ring Fence Bank Group and other elements of Santander UK control framework. Participated in an Internal Audit digitalisation workshop to explore how digital initiatives are reshaping the way we deliver assurance and prepare for the future.	Customers Employees Regulators
Regulation, Balance Sheet and Capital	- On recommendation of the BRC, 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 a revised Dividend Policy and Surplus Capital Allocation Framework amid the proposed TSB acquisition and latest Total Capital Requirements from the PRA. Considered and approved a management proposal to reduce the share premium account of Santander UK plc by £4.5bn and increase its retained earnings by the same amount, which received Court approval with effective date September 2025. - Approved the 2025 Recovery Plan; received regular reports on recovery and resolution; participated in a Recovery and Resolution workshop testing in line with the Board's ongoing commitment to maintaining the Santander UK group's Recovery and Resolution planning capabilities. - Considered the future regulatory landscape and implications, as well as considering regular reports from the General Counsel on	Customers Investors Regulators
Governance and Responsible Banking	- Invited the PRA to provide an overview of the Periodic Summary Meeting letter. Participated in an internally-facilitated Board evaluation led by the Chair and monitored progress against 2024 action plan from the externally-facilitated Board evaluation. - Approved appointments to the Board on the recommendation of the Board Nomination & Governance Committee. Approved the appointment of the new CRO, CEO and Chair. - Reviewed, challenged, and approved the 2024 Annual Report. - Reviewed and approved the Complaints Monitoring risk appetite change, the Social Mobility Strategy, the Modern Slavery report, the Employee Code of Conduct and the FSCS Single Customer view effectiveness report. Considered and approved the adoption of certain changes to the Santander Group Subsidiary Governance Model and guidelines for subsidiaries.	Communities Regulators Climate

Chair's report on corporate governance continued

Board and Board Committee attendance

	Board		Board Nomination & Governance Committee		Board Risk Committee		Board Audit Committee		Board Responsible Banking Committee		Board Special Projects Committee		Board Remuneration Committee	
	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc
Chair														
William Vereker ¹	5/5	–	4/4	0/4	–	–	–	–	–	–	–	–	–	–
Tom Scholar	6/6	2/2	3/3	1/1	–	–	–	–	–	–	–	–	–	–
Independent NEDs														
Lisa Fretwell ²	8/9	1/3	–	–	–	–	7/8	6/7	5/5	–	–	–	7/7	0/1
Ed Giera ¹	2/2	–	2/2	4/4	2/2	1/1	2/2	–	–	–	–	–	2/2	–
Dave Gledhill ^{2&3}	9/9	1/3	–	–	5/5	4/4	8/8	4/7	5/5	–	8/8	4/7	7/7	0/1
Michelle Hinchliffe ²	9/9	3/3	6/6	5/5	7/7	3/4	8/8	5/7	–	–	8/8	5/7	–	–
Mark Lewis ²	9/9	2/3	6/6	5/5	7/7	4/4	–	–	4/5	–	–	–	7/7	1/1
Nicky Morgan ²	9/9	3/3	6/6	5/5	7/7	3/4	–	–	5/5	–	8/8	6/7	–	–
David Oldfield ²	9/9	3/3	4/4	3/3	7/7	4/4	8/8	6/7	–	–	8/8	6/7	6/7	1/1
Jose Maria Roldan	9/9	3/3	–	–	7/7	4/4	–	–	5/5	–	–	–	7/7	1/1
Banco Santander GNEDs														
Mahesh Aditya ³	3/3	–	–	–	–	–	–	–	–	–	–	–	–	–
Pedro Castro e Almeida ²	8/9	2/2	–	–	–	–	–	–	–	–	–	–	–	–
Dirk Marzluf ³	6/6	1/2	–	–	–	–	–	–	–	–	–	–	–	–
Pamela Walkden ²	9/9	1/3	6/6	5/5	–	–	–	–	–	–	–	–	–	–
Executive Directors														
Enrique Alvarez	8/8	2/2	–	–	–	–	–	–	–	–	–	–	–	–
Mike Regnier	9/9	2/2	–	–	–	–	–	–	–	–	–	–	–	–
Angel Santodomingo ²	9/9	1/2	–	–	–	–	–	–	–	–	–	–	–	–

¹ With effect from 18 July 2025, William Vereker stepped down from the Board and, with effect from 31 March 2025, Ed Giera stepped down from the Board Risk Committee.

² Meetings not attended due to Directors' prior commitments/ Board or Board Committee composition changes.

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 perspective that each Director and Santander employee brings to work every day. Diverse views encourage 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.

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 oversee and support efforts to advance inclusion, recognising its importance for culture, risk management, conduct and innovation. People Networks are supported through Non-Executive Director sponsorship, with NED sponsors engaging with members and championing their priorities. Further information about the work the bank does to embed inclusion can be found in the 2025 Pay Gap Report, which does not form part of this Annual Report.

We also have a Board Diversity & Inclusion (D&I) Policy, which recognises that an inclusive Board representing a diversity of experience and backgrounds supports 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.

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.

We proactively consider our Board D&I targets as part of our succession planning and appointment processes. While we are proud to have strong representation, including a Director from an ethnic minority background and a female in a senior Board position, we recognise that we have not yet met our gender balance ambitions of at least 40% male and female. The Board and its Committees remain committed to achieving a more balanced and inclusive Board as part of future appointments.

In accordance with Listing Rule 9.8.6(9), the statistics on this page outline the diversity metrics for Board members and executive management at 31 December 2025.

At 31 December 2025, 29% of the Board were female and one senior Board position is held by a female (SID). One Director is from an ethnic minority background.

At 31 December 2025, 16.7% of Executive Committee members were female, 38.1% 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. 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 2024 evaluation is set out below.

Progress against 2024 evaluation findings

Opportunities for improvement	Update on actions
Future board composition	Good progress has been made in strengthening the Board's technology insight, with a series of AI-focused discussions during 2025 covering AI governance, strategy and funding, supported by practical demonstrations and a cyber simulation workshop. In parallel, the Board has achieved its ethnic minority representation target and continues to focus on further improving gender balance, while also considering the mix of technology skills required in future Board composition.
Cyber risk	The Board further strengthened its understanding of cyber threats through an unscripted cyber simulation session held in July 2025, designed to enhance Board-level awareness of response considerations and decision-making, complemented by an external expert session.
External landscape	The Board's understanding of the competitive and sector landscape was further enhanced during the year through a range of external insights and discussions on AI and broader market developments. This was complemented by direct customer engagement, including a CCB customer invited to attend a Board meeting in Glasgow to share their experience, supporting the Board's understanding of sector dynamics, customer outcomes and emerging barriers to action.
Measuring our culture	The Board continued to focus on how the desired culture is measured and communicated, including oversight of internal communications during the year and ongoing work to strengthen the assessment of culture, including risk culture. In parallel, the Board enhanced its understanding of how our strategic priorities are embedded across the organisation, supported by regular workforce insights, including input from the Non-Executive Director representing the workforce, and the development of updated employee survey arrangements to help identify areas requiring targeted action.

Following the external review completed in 2024, an internal review was completed in 2025. The process included the completion of a questionnaire, covering the Boards and each Board Committee, issued by Lintstock, an independent service provider with no other connection to the Company or any individual Directors.

2025 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. A questionnaire was produced which focused on a number of key areas: Board composition; Relationships and dynamics; Meeting management; Board Committees; Board support; Strategic oversight; External environment; Risk and governance oversight; People and succession; and Board priorities.
Stage 2	
Review activity	A questionnaire was issued to each Director and members of management who often interact with the Board and its Committees.
Stage 3	
Findings and actions	A comprehensive report evaluating the Board's performance was compiled by Lintstock based on feedback provided by participants. The Board collectively discussed the results and recommendations, before agreeing the key priorities and action plan (see below).

Outcomes from the 2025 Board evaluation

Overall, the Review concluded that the Board and its Committees continue to operate effectively and are rated highly. Areas of particular strengths identified included the Board's oversight of Risk, management of meetings and the quality of Board support.

The Review identified opportunities for improvement for the Board as a whole. The Board agreed to focus on two key actions, set out below. All the Review's recommendations were considered, with additional actions to be tracked and delivered by the Corporate Governance Office under the oversight of the Company Secretary. Progress against the agreed priority actions will be overseen by the Board Nomination & Governance Committee across 2026.

Areas of focus for 2026

Themes	Commentary and actions
Relationships and dynamics	The Board reflected on its relationship with Banco Santander and concluded that it had continued to strengthen throughout the year, underpinned by effective engagement and alignment. Recognising the ongoing importance of close strategic alignment, building on this positive momentum, in 2026 the Board and its Committees will focus on creating more opportunities for formal and informal engagement with our shareholder, through joint workshops and business visits, and by seeking feedback from colleagues to deepen the relationship. The Committee Chairs will continue to meet with their Banco Santander counterparts and receive updates on group-wide developments.
Quality of information	The Board recognised the opportunity to further enhance the effectiveness of Board and Committee papers by sharpening the focus on key issues and insights through reducing length and duplication, and supporting more targeted, "need-to-know" reporting. To support this, in 2026 the Board paper template will be refreshed and targeted training will be provided to management to help deliver clearer, more concise and insightful papers that support effective discussion and decision-making.

The review also included an assessment of the performance of each individual Director, including identifying any areas for development.

Chair’s report on corporate governance continued

Summary of Board Committee activities in 2025

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 describe 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 2025 Annual Report, which does not form part of this Annual Report.

Board Nomination & Governance Committee

Committees’ 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

Tom Scholar (Chair)
David Oldfield
Michelle Hinchliffe
Mark Lewis
Nicky Morgan
Pamela Walkden
Ed Giera ¹

¹ Left on 31 March 2025

Key activities in the year

Succession planning

The Committee continued to oversee a formal, rigorous and transparent process for identifying and recommending candidates for Board and senior management roles. As part of our ongoing work, we reviewed succession plans for the Board, the CEO and other senior positions, including the Board skills, experience and diversity matrix to assess current Director attributes, identify gaps in the Board’s collective profile and anticipate capabilities that may be lost through planned retirements.

For senior management roles, we worked closely with Banco Santander as part of this Group-led process to ensure a strong pipeline of ‘Emergency’, ‘Ready Now’ and ‘Ready in 1–3 years’ candidates from across the Banco Santander group, including the UK.

Appointments continue to be based on merit and objective criteria, while also supporting diversity in its broadest sense and meeting all legal and regulatory requirements.

In 2025, the Committee led the process to recommend candidates for appointment to two key positions (CEO and Chair of the Board), following announcements by the previous position holders of their decisions to step down from the Board. In each case the Committee worked closely with Banco Santander, given their formal role in the appointment process.

The Committee:

- identified the key attributes for the role
- appointed an executive search firm, Heidrick & Struggles which has no other relationships with the Company, to support the process
- reviewed existing succession plans, using them as the starting point for the process
- considered the field of possible candidates, including people not previously identified in succession plans
- after careful evaluation, developed a short list for further consideration
- reviewed a detailed independent assessment on each short-listed candidate, prepared by the executive search firm; and considered external references, and
- arranged a set of structured interviews with Board directors and key Banco Santander stakeholders.

After considering all the available evidence, the Committee recommended the successful candidates for appointment by the Board. The appointments were announced in May 2025 (for the Chair) and December 2025 (for the CEO).

The Committee also proactively reviewed succession arrangements for the Group-nominated Directors in light of role changes within Banco Santander. Dirk Märzluf stepped down from the Board on 30 September 2025 after six years of service, and Mahesh Aditya was appointed on 1 October 2025 as his successor and the new Group-nominated Director (subsequently CEO with effect from 1 March 2026).

We also oversaw and approved changes to the Executive Committee and other senior management roles in 2025. Christine Palmer left the bank in May 2025 and Steve Stearns was appointed Chief Risk Officer in June 2025. Stephen White left the bank in October 2025 and Jas Narang was appointed Chief Transformation, Data and AI Officer in August 2025.

On behalf of the Board, I would like to welcome those who joined during the year and thank those who stepped down for their valuable contributions.

Committee Composition

The Committee reviewed the composition of each Board Committee to ensure balanced membership, appropriate rotation and the right blend of skills and experience across all Committees. As a result of this review, Mark Lewis was appointed as a member of the Board Special Projects Committee with effect from 1 March 2026.

Governance

The Committee recommended the implementation of specific updates to the Banco Santander Group Subsidiary Governance Model and Guidelines for Subsidiaries (GSGM) and certain Corporate Frameworks and also reviewed the Santander UK Group Framework, which outlines our responsibilities and relationship with Banco Santander SA, to confirm it remains fit for purpose and aligned with our fiduciary and regulatory obligations.

Chair's report on corporate governance continued

Board Risk Committee

Committees' 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

David Oldfield (Chair)

Michelle Hinchliffe

Mark Lewis

Nicky Morgan

Jose Maria Roldan

David Gledhill¹

Ed Giera²

¹ Joined on 1 April 2025

² Left 31 March 2025

Key activities in the year

The Committee undertook a thorough assessment of the Company's top and emerging risks, including financial, operational, and compliance controls. Our top risks and emerging risks are discussed in the Strategic report and Risk review sections of this report. The process for identifying, assessing, and managing the Company's top and emerging risks is integrated into the overall risk governance framework. The Committee regularly 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

Committees' responsibilities

Oversight of the integrity of the financial statements of the Company and any formal announcements relating to its financial performance, including 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 Giera¹

Lisa Fretwell

David Gledhill

David Oldfield

¹ Left 31 March 2025

Key activities in the year

Financial reporting

Overseeing the integrity of financial reporting, including related disclosures, is a key role of the Committee. The Committee's focus is on key management judgements and estimates and challenging management on the assumptions, models and data inputs underlying these calculations. During the year the Committee challenged management's approach to the determination of provisions, particularly in respect of historical motor finance commission arrangements, taking account of the outcome of the FCA commissioned review, and also other litigation and customer remediation provisions.

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 throughout the year where interim reports are issued and at year-end. In 2025, we focused on the following financial reporting matters:

Financial Reporting including disclosures

- Concluded that the 2025 Annual Report was fair, balanced and understandable.
- Concurred with management's conclusion on the appropriateness of the APMs.
- Agreed that the impacts of climate risk and sustainability reporting are appropriately

Provisions and Contingent Liabilities

- Analysed the judgements and estimates made by management to evaluate the adequacy of provisions regarding a range of customer remediation, litigation and other regulatory matters including:
 - Historical motor finance commission arrangements including the outcome of the review commissioned by the FCA
 - Litigation with a third party over an alleged PPI liability
 - A legacy tax dispute with an overseas tax authority for equity related transactions
 - German dividend tax arbitration transactions regulatory and law enforcement investigations
- Acknowledged the inherent uncertainty underlying management's estimates and judgements.
- Satisfied itself that the approach resulted in an appropriate level of provision and disclosure in respect of these matters

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.
- Concurred with management that the credit impairment charge and provision were appropriate.

Defined Benefit Pension Schemes

- Agreed with management's proposed quantitative and qualitative disclosures in respect of pension obligations.
- Agreed with management on decisions made with respect to valuation of illiquid assets and application of mortality tables

Goodwill

- Concurred with management that no impairment of the goodwill balances should be recognised in 2025.

Going concern and viability

- Concurred with management's conclusions on going concern and longer-term viability.
- Recommended to the Board that the financial statements should be prepared on a going concern basis.
- Recommended the Viability Statement to the Board for approval.

Valuation of intercompany derivatives

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

Chair's report on corporate governance continued

Whistleblowing

The Committee has oversight of Santander UK's whistleblowing arrangements.

The Committee received and considered bi-annual management reports covering the progress and outcomes of concerns raised, identifiable trends and risks, developments in the regulatory environment and evolving best practice to support a culture in which colleagues feel safe to Speak Up without fear of retaliation.

The Committee also reviewed the annual Whistleblowing Report prior to its submission to the Board and considered the results and recommendations of the Internal Audit review, together with management's actions in response.

The Committee is satisfied that Santander UK complied with FCA and PRA whistleblowing regulations during the year.

Internal Audit

The Committee monitors and assesses the performance of Internal Audit through review of the audit strategy and plan including scoping, including feedback received from Banco Santander. The Committee also has oversight of the independence, capability and capacity of resources available to deliver the plan with enhanced focus on strategic workforce planning, to confirm the effectiveness of the function. The Committee considers matters raised by Internal Audit and the follow up of management's resolution of these matters.

Oversight of External Auditors

External Auditors

The Committee monitors the work and performance of PwC, the external auditors for Santander UK. PwC were appointed external auditor in 2016 and a group wide tender was undertaken in 2024, with PwC being reappointed for the financial years 2026, 2027 and 2028. Ian Godsmark has been the lead audit engagement partner since June 2022.

During the year, key members of the PwC audit team attended Audit Committee meetings and met separately with the Committee in private sessions and at other times throughout the year. Key activities during the year included:

- Consideration and approval of the external audit plan, including updates and monitoring progress of the audit against that plan
- Consideration and approval of the engagement letters and the audit fees for 2025
- Review of PwC's reports on findings and recommendations on financial reporting matters with a focus on key estimates and judgements and recommendations on internal controls identified during the audit
- Consideration of the summary of misstatements not corrected by management. The Committee was satisfied that the misstatements were not quantitatively or qualitatively material, either individually or in aggregate at each quarter-end.

Non-audit fees

To safeguard the auditor's independence and objectivity, Santander UK have a robust policy on non-audit services provided by our external auditors. Non-audit services were under continuous review throughout 2025 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 engagements require 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 need for all non-audit fees to be approved by the Banco Santander Audit committee. The external audit lead partner must also confirm that any non-audit engagement meets the auditor's own ethical standards and does not pose a threat to their independence and objectivity.

Board Responsible Banking Committee

Committees' 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)
 Lisa Fretwell
 David Gledhill
 Mark Lewis
 Jose Maria Roldan

Board Special Projects Committee

Committees' responsibilities

Oversight of programmes to address matters that are outside Board Risk Appetite or are considered critical change programmes.

Oversight of any activity related to mergers or acquisitions.

Oversight of any litigation or contentious regulatory investigations.

Committee members

Nicky Morgan (Chair)
 David Gledhill
 Michelle Hinchliffe
 David Oldfield

Board Remuneration Committee

Committees' responsibilities

Setting the overarching principles and parameters of the remuneration policy and ensuring that the framework supports compliance with applicable legal and regulatory obligations, including ring-fencing.

Supporting the long-term sustainable success of Santander UK through effective oversight of remuneration adjustments.

Overseeing the implementation of the remuneration policy, including approving individual remuneration packages and the bonus framework and outcomes for Executive Directors (EDs) and other senior executives.

Approving the framework for identifying Material Risk Takers (MRTs) and overseeing their remuneration arrangements.

Committee members

Mark Lewis (Chair)
 Lisa Fretwell
 Ed Giera¹
 David Gledhill
 Jose Maria Roldan
 David Oldfield

¹ Left on 31 March 2025

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.

Tom Scholar

Chair,
 9 March 2026

Remuneration policy report

Basis of preparation

This report has been prepared by the Board Remuneration Committee on behalf of the Board. We meet all the statutory reporting requirements for large private companies.

We follow the UK Corporate Governance Code 2024 (the Code) and comply with its Provisions, except where noted in the Directors' Report. Several voluntary disclosures are included.

Remuneration policy for Executive Directors (EDs)

Our policy for EDs has two elements: fixed and variable pay. Fixed pay is set at market competitive levels. Variable pay rewards achievement of financial targets, strategic goals and individual performance. All variable pay is subject to risk adjustment.

Our remuneration policy meets regulatory requirements.

Santander UK is part of the Banco Santander group, which remains subject to the maximum 2:1 pay ratio. We therefore apply a 2:1 cap as approved by Banco Santander SA shareholders. For control function roles, a lower 1:1 ratio normally applies.

Executive remuneration principles

Our policy reflects our values of Simple, Personal and Fair. It is designed to be clear, balanced and aligned with prudent risk management.

The key drivers of our Remuneration Policy

Customer focus and responsible outcomes

Delivering good outcomes for customers is central to Santander UK's strategy and culture. Our remuneration policy promotes customer-centric behaviours, responsible decision-making and high standards of conduct. Variable pay awards reflect both financial and non-financial performance, including customer outcomes, and are designed to avoid conflicts of interest and foreseeable customer harm.

Purpose, culture and Our People Deal

Our remuneration policy supports Santander UK's strategy, long-term sustainable success and culture. It reinforces Our People Deal and promotes behaviours aligned with our purpose and values of being Simple, Personal and Fair. Performance assessment recognises both what is delivered and how it is delivered.

Link to strategy and performance

Reward outcomes are aligned with the delivery of Santander UK's strategic priorities. Variable pay is determined through a balanced assessment of performance, including measures of efficiency, sustainable profitability and capital generation, and the effectiveness of the risk and controls environment. Remuneration arrangements reflect Santander UK's Risk Appetite and support responsible conduct, effective risk management and long-term sustainability.

Clear and transparent reward arrangements

Our remuneration policy is designed to be clear, transparent and easy to understand. Simple and consistent structures support engagement and trust by reinforcing the link between individual contribution and business performance.

Fair, responsible and well-governed outcomes

Executive remuneration reflects performance against stretching objectives set at the start of the year, with outcomes determined in the context of wider workforce pay and conditions. All remuneration arrangements comply with applicable legal and regulatory requirements. The Committee exercises independent judgement, with safeguards to manage conflicts of interest.

Remuneration policy applicable to Executive Directors in the year

Fixed pay	Principle and description	Policy
Base salary	To attract and retain EDs with the skills needed to deliver our strategy and meet the demands of the role.	- Base salaries are normally reviewed each year. When setting or reviewing salaries, the Committee considers: - the complexity of the role, its responsibilities, and market benchmarks; - the need to set pay at a level that discourages inappropriate risk-taking; and - salary increases awarded to other employees.
Pension arrangements	To provide an element of the package that supports retirement savings.	EDs receive a cash allowance instead of a pension contribution. This is normally set at 9% of salary, in line with the wider workforce average, other than in exceptional circumstances which may include international assignments.
Other benefits	To offer a competitive package which supports employee wellbeing.	- Benefits include: - private medical insurance for EDs and their dependants; - life assurance; - health screening; - relocation allowances where relevant; and - access to share schemes on the same terms as other employees.

Variable pay	Principle and description	Policy
Variable pay plans	- Our Variable Pay Plan motivates EDs to achieve and exceed annual targets, within our Risk Appetite and in line with our strategy and values. - Multi-year deferral and delivery in Banco Santander SA shares aligns EDs' interests with the long-term success of Santander UK. Additional long-term performance testing applies to a portion of the CEO's deferred award. - The PogoNxt Incentive Plan rewards those critical to the success of PogoNxt, a Banco Santander strategic priority.	- Bonus awards are discretionary and based upon financial, non-financial and individual performance. - Bonus structure: At least 40 % of any bonus is paid upfront after the end of the performance year, with at least half delivered in shares. - Deferral: Up to 60% of the bonus award is deferred and delivered in equal tranches over four or five years. At least half of each tranche is delivered in shares. - Long-term performance testing: For EDs, either two or three deferred tranches are subject to further performance testing, which may reduce or increase the final award. - PogoNxt Long-Term Incentive Plan: Awards can be granted in restricted share units and/or premium priced options in PogoNxt, and vest in line with regulation. - Malus and clawback: Recovery (malus and clawback) can apply to variable pay for up to ten years post grant. - Retention period: Shares or share instruments are subject to a one-year retention period following vesting. - Shareholder alignment: The structure of variable pay means EDs build a meaningful shareholding in Banco Santander SA. This may continue for a significant period after employment ends. - CEO shareholding policy: The CEO must, within five years of appointment, build and maintain a shareholding equal to two times net salary set on appointment. No formal post-employment shareholding requirement is in place.

Remuneration policy report continued

On recruitment

When we appoint a new ED, we set salary at a market competitive level reflecting role scope, peer benchmarks and individual experience.

New EDs usually receive a benefits package and pensions allowance aligned with the wider workforce.

Remuneration is established in line with our policy, as set out in the table above. We may provide relocation support and international mobility benefits where appropriate. Relocation support is normally capped and provided for a limited time. For international assignments, we may offer benefits and pension which reflect home-country practice and law.

Buy-out awards

We may provide compensation to EDs who forfeit awards when leaving a previous employer. The Committee may use discretion to make such payments to secure the person's employment. Any payments will reflect the value, structure, vesting dates, and conditions of the awards forfeited. Awards will align with our long-term interests and comply with regulation.

Service agreements

The terms and conditions of employment are set out in individual contractual agreements. EDs have contracts with a six-month notice period for both the Director and the Company. The Company may terminate employment immediately with a payment in lieu of 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

If an ED ceases employment, treatment of variable pay and any termination payments, will reflect the terms of the service agreement, scheme rules, regulation and our leavers policy.

Typically, outstanding variable pay awards lapse on termination, unless the Committee decides the person is a 'good leaver'. Good leaver reasons include: injury, ill-health, disability, redundancy, retirement and death. The Committee may, at its discretion, determine an ED is a good leaver in any other circumstances. For good leavers, any variable pay typically continues on the normal payment schedule and remains subject to performance. Other than redundancy payments, no additional termination payments are generally made.

In the event of a change in control, variable pay awards will be treated in line with the relevant scheme rules and regulation.

Risk and Performance adjustment

We comply with all regulatory requirements for risk and performance adjustment. All variable pay 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 our Risk Appetite and a qualitative assessment of risk events. This supports the Committee to apply its discretion, under which the bonus pool or individual awards may be reduced, including to zero.

Our Individual Remuneration Adjustment Standard sets out the process, governance and criteria for making individual performance adjustments, including the use 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 range 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.

Our directors' contracts and variable pay documentation contain appropriate malus and clawback provisions. These provisions apply for seven years from the date of grant but may be extended up to ten years during an investigation. The length of the recovery period ensures executives' variable pay aligns with the company's long-term interests and supports prudent risk management.

When determining variable pay awards, or adjustments, for individuals performing roles across Santander UK plc and Santander UK Group Holdings plc, the decision is made by the Santander UK Group Holdings plc Board Remuneration Committee. The outcome is validated by the Santander UK plc Board Remuneration Committee.

The Committee seeks input from the Chairs of the Board Risk and Audit Committees, Chief Risk Officer, Chief Compliance Officer, Chief People Officer and Chief Internal Auditor when considering any performance or risk adjustments.

We have an NYSE-compliant recovery policy applying to Executive Officers. Under this policy variable pay could be recovered in the case of an accounting restatement that would have impacted variable pay.

Policy for all employees

Our approach to reward supports our business strategy, rewards strong performance and promotes sound risk management. The general principles of the Remuneration Policy apply to all employees, where appropriate.

The structure of remuneration packages for EDs is aligned with our broader employee population, comprising salary, benefits, pension and variable pay.

The Committee reviews and approves all employee variable reward schemes each year. This ensures our schemes continue to drive the right behaviour and do not encourage activities outside our risk appetite.

Remuneration implementation report

Introduction

This section of the report outlines how our Remuneration Policy was implemented for 2025.

Variable Pay Plan

EDs participate in an annual Variable Pay Plan designed to reward and incentivise superior and sustainable performance. Each year the Committee selects a balanced mix of financial and non-financial measures aligned with our strategy.

Multi-year deferral and delivery in Banco Santander SA shares aligns EDs' interests with our long-term success. Both upfront and deferred awards are delivered at least half in shares. The deferred portion is released over four or five years. Awards released in shares are also subject to a one-year retention period from the point of delivery.

Determining the 2025 Variable Pay Pool

Quantitative assessment

A quantitative assessment is made against a balanced scorecard of metrics. These metrics are key to our strategy and for 2025 included:

- Transformation (Active Customers and Fees over Costs)
- Capital (Capital Generation)
- Sustainable Profitability (RORWA SVA)

A profit underpin applies which requires Profit after Tax to remain positive for any award to be made. The pool is reduced should profit fall greatly 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 and risk management;
- Network collaboration;
- Environmental, Social and Governance (ESG) / responsible banking; and
- Performance versus market (including an assessment of Net Promoter Score (NPS)).

Banco Santander Group Multiplier

The bonus pool may be adjusted upwards or downwards to reflect overall Banco Santander performance as appropriate.

Exceptional Adjustment

Exceptional adjustments allow for unexpected factors or additional internal targets not covered in the bonus scorecard 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.

At the discretion of the Committee, the pool or individual awards can be reduced by up to 100%.

Individual assessment

The allocation of the pool is based on an individual's performance, considering a range of factors. Performance is assessed against the delivery of priorities (the 'What'), the behaviours shown in delivering these priorities (the 'How'), and Risk management.

Deferred long-term awards

Performance testing applies to a portion of the CEO's deferred awards. Specifically, to the tranches of the 2025 award (around a third of the total award) which are payable in 2029, 2030 and 2031.

Performance will be assessed over a three-year period from 2026 to 2028. The performance measures for 2025 awards are relative Total Shareholder Return (TSR), Return on Tangible Equity (ROTE) and Environmental, Social and Governance (ESG) metrics. Following the assessment, the value of the deferred awards will be adjusted upwards or downwards to reflect performance outcomes.

PagoNxt Incentive Plan

The PagoNxt Incentive, a multi-year plan, rewards those employees across the Banco Santander group whose contribution is critical to the success of PagoNxt. Awards can be granted in share options and/or Restricted Share Units (RSUs) in PagoNxt SL. Awards will vest in accordance with the achievement of UK specific and PagoNxt performance conditions. The design of the plan aligns to UK regulatory requirements.

Remuneration implementation report continued

2025 Business Performance and Impact on Remuneration

During 2025, Santander UK made continued progress against its ambition to become the best bank for customers, with a focus on innovation, technology and the introduction of new products. The bank delivered strong business performance during the year, supported by increased income and the benefits of ongoing efficiency initiatives. Customer lending and deposit balances grew, cost discipline remained effective, and Santander UK maintained a strong capital and liquidity position throughout the year. Customer experience remained a core priority, with Retail Net Promoter scores continuing to improve.

In determining remuneration outcomes for the 2025 performance year, the Committee assessed performance against a balanced range of financial and non-financial measures, having regard to risk outcomes and the experiences of customers, employees and communities. The Committee exercised independent judgement and considered the application of malus and clawback provisions in line with the remuneration policy and applicable regulatory requirements; however, no circumstances arose during the year that warranted their application.

The Committee did not apply discretion to override formulaic outcomes, as the resulting pay outcomes were considered to be appropriate, proportionate and reflective of performance delivered during the year.

Context for decision making

The Committee considers pay policies and practices across Santander UK when determining executive remuneration. In doing so, it reviews trends across the Santander UK group, including the outcomes of pay negotiations with recognised trade unions, as well as broader UK market data.

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

- 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 committed to ensuring that employees are not subject to undue pressures or inappropriately incentivised. This is monitored through employee engagement measures, including engagement surveys.

In setting policy and making decisions on executive remuneration, the Committee also takes into account the broader stakeholder environment to ensure that outcomes are fair, responsible, and aligned with long-term sustainable success.

Executive Directors' remuneration

Total remuneration of each ED for the year ended 31 December 2025

	Mike Regnier		Angel Santodomingo ⁴		Enrique Alvarez Labiano ⁵	
	2025	2024	2025	2024	2025	2024
	£000	£000	£000	£000	£000	£000
Salary and fees	1,575	1,575	1,169	951	681	—
Taxable benefits ¹	20	12	275	233	470	—
Pension	142	142	151	123	142	—
Total fixed pay	1,737	1,729	1,595	1,307	1,293	—
Bonus (paid and deferred) ²	1,607	1,432	1,751	1,440	1,623	—
Long-term incentive plan ³	1,755	—	—	—	—	—
Total variable pay	3,362	1,432	1,751	1,440	1,623	—
Total remuneration	5,099	3,161	3,346	2,747	2,916	—

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 33% 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 executives are subject to long-term performance metrics. The value of the current Chief Executive Officer's 2025 Variable Pay Plan awards not subject to performance conditions, i.e. 67%, is disclosed above. The value subject to further performance conditions, 2025: £780,205 (2024: £805,282) will be disclosed at the close of the performance period upon vesting.

3 The Long Term Incentive Plan value represents the portion of the 2022 Variable Pay Plan that was subject to additional performance conditions and vested during 2025. Following performance testing, 115.2% of the deferred award vested. The value of awards made in share-linked instruments has been calculated with reference to Banco Santander's share price over the final thirty days of the year in which the award vested. Nathan Bostock, former Chief Executive Officer, received an award with a value of £551,111.

4 Angel Santodomingo was appointed to the Board as an Executive Director on 5 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.

5 Enrique Alvarez Labiano was appointed to the Board as an Executive Director on 12 February 2025 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 2025, 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 pay across the Banco Santander group, while meeting all local regulatory requirements. The outcome of these discussions drives our bonus pool design.

Lisa Fretwell, a member of the Committee, is the designated NED with responsibility to enhance the employee voice in the boardroom on cultural matters. Lisa facilitates a quarterly listening session to develop a comprehensive understanding of employees' perspectives. These sessions cover a diverse range of colleagues across different levels, locations and teams. Other NEDs are encouraged to join Lisa for at least one session during the year.

Frequent employee pulse surveys were conducted throughout 2025. The 'Your Voice' survey enables employees to speak up and share feedback, thoughts and ideas anonymously, providing insights on 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

We are 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 oversees 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 pay to that of employees. The CEO's pay mix is weighted towards variable pay to incentivise the achievement of stretching targets and long-term value creation. This can lead to greater variability in total pay. By contrast, the pay mix for our less senior employees places greater emphasis on fixed pay, providing stability and supporting financial wellbeing.

The CEO pay ratio has increased from 69:1 in 2024 to 103:1 in 2025. This movement does not reflect an increase in the CEO's underlying annual remuneration. Rather, it arises from the vesting in the year of the portion of the CEO's 2022 Variable Pay Plan award that was subject to long-term performance conditions, which is now included in the single total figure of remuneration. In addition, the value of the shares delivered under that award has been positively impacted by share price appreciation since grant.

The Committee remains satisfied that the Company's remuneration policy is fair, proportionate and aligned with our approach to the wider workforce.

Advice and support provided to the Committee

The Committee engaged the advice of Deloitte LLP (Deloitte) as independent remuneration consultants. Total fees (excluding VAT) for advice and support provided to the Committee in 2025 were £74,050 (2024: £74,600).

Deloitte was initially appointed as Adviser to the Committee following a formal tender in 2015 and was reappointed after a further tender process in 2022. In 2025, 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 team have no connections with Santander UK which may impair their independence.

Deloitte is a founding member of the Remuneration Consultants Group and chooses to operate 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 People & Culture, Risk, Legal and Regulatory matters in support of the Committee's work. Attendees included the Chief People Officer, Director of Performance & Reward, CRO and Company Secretary.

CEO pay ratio

	Methodology ¹	25th percentile	Median	75th percentile
2025 CEO pay ratio ⁵	Option A	148:1	103:1	61:1
2024 CEO pay ratio ⁴	Option A	98:1	69:1	40:1
2023 CEO pay ratio	Option A	105:1	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
	CEO remuneration ³	25th percentile ²	Median ²	75th percentile ²
	£	£	£	£
2025 CEO pay ratio				
Total salary	£1,575,000	£28,004	£38,871	£59,894
Total remuneration	£5,098,360	£34,420	£49,495	£83,432

- 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.
- 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 2025 financial year, and variable pay is either based on actual bonuses in respect of the 2025 year (where these are available) or modelled target bonuses where actuals are not yet available.
- The CEO's total remuneration is aligned to that disclosed in the Executive Directors' remuneration table on the previous page.
- The 2024 ratios are re-stated above. These were originally calculated based on fixed pay accrued within the 2024 year, in addition to target bonuses for eligible employees. The 2024 ratios have now been recalculated using 2024 fixed pay and bonuses paid in 2025 in respect of 2024 for all employees.
- The values used for the CEO's 2025 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 the 2022 Variable Pay Plan award that was subject to additional performance conditions and vested during 2025.

Relative importance of spend on pay

	2025	2024	Change
	£m	£m	%
Profit before tax	1,482	1,349	10
Total employee costs	1,198	1,277	(6)

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 considering 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 fee

	2025	2024
	£000	£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	30
Membership of Board Special Projects Committee ¹	15	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.

	2025	2024	2025	2024	2025	2024	2025	2024
	Fees	Fees	Expenses	Expenses	Benefits	Benefits	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Non-Executive Directors								
Chair								
Thomas Scholar ¹	455	—	—	—	1	—	456	—
William Vereker ²	423	725	—	—	1	2	424	727
Independent Non-Executive Directors								
Lisa Fretwell	197	224	—	—	—	—	197	224
Ed Giera ⁹	62	299	—	—	—	—	62	299
David Gledhill ⁴	231	65	—	—	—	—	231	65
Michelle Hinchliffe	220	229	—	—	—	—	220	229
Mark Lewis ⁵	244	257	—	—	—	—	244	257
Nicky Morgan	278	241	—	—	—	—	278	241
David Oldfield ⁶	239	18	—	—	—	—	239	18
José María Roldán ⁷	195	188	—	—	—	5	195	193
Banco Santander Group nominated Non-Executive Directors ⁸								
Mahesh Aditya ³	—	—	—	—	—	—	—	—
Pedro Castro e Almeida	—	—	—	—	—	—	—	—
Dirk Marzluf ⁹	—	—	—	—	—	—	—	—
Pamela Walkden	100	109	—	—	—	—	100	109

1 Thomas Scholar was appointed to the Board on 16th May 2025 and as Chair on 18th July 2025. Fees are in respect of services from his appointment to the Board. Taxable benefits relate to private health care.

2 William Vereker stepped down from the Board on the 18th July 2025 and fees received are in respect of services to that date. Taxable benefits relates to private health care.

3 Mahesh Aditya was appointed on 1 October 2025. Fees received are in respect of services from that date.

4 David Gledhill was appointed on 1 September 2024. Fees received are in respect of services from that date.

5 Mark Lewis' fee includes £20,000 per annum in relation to his services as a Non-Executive Director of Santander Consumer UK plc.

6 David Oldfield was appointed on 1 December 2024. Fees received are in respect of services from that date.

7 José María Roldán's taxable benefits relate to professional tax advice.

8 With the exception of Pamela Walkden, none of the Banco Santander nominated Non-Executive Directors received any fees or expenses.

9 Ed Giera stepped down from the Board on 31 March 2025 and Dirk Marzluf stepped down from the Board on 30 September 2025.

10 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.

Directors' report

Introduction

The Directors submit their report together with the financial statements for the year ended 31 December 2025. 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 is subject to reporting requirements under the US Securities Exchange Act of 1934 as it has a registration statement on file with the US Securities and Exchange Commission for issuances of its debt securities in the US.

The Santander UK group consists of a parent company, Santander UK plc, incorporated in England and Wales, and a number of subsidiaries and joint ventures held directly and indirectly by it. 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 2025, 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 2025 and 9 March 2026, the following was noted:

- Enrique Alvarez resigned from the Board effective 25 February 2026.
- Mahesh Aditya was appointed CEO, effective on 1 March 2026, replacing Mike Regnier.
- On 5 March 2026, the Board approved the appointment of Victoria Roig and Manuel Preto with effect from 13 March 2026.

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 Pay Gap Report and Sustainability 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 2025, including Scope 1, 2 and 3 data, see the SECR section in the Sustainability review.

Political contributions

In 2025 and 2024, 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

Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR). ICFR is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting standards.

The Company'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 the Company's assets
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with UK-adopted IAS and IFRS, and that receipts and expenditures are made only in accordance with authorisations of management; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management evaluated the effectiveness of the Company's internal control over financial reporting as at 31 December 2025 using the criteria established in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company maintained effective internal control over financial reporting as at 31 December 2025.

Because of 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 that the degree of compliance with the policies or procedures may deteriorate.

There were no changes in the Company's internal control over financial reporting during the period ended 31 December 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 2025, 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 2025. 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 2025, 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 2024 (the Code)

Santander UK complies with the Code (which can be found at [frc.org.uk](https://www.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 2025 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 2025, there were no circumstances which were likely to impair an INED's independence. Ed Giera, who served on the Board for more than 9 years (appointed on 19 August 2015) stepped down on 31 March 2025, following an orderly hand over to his successor. We are confident that in the time that Ed served, he had the strength of character and integrity to ensure his independence had not been affected by the length of his tenure.
- Provision 39: 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.
- Provision 41: The only area that we do not provide disclosure of is the engagement 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 2025 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 2024, 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 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

9 March 2026

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

Risk review

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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

In addition to the cross-cutting areas described above, 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, with challenges at the Executive Risk Control Committee (ERCC) and Board Risk Committee (BRC). The Top risks we actively monitored in 2025 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 also made changes to our Top Risks with the addition of TSB integration where we will need to execute in a timely and controlled manner, whilst also focusing on existing strategic transformation priorities. We added Execution of AI, as we build towards deployment at scale and pace. Model Risk impacts have been added and combined with Regulatory Capital given the importance of Model Risk compliance with SS1/23. We combined Outsourcing and Third-Party and Resiliency into Operational Resilience with the increased regulatory focus in this area, given the elevated geopolitical and cyber risk landscape. We reclassified and refocused Climate Change as an Emerging Risk from a Top Risk, taking into account the potential for both physical events and net-zero transition related risks.

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 2025 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.

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. This is a tangible sign of the personal responsibility that is such a key part of our risk culture.

We assess the performance of all of our people in respect of risk as part of our formal performance management processes, and all our people must complete a suite of risk mandatory training at least annually.

Evolving our risk culture

In 2025, we continued to enhance our risk processes by focusing on further maturing the risk behaviours (RiskPro) of our people to ensure they have the skills and confidence to make risk-based decisions, acting in the interests of all our stakeholders and to provide good customer outcomes.

We also executed a risk culture maturity self-assessment across the business. This helped identify areas of good practice and some areas of focus to further mature our risk culture and capability. This will continue to evolve in 2026.

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 and approves remuneration policies and frameworks, long-term strategy, objectives, risk appetite, culture and values, including risk adjustment and malus and/or clawback provisions.
Board Special Projects Committee	– Advises the Board, Board Risk Committee, and other Committees, as appropriate, in respect of special projects and transformation matters
Board Nomination and Governance Committee	– Oversees Board and Committee composition and governance arrangements, including recommending membership of the Board Risk Committee and evaluation of Board and Committee effectiveness.

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 (not already reported to the CEO through other forums) and monitors the actions taken - 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 Transformation Committee	Reviews, monitors and challenges the bank-wide transformation outcomes, benefits and risks
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
Disclosure Committee	Ensures the adequacy and effectiveness of disclosure controls and procedures and reviews material financial information prior to external disclosure
Gold Committee	Oversees Special Situations, including endorsement of Recovery/Resolvability plans and indicators, approval of contingency and action plans, and coordination of recovery and resolution responses with regulators
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 & Non-Financial Risk Officer (CCO)	Responsible to the CRO for control and oversight of conduct, compliance, reputational and economic crime risk, but has direct responsibility to report on conduct, compliance 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 oversight 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 on 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, and able to accept, in pursuit of the strategic objectives defined. 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 principal risk areas including 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 are set based on hypothetical, forward-looking scenarios that represent a moderate adverse but plausible level of stress 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 where appropriate, 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 supporting statements that describe prohibitions and restrictions supplementing the overarching risk appetite statements. 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.

The Board

- Approves the Risk Appetite Statements and Primary metrics at least annually or as changing circumstances require.
- Reviews and ratifies the Secondary metrics limits approved by the Executive Risk Control Committee.
- Approves the corporate strategy and reviews the consistency with the Risk Appetite.
- Oversees adherence to Risk Appetite when the Board meets.
- Receives the Risk Appetite reports related to Board Risk Appetite, breaches and remedial plans.

The Executive Risk Control Committee (ERCC)

- Reviews the proposal for Primary metrics limits and qualitative statements, prior to their approval by the Board
- Reviews and approves Secondary metrics with corresponding limits of Risk Appetite.
- Reviews and challenges the alignment of strategic, business, capital and liquidity plans with the RAS.
- Receives information on risk appetite excesses or breaches by means of a regular appetite monitoring report.
- Reviews and monitors risk exposures and approves any corrective actions, business plans and budgets.

We embed our Risk Appetite by setting more granular risk limits for each business unit and key portfolios. These act as an early warning to the overall Risk Appetite limit. 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 Internal Capital Adequacy Assessment Process (ICAAP) scenarios include house prices, interest rates, unemployment levels, inflation rates, 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 2025, we ran the Bank Capital Stress Test (BCST), which was designed as a severe but plausible 'tail risk' scenario, with deep simultaneous recessions in both the UK and global economies, large falls in asset prices across markets and higher interest rates. In addition, we continue to explore our exposure to climate risks through our Climate Internal Scenario Analysis (CISA). In 2025, the focus was on a bespoke physical risk scenario, followed by delayed transition, as set out in the 'Sustainability' section.

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 Internal Liquidity Adequacy Assessment Process (ILAAP)
- Our long- and short-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 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 design of scenarios in our ICAAP, ILAAP and CISA. The BRC reviews scenarios and key business 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 several external stress testing exercises. These include stress tests of the UK banking system conducted by the PRA and the BoE. We also contribute to the stress tests of Banco Santander that are 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. Consequently, 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 2025, 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 1.18% (2024: 1.42%).

Loss allowances of £812m (2024: £869m).

Balance weighted average LTV of 65% (2024: 64%) 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. We focus 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. We take proportionate steps to assess whether a customer will be able to repay the money borrowed including under foreseeable changes in their circumstances. 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, 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. For Business Banking, we also consider business turnover and ongoing commitments including any personal drawings and existing credit obligations.

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 to individuals	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.
Unsecured lending to businesses	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).

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

In 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 their 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 ESG 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 ESG 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, we may take credit insurance over individual transactions, and at a portfolio level we execute significant risk transfer transactions, which typically also result in reducing 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, we may take credit insurance over individual transactions, and 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, 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 lending with ongoing credit limits, i.e. credit cards and overdrafts, monitoring might lead us to raise or lower credit limits.

Consumer Finance

In Consumer Finance, we track customer accounts using IT systems and data tools. Alongside our relationship with the customer, we use data provided by credit reference agencies that shows how our customers manage their financial commitments. The Retail Risk framework ensures our portfolio stays within agreed limits. We review our residual value risk on a regular basis, which allows us to spot changes in market trends early.

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

We classify Watchlist cases as:

- Proactive: for heightened monitoring. We monitor these cases more often and where appropriate may consider more collateral.
- Intensive/Specialised: for more 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 on the Proactive watchlist, 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 on the Intensive or Specialised watchlist, we consider it has suffered a SICR and apply a lifetime ECL for our loss allowance calculations. Further measures are considered which include additional 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 use multiple strategies to manage arrears, starting as soon as the day after a missed payment. We also contact customers who are up to date but may be at risk of falling into arrears, offering support where needed. When a customer faces financial difficulties, we assess their situation to provide the most suitable help and ensure they can manage their agreement while in arrears. The level of support depends on the customer's risk profile and individual circumstances, with solutions tailored to their needs.

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 parties. Where required, we engage and hand over to our Restructuring & Recoveries team serious cases. 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 urgent or requires 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, the customer agreement is usually secured by a motor vehicle asset. We will seek to recover this asset if we are unable to rehabilitate the customer, or they remain in arrears with no contact. As in Retail & Business Banking, we may use a debt collection agency or specialist law firm to recover any remaining balance.

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. In few cases, we also help a customer more than once. This can happen if the plan to repay their debt does not work and we have to draw up another one. When this happens more than once in a year, or more than three times in five years, we call it multiple forbearance. We only use foreclosure or repossession 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 in arrears or 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 conversions to interest-only repayment plans 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 capitalise property charges due to a landlord. We pay them for the customer to avoid the lease being forfeited, although these are not classed as forbearance. We may combine this help with term extensions and, in the past, interest-only concessions. In certain exceptional 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, or to pay more than the Contractual Monthly Payment in order to pay back accrued arrears. 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. Non-performing forborne accounts will be classified as Stage 3 and performing forborne accounts as Stage 2. All forborne accounts will be minimum 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 it will be Stage 3. A loan moves out of forbearance once the exit criteria below are met. We monitor the performance of all forborne loans.

Exit from forbearance criteria

Exit from		Conditions to be met
Cure	Non-performing to Performing / Stage 3 to Stage 2	For an account classified as non-performing forbearance/Stage 3 to exit, 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 – 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 – The customer has no other material default debt with us more than 90 days past due. – 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
	Performing forbearance to Non-Forborne / Stage 2 to Stage 1	For an account classified as forbearance/Stage 2 to exit, 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 re-classified as non-performing and Stage 3 and the probation period is reset.

Other forms of debt management and modifications

Retail & Business Banking

For mortgage customers we can offer other modifications (Contract Variations) at the customer's request that are not motivated by financial difficulty. These modifications are not classified as forbearance. Within Mortgages and Everyday Banking, we do not classify insolvency solutions for any unsecured retail customers as forbearance and 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 property collateral.

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) (unaudited)	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 (JAs) to our model outputs. We use internal credit ratings for corporate borrowers and individually assessed corporate 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. Our scenarios 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 2025, there were no significant differences between our base case forecasts and the consensus views.

In 2025, as in previous years, we undertook a further peer benchmarking analysis of the economic scenarios, which for Q4-25 included the mean weighted analysis for a selection of economic variables, including GDP, unemployment rate and HPI and CRE. This meant that we could compare our weighted scenarios against the average of our peers to understand what differences there may be. The analysis demonstrated that our economic scenarios were in line with our peers.

In 2025, 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. 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 2025

In 2025, there were no major changes to our forecasting approach. We incorporated the OBR's March 2025 fan chart parameters to generate the GDP paths (excluding the base case).

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 has GDP growth rising over the forecast period. As inflation gradually returns to the target rate, further Bank Rate cuts should support a recovery in business and consumer confidence. 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 Q3-25 with growth of 0.1% quarter-on-quarter. It was always likely that a slow-down from the above average quarterly growth rates of H1-25 would happen, but with weak PMIs as well there is a concern that the economy will stagnate in Q4-25. However, Q3-25 GDP did see a slight improvement in household spending while business investment posted a solid gain, 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 public finances. For 2026, we expect to see another year of positive growth, although slightly weaker than in 2025 as real wage growth eases and the pace of interest rate cuts slows. 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%. It remains to be seen whether artificial intelligence (AI) or government policy can help to improve this.

Bank Rate: The Monetary Policy Committee (MPC) lowered Bank Rate four times in 2025 to 3.75%, in line with our expectations. Our base case assumes a further two rate cuts in 2026, taking Bank Rate to 3.25% by the end of the year, with no further reductions thereafter. The outlook for further interest rate cuts remains uncertain, with the MPC stating that decisions to lower Bank Rate further will be influenced by policymakers' views on how restrictive the current stance of monetary policy is.

House price growth: House prices grew marginally in 2025, helped in part by falling mortgage rates, despite some weakness towards the end of the year. House prices have proved resilient given the heightened levels of uncertainty experienced throughout the year. Lower inflation and interest rates coupled with the gradual improvement in affordability, and ongoing weakness in housing supply, is expected to ensure steady house price growth over the forecast period. We anticipate growth of c.2.5% year-on-year in 2026 with an annual house price growth of c.3% year-on-year growth for the rest of the forecast period.

Unemployment rate: Recent data for unemployment indicates there is a loosening of the labour market in response to higher employment costs. However, some caution needs to be taken as the unemployment data is still subject to problems with the ONS Labour Force Survey data. The unemployment rate has risen to over 5%, payroll numbers have fallen in most months over the past year and redundancies have risen too, all chiming with weakness seen across various survey data. In terms of the forecast, we expect the unemployment rate to remain elevated in the short term with businesses reporting pay pressures and squeezed margins as reasons for reducing headcounts. The unemployment rate then drops back to 4.3% by the end of the forecast period, broadly in line with Bank of England's prediction for the natural rate of unemployment which is, as growth recovers, businesses and consumer sentiment improves and CPI inflation remains at the target rate.

CRE price growth: After falling for seven quarters in a row, CRE prices stabilised in Q2-24 and have since risen in each of the five quarters through to Q3-25 as the sector continues to recover, after two years of falling prices. Cuts in Bank Rate have likely helped prices to rise and despite monthly increases slowing towards the end of 2025, we expect CRE price growth to stabilise throughout the forecast period around the 2% year-on-year mark.

In the medium-term, the projections assume that current demographic trends will continue, which could impact 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. The same can be said for current productivity trends, although there is potential for AI to improve growth towards the end of the decade. However, our assumption of the average annual growth of c.1.5% for our medium-term forecasts is in line with the OBR's latest estimate of the UK's long run average growth rate.

Key changes to our base case in 2025

For our base case, key changes were stronger GDP growth compared to 2024; higher unemployment exacerbated by the higher costs of employment businesses have experienced since the 2024 Autumn Budget; lower house price growth which was affected by uncertainty and the Stamp Duty Land Tax change. Risks to the base case remain with potential for rising geopolitical risks affecting the UK economy. Base case was updated to reflect back data changes to GDP pushing up growth. We anticipate a modest rise in unemployment as firms adjust to the higher cost of employment.

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 and supply constraints.

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 the unemployment rate set at 4%.

The other scenarios are:

One upside scenario

This scenario has quicker economic performance, that is driven by an improvement in the supply side of the economy that allows for stronger growth with lower inflation. Inflation falls slightly below target at the start of the forecast period helped by lower wage growth, and stays just below the 2% target 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, as does house price growth. Unemployment peaks at a lower level and drops more quickly than the base case.

Two downside scenarios

The downside scenarios capture a range of risks, including further escalation of geopolitical events, continuing weaker investment (reflecting the unstable environment and higher cost of employment), a continuing and significant mismatch between job vacancies and skills (as well as a smaller labour force) and a return to upside inflation surprises causing interest rates to remain at higher levels for longer.

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 increase in various employment costs mean growth is tempered and employment shrinks as businesses restructure to deal with the extra costs. 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. With inflation remaining above target, Bank Rate remains in restrictive territory and only gradually falls back, while house prices fall as households look to downsize in response to persistently high rates of unemployment. 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 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 the start of the scenario to stabilise demand. This fails to support the housing market with house values falling sharply. Inflation below target and lower interest rates eventually eases some of the pressures on the UK economy and growth picks up in the medium-term.

Key changes to our alternative scenarios in 2025

In 2025, there were no key changes to the alternative scenarios, however the narratives were updated to reflect key risks.

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 2025 were:

Economic scenarios ¹		Upside	Base case	Downside 1	Downside 2	Weighted
		%	%	%	%	%
GDP	2024 (actual)	1.1	1.1	1.1	1.1	1.1
	2025	1.5	1.4	1.3	1.3	1.4
	2026	1.7	1.0	(0.4)	(3.3)	0.3
	2027	2.3	1.4	—	(1.0)	0.9
	2028	2.5	1.4	0.4	1.4	1.3
	2029	2.6	1.5	0.4	1.4	1.4
	2030	2.7	1.5	0.7	1.4	1.5
	Start to trough ²	n/a	n/a	(0.7)	(5.0)	n/a
	5-year average increase/decrease ³	2.3	1.4	0.2	(0.1)	n/a
Bank Rate	2024 (actual)	4.75	4.75	4.75	4.75	4.75
	2025	3.75	3.75	3.75	3.75	3.75
	2026	3.00	3.25	4.50	2.00	3.40
	2027	3.00	3.25	3.25	1.50	3.04
	2028	3.00	3.25	3.25	2.50	3.14
	2029	3.00	3.25	3.25	2.75	3.16
	2030	3.00	3.25	3.25	3.00	3.19
	5-year end period	3.00	3.25	3.25	3.00	n/a
	5-year peak	3.75	3.75	4.50	3.75	3.79
HPI	2024 (actual)	4.0	4.0	4.0	4.0	4.0
	2025	2.3	1.5	0.1	0.3	1.2
	2026	4.1	2.5	(5.3)	(12.1)	(0.6)
	2027	4.5	3.0	(4.4)	(11.9)	0.2
	2028	4.5	3.0	0.7	(4.9)	2.1
	2029	4.5	3.0	3.4	7.2	3.7
	2030	4.5	3.0	4.4	7.1	3.9
	Start to trough ²	n/a	n/a	(10.2)	(28.0)	(0.3)
	5-year average increase/decrease ³	4.4	2.9	(0.7)	(3.7)	n/a
Unemployment	2024 (actual)	4.4	4.4	4.4	4.4	4.4
	2025	4.7	4.8	5.1	5.2	4.9
	2026	4.7	4.9	5.7	6.8	5.3
	2027	4.1	4.7	5.8	8.5	5.3
	2028	4.0	4.4	5.8	7.9	5.0
	2029	4.0	4.3	5.9	7.1	4.9
	2030	4.0	4.3	6.0	6.4	4.9
	5-year end period	4.0	4.3	6.0	6.4	n/a
	5-year peak	4.7	4.9	6.0	8.5	5.3
CRE price growth	2024 (actual)	0.5	0.5	0.5	0.5	0.5
	2025	2.1	1.7	(0.2)	(0.8)	1.0
	2026	6.7	2.2	(3.1)	(16.8)	(0.3)
	2027	5.8	2.5	(1.9)	(7.2)	1.2
	2028	3.6	2.2	(0.8)	2.5	1.8
	2029	4.0	1.9	0.3	3.0	2.0
	2030	2.3	1.5	2.4	3.9	2.1
	Start to trough ²	n/a	n/a	(6.7)	(24.1)	(0.1)
	5-year average increase/decrease ³	4.6	2.2	(0.9)	(3.8)	n/a

¹ Our Q4-25 forecast used for ECL calculation. GDP is the calendar year annual growth rate. HPI and CRE price growth is Q4 annual growth rate and all other data points are at 31 December in the year indicated.

² GDP, HPI and CRE start is taken from level at Q3-25.

³ This is the compound annual growth rate (CAGR) based on a 5-year period which represents an average annualised growth rate.

The table below sets out our macroeconomic assumptions and their evolution throughout the forecast period for each of the scenarios at 31 December 2024:

Economic scenarios ¹		Upside	Base case	Downside 1	Downside 2	Weighted
		%	%	%	%	%
GDP	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	1.5	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
	Start to trough ²	n/a	n/a	(0.7)	(5.2)	n/a
	5-year average increase/decrease ³	2.4	1.5	0.6	0.3	n/a
Bank Rate	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	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	4.5	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
	Start to trough ²	n/a	n/a	(10.1)	(33.0)	(0.8)
	5-year average increase/decrease ³	4.7	3.2	n/a	(3.7)	n/a
Unemployment	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	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
	Start to trough ²	n/a	n/a	(7.4)	(24.7)	(1.2)
	5-year average increase/decrease ³	4.0	2.3	(0.1)	(3.3)	n/a

1 Our Q4-24 forecast used for ECL calculation. GDP is the calendar year annual growth rate. HPI and CRE price growth is Q4 annual growth rate and all other data points are at 31 December in the year indicated.

2 GDP, HPI and CRE start is taken from level at Q3-24.

3 This is the compound annual growth rate (CAGR) based on a 5 year period which represents an average annualised growth rate.

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 2025 and 2024 were:

	Upside	Base case	Downside 1	Downside 2	Weighted
Scenario weights	%	%	%	%	%
2025	15	50	25	10	100
2024	15	50	25	10	100

2025 compared to 2024

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:

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- They have been reported bankrupt or insolvent and are in arrears
- The loan term has ended, and the customer has not repaid the principal in full after three months.
- They have had forbearance while in default and have failed to perform under the new arrangement terms, or have had multiple forbearance. Performing forbore 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.

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- 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 forbore 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 forbore 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-forbore 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.

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 2025 and 2024 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
Mortgages	Personal loans	Credit cards	Overdrafts			
30bps	30bps	30bps	30bps	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 2025 and 2024 were:

Retail & Business Banking				Consumer Finance	Corporate & Commercial Banking	Corporate Centre
Mortgages	Personal loans	Credit cards	Overdrafts			
- In forbearance - Default in last 24m - 30 Days Past Due (DPD) in last 12m - Bankrupt - £100+ arrears - 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 - 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 calculated 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						Total
	Mortgages	Everyday Banking		Consumer Finance	Corporate & Commercial Banking	Corporate Centre	
	£m	Credit Cards	Other	£m	£m	£m	£m
2025		£m	£m	£m	£m	£m	£m
Modelled ECL	104	160	115	74	110	—	563
Individually assessed	8	—	—	—	180	—	188
ECL before Judgemental Adjustments	112	160	115	74	290	—	751
Judgemental Adjustments							
Affordability and Cost of Living	2	—	6	—	1	—	9
Adjustments to modelled forecast parameters	23	(5)	13	(11)	5	—	25
Corporate single large exposure	—	—	—	—	27	—	27
Total Judgemental Adjustments	25	(5)	19	(11)	33	—	61
Total ECL	137	155	134	63	323	—	812
Total JAs as a percentage of Total ECL (%)							8

	£m	£m	£m	£m	£m	£m	£m
2024							
Modelled ECL	127	149	122	69	142	—	609
Individually assessed	6	—	—	—	162	—	168
ECL before Judgemental Adjustments	133	149	122	69	304	—	777
Judgemental Adjustments							
Affordability and Cost of Living	11	—	6	—	14	—	31
Adjustments to modelled forecast parameters	28	1	8	—	—	—	37
Corporate single large exposure	—	—	—	—	24	—	24
Total Judgemental Adjustments	39	1	14	—	38	—	92
Total ECL	172	150	136	69	342	—	869
Total JAs as a percentage of Total ECL (%)							11

Judgemental Adjustments

- **Affordability and Cost of Living:** In 2025, Bank Rate continued to gradually reduce, with inflation stabilising and overall credit performance across UK retail lending remained resilient. As a result, we reduced the Affordability and Cost of Living JAs, consistent with the improved macroeconomic outlook and continued portfolio stability
- **Adjustments to modelled forecast parameters:** In 2025, our model monitoring framework identified where modelled outputs are not considered a true representation of the risks present in the current economic environment, resulting in under and over estimations. In addition, we introduced a new JA to recalibrate LGDs in Consumer Finance.
- **Corporate single large exposure:** This JA safeguards against individual large exposures defaulting over a short period. It was used for one case in 2025. This JA was replenished in 2025 to reflect the risk of single name defaults, incurring high losses, as UK corporate insolvencies have risen to a 30-year high and government support schemes have 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.

Climate change

In the last few years we continued to assess the risks to asset valuations in the customer loan book from both transitional and physical risks associated with climate change. Similar to previous years, at 31 December 2025, 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 to capture the inherent risk of diesel obsolescence and measurement uncertainty of electric vehicles;
 - ECL calculations are based on forward-looking economic scenarios developed by management covering a period of five years, during which timeframe climate change risks may not crystallise;
- The proportion of our mortgage loans subject to flood and subsidence risk is not considered 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 Flood Re. 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 use our internal rating to determine the Probability of Default for a client.

Individually assessed corporate 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. In 2025, we also enhanced our approach to individually assess the ECL requirements for high Leveraged Finance Transactions in Stage 2. Individual 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 all these individually assessed loans, the ECL allowance was £180m at 31 December 2025 (2024: £162m). Had management assumed the best or worst outcome for loss estimates, the ECL allowance could have been within a range of £92m to £316m (2024: £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.

	Upside £m	Base case £m	Downside 1 £m	Downside 2 £m	Weighted £m
2025					
Exposure	293,493	293,493	293,493	293,493	293,493
Retail & Business Banking	201,290	201,290	201,290	201,290	201,290
Of which:					
– Mortgages	180,339	180,339	180,339	180,339	180,339
Consumer Finance	4,979	4,979	4,979	4,979	4,979
Corporate & Commercial Banking	27,361	27,361	27,361	27,361	27,361
Corporate Centre	59,863	59,863	59,863	59,863	59,863
ECL	730	761	899	1,119	812
Retail & Business Banking	357	381	483	689	426
Of which:					
– Mortgages	87	100	177	366	137
Consumer Finance	62	62	64	64	63
Corporate & Commercial Banking	311	318	352	366	323
Corporate Centre	—	—	—	—	—

	Upside £m	Base case £m	Downside 1 £m	Downside 2 £m	Weighted £m
2024					
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	—	—	—	—	—

2025 compared to 2024

ECL reduced by £57m, reflecting reductions across almost all portfolios. The decrease was mainly driven by mortgages due to refinance-related JVA releases, economic updates and the sale of high RWA mortgages in Q3-25.

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 profit before tax	Increase/decrease in house prices			
	+20%	+10%	-10%	-20%
	£m	£m	£m	£m
2025	38	24	(43)	(126)
2024	34	21	(38)	(112)

2025 compared to 2024

The impairment model assumes that low LTV accounts experience a similar loss even when HPI decreases, and the impact on the ECL is limited. These results are consistent with the prior period, although updated economic forecasts project slightly larger fluctuations.

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 default data.
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 use 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 users, 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** 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
- **Monitoring trends:** we track ECL and Stage classification 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									Net 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	
2025	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Cash and balances at central banks	29.4	—	29.4	—	—	—	—	—	—	29.4
Financial assets at amortised cost:										
Loans and advances to customers: ³										
– Residential Mortgages ⁴	167.3	(0.1)	167.2	13.1	—	13.1	—	(169.9)	—	10.4
– Corporate loans	20.4	(0.2)	20.2	7.7	—	7.7	—	(15.7)	—	12.2
– Finance leases	4.3	(0.1)	4.2	—	—	—	—	(4.2)	—	—
– Accrued interest and other adjustments	0.8	—	0.8	0.4	—	0.4	—	—	—	1.2
– Other unsecured loans	5.5	(0.3)	5.2	14.7	(0.1)	14.6	—	—	—	19.8
– Amounts due from fellow Banco Santander group subsidiaries and JVs	5.0	—	5.0	—	—	—	—	—	—	5.0
Total loans and advances to customers	203.3	(0.7)	202.6	35.9	(0.1)	35.8	—	(189.8)	—	48.6
– Loans and advances to banks	1.0	—	1.0	0.7	—	0.7	—	—	—	1.7
– Reverse repurchase agreements – non trading	17.7	—	17.7	2.2	—	2.2	—	(16.5)	(1.2)	2.2
– Other financial assets at amortised cost	4.0	—	4.0	—	—	—	—	—	—	4.0
Total financial assets at amortised cost	226.0	(0.7)	225.3	38.8	(0.1)	38.7	—	(206.3)	(1.2)	56.5
Financial assets at fair value at FVOCI:										
– Debt securities	5.2	—	5.2	—	—	—	—	—	—	5.2
Total financial assets at FVOCI	5.2	—	5.2	—	—	—	—	—	—	5.2
Total	260.6	(0.7)	259.9	38.8	(0.1)	38.7	—	(206.3)	(1.2)	91.1
2024										
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 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

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.

	Balance sheet asset gross amount £bn	Collateral ¹		Netting ² £bn	Net exposure £bn
		Cash £bn	Non-cash £bn		
2025					
Financial assets at FVTPL:					
– Derivative financial instruments	0.9	(0.4)	—	(0.4)	0.1
– Other financial assets at FVTPL	0.1	—	—	—	0.1
Total	1.0	(0.4)	—	(0.4)	0.2
2024					
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

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 use 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			S&P equivalent
	Mid %	Lower %	Upper %	
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	0.558	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 relate to 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							Other ^{1,2}	Loss allowance	Total
	9	8	7	6	5	4	3 to 1			
2025	£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	11.2	31.6	80.9	46.1	15.4	6.2	5.0	6.9	(0.7)	202.6
- Stage 1	11.0	31.0	77.9	41.0	12.4	2.9	0.7	6.8	(0.1)	183.6
- Stage 2	0.2	0.6	3.0	5.1	3.0	3.3	2.1	0.1	(0.3)	17.1
- Stage 3	—	—	—	—	—	—	2.2	—	(0.3)	1.9
Of which mortgages:	10.6	29.7	75.5	39.3	6.7	3.0	2.4	0.1	(0.1)	167.2
- Stage 1	10.4	29.1	72.4	34.3	4.3	0.4	0.1	—	—	151.0
- Stage 2	0.2	0.5	3.1	5.0	2.4	2.6	1.0	—	—	14.8
- Stage 3	—	0.1	—	—	—	—	1.3	0.1	(0.1)	1.4
Total off-balance sheet	10.1	8.9	8.5	4.0	1.9	0.9	0.7	3.8	(0.1)	38.7
- Stage 1	10.1	8.8	8.3	3.8	1.7	0.7	0.4	3.8	—	37.6
- Stage 2	—	0.1	0.2	0.2	0.2	0.2	0.2	—	(0.1)	1.0
- Stage 3	—	—	—	—	—	—	0.1	—	—	0.1

	Santander UK risk grade							Other ^{1,2}	Total	Coverage Ratio
	9	8	7	6	5	4	3 to 1			
2025	£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	0.4	—	0.7	0.3
- Stage 1	—	—	—	—	0.1	—	—	—	0.1	0.1
- Stage 2	—	—	—	—	0.1	0.1	0.1	—	0.3	1.7
- Stage 3	—	—	—	—	—	—	0.3	—	0.3	13.6
Of which mortgages:	—	—	—	—	—	—	0.1	—	0.1	0.1
- Stage 1	—	—	—	—	—	—	—	—	—	—
- Stage 2	—	—	—	—	—	—	—	—	—	—
- Stage 3	—	—	—	—	—	—	0.1	—	0.1	6.7
Total off-balance sheet	—	—	—	—	—	0.1	—	—	0.1	0.3
- Stage 1	—	—	—	—	—	—	—	—	—	—
- Stage 2	—	—	—	—	—	0.1	—	—	0.1	9.1
- Stage 3	—	—	—	—	—	—	—	—	—	—

2024	Santander UK risk grade							Other ^{1,2}	Loss allowance	Total
	9	8	7	6	5	4	3 to 1			
	£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	79.1	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

2024	Santander UK risk grade							Other ^{1,2}	Total	Coverage Ratio
	9	8	7	6	5	4	3 to 1			
	£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	—	—	—	—	—	—	—	—	—	—

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.

Credit performance (audited)

	Customer Loans					12 month	Loan Loss
	Total	Stage 1	Stage 2	Stage 3 ¹		Gross write-offs	Allowances
	£bn	£bn	£bn	£bn	%	£m	£m
2025							
Retail & Business Banking	173.5	156.2	15.7	1.6	0.95	168	384
– Mortgages	167.3	151.0	14.8	1.5	0.88	15	137
– Credit Cards	3.1	2.6	0.4	0.1	2.88	55	137
– Unsecured Personal Loans	2.0	1.8	0.2	—	1.07	65	57
– Overdrafts	0.4	0.2	0.2	—	6.87	24	37
– Business Banking	0.7	0.6	0.1	—	5.65	9	16
Consumer Finance	5.0	4.6	0.4	—	0.96	27	63
Corporate & Commercial Banking	18.9	16.9	1.4	0.6	3.42	53	282
Corporate Centre	—	—	—	—	0.15	—	—
Total Drawn	197.4	177.7	17.5	2.2	1.18	248	729
Retail & Business Banking	27.8	27.0	0.8	—	—	—	42
– Mortgages	13.1	12.8	0.3	—	—	—	—
– Credit Cards	11.6	11.3	0.3	—	—	—	18
– Unsecured Personal Loans	—	—	—	—	—	—	—
– Overdrafts	2.9	2.7	0.2	—	—	—	23
– Business Banking	0.2	0.2	—	—	—	—	1
Consumer Finance	—	—	—	—	—	—	—
Corporate & Commercial Banking	8.4	8.1	0.3	—	—	—	41
Corporate Centre	2.6	2.6	—	—	—	—	—
Total Undrawn	38.8	37.7	1.1	—	—	—	83
Total	236.2	215.4	18.6	2.2	—	248	812
2024	£bn	£bn	£bn	£bn	%	£m	£m
Retail & Business Banking	171.7	152.2	17.6	1.9	1.17	156	421
– Mortgages	165.1	146.7	16.7	1.7	1.08	9	172
– Credit Cards	2.8	2.3	0.5	—	2.75	51	135
– Unsecured Personal Loans	2.1	1.9	0.2	—	1.20	60	63
– Overdrafts	0.5	0.3	0.2	—	7.40	26	37
– Business Banking	1.2	1.0	—	0.2	7.10	10	14
Consumer Finance	4.8	4.5	0.3	—	0.77	25	69
Corporate & Commercial Banking	18.0	15.2	2.1	0.7	3.96	49	294
Corporate Centre	—	—	—	—	—	—	—
Total Drawn	194.5	171.9	20.0	2.6	1.42	230	784
Retail & Business Banking	25.0	24.3	0.7	—	—	—	37
– Mortgages	10.8	10.5	0.3	—	—	—	—
– Credit Cards	10.9	10.7	0.2	—	—	—	15
– Unsecured Personal Loans	—	—	—	—	—	—	—
– Overdrafts	3.1	2.9	0.2	—	—	—	20
– Business Banking	0.2	0.2	—	—	—	—	2
Consumer Finance	—	—	—	—	—	—	—
Corporate & Commercial Banking	8.3	7.7	0.5	0.1	—	—	48
Corporate Centre	2.4	2.4	—	—	—	—	—
Total Undrawn	35.7	34.4	1.2	0.1	—	—	85
Total	230.2	206.3	21.2	2.7	—	230	869

¹ 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.

Arrears over 90 days past due

	31 December 2025	31 December 2024
	%	%
Retail & Business Banking		
- Mortgages	0.65	0.80
- Credit Cards	0.55	0.56
- Unsecured Personal Loans	0.78	0.88
- Overdrafts	3.09	3.05
- Business Banking	3.83	3.89
Consumer Finance	0.44	0.53
Corporate & Commercial Banking	1.04	1.04

2025 compared to 2024

Mortgage loans in Stage 2 and 3 decreased, supported by the Q3-25 sale of high RWA mortgage assets. Stage 2 ratios increased across the smaller retail unsecured portfolios, mainly overdrafts, due to an increase in the SICR criteria for non-arrears Stage 2 loans. CCB loans in Stage 2 and 3 decreased, driven by overall improvement in asset quality.

ECL provision

The ECL provision at 31 December 2025 decreased by £57m to £812m (2024: £869m), reflecting reductions across almost all portfolios. The decrease was mainly driven by mortgages due to refinance-related JA releases, economic updates and the sale of high RWA mortgages in Q3-25.

Gross write-off utilisation of £248m (2024: £230m) was largely driven by unsecured retail.

Key movements in exposures in 2025 by Stage were:

- Stage 1 exposures increased mainly due to higher Mortgage new business.
- Stage 2 exposures reduced driven by the unwinding of the Mortgages Refinance JA moving customers back into stage 1 and an asset sale in Q3 2025.
- Stage 3 exposures reduced in 2025 primarily due to Mortgages driven by the asset sale in Q3 2025.

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 2025 comprised £197.4bn of customer loans, loans and advances to banks of £1.0bn, £21.7bn of sovereign assets measured at amortised cost, £5.2bn of assets measured at FVOCI, and £29.4bn of cash and balances at central banks.

2025	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Exposures				
On-balance sheet				
Retail & Business Banking	156,212	15,657	1,592	173,461
Consumer Finance	4,595	336	48	4,979
Corporate & Commercial Banking	16,859	1,445	623	18,927
Corporate Centre	57,305	—	—	57,305
Total on-balance sheet	234,971	17,438	2,263	254,672
Off-balance sheet				
Retail & Business Banking	27,026	752	51	27,829
Consumer Finance	—	—	—	—
Corporate & Commercial Banking	8,074	334	26	8,434
Corporate Centre	2,558	—	—	2,558
Total off-balance sheet²	37,658	1,086	77	38,821
Total exposures	272,629	18,524	2,340	293,493

ECL				
On-balance sheet				
Retail & Business Banking	54	207	123	384
Consumer Finance	14	21	28	63
Corporate & Commercial Banking	53	35	194	282
Corporate Centre	—	—	—	—
Total on-balance sheet	121	263	345	729
Off-balance sheet				
Retail & Business Banking	11	29	2	42
Consumer Finance	—	—	—	—
Corporate & Commercial Banking	25	9	7	41
Corporate Centre	—	—	—	—
Total off-balance sheet	36	38	9	83
Total ECL	157	301	354	812

Coverage ratio³	%	%	%	%
On-balance sheet				
Retail & Business Banking	—	1.3	7.7	0.2
Consumer Finance	0.3	6.2	58.4	1.3
Corporate & Commercial Banking	0.3	2.4	31.1	1.5
Corporate Centre	—	—	—	—
Total on-balance sheet	0.1	1.5	15.2	0.3
Off-balance sheet				
Retail & Business Banking	—	3.9	2.7	0.1
Consumer Finance	—	—	—	—
Corporate & Commercial Banking	0.3	2.7	28.1	0.5
Corporate Centre	—	—	—	—
Total off-balance sheet	0.1	3.5	11.4	0.2
Total coverage	0.1	1.6	15.1	0.3

1 Off-balance sheet exposures include £0.8bn 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 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	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	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 sheet²	34,317	1,215	117	35,649
Total exposures	259,883	21,218	2,759	283,860
ECL				
On-balance sheet				
Retail & Business Banking	52	223	146	421
Consumer Finance	16	27	26	69
Corporate & Commercial Banking	55	71	168	294
Corporate Centre	—	—	—	—
Total on-balance sheet	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	153	359	357	869
Coverage ratio³				
	%	%	%	%
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.

Stage 2 analysis

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

2025		Backstop	Quantitative		Qualitative		JAs	Total
		30 DPD	PD deterioration	PD threshold	Forbearance	Other ¹	Mortgage Refinancing	
Retail & Business Banking	Exposure £m	463	8,945	389	485	4,965	410	15,657
	ECL £m	17	120	27	5	36	2	207
Of which -Mortgages	Exposure £m	394	8,365	281	474	4,855	410	14,779
	ECL £m	5	40	3	3	16	2	69
Consumer Finance	Exposure £m	31	170	13	2	120	—	336
	ECL £m	8	8	4	—	1	—	21
Corporate & Commercial Banking	Exposure £m	92	771	90	22	470	—	1,445
	ECL £m	—	16	6	—	13	—	35
Corporate Centre	Exposure £m	—	—	—	—	—	—	—
	ECL £m	—	—	—	—	—	—	—
Total Drawn	Exposure £m	586	9,886	492	509	5,555	410	17,438
	ECL £m	25	144	37	5	50	2	263
Undrawn	ECL £m	—	23	6	1	8	—	38
Total Reported	Exposure £m	616	10,504	536	551	5,907	410	18,524
	ECL £m	25	167	43	6	58	2	301

2024		Backstop	Quantitative		Qualitative		JAs	Total
		30 DPD	PD deterioration	PD Threshold	Forbearance	Other ¹	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	5	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

¹ Mainly consists of Qualitative triggers for Mortgages, over-indebted customers c£2.6bn (2024: c£2.5bn) and Interest-only accounts 24 months pre-maturity c£1.4bn (2024: c£1.3bn), and for CCB customers operating in a high-risk sector c£0.2bn (2024: c£0.7bn).

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
	£m	£m	£m	£m	£m
2025					
Retail & Business Banking ¹	173,461	384	173,077	27,829	42
Consumer Finance	4,979	63	4,916	—	—
Corporate & Commercial Banking	18,927	282	18,645	8,434	41
Corporate Centre	57,305	—	57,305	2,558	—
Total exposures presented in Credit Quality tables	254,672	729	253,943	38,821	83
Intercompany balances (including joint ventures)			5,055		
Other items ²			916		
Adjusted net carrying amount			259,914		
Assets classified at FVTPL			934		
Non-financial assets ³			5,989		
Total assets per the Consolidated Balance Sheet			266,837		
2024					
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
Intercompany balances (including joint ventures)			4,832		
Other items ²			848		
Adjusted net carrying amount			253,107		
Assets classified at FVTPL			1,340		
Non-financial assets ³			5,497		
Total assets per the Consolidated Balance Sheet			259,944		

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

2 Other includes accrued interest of £725m (2024: £714m).

3 Non-financial assets include £80m (2024: £738m) of Macro hedge of interest rate risk.

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 2025	259,883	153	21,218	359	2,759	357	283,860	869
Transfers from Stage 1 to Stage 2 ²	(7,088)	(10)	7,088	10	—	—	—	—
Transfers from Stage 2 to Stage 1 ²	6,231	78	(6,231)	(78)	—	—	—	—
Transfers to Stage 3 ²	(239)	(1)	(852)	(31)	1,091	32	—	—
Transfers from Stage 3 ²	2	—	290	17	(292)	(17)	—	—
Transfers of financial instruments	(1,094)	67	295	(82)	799	15	—	—
Net ECL remeasurement on stage transfer ³	—	(69)	—	83	—	103	—	117
Change in economic scenarios ⁴	—	(10)	—	7	—	(5)	—	(8)
Change to ECL models	—	—	—	—	—	—	—	—
New lending and assets purchased ^{5,8}	54,405	41	1,086	38	44	13	55,535	92
Redemptions, repayments and assets sold ^{6,8}	(31,104)	(29)	(4,267)	(79)	(1,042)	(61)	(36,413)	(169)
Changes in risk parameters and other movements ⁷	(9,461)	4	192	(25)	371	180	(8,898)	159
Assets written off ⁵	—	—	—	—	(591)	(248)	(591)	(248)
At 31 December 2025	272,629	157	18,524	301	2,340	354	293,493	812
Net movement in the period	12,746	4	(2,694)	(58)	(419)	(3)	9,633	(57)
ECL charge/(release) to the Income Statement		4		(58)		245		191
Less: Discount unwind		—		—		(21)		(21)
Less: Recoveries net of collection costs		—		—		23		23
Total ECL charge/(release) to the Income Statement		4		(58)		247		193

	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 ²	(11,911)	(11)	11,911	11	—	—	—	—
Transfers from Stage 2 to Stage 1 ²	9,395	118	(9,395)	(118)	—	—	—	—
Transfers to Stage 3 ²	(434)	(2)	(845)	(34)	1,279	36	—	—
Transfers from Stage 3 ²	35	2	417	34	(452)	(36)	—	—
Transfers of financial instruments	(2,915)	107	2,088	(107)	827	—	—	—
Net ECL remeasurement on stage transfer ³	—	(107)	—	96	—	122	—	111
Change in economic scenarios ⁴	—	(20)	—	(44)	—	—	—	(64)
Change to ECL models	(2,287)	(5)	2,361	37	(74)	(26)	—	6
New lending and assets purchased ^{5,8}	33,894	43	1,170	58	164	40	35,228	141
Redemptions, repayments and assets sold ^{6,8}	(38,081)	(44)	(4,563)	(59)	(1,242)	(79)	(43,986)	(192)
Changes in risk parameters and other movements ⁷	1,061	9	(3,333)	(73)	355	169	(1,917)	105
Assets written off ⁵	—	—	—	—	(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 charge/(release) to the Income Statement		(17)		(102)		226		107
Less: Discount unwind		—		—		(24)		(24)
Less: Recoveries net of collection costs		—		—		(12)		(12)
Total ECL charge/(release) to the Income Statement		(17)		(102)		190		71

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. Relates to the revaluation of ECL following the transfer of an exposure from one Stage to another.

4 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.

5 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.

6 Exposures and ECL for facilities that existed at the start of the period but not at the end.

7 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.

8 New lending and assets purchased and Redemptions, repayments and assets sold categories include internal transfers.

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 table below shows 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. The table excludes balances with central banks, cash at hand, interests in other entities, intangible assets, property, plant and equipment, tax assets, retirement benefit assets and other assets.

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 includes balances with other Banco Santander group members. 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.

	2025	2024
	£bn	£bn
UK	282.6	271.5
Rest of Europe	12.1	11.4
Rest of world	4.8	6.9
Total	299.5	289.8

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 ¹			
	2025		2024		2025		2024	
	£m	%	£m	%	£m	%	£m	%
Home movers ²	69,963	42	69,354	42	10,516	41	6,736	45
Remortgagers ³	47,242	28	45,226	27	9,572	38	4,353	29
First-time buyers	34,776	21	35,702	22	3,426	14	3,262	22
Buy-to-let	15,287	9	14,931	9	1,718	7	567	4
	167,268	100	165,213	100	25,232	100	14,918	100

Movement in mortgage lending	£bn
1 January 2025	165.2
New business	25.3
Redemptions and repayments	(23.2)
31 December 2025	167.3

	2025	2024
Proportion of mortgage internal transfers retained online	79 %	77 %

	2025	2024
Internal transfers (£bn) ⁴	36.0	32.2
Further advances and flexi drawdowns (£bn)	1.0	0.8
First-time buyers - gross lending (£bn)	3.4	3.3

¹ The 2024 values exclude advances, flexible drawdowns and fees

² 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.

³ Remortgagers' are new customers who are taking a new mortgage with us.

⁴ Internal remortgages are where we moved our customers with maturing mortgages onto new ones.

2025 compared to 2024

In 2025, mortgage asset stock increased with new business exceeding redemptions and repayments. New business increased in all sectors, with remortgages causing the largest proportion of overall increase. The borrower profile remained stable.

Interest rate profile (audited)

The interest rate profile of our maturing mortgage asset stock was:

	2025		2024	
	£m	%	£m	%
Fixed rate	153,172	92	148,495	90
Of which maturing:				
– < 12 months	41,262	25	37,656	23
– Later than 1 year but no later than 3 years	83,529	50	84,704	51
– Later than 3 years but no later than 4 years	11,431	7	11,122	7
– Later than 4 years but no later than 5 years	14,011	8	11,645	7
– Later than 5 years	2,939	2	3,368	2
Variable rate	10,227	6	12,105	7
Standard Variable Rate (SVR)	2,434	1	3,007	2
Follow on Rate (FoR)	1,435	1	1,606	1
	167,268	100	165,213	100

2025 compared to 2024

We continued to see customers refinance from reversion to fixed-rate products in 2025, influenced by high interest rates. Demand for fixed-rate products increased, particularly with shorter fixed rate terms.

Geographical distribution (audited)

The geographical distribution of our mortgage asset stock and new business was:

Region	Stock		New business ¹	
	2025	2024	2025	2024
	£bn	£bn	£bn	£bn
London	43.9	42.7	6.6	4.1
Midlands and East Anglia	23.4	23.1	3.6	2.0
North	21.8	21.7	3.4	1.9
Northern Ireland	2.2	2.3	0.3	0.1
Scotland	6.0	6.0	1.0	0.6
South East excluding London	52.7	52.3	7.6	4.6
South West, Wales and other	17.3	17.1	2.7	1.6
	167.3	165.2	25.2	14.9

¹ The 2024 values exclude advances, flexible drawdown and fees.

2025 compared to 2024

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 2.91 (2024: 2.93).

Mortgage loan size (audited)

The split of our mortgage asset by size was:

Mortgage loan size	2025	2024
> £1.0m	3 %	2 %
£0.5m to £1.0m	11 %	10 %
£0.25m to £0.5m	32 %	31 %
< £0.25m	54 %	57 %
Average loan size (stock) ¹	£201k	£193k
Average loan size (new business)	£254k	£246k

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.

LTV	2025					2024				
	Stock		Stage 3		New Business	Stock		Stage 3		New Business
	Total	ECL	Total	ECL		Total	ECL	Total	ECL	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Up to 50%	75,743	29	705	10	5,373	76,122	33	880	13	3,407
>50-60%	33,122	17	270	6	4,375	33,067	21	317	8	2,394
>60-70%	27,776	21	210	9	3,803	29,171	27	254	10	2,311
>70-80%	18,466	19	122	7	5,214	17,132	27	150	12	3,458
>80-90%	9,385	15	64	7	4,352	7,989	19	72	8	2,445
>90-100%	2,503	10	30	4	2,099	1,452	12	38	7	888
>100%	273	26	49	14	16	280	33	56	20	15
	167,268	137	1,450	57	25,232	165,213	172	1,767	78	14,918
Collateral value ¹	167,234		1,441		25,232	165,176		1,756		14,918
	%		%		%	%		%		%
Average balance weighted LTV ²	52		52		65	51		51		64

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 £240m (2024: £244m).

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% (2024: 64%).

2025 compared to 2024

Collateral quality remained strong in 2025, with reductions in both ECL and Stage 3 balances. Average balance weighted LTVs of stock were broadly flat, whilst new business contribution increased due to an improved trading strategy covering price competitiveness, propositions, and service. 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

For credit performance details, see the Credit performance section in Santander UK Group level – 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 73 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 2025	157,268	10	16,973	84	1,785	78	176,026	172
Transfers from Stage 1 to Stage 2 ²	(5,651)	—	5,651	—	—	—	—	—
Transfers from Stage 2 to Stage 1 ²	4,863	14	(4,863)	(14)	—	—	—	—
Transfers to Stage 3 ²	(123)	—	(465)	(5)	588	5	—	—
Transfers from Stage 3 ²	—	—	235	6	(235)	(6)	—	—
Transfers of financial instruments	(911)	14	558	(13)	353	(1)	—	—
Net ECL remeasurement on stage transfer ³	—	(14)	—	14	—	9	—	9
Change in economic scenarios ⁴	—	(6)	—	—	—	(4)	—	(10)
Change to ECL models	—	—	—	—	—	—	—	—
New lending and assets purchased ^{5,8}	34,589	6	586	5	23	1	35,198	12
Redemptions, repayments and assets sold ^{6,8}	(20,975)	—	(3,125)	(20)	(652)	(21)	(24,752)	(41)
Changes in risk parameters and other movements ⁷	(6,137)	1	49	(1)	21	10	(6,067)	10
Assets written off ⁶	—	—	—	—	(66)	(15)	(66)	(15)
At 31 December 2025	163,834	11	15,041	69	1,464	57	180,339	137
Net movement in the period	6,566	1	(1,932)	(15)	(321)	(21)	4,313	(35)

ECL charge/(release) to the Income Statement	1	(15)	(6)	(20)
Less: Discount unwind	—	—	(3)	(3)
Less: Recoveries net of collection costs	—	—	41	41
Total ECL charge/(release) to the Income Statement	1	(15)	32	18

At 1 January 2024	161,163	24	17,997	110	2,028	108	181,188	242
Transfers from Stage 1 to Stage 2 ²	(9,873)	(1)	9,873	1	—	—	—	—
Transfers from Stage 2 to Stage 1 ²	7,899	20	(7,899)	(20)	—	—	—	—
Transfers to Stage 3 ²	(230)	—	(524)	(7)	754	7	—	—
Transfers from Stage 3 ²	3	—	268	9	(271)	(9)	—	—
Transfers of financial instruments	(2,201)	19	1,718	(17)	483	(2)	—	—
Net ECL remeasurement on stage transfer ³	—	(19)	—	31	—	15	—	27
Change in economic scenarios ⁴	—	(15)	—	(29)	—	1	—	(43)
Change to ECL models	(1,859)	(3)	1,869	21	(10)	(37)	—	(19)
New lending and assets purchased ^{5,8}	21,758	4	315	3	33	1	22,106	8
Redemptions, repayments and assets sold ^{6,8}	(21,925)	(1)	(3,162)	(14)	(762)	(27)	(25,849)	(42)
Changes in risk parameters and other movements ⁷	332	1	(1,764)	(21)	46	28	(1,386)	8
Assets written off ⁶	—	—	—	—	(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 charge/(release) to the Income Statement	(14)	(26)	12	(28)

Loan modifications**Forbearance¹**

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

	2025 £m	2024 £m
Financial assets modified in the period:		
– Amortised cost before modification	542	555
– Net modification loss	2	2
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	338	260

The balances at 31 December 2025 and 31 December 2024, analysed by their staging and the forbearance we applied, were:

	Capitalisation £m	Term extension £m	Interest-only £m	Concessionary interest rate £m	Reduced repayment plan £m	Total £m	Loss allowances £m
2025							
Stage 2	186	184	186	41	261	858	6
Stage 3	209	86	45	41	293	674	25
	395	270	231	82	554	1,532	31
Proportion of portfolio	0.2%	0.2%	0.1%	0.1%	0.3%	0.9%	
2024							
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%	

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

At 31 December 2025, the proportion of the mortgage portfolio in forbearance was 0.9% (2024: 0.9%) and the proportion of accounts in forbearance for more than six months that had made their last six months' contractual payments was 80% (2024: 83%). The weighted average LTV of all accounts in forbearance was 46% (2024: 45%) compared to the weighted average portfolio LTV of 52% (2024: 51%).

At 31 December 2025, the carrying value of mortgages classified as multiple forbearance was £13m (2024: £9m).

2025 compared to 2024

In 2025, the proportion of the mortgage portfolio in forbearance remained flat. We completed the sale of £1.2bn of high RWA mortgage loans in Q3-25. As many of these loans were subject to forbearance, the sale caused a reduction in forbearance stock. This was offset by an increase in the stock of reduced repayment plans which were classified as forbearance from Q4-24.

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 Mortgage Charter.

We made two customer support solutions available as part of the Mortgage Charter, 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 summarises such loan modifications.

	2025		2024	
	Term Extension £m	Interest-only £m	Term Extension £m	Interest-only £m
Stage 1	48	786	115	1,257
Stage 2	7	286	21	461
Stage 3	1	13	1	22
	56	1,085	137	1,740

There were no other loan modifications made in 2025 and 2024.

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
Interest-only loans	With an interest-only mortgage, the customer pays interest every month, but the principal is only required to be 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.
Part interest-only, part repayment loans	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 loans	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.
Loans with an LTV >100%	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.
Buy-to-Let (BTL) loans	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. We tested resilience through our in-house climate models in 2025 and assessed physical and transition risk 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)

2025	Total	Stage 1	Stage 2	Stage 3	Stage 3 ratio	Properties in possession	Balance weighted LTV (indexed)
	£m	£m	£m	£m	%	£m	%
Mortgage portfolio	167,268	151,039	14,779	1,450	0.88	74	52
Of which: Portfolio of particular interest ¹							
– Interest only	35,637	29,866	5,155	616	1.74	35	49
– Part interest-only, part repayment ²	11,495	9,978	1,357	160	1.40	9	53
– Flexible	3,504	2,508	828	168	5.19	11	37
– LTV > 100%	273	88	136	49	17.91	18	116
– Buy-to-let	15,287	14,166	1,070	51	0.33	4	59

2024							
Mortgage portfolio	165,213	146,758	16,688	1,767	1.08	46	51
Of which: Portfolio of particular interest ¹							
– Interest only	36,188	29,302	5,572	814	2.27	23	48
– Part interest-only, part repayment ²	11,873	10,112	1,542	219	1.85	8	52
– Flexible	4,333	3,190	933	210	5.25	8	38
– LTV > 100%	280	75	149	56	20.15	10	117
– Buy-to-let	14,931	13,672	1,204	55	0.37	2	59

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 £8,769m (2024: £9,046m) and the non-interest-only part of the loan.

2025 compared to 2024

In 2025, the combined total proportion of interest-only loans, part interest-only, part repayment loans and flexible loans decreased to 30.3% (2024: 31.7%).

BTL mortgage balances increased by £0.4bn to £15.3bn (2024: £14.9bn) driven by our pivot to growth strategy and affordability improvements. In 2025, the balance weighted average LTV of mortgage total new BTL lending was 60% (2024: 59%).

Forbearance¹

The balances at 31 December 2025 and 31 December 2024 were:

2025	Interest-only ²	Flexible	LTV > 100%	Buy-to-Let
	£m	£m	£m	£m
Total	239	43	8	18
– Stage 2	103	17	1	8
– Stage 3	136	26	7	10

2024				
Total	272	56	9	18
– Stage 2	115	19	2	8
– Stage 3	157	37	7	10

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.

2025 compared to 2024

Mortgage forbearance stock reduced mainly due to portfolio sales and the improvement of our risk profile.

Retail & Business Banking: Everyday Banking – Credit Risk Review

Credit performance (audited)

For credit performance details, see the Credit performance section in Santander UK Group level - Credit risk review. In addition, we monitor the following credit performance metrics that are specific to Everyday Banking:

	2025	2024
BBLs with 100% Government Guarantee (£bn)	0.6	1.1
% of credit card customers that repay balance in full each month (unaudited)	54%	56%
UPL average customer balance (£)	6,000	6,000

2025 compared to 2024

Business Banking loans continued to reduce due to the pay down of the Bounce Back Loans (BBL) portfolio.

Loan modifications

Forbearance

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

	Credit cards £m	Overdrafts £m	Total £m
2025			
Financial assets modified in the period:			
– Amortised cost before modification	18	13	31
– Net modification loss	12	4	16
Financial assets modified since initial recognition:			
– Gross carrying amount of financial assets for which the loss allowance changed to 12m ECL in the period	1	—	1
2024			
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

The balances at 31 December 2025 and 31 December 2024 were:

	Business banking £m	Personal loans £m	Credit cards £m	Overdrafts £m	Total other unsecured £m	Total £m
2025						
Total	6	1	70	26	97	103
– Stage 2	—	1	15	10	26	26
– Stage 3	6	—	55	16	71	77
2024						
Total	3	2	57	22	81	84
– Stage 2	—	1	11	5	17	17
– Stage 3	3	1	46	17	64	67

Other loan modifications

There were no other loan modifications made in 2025.

CONSUMER FINANCE – CREDIT RISK REVIEW

Credit performance (audited)

For credit performance details, see the Credit performance section in Santander UK Group level - Credit risk review. In addition, we monitor the following credit performance metrics that are specific to Consumer Finance:

	2025	2024
Consumer (auto) finance new business gross lending (£m)	2,029	1,593
Wholesale loans (stock finance) to car dealerships as approximate % of the Consumer loan book	13.8%	9.7%
% of lending collateralised on the vehicle	98%	95%
Average Consumer (auto) finance loan size (£)	19,551	16,045

2025 compared to 2024

In 2025, there was increased volume of new business, with larger quantities of electric vehicles and a marginal increase in the proportion of wholesale balances as a % of the loan book.

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 2025 the amount of forbore assets net of deferred income was £11m (2024: £5.4m).

Other loan modifications

There were no other loan modifications made in 2025.

The gross carrying amount of financial assets for which the ECL allowance changed to a 12-month measurement at 31 December 2025 was £2m (2024: £6m).

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 73 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 2025	23,023	73	2,568	85	716	184	26,307	342
Transfers from Stage 1 to Stage 2 ³	(681)	(3)	681	3	—	—	—	—
Transfers from Stage 2 to Stage 1 ³	797	14	(797)	(14)	—	—	—	—
Transfers to Stage 3 ³	(32)	—	(291)	(12)	323	12	—	—
Transfers from Stage 3 ³	—	—	22	2	(22)	(2)	—	—
Transfers of financial instruments	84	11	(385)	(21)	301	10	—	—
Net ECL remeasurement on stage transfer ⁴	—	(9)	—	12	—	44	—	47
Change in economic scenarios ²	—	(2)	—	2	—	(1)	—	(1)
Change to ECL models	—	—	—	—	—	—	—	—
New lending and assets purchased ⁵	11,687	14	207	2	6	3	11,900	19
Redemptions, repayments and assets sold ⁷	(6,105)	(10)	(732)	(29)	(237)	(24)	(7,074)	(63)
Changes in risk parameters and other movements ⁵	(3,756)	1	121	(7)	77	38	(3,558)	32
Assets written off ⁷	—	—	—	—	(214)	(53)	(214)	(53)
At 31 December 2025	24,933	78	1,779	44	649	201	27,361	323
Net movement in the period	1,910	5	(789)	(41)	(67)	17	1,054	(19)
ECL (release)/charge to the Income Statement		5		(41)		70		34
Less: Discount unwind		—		—		(11)		(11)
Less: Recoveries net of collection costs		—		—		5		5
Total ECL (release)/charge to the Income Statement		5		(41)		64		28

	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 ⁵	(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

Committed exposures**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								Total ¹
	9	8	7	6	5	4	3 to 1	Other	
2025	£m	£m	£m	£m	£m	£m	£m	£m	£m
SME and mid corporate	—	449	903	3,364	4,172	3,069	1,604	36	13,597
Commercial Real Estate	—	—	802	2,589	2,360	411	134	—	6,296
Social Housing	120	2,032	5,581	—	—	—	—	—	7,733
	120	2,481	7,286	5,953	6,532	3,480	1,738	36	27,626
Of which:									
– Stage 1	120	2,481	7,278	5,910	6,219	2,710	444	36	25,198
– Stage 2	—	—	8	43	313	770	645	—	1,779
– Stage 3	—	—	—	—	—	—	649	—	649
2024									
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

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 2025 and 31 December 2024 this is mainly focused in the UK.

Credit risk mitigation (audited)

	Gross exposure	Collateral	Net exposure
	Stage 3	Stage 3	Stage 3
2025	£m	£m	£m
SME and mid corporate	572	141	431
Commercial Real Estate	77	74	3
	649	215	434
2024			
SME and mid corporate	639	209	430
Commercial Real Estate	77	71	6
	716	280	436

Credit performance (audited)

For credit performance details, see the Credit performance section in Santander UK Group level – Credit risk review.

Loan modifications**Forbearance**

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

	2025 £m	2024 £m
Financial assets modified in the period:		
– Amortised cost before modification	160	232
– Net modification loss	15	5
Financial assets modified in the period (multiple forbearance):		
– Amortised cost before modification	126	145
– Net modification loss	3	7
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	10	13

We only make forbearance arrangements for lending to customers. The balances at 31 December 2025 and 31 December 2024, analysed by their staging and the forbearance we applied, were:

	2025 £m	2024 £m
Stock¹		
– Term extension	103	102
– Interest-only	193	229
– Other payment rescheduling	381	373
	677	704
Of which:		
– Stage 1	—	40
– Stage 2	218	228
– Stage 3	459	436
	677	704
Proportion of portfolio	2.5%	2.6%

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, the majority with a credit rating of 8 or 9 according to our internal rating scale (see the 'Santander UK group level – credit risk review' section).

Credit performance (audited)

For credit performance details, see the Credit performance section in Santander UK Group level – Credit risk review.

Loan modifications (audited)

There were no loan modifications made in 2025 and 2024.

Liquidity risk

Overview

Liquidity risk is the risk that we do not have sufficient liquid financial resources available to meet our obligations as they fall due, or we can only secure such resources at high 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 162% (2024: 154%)

RFB DoLSub LCR of 157% (2024: 151%)

RFB DoLSub LCR eligible liquidity pool of £47.4bn (2024: £44.4bn)

RFB DoLSub NSFR of 135% (2024: 135%)

Wholesale funding with maturity <1 year £13.1bn (2024: £19.6bn)

OUR KEY LIQUIDITY RISKS (audited)

Through our Liquidity Risk Appetite (LRA) framework, we manage our market liquidity risks, funding or structural liquidity risk and 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 by issuing 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 as well as the Bank of England's lending facilities. 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 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, and 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 qualitative and quantitative measures such as 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 and 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 2025 and 31 December 2024.

	2025	2024
RFB DoLSub LCR ²	£bn	£bn
Eligible liquidity pool (liquidity value) ¹	46.9	43.7
Net stress outflows	(29.9)	(28.9)
Surplus	17.0	14.8
Eligible liquidity pool as a percentage of anticipated net cash flows	157 %	151 %

1 The liquidity value is calculated by applying an applicable haircut to the carrying value.

2 The RFB LCR was 162% (2024: 154%).

LCR eligible liquidity pool

This table shows the carrying value of our eligible liquidity pool assets at 31 December 2025 and 31 December 2024. It also shows the weighted average carrying value in the year.

RFB DoLSub	Carrying value						Weighted average carrying value in the year	
	2025			2024			2025	2024
	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	28.4	—	28.4	29.0	—	29.0	28.8	30.8
Government bonds	14.8	0.4	15.2	10.2	0.9	11.1	15.0	13.7
Supranational bonds and multilateral development banks	0.3	—	0.3	0.4	—	0.4	0.4	0.2
Covered bonds	1.1	1.6	2.7	1.4	1.7	3.1	3.0	2.9
Asset-backed securities	—	0.8	0.8	—	0.8	0.8	0.8	0.7
	44.6	2.8	47.4	41.0	3.4	44.4	48.0	48.3

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 2025 and 31 December 2024. 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
2025	2.9	0.6	42.5	1.4	47.4
2024	1.2	1.2	40.8	1.2	44.4

RFB DoLSub Net Stable Funding Ratio (NSFR)

	2025	2024
	%	%
RFB DoLSub NSFR	135	135

2025 compared to 2024

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 2025, the LCR and NSFR significantly exceeded regulatory requirements. LCR of 166% (Dec-24: 156%) increased largely due to a reduction in the customer funding gap in 2025.

Our Eligible Liquidity Pool includes a portfolio of longer-dated UK Gilts to support ongoing HQLA requirements, with a notional value at 31 December 2025 was £3.6bn (2024: £3.0bn). We account for them on a 'Hold-To-Collect-Cash-flows' basis.

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 2025, 90% 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 2025 and 31 December 2024.

	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
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
2025								
Deposits by banks	0.6	0.6	—	—	—	—	—	—
Certificates of deposit and commercial paper	4.1	—	—	—	—	4.1	—	—
Senior unsecured	14.3	—	1.4	—	0.5	12.4	—	—
Covered bonds	18.9	—	—	—	—	18.9	—	—
Securitisation and structured issuance	6.7	—	—	—	—	6.7	—	—
Of which:								
- RMBS and ABS	5.6	—	—	—	—	5.6	—	—
TFSME	3.9	3.9	—	—	—	—	—	—
Subordinated liabilities and equity	3.8	—	—	—	—	—	1.9	1.9
Total wholesale funding	52.3	4.5	1.4	—	0.5	42.1	1.9	1.9
Repos	9.0	—	—	9.0	—	—	—	—
Foreign exchange and hedge accounting	(1.0)	—	—	—	—	(1.0)	—	—
Other	3.3	2.1	—	—	0.8	0.3	0.1	—
Balance sheet total	63.6	6.6	1.4	9.0	1.3	41.4	2.0	1.9
2024								
Deposits by banks	1.4	1.4	—	—	—	—	—	—
Certificates of deposit and commercial paper	4.5	—	—	—	—	4.5	—	—
Senior unsecured	12.2	—	1.8	—	0.4	10.0	—	—
Covered bonds	17.4	—	—	—	—	17.4	—	—
Securitisation and structured issuance	5.1	—	—	—	—	5.1	—	—
Of which:								
- RMBS and ABS	3.9	—	—	—	—	3.9	—	—
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

¹ Consists of Perpetual Capital Securities. See Note 32 to the Consolidated Financial Statements.

² This is included in our balance sheet total of £187,300m (2024:£180,967m).

³ Other consists of items in the course of transmission and other deposits. See Note 21 to the Consolidated Financial Statements.

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.

	≤ 1 month	>1 and ≤ 3 months	>3 and ≤ 6 months	>6 and ≤ 9 months	>9 and ≤ 12 months	Sub-total ≤ 1 year	>1 and ≤ 2 years	>2 and ≤ 5 years	>5 years	Total
2025	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Downstreamed from Santander UK Group Holdings plc to Santander UK plc¹										
Senior unsecured	0.5	—	0.7	—	0.8	2.0	2.0	5.7	1.3	11.0
Subordinated liabilities and equity (incl. AT1)	—	0.2	—	—	—	0.2	0.9	2.0	—	3.1
	0.5	0.2	0.7	—	0.8	2.2	2.9	7.7	1.3	14.1
Other Santander UK plc										
Deposits by banks	—	—	—	0.4	0.2	0.6	—	—	—	0.6
Certificates of deposit and commercial paper	0.5	3.1	0.5	—	—	4.1	—	—	—	4.1
Senior unsecured	—	—	—	—	0.1	0.1	0.7	2.3	0.2	3.3
Covered bonds	—	2.8	0.8	0.2	0.1	3.9	6.2	7.2	1.6	18.9
Securitisation & structured issuance ²	—	0.5	0.7	0.2	0.2	1.6	1.5	3.0	—	6.1
Of which:										
– RMBS and ABS	—	—	0.1	0.2	0.2	0.5	1.5	3.0	—	5.0
TFSME	—	—	—	—	—	—	2.5	—	1.4	3.9
Subordinated liabilities	—	—	—	—	—	—	—	0.2	0.5	0.7
	0.5	6.4	2.0	0.8	0.6	10.3	10.9	12.7	3.7	37.6
Other group entities										
Securitisation & structured issuance ³	—	—	0.6	—	—	0.6	—	—	—	0.6
Total at 31 December 2025	1.0	6.6	3.3	0.8	1.4	13.1	13.8	20.4	5.0	52.3
Of which:										
– Secured	—	3.3	2.0	0.4	0.3	6.0	10.2	10.3	3.0	29.5
– Unsecured	1.0	3.3	1.3	0.4	1.1	7.1	3.6	10.1	2.0	22.8
2024										
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

1 99% 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 2025 and 31 December 2024.

	2025				2024			
	Sterling %	US Dollar %	Euro %	Other %	Sterling %	US Dollar %	Euro %	Other %
Downstreamed from Santander UK Group Holdings plc to Santander UK plc								
Senior unsecured	19	68	12	1	25	62	12	1
Subordinated liabilities and equity (incl. AT1)	94	6	—	—	89	11	—	—
	36	54	9	1	42	48	9	1
Other Santander UK plc								
Deposits by banks	1	97	1	1	1	97	2	—
Certificates of deposit and commercial paper	36	64	—	—	24	67	8	1
Senior unsecured	49	—	51	—	80	—	20	—
Covered bonds	49	8	39	4	48	9	40	3
Securitisation & structured issuance	100	—	—	—	100	—	—	—
TFSME	100	—	—	—	100	—	—	—
Subordinated liabilities	77	23	—	—	76	24	—	—
	61	13	24	2	65	15	18	2
Other group entities								
Securitisation & structured issuance	100	—	—	—	100	—	—	—
Total	55	24	20	1	60	23	16	1

Term issuance (audited)

In 2025, our external term issuance (sterling equivalent) was:

	Sterling £bn	US Dollar £bn	Euro £bn	Other £bn	Total 2025 £bn	Total 2024 £bn
Downstreamed from Santander UK Group Holdings plc to Santander UK plc						
Senior unsecured	—	3.0	—	—	3.0	0.8
Subordinated debt and equity (inc. AT1)	0.5	—	—	—	0.5	0.4
	0.5	3.0	—	—	3.5	1.2
Other Santander UK plc						
Securitisations and other secured funding	1.7	—	—	—	1.7	1.2
Of which:						
– RMBS and ABS	1.7	—	—	—	1.7	1.2
Covered bonds	1.0	—	1.7	—	2.7	5.9
Senior unsecured ¹	0.3	—	1.7	—	2.0	0.1
	3.0	—	3.4	—	6.4	7.2
Other group entities						
Securitisations	0.6	—	—	—	0.6	—
Total gross issuances	4.1	3.0	3.4	—	10.5	8.4

¹ Credit linked notes are not included in the Term issuance table. As a result, 2024 has been restated to exclude £0.4bn of CLN issuance.

2025 compared to 2024

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.

We issued £10.5bn Sterling equivalent term issuance in 2025, including Covered Bond, RMBS, AT1 and Senior Unsecured issuances. We repaid £7.1bn in TFSME in 2025, with an outstanding balance of £3.9bn at 31 December 2025, of which £2.5bn is due for repayment in 2027 and £1.4bn is due in 2031. We expect to issue £8.0 to 12.0bn of term issuance in 2026, including the £1.25bn equivalent issued in January 2026.

At 31 December 2025, 75% (2024: 65%) of wholesale funding had a maturity of greater than one year, with an overall residual duration of 32 months (2024: 37 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; access Central Bank facilities; 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	Securitisations	Other	Total	
	£m	£m	£m	£m	£m
2025					
Cash and balances at central banks ^{1,2}	—	—	1,440	1,440	—
Loans and advances to customers	27,428	9,038	100	36,566	41,857
Loans and advances to banks	—	—	238	238	—
Other financial assets at amortised cost	—	—	1,282	1,282	—
Financial assets at fair value through other comprehensive income	—	—	2,349	2,349	551
Total assets	27,428	9,038	5,409	41,875	42,408
2024					
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	—
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

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 internal 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 15.8% (2024: 14.9%)

Total qualifying regulatory capital of £14.3bn (2024: £13.7bn)

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, 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](https://about.santander.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 2), 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 ICAAP exercises for climate risk and 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 2025, 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 quarter, 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 headroom.

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.

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

	2025	2024
	%	%
CET1 capital ratio	15.8	14.9
AT1	2.8	2.8
Tier 2	2.7	3.3
Total capital ratio	21.3	21.0
Total subordination available to Santander UK plc senior unsecured bondholders as a % of RWAs	21.3	21.0
Return on assets - profit after tax divided by average total assets	0.40	0.36

Regulatory capital resources (audited)

This table shows our qualifying regulatory capital:

	2025	2024
	£m	£m
CET1 capital	10,601	9,791
AT1 capital	1,860	1,860
Tier 1 capital	12,461	11,651
Tier 2 capital	1,854	2,093
Total capital¹	14,315	13,744

¹ Capital resources include a transitional IFRS 9 benefit at 31 December 2025 of £nil (2024: £12.2m).

Risk-weighted assets

Total RWAs at 31 December 2025 were £67.2bn (2024: £65.5bn) 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 a change 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, including our structural hedge, and discuss our key market risk metrics.

Key metrics

Net Interest Income (NII) sensitivity to +100bps was £281m and to -100bps was £(195)m (2024: £167m and £(201)m).

Economic Value of Equity (EVE) sensitivity to +100bps was £(449)m and to -100bps was £540m (2024: £(496)m and £425m).

Balance sheet allocation by market risk classification (audited)

We classify all assets and liabilities exposed to market risk as non-traded market risk, except for specific portfolios that must be classified as trading books for regulatory purposes (such as portfolios involving the sale of derivatives or derivative-based products to clients). Some assets are also measured at fair value for accounting reasons, such as those held 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 arises from providing banking products and services to our customers, as well as our structural balance sheet exposures. The risk 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 for central management. The only types of non-traded market risks we retain in these business areas relate to short-term mismatches caused by forecasting variances such as prepayment risk and launch risk. These occur when customers repay their loans earlier than expected, or when the actual take-up of new products differs from projections. Corporate Centre also manages our structural balance sheet exposures, including interest rate risk, foreign exchange and Income Statement volatility risk. Interest rate risk includes margin compression risk, which is a Top risk for Santander UK particularly in a falling rate environment where we are unable to reprice our deposits as quickly as mortgage assets.

Our non-traded market risk categories are:

Category	Description
Interest rate risk	Interest rate risk mainly consists of yield curve risk, which arises from timing mismatches in the repricing of fixed and variable rate assets, liabilities and off-balance sheet instruments. It also includes margin compression risk, which arises when we are unable to reprice our deposits in line with our 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) is affected by changes in the credit spreads. These spreads represent the difference between the discount rate used to value the asset or liability, and the corresponding underlying interest rate curve.
Foreign exchange risk	Our banking business is mainly conducted in sterling, so we have limited exposure to foreign exchange risk. Where exposure does arise from activities such as raising money in foreign currencies and holding high quality foreign currency bonds in the eligible liquidity pool, we buy or sell relevant currencies and use derivatives to manage the exposure to within low limits. For more on this, see 'Wholesale Funding' in the 'Liquidity Risk' section.
Income statement volatility risk	Most of the assets and liabilities in our banking book are measured at amortised cost. However, we sometimes use derivatives to manage their risk profiles. As all derivatives are accounted for at fair value, differences in their accounting treatment can create volatility in the Income Statement, even when the derivative serves as an economic hedge of the underlying asset or liability.

NON-TRADED MARKET RISK MANAGEMENT

Risk appetite

Our Structural and Market Risk framework sets out our high-level arrangements and standards for managing, controlling and overseeing non-traded market risk (also known as structural risk), and is part of our overall Risk Framework. Our Risk Appetite defines the controls, risk limits and key risk metrics used to control non-traded market risk. We express our risk appetite by the income and value sensitivity limits we set at both Santander UK and Banco Santander group levels.

Risk measurement

We mainly measure our exposures through NII and EVE sensitivity metrics, supported by VaR risk measures and stress testing. We regularly review our risk metrics, models and underlying assumptions to ensure they continue to reflect the risks inherent in the current rate environment and meet regulatory expectations.

NII and EVE sensitivities (audited)

The calculations for NII and EVE sensitivities to interest rate movements 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 used to forecast the changes to interest income and interest expense under different rate scenarios. It shows the combined impact on net interest income over a given period – typically 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

- EVE sensitivity measures 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 yield curve shifts.

The limitations of sensitivities

We use sensitivity metrics to measure the impact of standard, instantaneous, parallel shifts in relevant yield curves. The advantage of using standard parallel shifts is that they provide a consistent and comparable view of our market risk exposure. We also run non-parallel stress tests, to calculate the impact of other scenarios over different time horizons.

Value at Risk (VaR) (audited)**VaR**

- VaR estimates possible losses from market changes under normal (non-stressed) conditions.
- We use a historical simulation approach based on two years of historical daily price movements, and reported at a 99% confidence level.

The limitations of VaR

VaR is a standard risk measure, but it has limitations including:

- It assumes that historical data provides a reliable indicator of future outcomes.
- It uses end of day positions and may miss potentially higher risks arising during the day.
- It does not capture the losses on the 1% of days beyond the 99% confidence interval).
- It considers one day price movements which is reasonable for our business but does not cover positions that we could not sell or hedge quickly, or products whose prices cannot be observed.

Back-testing – comparing VaR estimates with actual profit and loss

We regularly compare VaR estimates with actual profit and loss results to confirm the accuracy of our models. If discrepancies arise, we investigate and adjust the models as necessary.

Stress testing

Stress testing is an essential part of our risk management approach. It helps us to measure the potential impact of more extreme but plausible events and market movements. Limits are set to 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 such as parallel yield curve shifts provide a clear and consistent view of risk and serve as a benchmark for setting limits. More complex stresses such as multi-factor and multi-time period scenarios help us to assess our exposure to specific potential events and can 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 to provide a simple view of our exposure. However we would generally need to combine 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) which is similar to VaR but focuses on changes in income rather than value.

Risk mitigation (audited)

Our largest residual interest rate risk exposure arises from structural deposit balances that are deemed to be insensitive to changes in market rates (including current accounts, a portion of variable rate deposits and investable equity). We manage the risk, including margin compression risk, through Santander UK plc's structural hedge which is designed to stabilise the NII on these balances. The structural hedge is achieved by investing these balances in a rolling portfolio of fixed rate assets or receive fixed pay variable interest rate swaps. By locking in fixed returns for defined periods, the structural hedge secures a portion of future NII and helps smooth the impact of interest rate changes on overall performance. The notional and duration of the structural hedge is reviewed regularly by ALCO.

We hedge the interest rate risk of the securities we hold for liquidity and investment purposes using interest rate swaps. We retain spread exposures, and these are the key drivers of the VaR and stress tests used to assess the risk of the portfolio. We mitigate Income Statement volatility mainly through hedge accounting and measure hedge accounting ineffectiveness using VaR, monitored against a trigger and 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 residual foreign exchange positions tend to be minimal. 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 2025 and 31 December 2024. Sensitivity to parallel shifts represents the amount of risk in a way that we think is both simple and scalable.

	2025		2024	
	+100bps £m	-100bps £m	+100bps £m	-100bps £m
NII sensitivity (audited) ¹	281	(195)	167	(201)
EVE sensitivity	(449)	540	(496)	425

¹ Based on modelling assumptions of repricing behaviour.

Interest rate repricing gap

The table below shows the interest rate repricing gap of our balance sheet by repricing buckets.

	3 months £m	1 year £m	3 years £m	5 years £m	>5 years £m	Not sensitive £m	Total £m
2025							
Assets	97,363	50,635	92,376	24,699	10,692	14,890	290,655
Liabilities	109,861	50,799	57,023	42,180	3,282	25,576	288,721
Off-balance sheet	3,402	9,750	(24,075)	12,780	(3,791)	—	(1,934)
Net gap	(9,096)	9,586	11,278	(4,701)	3,619	(10,686)	—
2024							
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)	—

Spread risk

The table below shows the risk metrics covering the portfolios of securities we hold for liquidity and investment purposes.

	2025 £m	2024 £m
VaR ¹	5	5
Stressed Loss ²	76	110

¹ 1 Day, 95%, Confidence interval, 520 Day Series.

² Measured as the worst loss from internal stress scenario suite.

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.

2025 compared to 2024

In 2025, we continued to actively manage our structural hedge in order to manage interest rate risk. Our structural hedge position decreased to £103bn at 31 December 2025 (31 December 2024: £110bn), with an average duration of 2.3 years (31 December 2024: 2.4 years). Our structural hedge position keeps us well positioned for further Bank Rate reductions.

NII sensitivity is adversely exposed to down shock scenarios, driven by margin compression of deposits, partially offset by the structural position. A marginal reduction in the structural position protection since 2024 improved the up-shock scenario and worsened the down-shock scenario. However the down shock NII sensitivity has benefited over the year from future repricing expectations.

EVE sensitivity reflects the potential impact on economic value due to the structural mismatch of assets and non-rate sensitive liabilities (excluding equity) over the longer term. EVE 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. The exposure reduced in 2025 due to the marginal reduction in structural position protection.

TRADED MARKET RISK

We have no significant traded market risk exposure. The small risk we have is from providing permitted financial services to permitted customers. Traded market risk can reduce our net income from movements in interest rates, credit spreads, and foreign exchange rates.

We have two trading desks. The Link Desk transacts derivatives with our corporate clients. The Structured Products Group (SPG) sells investments mainly to retail investors, through our UK branches and other channels. 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 2025 was less than £1m (2024: 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 a moral obligation or for 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 £760m (2024: £830m)

Funded defined benefit pension scheme accounting surplus was £524m (2024: £439m)

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.

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 a target 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

2025 compared to 2024

The underlying level of risk in the Scheme reduced in 2025. This was mainly driven by continuing disposals of illiquid assets, including the sales of some commercial property, private equity and infrastructure 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 2025, the Funding Deficit at Risk decreased to £760m (2024: £830m), mainly due to illiquid asset disposals in 2025. We also increased our US dollar hedging to reduce our exposure to currency volatility.

We also monitor the potential impact from variations in the IAS 19 position on CET1 capital. All core sections remained in pension surplus in 2025 with the driver of the CET1 capital being the Scheme's unfunded liabilities, in line with 2024. For more on the impact of our defined benefit Scheme on capital, see the 'Capital risk' section.

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 which remained at similar levels in 2025. The Scheme remained sufficiently collateralised in 2025.

The Scheme continues to assess opportunities to insure liabilities through buy-in contracts. While none were completed in 2025, this remains an area of active consideration within the Scheme's broader de-risking strategy.

The accounting position improved slightly in 2025. At 31 December 2025, the Scheme sections in surplus had an aggregate surplus of £524m (2024: £439m) while there were no sections which had a deficit (2024: none). There were also unfunded liabilities of £22m (2024: £23m).

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 loss or underperformance against planned objectives; damage arising from strategic decisions or their poor implementation that impact the long-term interests of our key stakeholders, or from an inability to adapt to external developments.

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 medium-low 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

2025 compared to 2024

In 2025, we accelerated our transformation focused on our three core pillars and delivered changes towards serving our customers better by offering them the best products at the best value and with a frictionless digital experience:

- **Commercial Transformation:** Creating stronger customer propositions, with our mobile app achieving its highest-ever mobile Net Promoter Score (NPS), reflecting our ability to meet evolving customer needs.
- **Operational Transformation:** Building enhanced capabilities by continuing to leverage Banco Santander's best in class technology, while rolling out multiple AI use cases across all functions.
- **Cultural Transformation:** continuing to build a high performance culture, rolling out global domains across business segments, fostering empowerment and opportunities for our people to develop new skills.

The proposed acquisition of TSB marks a significant step forward in our transformation journey and demonstrates a clear signal of the Banco Santander group's commitment to the UK. Subject to regulatory approvals, we intend to ensure that the additional scale enables us to deliver the best possible bank for our customers, colleagues, shareholders, and the communities we serve.

Our strategy is anchored in delivering for all our stakeholders: Customers expect a bank that is always available, that is easy to deal with and offers value; our colleagues want to be part of a high-performance team; and our shareholders look for structural profitability greater than cost of equity through-the-cycle. With all our initiatives, we continue to drive a customer-centric transformation and evolve into a technology-driven organisation.

The regulatory agenda remains demanding, with multiple ongoing projects to ensure continued compliance. Our day-to-day supervision in H1-25 focused on Financial Crime, Consumer Duty, our hybrid mortgage model, and model management more broadly. Following the announcement of the proposed TSB acquisition, regulatory engagement intensified in H2-25, with a particular focus on change in control filings and approvals. This will remain a key area of focus in 2026. We continue prioritising good customer outcomes across all activities. With the FCA's consultation on Motor Finance redress nearing completion, we will continue to engage and implement the required actions once the FCA publishes the consultation outcome and redress scheme later in 2026.

The UK banking market continues to evolve rapidly, with increasing convergence at both ends of the market. Larger peers are leveraging scale and balance sheet diversification, while digital banks are building customer scale through innovative experiences and highly efficient operating models. Against this backdrop, we have continued to diversify our asset base, grow fee income, and return to asset growth funded by increasing liabilities, while driving operational efficiencies.

In 2025, we launched several new customer propositions, including Edge Explorer, our value-added current account with lifestyle benefits; Edge Home enhancements for homebuyers and brokers; our classic Business Current Account; and digital onboarding for cards. In Corporate and Commercial Banking, building on the success of Santander Navigator in the UK, we launched Navigator Global, an end-to-end, digital-first, human-led platform designed to support ambitious businesses as they expand internationally. We believe our customer-focused strategy and adaptable, innovative approach position us well for continued success.

We remain focused on supporting customer needs, improving efficiency, and building a responsible and sustainable business. This will enable us to respond to changing customer expectations and deliver improved returns over the long term.

Banco Santander outlined its 2026-28 strategic plan at its Investor Day in London on 25 February 2025, marking the next phase of its value creation. The plan builds on the successful delivery of its 2023-25 strategic cycle and sets a roadmap for structurally higher returns over the coming years. We are finalising our own strategy which we will finalise once the proposed acquisition of TSB receives regulatory approval. A key focus for us will be on successfully integrating TSB while supporting customers and colleagues, and delivering our synergy commitments.

Reputational risk

Overview

Reputational risk is the risk of damage to the way Santander UK is perceived by public opinion, by our employees, clients, 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 ESG risk policies define how we create long-term value while managing those risks. Our ESG 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

2025 compared to 2024

Our ongoing transformation programme continues to be a key driver of reputational risk, particularly branch closures, as we announced a further round of closures in March 2025. Scrutiny of this was heightened due to speculation at the beginning of 2025 that Santander might leave the UK. Changes to our business banking account, redundancies made across Santander UK, as well as the departures of our CEO and Chair also attracted significant external attention. To mitigate risks, we prepared extensive communication materials ahead of all key announcements, and regularly communicated our messages to external stakeholders.

We also experienced reputational pressure focused on lending to defence firms. To mitigate this, we clearly communicated to our stakeholders the principles under which we lend to this sector.

We also continued to manage the reputational risk associated with historical motor finance commission payments. This issue continued to be a key focus as plans have now been set out for a potential redress regime. For more details, see Notes 27 and 30 to the Consolidated Financial Statements.

The proposed acquisition of TSB will be a key area of focus in 2026. We are fully committed to ensuring a seamless integration following completion of the proposed acquisition. Maintaining the highest levels of service for customers across both banks will be a key priority, and we will support all colleagues through the transition.

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 manage it in line with our stated Risk Appetite, rather than eliminate it entirely. Operational risk events can have a financial impact and can also affect our business objectives, customer service, customer outcomes and regulatory obligations. These events can include product mis-selling, fraud, process failures, system downtime and damage to assets or external events.

Our key operational risks are divided into 10 categories:

Category	Description
Business and Operational Continuity	Business & Operational Continuity risk is the risk of failure to deliver a satisfactory levels of service, without interruption, during operationally disruptive/crisis events, or to effectively respond to a crisis event in a manner which minimises harm due to inadequate contingency arrangements, or a lack of crisis response preparedness
Cyber and Information Security	Cyber and Information Security risk is the risk of loss in the confidentiality, integrity, and availability of our information, data, or systems due to information and cyber security events by either internal or external actors resulting in poor customer outcomes, poor employee outcomes, business impacts including operational disruption. This includes events affecting our suppliers where they result in a confidentiality, integrity or availability impact to our information, data or systems
Data Management	Data Management Risk is the risk of business decisions, processes and outputs that are inappropriate/incorrect due to inaccurate, incomplete, irretrievable, or untimely data
Financial Statement and Tax Reporting	Financial Statement and Tax Reporting risk is the risk of inaccurate and/or untimely financial statements and/or tax filing due to errors, poor data quality, mis-representation and breaches in reporting requirements
IT	IT risk is the risk of detriment to the availability, integrity and agility-to-change/adapt our technology services, systems, information and applications due to failures in using, managing, operating and deploying our own or third party provided technology services, systems, information and applications
Legal	Legal risk is the risk of non-compliance with legislation or contractual terms, failure to protect assets or mishandling of legal proceedings due to errors, failure to take action in a timely manner, inadequate design and/or execution of systems, controls or operational processes or legal risk management practices
Payments Processing	Payment Processing risk is the risk of failed, incomplete, inaccurate, or untimely execution or settlement of payments due to inadequate processes or systems, human error or capacity constraints
Premises and Physical Security	Premises & Physical Security risk is the risk of injuries to customers, employees and other persons, damage to the bank's buildings and property/assets or failure of property infrastructure or utility supplies due to internal or external events including equipment malfunction, deterioration in the condition of property, adverse weather, natural disasters or civil unrest
Third Party	Third Party risk is the risk of failed or inadequate service provision from a supplier, or non-adherence by a supplier to the bank's expected level of conduct due to a lack of clarity regarding the bank's service delivery expectations, a poor supplier control environment to support service delivery, poor financial management by the supplier, or poor culture and behaviours of the supplier, and/or internal or external events
Transformation and Change	Transformation & Change risk is the risk of a poorly designed and/or executed transformation portfolio due to the inadequate management, design, build, testing, deployment or implementation of change

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 Chief Compliance and NFR Officer (CCO) holds SMF16 prescribed accountability and is responsible to the CRO for management and oversight activities for Non-financial risks 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

2025 compared to 2024

Operational risk event losses by Basel category

The table below shows our operational risk losses in 2025 and 2024 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:

	2025		2024	
	Value %	Volume %	Value %	Volume %
Internal fraud	—	—	1	—
External fraud	32	83	73	87
Employment practices and workplace safety	1	3	1	1
Clients, products and business practices	58	5	11	3
Damage to physical assets	—	—	2	1
Business disruption and systems failures	—	—	2	—
Execution, delivery, and process management	9	9	10	8
	100	100	100	100

The value of operational losses above £10,000 in 2025 increased 182% in value and reduced 6% in volume compared to 2024. Significant provision charges for historical motor finance commission payments were accounted for under IFRS in 2025 and 2024; however, for Basel 2.5 purposes, these were recognised in 2023.

Operational Resilience

We continued to assess the resilience of our Important Business Services using a broad range of severe but plausible disruption scenarios, including successful cyber-attack and loss of third party scenarios, to ensure that our contingency and recovery strategies are effective in minimising harm to our customers, any risk to the safety and soundness of the firm or to the orderly functioning or stability to the UK market. We continued to strengthen our resilience position, through investment in our IT estate and enhancing assurance and validation of the resilience of our third party suppliers.

Cybersecurity

We continued to enhance our threat prevention controls and test our business area recovery plans against a range of scenarios. We see increasing ransomware attacks across all sectors, driven by compromises in supply chain tools, and expect this trend to remain. We continued to invest in skills and resources to manage cybersecurity risks and monitor cybersecurity threats, including from the geopolitical environment. In 2025, no material information security or cyber incidents occurred, however like any other organisation we remain exposed to the threat of attack and the possibility of breaches.

Data Management

In 2025, we continued to monitor and mitigate data risk through enhanced governance structures and processes. We remained focused on building a strong data foundation for the future by prioritising the critical data universe. This was supported by a new operating model including business process ownership with enhanced focus on end-to-end controls. Our multi-year data programme delivered in line with the data strategy driven by the Chief Data Officer, with a renewed focus on improving the quality and architecture of the key data underpinning our critical business and regulatory processes.

IT

Over the past 3 years, we made significant progress in addressing key IT risks through a programme of remediation activities. In 2025, we made further improvements in reducing both IT-related incidents and technology obsolescence. As part of our strategy, we also leveraged technology services provided by Banco Santander to simplify our IT estate and increase efficiency.

Legal

Our legal risk profile remained heightened, reflecting the number and value of legal risks that we managed. The Santander UK group's exposure to legal risk is principally driven by the material litigation matters outlined in Note 27 – Provisions and Note 30 - Contingent Liabilities and Commitments. In H2-25, a judgment in the large-scale and complex PPI related litigation brought by AXA was handed down by the High Court on 25 July 2025 (elements of which are the subject of an appeal and cross-appeal to the Court of Appeal) and a judgment in the appeal of the Court of Appeal's decision in Hopcraft, Wrench and Johnson related to motor finance commission litigation was handed down by the Supreme Court on 1 August 2025 (following which the FCA announced it intended to consult on a redress scheme under s.404 of the Financial Services and Markets Act 2000). The impact and implications of these decisions for Santander UK are outlined in Notes 27 and 30. We continued to respond to developments in relation to the German criminal tax investigation relating to historical dividend tax arbitrage transactions. We continued to monitor and manage our legal risk in relation to thematic Court actions and FOS complaints related to fraud, mortgages and unaffordable lending, including a judicial review of an FOS decision on the scope of its jurisdiction to consider and award redress in relation to alleged acts and omissions more than 6 years prior to the date of the complaint. While litigated PPI claim volumes remained stable, we continued successfully to respond to attempts by claimant law firms to re-open cases subject to the FCA redress regime for PPI complaints. The legal and regulatory environment in which the Santander UK group business operates is evolving and we are evaluating and responding to these developments, including the Employment Rights Act 2025, the Data (Use and Access) Act 2025, the implementation of failure to prevent fraud offence under the Economic Crime and Corporate Transparency Act 2024, and the HM Treasury consultation on changes to the Consumer Credit Act 1974.

Third Party Supplier

We continued to rely extensively on third parties for a range of goods and services provided by both Banco Santander and external suppliers. In 2025, we continuously monitored our suppliers against a set of controls and metrics to manage our risk exposure.

Transformation and change

In 2025, we continued to simplify, digitise processes and customer journeys, reduce costs, extend internal capabilities and ensure a resilient operating model as part of our ongoing transformation. We focused on ensuring transformation and change is safely and sustainably transitioned into our business without impacting our risk profile.

Economic crime risk

Overview

Economic crime risk is the collective term used for Financial Crime risk and Fraud risk.

Financial Crime risk is the risk that we are used to facilitate criminal activities. These include money laundering, terrorist financing, proliferation financing, sanctions evasion, facilitation of tax evasion, bribery and corruption. Fraud risk is the risk associated with attempted or successful fraud being committed against the RFB, a customer or a third party. Within Santander UK, fraud is defined as getting a financial benefit by use of deception or dishonesty with the intention to deprive or disadvantage the RFB, its customers or other parties. In addition, fraud loss is the loss from successful fraud.

In this section, we describe our key economic crime risks and explain how we manage them. We also describe developments in the year.

OUR KEY ECONOMIC 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. Failure to meet our legal and regulatory obligations could result in criminal or civil penalties against Santander UK or individuals, as well as affecting our customers and the communities we serve.

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 or associated persons. We are committed to protecting ourselves and our customers from fraud and to mitigating our fraud risk in an ever-evolving external fraud environment.

Our main economic 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.
Fraud	An attempted or successful fraud is committed against us, a customer or a third party.
Failure to prevent fraud	We fail to put in place effective systems and controls to prevent fraud.

ECONOMIC CRIME RISK MANAGEMENT

We manage our economic crime risks in line with our NFR framework, as outlined earlier. In addition, we have financial crime and fraud 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 and fraud 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.

ECONOMIC CRIME RISK REVIEW

2025 compared to 2024

Financial Crime

We understand the importance of doing our part to protect our customers and the communities we serve from the social and economic impacts of financial crime. As such, financial crime risk management remains one of our top risks and a key focus area for senior management and the Board. 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 2025, we:

- Continued enhancing our risk management capabilities, significantly reducing residual risk and focusing on returning to Board Risk Appetite, adequate resources and key deliverables across the remediation plan.
- Invested in our financial crime systems and controls including continued improvements to customer data and the introduction of simplified and digitised customer due diligence processes for new and existing customers.
- Continued to enhance our sanctions systems and controls in response to internal and external lessons learned from the sanctions developments in 2025, notably the continued impacts of the Russia sanctions and increased use of OFSI powers.
- 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 lead by our Economic Crime Academy.
- Actively participated in external policy and strategy discussions with external groups, including maintaining membership of the senior UK Finance Economic Crime Product and Service Board and holding the chair or vice-chair position at various economic crime focused Committees and Panels.
- Led and collaborated in working groups with other industry players, with diverse membership including banking only, cross-sectoral, and in public-private groups with the public sector.
- Continued being active members of the collaborative industry and NCA Data Fusion project, seconding data scientists and intelligence specialists to the NCA to analyse and develop intelligence within the Joint Analysis and Data Analytics Taskforces. The Data Fusion project is also supported by senior leaders at project, strategic and Board level.
- Participated in the industry pilot testing of the sharing and requesting provisions of the ECCTA Legislation provisions co-ordinated by UK Finance. This resulted in new intelligence being both, received and shared, from which action can be taken to explore and manage financial crime risks.
- 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.

Fraud

Fraud risk losses remain a material driver of our operational risk loss position, in line with the wider UK financial services industry. Social engineering techniques used by fraudsters are a significant threat to customers and are outside of our controls, which is driven by an increase in the sophistication of attempted fraud. This is also reflected in the rising status of fraud which, in 2025, was 44% of all reported crime in the UK, which increased from 41% in 2024. As a result, in 2025, we:

- Continued to play a collaborative role in fraud management amongst other industry partners, through UK Finance and Stop Scams UK, alongside our customer awareness campaigns on the most common fraud scams. This is further supported by continued focus on preventative measures in response to fraud attacks, especially proactive education and awareness, with a key part of our strategy including the ability to present customers with warnings specific to their payment journey.
- Increased our industry association commitment to ensure it is at each of the strategic, policy, and operational levels. This is done to ensure Santander UK remains at the forefront of industry best practice in fraud risk management, customer care and customer treatment, while serving as a strong voice and trusted partner to the public sector alongside industry peers in reform and collaboration discussions.
- Maintained focus on our public awareness campaigns, which use both our own channels and the media. In 2025, we launched the Santander Scamtracker, a quarterly report from Santander UK, detailing trends in Authorised Push Payment (APP) scams, revealing the latest tactics, affected regions, and customer demographics, helping to warn customers about emerging threats such as fake job offers or purchase scams for tickets.
- Reviewed and enhanced our policies, processes and controls to confirm we met the expectations of firms subject to the new "Failure to Prevent Fraud" corporate offence, introduced through the Economic Crime and Corporate Transparency Act.

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.

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. Model risk can also arise from poor-quality data, inappropriate assumptions, or changes in the external environment that make historical relationships less valid. These could lead to reputational damage, regulatory non-compliance, a deterioration in our prudential position, or financial losses. The most material models we use help us calculate our regulatory capital and credit losses, and perform stress tests.

We continue to see increasing interest in using Artificial Intelligence (AI) which is informing our approach to understanding emerging model risks, such as interpretability - 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. The model risk framework is designed to ensure robust oversight, control and accountability across the model lifecycle. The framework is underpinned by policies and procedures designed to mitigate specific model risks, including those covering model risk management, materiality and tiering, model development and change, validation, and internal ratings-based (IRB) rating system changes.

In line with our risk organisational structure, our first line of defence is responsible for managing model risk within our risk appetite, embedding the framework and performance monitoring to identify deterioration. The second line of defence provides independent oversight through the model risk function, setting the framework and policies, defining risk appetite, and conducting periodic reviews and governance. The third line of defence assesses periodically the robustness of the model risk management framework, compliance with policies and regulatory requirements, and material changes.

MODEL RISK REVIEW

2025 compared to 2024

In 2025, 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 it. We continue to embed enhancements across our business, and refine our approach in line with a phased implementation, to ensure ongoing alignment with supervisory expectations and delivery of remediation activities. 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 2025, we continued to redevelop key regulatory capital models and our unsecured provision models. In line with SS1/23, we continued to embed a robust post-model adjustment framework, including independent review of adjustments made to ECL to mitigate against weaknesses and limitations.

We introduced further machine learning and generative AI solutions in 2025, to continue to improve operational efficiency.

The continued growth of AI presents opportunities to enhance customer outcomes and operational effectiveness. Building on enhancements delivered in 2025, the focus will be on further strengthening the model risk management framework, reinforcing model robustness, performance monitoring, and explainability to ensure models remain accurate, reliable, and appropriately governed in an evolving landscape.

Compliance risk

Overview

We manage compliance risk (previously known as conduct and regulatory risk) types under a single framework.

Compliance risk is the risk of our decisions and behaviours leading to detriment or poor outcomes for our customers. It also refers to the risk of failing to maintain high standards of market behaviour and integrity.

Compliance risk is the risk of financial or reputational loss, or imposition of our conditions on regulatory permissions, due to failing to comply with applicable codes, regulator's rules, guidance and regulatory expectations.

In this section, we describe where our key compliance risks can originate from and set out how we manage them. We also describe developments in the year.

OUR KEY COMPLIANCE RISKS

We are committed to ensuring that Consumer Duty is embedded across the business and to delivering good customer outcomes. Compliance 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 good outcomes for our customers, align to the expectations of our regulators or observe the required standards of market behaviour. Understanding the drivers of compliance risk enables us to ensure our frameworks are robust and help mitigate the risk of customer harm.

Our key compliance risks are divided into five categories:

Category	Description
Conduct and Consumer Duty	Conduct and Consumer Duty Risk is the risk that our decisions and behaviours lead to a detrimental or poor outcome for our customers and clients and/or fail to uphold and maintain high standards of market integrity. This is recognised as a cross-cutting risk in Santander UK Group Holdings plc's framework.
Customer / Client Protection	Customer / Client Protection Risk is the risk of inability to deliver good customer outcomes across the full customer lifecycle including product design, pricing and value, communications, customer support, and post-sale servicing due to failures of people, processes, policies, systems and controls resulting in financial loss, reputational damage, regulatory fines, sanctions & scrutiny, customer loss & detriment, operational inefficiencies.
Compliance Standards	Compliance Standards is the risk of non-compliance with applicable financial services regulations including failure to maintain adequate systems and controls, failure to meet supervisory oversight expectations, maintain market integrity and the protection of stakeholder interests due to failures of people, processes, policies, systems and controls resulting in financial loss, reputational damage, regulatory fines, sanctions & scrutiny, customer loss & detriment, operational inefficiencies.
Data Privacy and Protection	Data Privacy and Protection Risk is the risk of failure to comply with data protection legislation, requirements, codes, guidance and supervisory expectations due to failures in the process of collecting, organising, managing, storing and safeguarding personal data resulting in business impacts including operational disruption, financial loss/increased costs, regulatory scrutiny and / or sanctions, reputational damage, legal claims or internal / external stakeholder impacts undermining customer trust.
People	People Risk is the risk of insufficient staff capacity and capability, undesired employee behaviours, lack of diversity and inclusion, non-compliance with employment legislation (incl. Health and Safety requirements) due to ineffective design and/or execution of people management processes, and internal/external events resulting in poor customer outcomes, poor employee outcomes, business impacts including operational disruption, financial loss/increased costs, regulatory scrutiny and / or sanctions, reputational damage, legal claims or internal / external stakeholder impacts.

COMPLIANCE RISK MANAGEMENT

We manage our Compliance risks in line with our NFR framework, as outlined earlier. In addition, to mitigate specific Compliance risks, we have the following tailored policies:

Policies	Description
Conduct and Consumer Duty policy	This policy outlines the requirements, expectations and behaviours we must comply with to deliver good outcomes for our customers, employees, shareholders and communities and to meet our obligations of the Financial Conduct Authorities Consumer Duty.
Customer / Client Protection and Compliance Standards Policy	This policy defines the requirements that we must adhere to, to deliver good customer outcomes across the full customer lifecycle including product design, pricing and value, communications, customer support, and post-sale servicing. It also sets out the expectations that we must comply with applicable financial services regulations including maintaining adequate systems and controls, and meeting supervisory oversight expectations.
Product and Service Approval and Review policy, including Fair Value standard for regulated products (Retail customers)	Our Product and Services Approval and Review policy sets out the requirements which must be adhered to before launching a new product or service initiative or making changes to these and throughout their lifecycle. The supporting fair value standard 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 Standard 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.

COMPLIANCE RISK REVIEW

2025 compared to 2024

We manage the compliance risk (previously known as conduct and regulatory risk) types in one framework. Compliance risk also includes data privacy and people risk.

Conduct & Consumer Duty

- Throughout 2025 we delivered a number of enhancements to our products and services across business and support areas to ensure we continue delivering good customer outcomes. These include improving, simplifying and digitising customer journeys, and adjusting fees and charges to continue offering fair value to our customers.

Customer/Client Protection

- We announced changes as part of our Branch transformation programme, which reflect how customers bank with us. Through these changes, we continue to ensure customers receive the right support and continue to invest in customer communication channels, including our branch network, Work Cafes and community bankers, digital chat and telephone banking services. Santander UK actively participates in schemes to ensure the long-term future of access to cash, including supporting the set up of shared banking hubs and wider engagement with LINK and industry partners.
- We continue to proactively contact customers who may be at risk of experiencing early signs of financial distress, to try and help them avoid longer term financial difficulty by referring them to internal and external sources of assistance, alongside ongoing customer engagement and support plans.
- We have further enhanced our Customer Outcome Monitoring and Customer Testing to strengthen our ability to identify and report any areas of potential customer harm, poor outcomes or customer experiences. We have ensured that timely decisions and action are taken to address any potential harms.

Compliance Standards

- Santander UK continues to maintain open and regular dialogue with its regulators and engage with policy makers to ensure the UK regulatory regime enables us to better support our customers and deliver economic growth.
- We are committed to adhering to our regulatory requirements, including maintaining adequate systems and controls and where we identify instances of non-compliance, we take timely action to remediate.

Data Privacy and Protection

We remain committed to protecting the personal data we collect and use, and respecting the data protection rights of our customers, our people and others associated with us. Our data protection policy and processes reflect current data protection laws and regulations, and all of our people and third parties we share personal data with are required to comply with them.

People

People risk continues to be influenced by the scale and complexity of organisational transformation, including changes to our site and office attendance strategy, and preparation for the planned integration of TSD. Wellbeing-related absence has been broadly stable during the year, and colleague support has been enhanced through expanded occupational health services, employee assistance provision and the introduction of private medical insurance for eligible colleagues. Attrition was closely monitored, with particular focus on critical and senior roles, supported by strengthened succession planning, retention measures and workforce planning. The Group continued to evolve its Employee Value Proposition, including free health assessments and financial wellbeing support, recognising the importance of workforce resilience to operational performance, customer outcomes and regulatory compliance.

Accounting position

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

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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 2025 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 2025;
- 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, comprising material accounting policy information and other explanatory information.

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 or 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 2025 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 customer remediation, litigation and regulatory matters (group and company)
- Valuation of intercompany derivatives measured using significant unobservable inputs (company)

Materiality

- Overall group materiality: £80 million (2024: £80 million) based on approximately 5% of adjusted profit before tax (2024: 5% of adjusted profit before tax).
- Overall company materiality: £76 million (2024: £76 million) based on approximately 5% of adjusted profit before tax (2024: 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 (2024: £60 million) (group) and £57 million (2024: £57 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.

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), and note 13 (Loans and Advances to customers). Credit Impairment allowances represent management's best estimate of the expected credit loss (ECL) within each portfolio at the balance sheet date. Management uses a number of models and judgemental adjustments (JAs) to achieve compliance with the requirements of IFRS 9. Determination of the 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. The residential mortgage and CCB ECL models include complex and judgemental assumptions. We consider the appropriateness of key assumptions over future write-off rates used in the Loss Given Default (LGD) models for residential mortgages and the CCB portfolio to represent a key audit matter. 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, specifically around future cash-flow assumptions, which may include the valuation of collateral.	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 provisions 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 when evaluating the probability weights. Key assumptions used in the LGD models (CCB and residential mortgages) We evaluated the key assumptions used in the LGD models, with the support of our credit risk specialists, which included the following procedures: – A conceptual review of the LGD assumptions; – Inspected model monitoring results and independently replicated key elements of model monitoring; – Independently replicated management's methodology for all accounts in the residential mortgage and CCB portfolios 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 assessed the significant assumptions used to estimate the discounted cash flow projections, and where appropriate we involved experts to assess the underlying collateral or business valuations; 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 surplus position of £502m as at 31 December 2025. 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 private equity funds, unquoted corporate bonds and other assets not quoted in active markets. The valuations 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 delay. These valuations are performed on either a Bid or Net Asset Value (NAV) basis, and are complex due to the subjectivity required in valuing the 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: - Assessing 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. - 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 - 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 2025, which c.98% relates to the Personal Financial Services ('PFS') Cash Generating Unit ('CGU') within the Retail & Business Banking segment within 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 continue to fall, and uncertainty around the timing and quantum of future base rate changes. Management's impairment assessment used a value in use (VIU) methodology, concluding that no impairment existed as at 31 December 2025. The calculation of the VIU is complex and involves subjective assumptions, specifically, the determination of certain cash flow forecasts and the 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. Impairment assessment of goodwill We evaluated management's assessment and conclusion in the context of the requirements of IAS 36. Our work included the following: - We engaged experts to evaluate the appropriateness and reasonableness of the methodology and key assumptions used in the 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 and supportability of the cash flow forecasts, 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 and supportability of the assumptions in the cash flow forecasts by engaging our economics experts to assess the economic assumptions in the plan, and by comparing key market assumptions against external data points and our understanding of the business' strategy.
Specific customer remediation, litigation 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, customer remediation 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 in relation to whether a reliable estimate of any outflows can be formed for an investigation by German authorities into tax arbitrage transactions, and the estimation of the provision for expected customer remediation costs in relation to historical commission arrangements on motor financing, most notably in relation to the scenarios chosen and weightings applied in estimating the provision. The potential cost to the group of each of these matters is material and due to the judgements 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 customer remediation matters against the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. We tested the operating effectiveness of management's control related to the assessment of the ability to form a reliable estimate for the legal matter against the requirements of IAS 37 including the review and challenge of the assumptions used and conclusions reached. In addition, we performed the procedures described below: Specific customer remediation, litigation 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 status of the customer remediation and the legal matter; - 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 matter; - In relation to the investigation by German authorities, we engaged experts to assist us in evaluating the conclusions reached by management and the advice provided by management's external legal experts. - In relation to the motor finance provision, we tested the data inputs and mathematical accuracy of the model and assessed the reasonableness of assumptions used in calculating the estimate, specifically those related to the scenarios chosen and weightings applied; and - We reviewed selected 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of intercompany derivatives measured using significant unobservable inputs (company) 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 38 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 2025, the value of instruments which are sensitive to such inputs comprised derivative financial liabilities of £1.1bn. We determined that the measurement of the fair value for these derivatives represents a key audit matter given the degree of judgement in applying the relevant valuation technique and the fact that changing one or more of the significant unobservable inputs 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 of key controls over the determination of the fair value and tested their operating effectiveness. These controls included: - Model performance monitoring controls, including analysis over changes in the model's inputs based on market conditions. In addition, we engaged our valuation experts to support us in performing the procedures described below: - Assessed the conceptual soundness and appropriateness of the model methodology applied to determine the fair value. - Evaluated whether the model implementation was consistent with the documented methodology by performing an independent replication of the model. - Evaluated the appropriateness of the assumptions adopted as at 31 December 2025, including the weighted average mortgage rate payable. This evaluation included our experts forming an independent expectation for unobservable inputs used to determine these assumptions and assessing the reasonableness of the assumptions against this expectation.

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 engagement teams in the UK, led by the group audit partner and the Santander Consumer (UK) plc partner, with the teams structured in line with the group's operating segments.

We then considered any non-significant components in the group that had either financially significant or unusual account balances. No such components were identified.

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 the auditor of centralised activities, located in Spain, to perform certain audit procedures over these group operations.

As part of the planning and execution phases of the audit, we worked closely with the teams in Spain, and the UK 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 the 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 14.

In planning and executing our audit, we considered the group's governance framework and risk assessment processes. This, together with our discussions with our own climate risk 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 it does not consider there to be a material impact on its critical judgements and accounting estimates in relation to climate related risks, 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, the plans to achieve this continue to be refined. 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 climate risk disclosures included 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 (2024: £80 million).	£76 million (2024: £76 million).
How we determined it	Approximately 5% of adjusted profit before tax (2024: 5% of adjusted profit before tax)	Approximately 5% of adjusted profit before tax (2024: 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 gains 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 £35 million and £76 million.

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% (2024: 75%) of overall materiality, amounting to £60 million (2024: £60 million) for the group financial statements and £57m (2024: £57m) 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) (2024: £4 million) and £4 million (company audit) (2024: £4 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 plans, the group's stress testing of liquidity and regulatory capital performed;
- Enquiries of regulators and review of selected regulatory correspondence, including the key 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 2025 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 Director's 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:

- Making inquiries of the group's management, including the Chief Financial Officer, Internal Audit, those charged with governance, and General 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 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 from meetings of the Board of Directors, Executive Committee, Board Audit Committee, Board Risk Committee, Board Results Committee, Responsible Banking Committee and the Assets and Liabilities Committee;
 - Reviewing key correspondence with the Financial Conduct Authority and Prudential Regulation Authority as well as meeting with, and making enquiries of these regulators during the year;
- Assessing for bias in significant accounting estimates, in particular in relation to the expected credit loss allowance for loans and advances to customers, specific customer remediation, litigation and regulatory matters, the valuation of the defined benefit pension surplus, the impairment assessment of goodwill and the valuation of intercompany derivatives measured using significant unobservable inputs (company) (see related key audit matters above);
- Identifying and testing journal entries based on a defined risk criteria set, including journals posted using unusual account combinations, unusual words describing the journal posted, and unexpected users posting journals; and
- Incorporating an element of 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

We were first appointed by the company for the financial year ended 31 December 2016. Our uninterrupted engagement covers 10 financial years.

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
9 March 2026

Consolidated Income Statement

For the year ended 31 December

	Notes	2025 £m	2024 £m	2023 £m
Interest and similar income	3	11,541	12,439	11,617
Interest expense and similar charges	3	(7,161)	(8,127)	(6,959)
Net interest income		4,380	4,312	4,658
Fee and commission income	4	752	733	804
Fee and commission expense	4	(419)	(481)	(501)
Net fee and commission income		333	252	303
Other operating income	5	16	93	135
Total operating income		4,729	4,657	5,096
Operating expenses before credit impairment charges, provisions and charges	6	(2,457)	(2,548)	(2,456)
Credit impairment charges	8	(193)	(71)	(205)
Provisions for other liabilities and charges	8	(597)	(689)	(335)
Total credit impairment charges, provisions and charges	8	(790)	(760)	(540)
Profit before tax		1,482	1,349	2,100
Tax on profit	9	(396)	(378)	(559)
Profit after tax		1,086	971	1,541

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	2025 £m	2024 £m	2023 £m
Profit after tax		1,086	971	1,541
Other comprehensive income/(expense) that may be reclassified to profit or loss subsequently:				
Movement in fair value reserve (debt instruments):				
- Change in fair value		49	(20)	89
- Income statement transfers		(33)	5	(105)
- Taxation	9	(5)	4	5
		11	(11)	(11)
Cash flow hedges:				
- Effective portion of changes in fair value	11	197	(457)	(169)
- Income statement transfers	11	536	500	1,248
- Taxation		(204)	(12)	(299)
		529	31	780
Cost of hedging:				
- Cost of hedging (losses)		(22)	—	—
- Income statement transfers		1	—	—
- Taxation		1	—	—
		(20)	—	—
Currency translation on foreign operations		(1)	—	—
Net other comprehensive income that may be reclassified to profit or loss subsequently		519	20	769
Other comprehensive (expense)/income that will not be reclassified to profit or loss subsequently:				
Pension remeasurement:				
- Change in fair value	28	(100)	(402)	(598)
- Taxation	9	28	113	167
		(72)	(289)	(431)
Own credit adjustment:				
- Change in fair value		(1)	(17)	(15)
- Taxation	9	—	5	4
		(1)	(12)	(11)
Net other comprehensive (expense) that will not be reclassified to profit or loss subsequently		(73)	(301)	(442)
Total other comprehensive income/(expense) net of tax		446	(281)	327
Total comprehensive income		1,532	690	1,858

The accompanying Notes to the Financial Statements form an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet

At 31 December 2025

	Notes	2025 £m	2024 £m
Assets			
Cash and balances at central banks		29,376	29,881
Derivative financial instruments	11	870	1,204
Other financial assets at fair value through profit or loss	12	64	136
Loans and advances to banks		1,048	1,032
Loans and advances to customers	13	202,609	199,408
Reverse repurchase agreements - non-trading	16	17,678	10,338
Other financial assets at amortised cost	17	3,987	3,408
Macro hedge of interest rate risk		(80)	(738)
Financial assets at fair value through other comprehensive income		5,216	9,040
Interests in other entities	18	293	289
Intangible assets	19	1,511	1,539
Property, plant and equipment	20	1,511	1,563
Current tax assets	9	355	506
Retirement benefit assets	28	524	439
Other assets		1,857	1,887
Assets held for sale	40	18	12
Total assets		266,837	259,944
Liabilities			
Deposits by banks	21	6,628	13,993
Deposits by customers	22	187,300	180,967
Repurchase agreements - non-trading	23	9,029	8,617
Derivative financial instruments	11	687	702
Other financial liabilities at fair value through profit or loss	24	1,250	1,055
Debt securities in issue	25	41,388	35,673
Macro hedge of interest rate risk		60	47
Other liabilities	26	2,173	1,852
Provisions	27	683	611
Deferred tax liabilities	9	437	246
Retirement benefit obligations	28	22	23
Subordinated liabilities	29	2,032	2,385
Total liabilities		251,689	246,171
Equity			
Share capital	31	3,105	3,105
Share premium	31	1,119	5,620
Other equity instruments	32	1,860	1,860
Other reserves		186	(333)
Retained earnings		8,878	3,521
Total equity		15,148	13,773
Total liabilities and equity		266,837	259,944

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 9 March 2026 and signed on its behalf by:

Mahesh Aditya
Chief Executive Officer

Angel Santodomingo
Chief Financial Officer

Company Registered Number: 02294747

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2025 £m	2024 £m	2023 £m
Cash flows from operating activities				
Profit before tax		1,482	1,349	2,100
Adjustments for:				
Non-cash items included in profit				
– Depreciation and amortisation	6	322	300	290
– Loss from disposal of mortgage portfolio		—	31	—
– Provisions for other liabilities and charges		597	689	335
– Impairment losses		207	94	195
– Other non-cash items		(4)	65	(749)
– Pension charge for defined benefit pension schemes		8	13	13
		1,130	1,192	84
Net change in operating assets and liabilities:				
– Cash and balances at central banks		140	731	(88)
– Derivative assets		334	228	975
– Other financial assets at fair value through profit or loss		72	130	40
– Loans and advances to banks and customers		(3,403)	8,065	12,112
– Reverse repurchase agreements - non-trading		(7,340)	2,130	(5,120)
– Other assets		(70)	118	(141)
– Deposits by banks and customers		(1,130)	(16,059)	(13,504)
– Repurchase agreements - non-trading		412	206	429
– Derivative liabilities		(15)	(116)	(133)
– Other financial liabilities at fair value through profit or loss		241	179	102
– Debt securities in issue		38	212	962
– Other liabilities		(299)	(1,403)	(67)
		(11,020)	(5,579)	(4,433)
Corporation taxes paid	9	(46)	(240)	(537)
Effects of exchange rate differences		(344)	(53)	(518)
Net cash flows from operating activities		(8,798)	(3,331)	(3,304)
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets		(407)	(528)	(385)
Proceeds from sale of property, plant and equipment and intangible assets		161	148	175
Purchase of financial assets at amortised cost and financial assets at FVOCI		(1,981)	(10,343)	(10,899)
Proceeds from sale and redemption of financial assets at amortised cost and financial assets at FVOCI		5,184	6,183	8,362
Net cash flows from investing activities		2,957	(4,540)	(2,747)
Cash flows from financing activities				
Issue of other equity instruments	33	500	400	—
Issue of debt securities and subordinated notes		9,833	8,425	5,276
Issuance costs of debt securities and subordinated notes		(24)	(28)	(18)
Repayment of debt securities and subordinated notes		(4,219)	(6,539)	(3,539)
Repurchase of other equity instruments	33	(500)	(500)	—
Dividends paid on ordinary shares	10	(26)	(1,311)	(1,530)
Dividends paid on preference shares and other equity instruments		(132)	(129)	(123)
Principal elements of lease payments	33	(22)	(33)	(47)
Net cash flows from financing activities		5,410	285	19
Change in cash and cash equivalents		(431)	(7,586)	(6,032)
Cash and cash equivalents at beginning of the year		29,181	36,781	42,871
Effects of exchange rate changes on cash and cash equivalents		(12)	(14)	(58)
Cash and cash equivalents at the end of the year		28,738	29,181	36,781
Cash and cash equivalents consist of:				
Cash and balances at central banks		29,376	29,881	38,214
Less: restricted balances		(1,440)	(1,580)	(2,311)
		27,936	28,301	35,903
Other cash equivalents: Loans and advances to banks - non-trading		802	880	878
Cash and cash equivalents at the end of the year		28,738	29,181	36,781

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					Total
				Fair value	Cash flow hedging	Cost of hedging	Currency translation	Retained earnings	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	3,105	5,620	1,860	(17)	(317)	—	1	3,521	13,773
Profit after tax	—	—	—	—	—	—	—	1,086	1,086
Other comprehensive income/(expense), net of tax:									
- Fair value reserve (debt instruments)	—	—	—	11	—	—	—	—	11
- Cash flow hedges	—	—	—	—	529	—	—	—	529
- Cost of hedging	—	—	—	—	—	(20)	—	—	(20)
- Pension remeasurement	—	—	—	—	—	—	—	(72)	(72)
- Own credit adjustment	—	—	—	—	—	—	—	(1)	(1)
- Currency translation on foreign operations	—	—	—	—	—	—	(1)	—	(1)
Total other comprehensive income/(expense)	—	—	—	11	529	(20)	(1)	(73)	446
Total comprehensive income/(expense)	—	—	—	11	529	(20)	(1)	1,013	1,532
Capital reduction	—	(4,501)	—	—	—	—	—	4,501	—
Issue of other equity instruments	—	—	500	—	—	—	—	—	500
Repurchase of other equity instruments	—	—	(500)	—	—	—	—	—	(500)
Other	—	—	—	—	—	—	—	1	1
Dividends on ordinary shares	—	—	—	—	—	—	—	(26)	(26)
Dividends on preference shares and other equity instruments	—	—	—	—	—	—	—	(132)	(132)
At 31 December 2025	3,105	1,119	1,860	(6)	212	(20)	—	8,878	15,148
At 1 January 2024	3,105	5,620	1,956	(6)	(348)	—	1	4,295	14,623
Profit after tax	—	—	—	—	—	—	—	971	971
Other comprehensive (expense)/income, net of tax:									
- Fair value reserve (debt instruments)	—	—	—	(11)	—	—	—	—	(11)
- Cash flow hedges	—	—	—	—	31	—	—	—	31
- Pension remeasurement	—	—	—	—	—	—	—	(289)	(289)
- Own credit adjustment	—	—	—	—	—	—	—	(12)	(12)
Total other comprehensive (expense)/income	—	—	—	(11)	31	—	—	(301)	(281)
Total comprehensive (expense)/income	—	—	—	(11)	31	—	—	670	690
Issue of other equity instruments	—	—	400	—	—	—	—	—	400
Repurchase of other equity instruments	—	—	(496)	—	—	—	—	(4)	(500)
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	(17)	(317)	—	1	3,521	13,773
At 1 January 2023	3,105	5,620	1,956	5	(1,128)	—	1	4,848	14,407
Profit after tax	—	—	—	—	—	—	—	1,541	1,541
Other comprehensive (expense)/income, net of tax:									
- Fair value reserve (debt instruments)	—	—	—	(11)	—	—	—	—	(11)
- Cash flow hedges	—	—	—	—	780	—	—	—	780
- Pension remeasurement	—	—	—	—	—	—	—	(431)	(431)
- Own credit adjustment	—	—	—	—	—	—	—	(11)	(11)
Total other comprehensive (expense)/income	—	—	—	(11)	780	—	—	(442)	327
Total comprehensive (expense)/income	—	—	—	(11)	780	—	—	1,099	1,868
Other	—	—	—	—	—	—	—	1	1
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)	(348)	—	1	4,295	14,623

The accompanying Notes to the Financial Statements form an integral part of these Consolidated Financial Statements.

Company Balance Sheet

At 31 December 2025

	Notes	2025 £m	2024 £m
Assets			
Cash and balances at central banks		29,376	29,881
Derivative financial instruments	11	967	1,482
Other financial assets at fair value through profit or loss	12	40	100
Loans and advances to banks		990	926
Loans and advances to customers	13	222,467	217,780
Reverse repurchase agreements – non-trading	16	17,678	10,338
Other financial assets at amortised cost	17	5,754	5,206
Macro hedge of interest rate risk		(224)	(910)
Financial assets at fair value through other comprehensive income		5,216	9,040
Interests in other entities	18	1,281	1,257
Intangible assets	19	1,469	1,498
Property, plant and equipment	20	926	973
Current tax assets	9	395	528
Retirement benefit assets	28	524	439
Other assets		1,759	1,803
Assets held for sale	40	18	12
Total assets		288,636	280,353
Liabilities			
Deposits by banks	21	11,126	19,521
Deposits by customers	22	211,643	201,215
Repurchase agreements non-trading	23	9,029	8,617
Derivative financial instruments	11	2,132	2,607
Other financial liabilities at fair value through profit or loss	24	1,250	1,055
Debt securities in issue	25	35,797	31,833
Macro hedge of interest rate risk		27	(9)
Other liabilities	26	1,949	1,789
Provisions	27	238	313
Deferred tax liabilities	9	372	130
Retirement benefit obligations	28	22	23
Subordinated liabilities	29	2,033	2,386
Total liabilities		275,618	269,480
Equity			
Share capital	31	3,105	3,105
Share premium	31	1,119	5,620
Other equity instruments	32	1,860	1,860
Other reserves		180	(306)
Retained earnings		6,754	594
Total shareholders' equity		13,018	10,873
Total liabilities and equity		288,636	280,353

The accompanying Notes to the Financial Statements form an integral part of these Financial Statements.

The profit after tax of the Company was £1,890m (2024: £313m). 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 9 March 2026 and signed on its behalf by:

Mahesh Aditya
Chief Executive Officer

Angel Santodomingo
Chief Financial Officer

Company Registered Number: 02294747

Company Cash Flow Statement

For the year ended 31 December

	Notes	2025 £m	2024 £m
Cash flows from operating activities			
Profit before tax		2,342	659
Adjustments for:			
Non-cash items included in profit			
– Depreciation and amortisation	6	241	238
– Loss from disposal of mortgage portfolio		—	31
– Provisions for other liabilities and charges		374	356
– Impairment losses		191	164
– Other non-cash items		(108)	(282)
– Pension charge for defined benefit pension schemes		8	13
		706	520
Net change in operating assets and liabilities:			
– Cash and balances at central banks		140	731
– Derivative assets		515	213
– Other financial assets at fair value through profit or loss		60	116
– Loans and advances to banks and customers		(4,807)	5,947
– Reverse repurchase agreements – non-trading		(7,340)	2,130
– Other assets		(89)	64
– Deposits by banks and customers		1,938	(12,320)
– Repurchase agreements – non-trading		412	206
– Derivative liabilities		(475)	633
– Other financial liabilities at fair value through profit or loss		241	179
– Debt securities in issue		43	218
– Other liabilities		(424)	(1,377)
		(9,786)	(3,260)
Corporation taxes paid	9	(48)	(172)
Effects of exchange rate differences		(344)	(53)
Net cash flows from operating activities		(7,130)	(2,306)
Cash flows from investing activities			
Investments in other entities		(25)	—
Purchase of property, plant and equipment and intangible assets		(188)	(221)
Proceeds from sale of property, plant and equipment and intangible assets		18	5
Purchase of financial assets at amortised cost and financial assets at FVOCI		(2,153)	(11,325)
Proceeds from sale and redemption of financial assets at amortised cost and financial assets at FVOCI		5,384	7,048
Net cash flows from investing activities		3,036	(4,493)
Cash flows from financing activities			
Issue of other equity instruments	33	500	400
Issue of debt securities and subordinated notes		8,132	7,175
Issuance costs of debt securities and subordinated notes		(24)	(28)
Repayment of debt securities and subordinated notes		(4,219)	(6,439)
Repurchase of other equity instruments	33	(500)	(500)
Dividends paid on ordinary shares	10	(26)	(1,311)
Dividends paid on preference shares and other equity instruments		(132)	(129)
Principal elements of lease payments	33	(20)	(31)
Net cash flow from financing activities		3,711	(863)
Change in cash and cash equivalents		(383)	(7,662)
Cash and cash equivalents at beginning of the year		29,077	36,753
Effects of exchange rate changes on cash and cash equivalents		(12)	(14)
Cash and cash equivalents at the end of the year		28,682	29,077
Cash and cash equivalents consist of:			
Cash and balances at central banks		29,376	29,881
Less: regulatory minimum cash balances		(1,440)	(1,580)
		27,936	28,301
Other cash equivalents: loans and advances to banks - non-trading		746	776
Cash and cash equivalents at the end of the year		28,682	29,077

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

	Share capital £m	Share premium £m	Other equity instruments £m	Other reserves			Retained earnings £m	Total £m
				Fair value £m	Cash flow hedging £m	Cost of hedging £m		
At 1 January 2025	3,105	5,620	1,860	(16)	(290)	—	594	10,873
Profit after tax	—	—	—	—	—	—	1,890	1,890
Other comprehensive income/(expense) net of tax:								
- Fair value reserve (debt instruments)	—	—	—	10	—	—	—	10
- Cash flow hedges	—	—	—	—	480	—	—	480
- Cost of hedging	—	—	—	—	—	(4)	—	(4)
- Pension remeasurement	—	—	—	—	—	—	(72)	(72)
- Own credit adjustment	—	—	—	—	—	—	(1)	(1)
Total other comprehensive income/(expense)	—	—	—	10	480	(4)	(73)	413
Total comprehensive income/(expense)	—	—	—	10	480	(4)	1,817	2,303
Capital reduction	—	(4,501)	—	—	—	—	4,501	—
Issue of other equity instruments	—	—	500	—	—	—	—	500
Repurchase of other equity instruments	—	—	(500)	—	—	—	—	(500)
Dividends on ordinary shares	—	—	—	—	—	—	(26)	(26)
Dividends on preference shares and other equity instruments	—	—	—	—	—	—	(132)	(132)
At 31 December 2025	3,105	1,119	1,860	(6)	190	(4)	6,754	13,018
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

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 and marked as (audited). This information, and information in the Shareholder information section marked as (audited) forms an integral part of these financial statements, 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 CO₂ 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 ISO 14001 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 2025 and 2024, 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.

At 31 December 2025 and 2024, 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 forward-looking economic scenarios developed by management covering a period of five years, during which timeframe climate change risks may not 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 corporate headquarters in Milton Keynes was 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

IFRS 9 Hedge Accounting

On 1 October 2025, the Santander UK group voluntarily adopted the hedge accounting requirements established by IFRS 9. Santander UK continues to apply IAS 39 fair value hedge accounting to portfolio hedges of interest rate risk. The adoption of IFRS 9 hedge accounting provides reliable and more relevant information to users of the financial statements by better aligning hedge accounting with Santander UK's risk management strategies. The change aligns with the hedge accounting policy applied by Santander UK's ultimate parent Banco Santander SA.

The main changes from IAS 39 for the Santander UK group are: the mandatory separation of the time value of options (when the hedged risk is the intrinsic value), the separation of the forward element of foreign exchange forward contracts for all such types of hedges, the separation of the foreign currency basis spread of a foreign exchange derivative for each hedging relationship, the performance of hedge effectiveness testing on a prospective basis only, and the inability to voluntarily de-designate hedging relationships.

The application of IFRS 9 hedge accounting has not had a material impact on the Santander UK group's financial statements but resulted in the creation of a Cost of Hedging reserve within equity. Comparatives have not been restated.

Recent accounting developments

Lack of Exchangeability (Amendments to IAS 21)

The Santander UK group has applied the following amendment for the first time for their reporting period commencing 1 January 2025:

- Effective from 1 January 2025, Santander UK has adopted the IASB's amendment to IAS 21 which helps entities determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. The amendments did not have a material impact on Santander UK's operations or financial statements.

Future accounting developments

The IASB issued the following new/amended accounting standards which are not yet mandatory for reporting periods commencing 1 January 2025:

- 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. The amendments were endorsed for use in the UK on 15 April 2025. The Santander UK group has chosen not to early adopt the new standard.
- 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. IFRS 18 was endorsed for use in the UK on 10 December 2025. The Santander UK group has chosen not to early adopt the new standard.

The Santander UK group will assess the new/amended accounting standards to determine their potential impacts on the financial statements when they become effective or if they are otherwise early 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 5 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.

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. Corporate current accounts and instant access deposit accounts in notional pooling arrangements are managed on a net basis and are presented as a single unit of account.

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 (IAls)

We individually assess significant Stage 3 cases and also include high leveraged finance transactions in Stage 2 from 2025. 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

From 1 October 2025, the Santander UK group voluntarily adopted IFRS 9 hedge accounting requirements, except for portfolio hedges of interest rate risk which continue to apply IAS 39 requirements.

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), 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 (including an analysis of potential sources of ineffectiveness), and the hedge ratio. Hedges accounted for under IFRS 9 are required to be effective on a prospective basis, in line with risk management strategy, whilst IAS 39 hedging relationships are required to be highly effective on both a prospective and retrospective basis.

The Santander UK group discontinues hedge accounting when the hedging instrument matures, is sold, or when the hedging relationship becomes ineffective because it no longer aligns with the risk management objective. In such cases, the derivative is treated as a trading derivative.

If a hedging relationship no longer meets the effectiveness requirements but the risk management objective remains, the Santander UK group may rebalance or adjust the hedge ratio to once again meet effectiveness requirements without discontinuing the hedging relationship.

For portfolio hedges of interest rate risk which continue to be accounted for under IAS 39, the Santander UK group may also voluntarily de-designate hedge relationships by ceasing to designate the financial instrument as a hedge.

A hedging instrument is generally designated in its entirety, as the factors contributing to its fair value are interdependent. IFRS 9 allows certain components of the fair value of a hedging instrument to be excluded:

- (i) Separation of intrinsic and time value of an option, designating only the intrinsic value as the hedging instrument, which is mandatory if the intrinsic value is designated;
- (ii) Separation of the forward and spot elements of a forward contract, designating only the spot element as the hedging instrument, determined for each hedging relationship; and
- (iii) Separation of the foreign currency basis spread of a currency derivative, excluding it from the designation of the hedging instrument, determined for each hedging relationship.

The separation of these components improves hedge effectiveness and allows an alternative accounting treatment for the excluded component, consisting of recording its value changes in "Other comprehensive income - cost of hedging" and recognising it in the consolidated income statement according to the nature of the hedged item, either over time, when the hedged transaction occurs, or when the hedge relationship ends.

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation, 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, those 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 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	- 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
Key estimates	- Forward-looking multiple economic scenario assumptions - Probability weights assigned to multiple economic scenarios - Expected future cash flows for individually assessed Stage 3 corporate exposures - Collateral valuations of individually assessed Stage 3 corporate exposures

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 the provisions in Note 27 are amounts in respect of management's best estimates of liability relating to a legal dispute regarding the historical use of discretionary commission arrangements by Santander Consumer (UK) plc and property and redundancy provisions relating to the transformation of our branch network. 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, and legal disputes regarding allocation of responsibility for a specific PPI portfolio of complaints and 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, regulatory, and customer remediation matters. As a result, on extremely rare occasions it is 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 'Defined benefit pension schemes'.

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 confirm that 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 value in use (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 UK residential mortgages for customers with good credit quality (prime lending) mostly to owner occupiers and buy-to-let mortgages for non professional landlords. Everyday Banking provides banking services and unsecured lending to individuals and small businesses with annual turnover up to £6.5m, such as loans, credit cards and overdrafts, as well as wealth management for high-net-worth clients.
- **Consumer Finance** provides prime auto consumer 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).
- **Corporate & Commercial Banking** provides banking products and services including loans, overdrafts, treasury services, invoice finance, trade and supplier finance, to SMEs, mid-sized and larger corporates typically with annual turnover up to £500m, Commercial Real Estate and Social Housing customers.
- **Corporate Centre** provides treasury services for 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. It also provides mainly residential Crown Dependencies mortgages to individuals in Jersey and the Isle of Man.

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

	Retail & Business Banking	Consumer Finance	Corporate & Commercial Banking	Corporate Centre	Total
2025	£m	£m	£m	£m	£m
Net interest income	3,506	129	677	68	4,380
Non-interest income/(expense)	176	181	117	(125)	349
Total operating income/(expense)	3,682	310	794	(57)	4,729
Operating expenses before credit impairment charges, provisions and charges	(1,918)	(150)	(374)	(15)	(2,457)
Credit impairment charges	(133)	(8)	(28)	(24)	(193)
Provisions for other liabilities and charges	(340)	(228)	(68)	39	(597)
Total credit impairment charges, provisions and charges	(473)	(236)	(96)	15	(790)
Profit/(loss) before tax	1,291	(76)	324	(57)	1,482
Revenue/(expense) from external customers	4,204	781	647	(903)	4,729
Inter-segment (expense)/revenue	(522)	(471)	147	846	—
Total operating income/(expense)	3,682	310	794	(57)	4,729
Revenue from external customers includes the following fee and commission income ¹ :					
– Current account and debit card fees	415	—	49	—	464
– Insurance, protection and investments	48	—	—	—	48
– Credit cards	100	—	—	—	100
– Non-banking and other fees ²	5	38	92	5	140
Total fee and commission income	568	38	141	5	752
Fee and commission expense	(395)	(8)	(5)	(11)	(419)
Net fee and commission income/(expense)	173	30	136	(6)	333
At 31 December 2025					
Customer loans	173,462	4,979	18,927	(1)	197,367
Customer deposits	155,652	—	24,414	3,536	183,602
Average number of full-time equivalent staff	13,802	762	2,092	—	16,656

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.

	Retail & Business Banking	Consumer Finance	Corporate & Commercial Banking	Corporate Centre	Total
	£m	£m	£m	£m	£m
2024					
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 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
At 31 December 2024					
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

	Retail & Business Banking	Consumer Finance	Corporate & Commercial Banking	Corporate Centre	Total
	£m	£m	£m	£m	£m
2023					
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 card fees	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
At 31 December 2023					
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

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 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. It also shows the relationship between customer liabilities (see above) and Deposits by customers as presented in the Consolidated Balance Sheet.

	Assets		Liabilities	
	2025	2024	2025	2024
	£m	£m	£m	£m
Customer balances (gross)	197,367	194,512	183,602	176,733
Loan loss allowance	(729)	(784)	—	—
Customer balances (net)	196,638	193,728	183,602	176,733
Intercompany balances (including joint ventures)	5,054	4,832	3,145	3,632
Accrued interest	725	714	928	854
Other items	192	134	(375)	(252)
Loans and advances to customers / Deposits by customers	202,609	199,408	187,300	180,967

3. NET INTEREST INCOME

For the year ended 31 December

	2025	2024	Group 2023
	£m	£m	£m
Interest and similar income:			
Loans and advances to customers	8,891	9,290	8,767
Loans and advances to banks	1,155	1,523	1,751
Reverse repurchase agreements - non-trading	873	987	626
Other	622	639	473
Total interest and similar income¹	11,541	12,439	11,617
Interest expense and similar charges:			
Deposits by customers	(3,787)	(4,276)	(3,230)
Deposits by banks	(415)	(839)	(1,165)
Repurchase agreements - non-trading	(594)	(644)	(538)
Debt securities in issue	(2,189)	(2,171)	(1,852)
Subordinated liabilities	(172)	(193)	(169)
Other	(4)	(4)	(5)
Total interest expense and similar charges²	(7,161)	(8,127)	(6,959)
Net interest income	4,380	4,312	4,658

1 Includes £274m (2024: £296m, 2023: £230m) of interest income on financial assets at FVOCI.

2 Includes £460m (2024: £762m, 2023: £706m) of interest expense on the effective part of derivatives hedging debt issuances and £3m (2024: £3m, 2023: £3m) of interest expense on lease liabilities.

4. NET FEE AND COMMISSION INCOME

For the year ended 31 December

	2025	2024	Group 2023
	£m	£m	£m
Fee and commission income:			
Current account and debit card fees	464	474	542
Insurance, protection and investments	48	48	47
Credit cards	100	92	94
Non-banking and other fees ¹	140	119	121
Total fee and commission income	752	733	804
Total fee and commission expense	(419)	(481)	(501)
Net fee and commission income	333	252	303

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		
	2025	2024	2023
	£m	£m	£m
Net (losses) on financial instruments designated at fair value through profit or loss ¹	(82)	(38)	(57)
Net gains/(losses) on financial instruments mandatorily at fair value through profit or loss ²	7	(12)	(11)
Hedge ineffectiveness	(31)	22	19
Net gain on sale of financial assets at fair value through other comprehensive income	1	—	—
Income from operating lease assets	124	113	117
Other	(3)	8	67
	16	93	135

1 Net (losses) on financial instruments designated at fair value through profit or loss includes losses of £47m on deposits (2024: £16m losses, 2023: £24m losses), losses of £34m on debt securities (2024: £22m losses, 2023: £32m losses).

2 Net gains on financial instruments mandatorily at fair value through profit or loss include gains of £1m on debt securities (2024: £7m gains, 2023: £5m gains).

Net gains on financial instruments mandatorily at FVTPL includes fair value losses of £9m (2024: losses of £21m, 2023: losses of £12m) 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 £9m (2024: gains of £21m, 2023: gains of £12m). As a result, in 2025, 2024 and 2023 the net fair value movements recognised on the equity index-linked deposits and the related economic hedges were £nil.

	Group		
	2025	2024	2023
	£m	£m	£m
Exchange rate differences in the consolidated income statement on items not at fair value through profit or loss	562	495	1,288
These are principally offset by related releases from the cash flow hedge reserve:	(536)	(500)	(1,248)

In 2025 and 2024, no subordinated liabilities were repurchased as part of ongoing liability management exercises (2023: profit of £4m)

In 2025, Other includes £4m of losses on the sale of property as part of our transformation (2024: £8m losses; 2023: £nil).

6. OPERATING EXPENSES BEFORE CREDIT IMPAIRMENT CHARGES, PROVISIONS AND CHARGES

For the year ended 31 December

	Group			Company		
	2025	2024	2023	2025	2024	2023
	£m	£m	£m	£m	£m	£m
Staff costs:						
Wages and salaries	785	866	839	733	813	787
Performance-related payments	175	164	162	168	159	156
Social security costs	131	122	115	124	116	109
Pension costs - defined contribution plans	74	79	71	70	74	67
Pension costs - defined benefit plans	8	13	13	8	13	12
Other personnel costs	25	33	41	25	32	40
	1,198	1,277	1,241	1,128	1,207	1,171
Other administration expenses	937	971	925	898	937	890
Depreciation, amortisation and impairment	322	300	290	241	238	220
	2,457	2,548	2,456	2,267	2,382	2,281

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 2025			Costs expected to be recognised in 2026 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	2	9	11	5	4	9
Shares	2	8	10	4	5	9
	4	17	21	9	9	18

The following table shows the amount of bonus awarded to employees for the performance year 2025. 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	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Cash award - not deferred	145	140	—	—	145	140
– deferred	11	8	9	14	20	22
Shares award - not deferred	9	9	—	—	9	9
– deferred	10	7	9	13	19	20
Total discretionary bonus	175	164	18	27	193	191

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 15,792 (2024: 18,378, 2023: 18,631).

Depreciation, amortisation and impairment

In 2025, depreciation, amortisation and impairment included depreciation of £75m (2024: £75m, 2023: £64m) on operating lease assets (where the Santander UK group is the lessor) with a carrying amount of £573m at 31 December 2025 (2024: £574m, 2023: £488m). See Note 20 for the depreciation on right-of-use assets and their carrying value.

Other administration expenses includes £17m (2024: £18m, 2023: £19m) related to short-term leases.

In 2025, depreciation, amortisation and impairment included an impairment charge of £nil (2024: £nil, 2023: £25m) associated with branch and head office site closures as part of our transformation. For more, see Note 20.

For the Company, in 2025, depreciation, amortisation and impairment included an impairment charge of £nil (2024: £nil, 2023: £25m) associated with branch and head office site closures as part of our transformation.

7. AUDIT AND OTHER SERVICES

For the year ended 31 December

	Group		
	2025	2024	2023
	£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	13.5	13.8	13.9
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	0.8	0.6	0.6
Total audit fees¹	14.3	14.4	14.5
Non-audit fees:			
Audit-related assurance services	2.5	0.6	0.7
Other assurance services	0.3	1.0	0.5
Other non-audit services	—	0.6	0.1
Total non-audit fees	2.8	2.2	1.3

¹ 2025 audit fees included £0.1m (2024: £0.1m, 2023: £0.7m) which related to the prior years.

Audit fees payable for the statutory audit of Santander UK plc were £12.2m (2024: £12.9m, 2023: £12.7m).

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 (2024: £0.2m, 2023: £0.3m) accords with the definition of 'Audit Fees' per US Securities and Exchange Commission (SEC) guidance, £2.5m (2024: £2.0m, 2023: £1.0m) accords with the definition of 'Audit related fees' per that guidance and £93,300 (2024: £48,300, 2023: £12,550) accords with the definition of 'All other fees' per that guidance.

In 2025, the Company's auditors earned £1.8m (2024: £1.8m, 2023: £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

	2025	2024	Group 2023
	£m	£m	£m
Credit impairment charges/(write-backs):			
Loans and advances to customers	209	87	191
Recoveries of loans and advances, net of collection costs	(14)	(23)	10
Off-balance sheet credit exposures (See Note 27)	(2)	7	4
	193	71	205
Provisions for other liabilities and charges (excluding off-balance sheet credit exposures) (See Note 27)	563	687	334
Charge for residual value and voluntary termination	34	2	1
	597	689	335
	790	760	540

In 2025, 2024 and 2023 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

	2025	2024	Group 2023
	£m	£m	£m
Current tax:			
UK corporation tax on profit for the year	386	205	475
Adjustments in respect of prior years	(14)	(47)	(15)
Total current tax	372	158	460
Deferred tax:			
Charge for the year	23	187	106
Adjustments in respect of prior years	1	33	(7)
Total deferred tax	24	220	99
Tax on profit	396	378	559

The standard rate of UK corporation tax was 20% for banking entities and 25% for non-banking entities (2024: 28% for banking entities and 25% for non-banking entities; 2023: 27.75% for banking entities and 23.5% 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 2025 was 26.7% (2024: 28.0%, 2023: 26.6%). Tax on profit differs from that calculated at the statutory rate as follows:

For the year ended 31 December

	2025	2024	Group 2023
	£m	£m	£m
Profit before tax	1,482	1,349	2,100
Tax calculated at the statutory rate of 25% (2024: 25%, 2023: 23.5%)	371	337	494
Bank surcharge on profits	56	41	85
Non-deductible preference dividends paid	9	9	9
Non-deductible UK Bank Levy	11	12	10
Non-deductible conduct remediation, fines and penalties	(15)	3	13
Other non-deductible costs and non-taxable income	14	26	2
Effect of change in tax rate on deferred tax provision	—	—	2
Tax relief on dividends in respect of other equity instruments	(37)	(36)	(34)
Adjustment to prior year provisions	(13)	(14)	(22)
Tax on profit	396	378	559

It is not anticipated that the OECD Pillar Two rules which became effective from 1 January 2024 will impact the Santander UK group. The Santander UK group has applied the amendments to IAS 12 relating to Pillar Two, issued in May 2023, and no additional disclosures arise.

Current tax assets

Movements in current tax assets during the year were as follows:

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
At 1 January	506	490	528	568
Income statement charge	(372)	(158)	(369)	(198)
Other comprehensive income charge	(14)	(47)	—	—
Corporate income tax paid	46	240	48	172
Other movements	189	(19)	188	(14)
At 31 December	355	506	395	528

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, current tax recognised directly in other comprehensive income and adjustments to prior period current tax provisions. In 2025 other movements for both Santander UK group and Company includes £170m relating to amounts payable to related parties in respect of group relief (2024: £nil).

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 about.santander.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	Intangible assets	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	(152)	(117)	110	8	(72)	(6)	(17)	(246)
Income statement credit/(charge)	9	(51)	—	—	(8)	(14)	40	(24)
Transfers/reclassifications	—	—	3	1	—	—	(4)	—
Credited/(charged) to other comprehensive income	—	28	(190)	(5)	—	—	—	(167)
At 31 December 2025	(143)	(140)	(77)	4	(80)	(20)	19	(437)
At 1 January 2024	(8)	(186)	73	3	(70)	18	(16)	(186)
Income statement charge	(144)	(44)	—	—	(2)	(24)	(6)	(220)
Transfers/reclassifications	—	—	2	1	—	—	—	3
Credited to other comprehensive income	—	113	35	4	—	—	5	157
At 31 December 2024	(152)	(117)	110	8	(72)	(6)	(17)	(246)

	Company							
	Fair value of financial instruments	Pension remeasurement	Cash flow hedges	Fair value reserve	Intangible assets	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	(74)	(117)	112	8	(72)	(8)	21	(130)
Income statement (charge)/credit	(24)	(51)	—	—	(8)	(18)	19	(82)
Credited/(charged) to other comprehensive income	—	28	(184)	(4)	—	—	—	(160)
At 31 December 2025	(98)	(140)	(72)	4	(80)	(26)	40	(372)
At 1 January 2024	(11)	(186)	74	4	(70)	13	35	(141)
Income statement charge	(63)	(44)	—	—	(2)	(21)	(18)	(148)
Transfers/reclassifications	—	—	—	—	—	—	(1)	(1)
Credited to other comprehensive income	—	113	38	4	—	—	5	160
At 31 December 2024	(74)	(117)	112	8	(72)	(8)	21	(130)

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 2025 and 2024, unrecognised deferred tax assets on capital losses carried forward were £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

	2025			Group and Company		
	Pence per share	Pence per share	Pence per share	2025	2024	2023
				£m	£m	£m
In respect of current year - first interim	0.08	1.78	1.32	26	554	410
In respect of current year - second interim	—	2.44	3.61	—	757	1,120
	0.08	4.22	4.93	26	1,311	1,530

In December 2025, £26m of dividends were paid on the Company's ordinary shares in issue (2024: £1,311m, 2023: £1,530m) as, in anticipation of the proposed acquisition of TSB by Santander UK (subject to regulatory approvals and other consents), the Board passed a resolution in August 2025 to cancel the interim dividends that had been declared at 30 June 2025. In 2025, none (2024: £804m, 2023: £750m) 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.

	2025			Group		
	Fair value			2024		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Derivatives held for trading:						
Exchange rate contracts	9,341	85	118	13,755	238	156
Interest rate contracts	25,372	198	336	29,296	294	489
Inflation rate contracts	171	16	30	—	—	—
Equity and credit contracts	568	94	21	681	124	21
Total derivatives held for trading	35,452	393	505	43,732	656	666
Derivatives held for hedging						
Designated as fair value hedges:						
Exchange rate contracts	4,099	86	16	1,712	42	8
Interest rate contracts	169,084	564	479	146,172	1,055	477
Inflation rate contracts	1,850	69	—	—	—	—
	175,033	719	495	147,884	1,097	485
Designated as cash flow hedges:						
Exchange rate contracts	18,343	500	378	21,535	698	266
Interest rate contracts	37,508	316	367	54,267	326	928
Inflation rate contracts	—	—	—	1,794	70	—
	55,851	816	745	77,596	1,094	1,194
Total derivatives held for hedging	230,884	1,535	1,240	225,480	2,191	1,679
Derivative netting¹	—	(1,058)	(1,058)	—	(1,643)	(1,643)
Total derivatives	266,336	870	687	269,212	1,204	702

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 £827m (2024: £489m) and the amount of cash collateral paid that had been offset against the gross derivative liabilities was £23m (2024: £32m).

At 31 December 2025, the fair value of derivative assets included amounts due from Banco Santander group entities of £599m (2024: £544m) and the fair value of derivative liabilities included amounts due to Banco Santander group entities of £292m (2024: £211m).

				Company		
	2025			2024		
	Fair value			Fair value		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Derivatives held for trading:						
Exchange rate contracts	28,677	480	542	31,646	553	300
Interest rate contracts	71,108	320	1,527	69,248	358	2,589
Inflation rate contracts	171	16	30	—	—	—
Equity and credit contracts	568	94	21	681	124	21
Total derivatives held for trading	100,524	910	2,120	101,575	1,035	2,910
Derivatives held for hedging						
Designated as fair value hedges:						
Exchange rate contracts	2,854	47	16	1,524	41	4
Interest rate contracts	166,223	490	478	144,346	1,013	464
Inflation rate contracts	1,850	69	—	—	—	—
	170,927	606	494	145,870	1,054	468
Designated as cash flow hedges:						
Exchange rate contracts	9,890	244	278	12,931	649	152
Interest rate contracts	29,984	265	298	46,549	317	720
Inflation rate contracts	—	—	—	1,794	70	—
	39,874	509	576	61,274	1,036	872
Total derivatives held for hedging	210,801	1,115	1,070	207,144	2,090	1,340
Derivative netting¹	—	(1,058)	(1,058)	—	(1,643)	(1,643)
Total derivatives	311,325	967	2,132	308,719	1,482	2,607

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 £827m (2024: £489m) and the amount of cash collateral paid that had been offset against the gross derivative liabilities was £23m (2024: £32m).

At 31 December 2025, for the Company, the fair value of derivative assets included amounts due from Banco Santander group entities of £599m (2024: £544m) and the fair value of derivative liabilities included amounts due to Banco Santander group entities of £292m (2024: £244m).

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		Total		
	Settled by central counterparties	Not settled by central counterparties			
	£m	£m			
2025	£m	£m	£m	£m	£m
Exchange rate contracts	—	31,783	31,783	671	512
Interest rate contracts	219,306	12,658	231,964	20	124
Inflation rate contracts	2,021	—	2,021	85	30
Equity and credit contracts	—	568	568	94	21
	221,327	45,009	266,336	870	687
2024					
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

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.

Hedges of inflation risk

Santander UK has exposure to inflation arising on UK inflation-linked gilts, that is hedged by entering into inflation swaps. Fair value hedging is applied whereby the inflation swap is hedging variability in cash flows of the inflation-linked gilt due to change in GBP RPI. Effectiveness is assessed by using linear regression techniques to compare changes in the fair value of the inflation-linked gilts attributable to the hedged risk, with changes in the fair value of the inflation linked 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 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, CAD 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
2025	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)	12,649	10,884	60,547	75,678	3,581	163,339
	Average fixed interest rate - GBP	4.15 %	4.70 %	4.02 %	3.51 %	3.75 %	
	Average fixed interest rate - EUR	—	0.22 %	—	0.62 %	4.37 %	
	Average fixed interest rate - USD	—	—	—	4.09 %	1.33 %	
Interest rate/FX risk	Exchange rate contracts - Nominal amount (£m)	12	13	199	3,086	789	4,099
	Interest rate contracts - Nominal amount (£m)	12	13	113	2,968	789	3,895
	Average GBP - EUR exchange rate	1.18	1.14	1.16	1.18	1.18	
	Average GBP - USD exchange rate	—	—	1.25	1.35	1.29	
	Average fixed interest rate - EUR	1.78 %	3.25 %	4.08 %	3.51 %	2.82 %	
	Average fixed interest rate - USD	—	—	4.99 %	4.39 %	4.36 %	
Inflation risk/Interest rate risk	Inflation derivative contracts - Nominal amount (£m)	—	—	—	—	1,850	1,850
	Interest rate contracts - Nominal amount (£m)	—	—	—	—	1,850	1,850
	Average fixed interest rate - GBP	—	—	—	—	5.00 %	
Cash flow hedges:							
Interest rate risk	Interest rate contracts - Nominal amount (£m)	261	—	2,174	30,622	3,550	36,607
	Average fixed interest rate - GBP	4.38 %	—	3.15 %	3.88 %	4.48 %	
FX risk	Exchange rate contracts - Nominal amount (£m)	—	—	1,730	12,429	2,716	16,875
	Average GBP - CHF exchange rate	—	—	1.12	1.11	—	
	Average GBP - EUR exchange rate	—	—	—	1.18	1.17	
	Average GBP - USD exchange rate	—	—	1.33	1.27	1.37	
Interest rate/FX risk	Exchange rate contracts - Nominal amount (£m)	—	—	76	1,183	209	1,468
	Interest rate contracts - Nominal amount (£m)	—	—	—	743	158	901
	Average GBP - EUR exchange rate	—	—	1.17	1.20	—	
	Average GBP - USD exchange rate	—	—	—	1.32	1.54	
	Average fixed interest rate - GBP	—	—	2.86 %	3.10 %	4.59 %	
2024							
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 %	

		Company				
	Hedging Instruments	≤1 month	>1 month and ≤3 months	>3 and ≤12 months	>1 and ≤5 years	>5 years
2025						Total
Fair value hedges:						
Interest rate risk	Interest rate contracts – Nominal amount (£m)	12,647	9,897	60,537	74,947	3,504
	Average fixed interest rate – GBP	4.15 %	4.60 %	4.02 %	3.49 %	3.75 %
	Average fixed interest rate – EUR	—	0.22 %	—	0.62 %	—
	Average fixed interest rate – USD	—	—	—	4.09 %	1.33 %
Interest rate/FX risk	Exchange rate contracts – Nominal amount (£m)	12	13	112	1,928	789
	Interest rate contracts – Nominal amount (£m)	12	13	112	1,915	789
	Average GBP – EUR exchange rate	1.18	1.14	1.15	1.16	1.18
	Average GBP – USD exchange rate	—	—	1.25	1.35	1.29
	Average fixed interest rate – EUR	1.78 %	3.25 %	3.21 %	2.97 %	2.82 %
	Average fixed interest rate – USD	—	—	4.99 %	4.39 %	4.36 %
Inflation risk/interest rate risk	Inflation derivative contracts – Nominal amount (£m)	—	—	—	—	1,850
	Interest rate contracts – Nominal amount (£m)	—	—	—	—	1,850
	Average fixed interest rate – GBP	—	—	—	—	5.00 %
Cash flow hedges:						
Interest rate risk	Interest rate contracts – Nominal amount (£m)	261	—	1,144	25,621	2,058
	Average fixed interest rate – GBP	4.38 %	—	2.93 %	4.01 %	4.37 %
FX risk	Exchange rate contracts – Nominal amount (£m)	—	—	743	6,914	1,189
	Average GBP – EUR exchange rate	—	—	—	1.18	—
	Average GBP – USD exchange rate	—	—	1.41	1.28	1.37
Interest rate/FX risk	Exchange rate contracts – Nominal amount (£m)	—	—	30	805	209
	Interest rate contracts – Nominal amount (£m)	—	—	—	743	157
	Average GBP – USD exchange rate	—	—	—	1.32	1.54
	Average fixed interest rate – GBP	—	—	2.84 %	2.60 %	4.59 %
2024						
Fair value hedges:						
Interest rate risk	Interest rate contracts – Nominal amount (£m)	4,172	6,296	53,514	75,503	3,337
	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
	Interest rate contracts – Nominal amount (£m)	—	88	86	872	478
	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
	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
	Interest rate contracts – Nominal amount (£m)	—	—	—	—	958
	Average GBP – JPY exchange rate	179.37	179.99	187.54	—	—
	Average GBP – CHF exchange rate	—	—	1.09	—	—
	Average GBP – CAD exchange rate	—	—	1.76	—	—
	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
	Interest rate contracts – Nominal amount (£m)	—	—	327	799	169
	Average GBP – EUR exchange rate	—	1.37	—	—	—
	Average GBP – USD exchange rate	—	—	1.54	1.32	1.54
Inflation risk	Average fixed interest rate – GBP	—	2.22 %	3.34 %	2.62 %	4.59 %
	Inflation derivative contracts – Nominal amount (£m)	—	—	—	—	1,794
	Average fixed interest rate – GBP	—	—	—	—	4.98 %

Net gains or losses arising from fair value and cash flow hedges included in other operating income

	Group			Company		
	2025	2024	2023	2025	2024	2023
	£m	£m	£m	£m	£m	£m
Fair value hedging:						
(Losses)/Gains on hedging instruments	(551)	193	(1,879)	(626)	220	(1,920)
Gains/(Losses) on hedged items attributable to hedged risks	523	(168)	1,896	589	(201)	1,927
Fair value hedging ineffectiveness	(28)	25	17	(37)	19	7
Cash flow hedging ineffectiveness	(3)	(3)	2	(3)	(4)	—
	(31)	22	19	(40)	15	7

Hedge ineffectiveness can be analysed by risk category as follows:

	Group								
	2025			2024			2023		
	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	(528)	499	(29)	167	(151)	16	(1,865)	1,877	12
Interest rate/FX risk	9	(8)	1	26	(17)	9	(14)	19	5
Inflation rate risk/interest rate risk	(32)	32	—	—	—	—	—	—	—
	(551)	523	(28)	193	(168)	25	(1,879)	1,896	17

				Group			
				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:							
2025							
Interest rate risk	Net interest income			465	(469)	(4)	(305)
FX risk	Net interest income/other operating income			(287)	295	8	(151)
Interest rate/FX risk	Net interest income/other operating income			(66)	59	(7)	(89)
Inflation Risk	Net Interest Income			82	(82)	—	9
				194	(197)	(3)	(536)
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)

	2025					2024			Company
	2025		2024		2023		2024		2023
	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	(553)	521	(32)	186	(171)	15	(1,907)	1,916	9
Interest rate/FX risk	(41)	36	(5)	34	(30)	4	(13)	11	(2)
Inflation rate risk/Interest rate risk	(32)	32	—	—	—	—	—	—	—
	(626)	589	(37)	220	(201)	19	(1,920)	1,927	7

				Company			
				Hedging Instruments	Recognised in	Recognised in	Reclassified
				Change in FV	OCI	Income Statement	from reserves to income
Income statement line item affected by reclassification				£m	£m	£m	£m
Cash flow hedges:							
2025							
Interest rate risk	Net interest income			394	(398)	(4)	(204)
FX risk	Net interest income/other operating income			(312)	315	3	(277)
Interest rate/FX risk	Net interest income/other operating income			(101)	99	(2)	(124)
Inflation Risk	Net Interest Income			82	(82)	—	9
				63	(66)	(3)	(596)
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)

In 2025, cash flow hedge accounting of £nil (2024: £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	
	2025	2024	2025	2024
	£m	£m	£m	£m
Balance at 1 January	(453)	(496)	(399)	(262)
Effective portion of changes in fair value:				
– Interest rate risk	469	(761)	398	(614)
– Foreign currency risk	(295)	405	(315)	582
– Interest rate/foreign currency risk	(59)	(172)	(99)	(47)
– Inflation risk	82	71	82	71
	197	(457)	66	(8)
Income statement transfers:				
– Interest rate risk	305	488	204	333
– Foreign currency risk	151	(216)	277	(523)
– Interest rate/foreign currency risk	89	231	124	64
– Inflation risk	(9)	(3)	(9)	(3)
	536	500	596	(129)
Balance at 31 December	280	(453)	263	(399)

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.

	2025					Group 2024				
	Accumulated FV hedge adjustments				Change in value to calculate hedge ineffectiveness	Accumulated 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	72,604	—	(76)	(24)	552	62,773	—	(731)	(290)	(154)
Other financial assets at amortised cost	2,103	(25)	(6)	(5)	21	1,667	(45)	(7)	(7)	(44)
Reverse repurchase agreements – non trading	8,802	—	2	—	2	6,423	—	(1)	—	(1)
Other financial assets at FVOCI	2,010	(87)	—	(74)	42	2,100	(131)	—	(95)	(18)
Deposits by customers	(29,620)	—	(27)	—	(53)	(21,726)	18	9	1	(1)
Debt securities in issue	(3,758)	70	(32)	(38)	(60)	(3,811)	150	(54)	(77)	52
Subordinated liabilities	(505)	(18)	(1)	(28)	(6)	(511)	(12)	(1)	(36)	15
Interest rate/FX risk:										
Other financial assets at FVOCI	1,898	7	—	—	46	1,503	16	—	—	(30)
Debt securities in issue	(2,284)	(5)	—	(8)	(53)	(200)	(9)	—	(14)	13
Inflation risk/Interest rate risk:										
Other financial assets at amortised cost	1,884	12	—	—	32	—	—	—	—	—
Other financial assets at FVOCI	83	(1)	—	—	—	—	—	—	—	—
	53,217	(47)	(140)	(177)	523	48,218	(13)	(785)	(518)	(168)

Hedged item balance sheet line item	2025			Group 2024		
	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
	£m	£m	£m	£m	£m	£m
Cash flow hedges:						
Interest rate risk:						
Loans and advances to customers	(205)	(79)	—	361	(497)	2
Cash and balances at central banks	(207)	112	(27)	464	(192)	(50)
Deposits by banks	2	—	—	(4)	—	—
Repurchase agreements - non trading	(59)	104	104	(60)	52	—
FX risk:						
Other financial assets at FVOCI	(84)	—	—	(487)	1	—
Highly probable forecast transactions	(5)	1	—	4	—	—
Debt securities in issue	383	36	—	78	181	—
Interest rate/FX risk:						
Debt securities in issue/loans and advances to customers	(47)	(3)	—	148	(12)	—
Deposits by customers	58	(13)	—	21	(37)	—
Subordinated liabilities/loans and advances to customers	49	(19)	48	3	(16)	51
Inflation risk:						
Other financial assets at amortised cost	(81)	139	139	(70)	66	—
Other financial assets at FVOCI	(1)	2	2	(1)	1	—
	(197)	280	266	457	(453)	3

	Company									
	2025					2024				
	Accumulated FV hedge adjustments				Change in value to calculate hedge ineffectiveness	Accumulated 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	72,525	—	(220)	(169)	552	62,694	—	(903)	(461)	(153)
Other financial assets at amortised cost	2,103	(25)	(6)	(6)	21	1,667	(45)	(7)	(7)	(44)
Reverse repurchase agreements – non trading	8,802	—	2	—	2	6,423	—	(1)	—	(1)
Other financial assets at FVOCI	2,010	(87)	—	(74)	42	2,100	(131)	—	(95)	(18)
Deposits by customers	(29,112)	—	(27)	—	(53)	(21,726)	18	10	1	(1)
Debt securities in issue	(1,948)	25	—	—	(37)	(2,035)	64	—	—	32
Subordinated liabilities	(506)	(18)	—	(27)	(6)	(512)	(13)	—	(35)	14
Interest rate/FX risk:										
Other financial assets at FVOCI	1,898	7	—	—	46	1,503	17	—	—	(30)
Debt securities in issue	(1,010)	3	—	—	(10)	—	—	—	—	—
Inflation risk/Interest rate risk:										
Other financial assets at amortised cost	1,884	12	—	—	32	—	—	—	—	—
Other financial assets at FVOCI	83	(1)	—	—	—	—	—	—	—	—
	56,729	(84)	(251)	(276)	589	50,114	(90)	(901)	(597)	(201)

	Company					
	2025			2024		
	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
	£m	£m	£m	£m	£m	£m
Hedged item balance sheet line item						
Cash flow hedges:						
Interest rate risk:						
Loans and advances to customers	(111)	(65)	—	214	(312)	2
Cash and balances at central banks	(230)	112	(27)	464	(191)	(50)
Deposits by banks	2	—	—	(4)	—	—
Repurchase agreements - non trading	(59)	104	104	(60)	52	—
FX risk:						
Other financial assets at FVOCI	(84)	—	—	(487)	1	—
Highly probable forecast transactions	(5)	1	—	4	—	—
Debt securities in issue	404	9	—	(99)	48	—
Interest rate/FX risk:						
Debt securities in issue/loans and advances to customers	(6)	—	—	23	(2)	—
Deposits by customers	57	(13)	(1)	21	(38)	(1)
Subordinated liabilities/loans and advances to customers	48	(26)	42	3	(23)	43
Inflation risk:						
Other financial assets at amortised cost	(81)	139	139	(70)	65	—
Other financial assets at FVOCI	(1)	2	2	(1)	1	—
	(66)	263	259	8	(399)	(6)

Cost of Hedging

		Group		Company	
		2025	2024	2025	2024
		£m	£m	£m	£m
Components of hedging derivatives excluded from hedge designation					
Balance at 1 January		—	—	—	—
Transfers to cost of hedging reserve:					
Cash flow hedges:					
Foreign currency risk	Time-period related	24	—	8	—
	Transaction-related	—	—	—	—
		24	—	8	—
Equity risk	Time-period related	—	—	—	—
	Transaction-related	—	—	—	—
		—	—	—	—
		24	—	8	—
Fair value hedges:					
Foreign currency risk	Time-period related	(2)	—	(2)	—
	Transaction-related	—	—	—	—
		(2)	—	(2)	—
		(2)	—	(2)	—
		22	—	6	—
Transfers out of cost of hedging reserve:					
Cash flow hedges:					
Foreign currency risk	Time-period related	(1)	—	(1)	—
	Transaction-related	—	—	—	—
		(1)	—	(1)	—
Equity risk	Time-period related	—	—	—	—
	Transaction-related	—	—	—	—
		—	—	—	—
		(1)	—	(1)	—
		(1)	—	(1)	—
Tax		(1)	—	(1)	—
Balance at 31 December		20	—	4	—

12. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Company	
		2025	2024	2025	2024
		£m	£m	£m	£m
Loans and advances to customers:					
Loans to housing associations					
		—	4	—	4
Other loans					
		40	40	40	40
		40	44	40	44
Debt securities					
		—	56	—	56
Other debt instruments					
		24	36	—	—
		64	136	40	100

For the Santander UK group, other financial assets at FVTPL comprised £nil (2024: £60m) of financial assets designated at FVTPL and £64m (2024: £76m) of financial assets mandatorily held at FVTPL. For the Company, other financial assets at FVTPL comprised £nil (2024: £60m) of financial assets designated at FVTPL and £40m (2024: £40m) 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.

In 2025, 2024 and 2023, the net loss in the year attributable to changes in credit risk for loans and advances at FVTPL was £nil. The cumulative net loss attributable to changes in credit risk for loans and advances at FVTPL at 31 December 2025 was £3m (2024: £3m 2023: £3m).

13. LOANS AND ADVANCES TO CUSTOMERS

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Loans secured on residential properties	167,284	165,214	167,284	165,214
Corporate loans	20,450	18,550	19,413	17,778
Finance leases	4,251	4,222	—	—
Other unsecured loans	5,566	6,601	5,513	6,521
Accrued interest and other adjustments	760	796	906	961
Amounts due from fellow Banco Santander subsidiaries and joint ventures	5,043	4,814	7	3
Amounts due from Santander UK Group Holdings plc	11	18	11	18
Amounts due from subsidiaries	—	—	29,999	27,999
Loans and advances to customers	203,365	200,215	223,133	218,494
Credit impairment loss allowances on loans and advances to customers	(729)	(784)	(666)	(714)
Residual value and voluntary termination provisions on finance leases	(27)	(23)	—	—
Net loans and advances to customers	202,609	199,408	222,467	217,780

At 31 December 2025, loans and advances to customers included amounts due from Banco Santander group entities of £5,055m (2024: £4,834m).

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					
	2025			2024		
	Gross investment £m	Unearned finance income £m	Net investment £m	Gross investment £m	Unearned finance income £m	Net investment £m
No later than one year	1,362	(202)	1,160	1,400	(208)	1,192
Later than one year and not later than two years	1,337	(202)	1,135	1,423	(215)	1,208
Later than two years and not later than three years	1,086	(164)	922	1,220	(184)	1,036
Later than three years and not later than four years	972	(147)	825	721	(109)	612
Later than four years and not later than five years	135	(21)	114	115	(17)	98
Later than five years	112	(17)	95	90	(14)	76
	5,004	(753)	4,251	4,969	(747)	4,222

At 31 December 2025 and 2024, 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 £1,804m (2024: £1,748m) of unguaranteed RV at the end of the current lease terms, which is expected to be recovered through re-payment, re-financing or sale. Finance income on the net investment in finance leases was £324m (2024: £308m, 2023: £266m).

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 2025 and 2024, the Santander UK group had contracted with lessees for the following future undiscounted minimum lease payments receivable under operating leases.

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
No later than one year	20	27	19	25
Later than one year and not later than two years	17	21	16	20
Later than two years and not later than three years	12	17	11	16
Later than three years and not later than four years	7	7	6	7
Later than four years and not later than five years	5	5	4	4
Later than five years	11	11	7	7
	72	88	63	79

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 securitisations and 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 pools of auto loans originated by members of the Santander UK group are sold to special purpose vehicles by members of the Santander UK group. The special purpose vehicle funds the purchase of the auto loans by issuing Variable Funding Notes to third-party investors. A proportion of the remaining exposure is retained by members of the Santander UK group. Members of the Santander UK group also receive payments from the special purpose vehicles in respect of fees for administering the auto loans, and payment of deferred consideration for the sale of the securitised auto loans. The members of the Santander UK group have no right or obligation to repurchase any securitised loans, except if certain representations and warranties given at the time of sale are breached and, in certain cases, if there has been a subsequent variation in the terms of the underlying auto loans not permitted under the sale agreements related to the auto loan securitisations.

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 2025 and 2024 are listed below. The gross assets in the Santander UK 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.

	Gross assets		External notes in issue		Notes held within the Group	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Mortgage-backed master trust structures:						
- Holmes	7,090	5,109	4,887	3,379	562	389
- Fosse	1,845	2,383	201	—	1,204	1,408
	8,935	7,492	5,088	3,379	1,766	1,797
Other asset-backed securitisation structures:						
- Repton	760	718	550	550	—	—
Total securitisation programmes	9,695	8,210	5,638	3,929	1,766	1,797
Covered bond programme:						
- Euro 35bn Global Covered Bond Programme	27,428	25,695	19,201	17,211	1,224	1,224
Total securitisation and covered bond programmes	37,123	33,905	24,839	21,140	2,990	3,021

	Gross assets		External notes in issue		Notes held within the Company	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Covered bond programme:						
– Euro 35bn Global Covered Bond Programme	27,428	25,695	19,248	17,300	1,224	1,224
Total securitisation and covered bond programmes	27,428	25,695	19,248	17,300	1,224	1,224

The following table sets out the internal and external issuances and redemptions in 2025 and 2024 for each securitisation and covered bond programme.

	Internal issuances		External issuances		Internal redemptions		External redemptions	
	2025	2024	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m	£m	£m
Mortgage-backed master trust structures:								
– Holmes	172	106	1,500	1,250	—	17	—	—
– Fosse	—	894	—	—	—	865	—	100
Covered bond programme:								
– Euro 35bn Global Covered Bond Programme	—	—	2,687	5,890	—	41	1,152	3,359
	172	1,000	4,187	7,140	—	923	1,152	3,459

In January 2025, £200m of the Fosse retained notes were sold to an external counterparty.

	External issuances		Internal redemptions		External redemptions	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Covered bond programme:						
– Euro 35bn Global Covered Bond Programme	2,687	5,890	—	41	1,152	3,359
	2,687	5,890	—	41	1,152	3,359

Holmes Funding Ltd has a beneficial interest of £5,407m (2024: £3,735m) 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 (2024: £1,394m) 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 £182m (2024: £126m), 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 £47m (2024: £48m), 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 include (i) securities held by counterparties as collateral under repurchase agreements, (ii) securities lent under securities lending agreements, and (iii) loans transferred under securitisation or covered bond arrangements where 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 cannot 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 retains 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 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:

Nature of transaction	Group		Company	
	2025		2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Sale and repurchase agreements	1,295	1,280	1,346	(1,372)
Securities lending agreements	2,160	1,857	3,304	(2,807)

Nature of transaction	Group		Company	
	2025		2024	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Sale and repurchase agreements	1,295	1,280	1,346	(1,372)
Securities lending agreements	2,160	1,857	2,358	(2,307)

16. REVERSE REPURCHASE AGREEMENTS – NON-TRADING

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Agreements with banks	3,973	1,363	3,973	1,363
Agreements with customers	13,705	8,975	13,705	8,975
	17,678	10,338	17,678	10,338

At 31 December 2025, reverse repurchase agreements - non-trading included amounts due from Banco Santander group entities of £1m (2024: £nil).

17. OTHER FINANCIAL ASSETS AT AMORTISED COST

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Asset backed securities	—	—	1,767	1,798
Debt securities	3,987	3,408	3,987	3,408
	3,987	3,408	5,754	5,206

A significant portion of the debt securities are held in our eligible liquidity pool and consist mainly of government bonds and covered bonds.

The Company's asset backed securities include investments in debt securities issued by Santander UK structured entities.

18. INTERESTS IN OTHER ENTITIES

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Subsidiaries	—	—	1,281	1,257
Joint Ventures	293	289	—	—
	293	289	1,281	1,257

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	Carrying amount
	£m	£m
At 1 January 2025	1,257	1,257
Additions	24	24
At 31 December 2025	1,281	1,281
At 1 January 2024	1,220	1,220
Capital contribution	37	37
At 31 December 2024	1,257	1,257

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.

b) Interests in joint ventures

Santander UK does not have any individually material interests in joint ventures. In 2025, Santander UK's share in the profit after tax of its joint ventures was £4m (2024: £45m) before elimination of transactions between Santander UK and the joint ventures. At 31 December 2025, the carrying amount of Santander UK's interest was £293m (2024: £289m). At 31 December 2025 and 2024, 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 £7,431m (2024: £7,591m) 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 four (2024: five) 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 £175m (2024: £226m), 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 2025 and 31 December 2025	1,269	(70)	1,199	1,194	(25)	1,169

Impairment of goodwill

In 2025 and 2024, 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. Impairment is required where the carrying value of goodwill exceeds its recoverable amount.

For the Company, an impairment of £21m was recognised in 2024.

In 2025, 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).

Basis of the recoverable amount

The recoverable amount of all CGUs was determined based on a 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 and discount rate by CGU in the VIU calculation:

	Goodwill		Discount rate	
	2025	2024	2025	2024
	£m	£m	%	%
CGU				
Personal Financial Services	1,169	1,169	12.3	12.1
Private Banking	30	30	9.2	10.0
	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 forecast 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 2025, 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 2028. 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 2025, 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 2025.

Discount rate

The rate used to discount the forecast 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 16.7% (2024: 16.5%) and Private Banking CGU was 13.0% (2024: 15.1%). The Private Banking CGU has a different discount rate compared to the Personal Financial Services CGU because they operate in different markets and therefore have different comparables.

Growth rate beyond initial cash flow projections

The growth rate for periods beyond the initial cash flow projections is used to extrapolate the forecast 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 2025 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 2025 and 31 December 2024, 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	- 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 5% (2024: 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 (2024: increased by 100 basis points).

At 31 December 2025 and 31 December 2024, 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 in headroom as follows.

		Decrease in headroom	
		2025	2024
CGU	Reasonably possible change	£m	£m
Personal Financial Services	Cash flow projections decrease by 5% (2024: 10%)	438	754
	Discount rate increases by 100 basis points (2024: increased by 100 basis points)	723	622

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 2025, 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 2025, there was an increase in headroom driven by higher cash flow forecasts.

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.

2025	Carrying value	Value in use	Headroom	Increase in discount rate	Decrease in forecast cash flows
CGU	£m	£m	£m	bps	%
Personal Financial Services	8,072	8,752	680	94	8

2024	Carrying value	Value in use	Headroom	Increase in discount rate	Decrease in forecast cash flows
Personal Financial Services	7,294	7,639	345	53	5

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 2025	756	(416)	340	795	(466)	329
Additions	106	—	106	100	—	100
Disposals	(44)	39	(5)	(44)	40	(4)
Charge	—	(129)	(129)	—	(125)	(125)
At 31 December 2025	818	(506)	312	851	(551)	300
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

Other intangibles which consist of computer software, include computer software under development of £80m (2024: £99m), of which £35m is internally generated (2024: £20m). For the Company, other intangibles include computer software under development of £79m (2024: £99m), of which £17m is internally generated (2024: £19m).

The impairment charge of £nil (2024: £5m) relates to computer software no longer expected to yield future economic benefits. For the Company, the impairment charge of £nil (2024: £3m) relates to computer software no longer expected to yield future economic benefits.

20. PROPERTY, PLANT AND EQUIPMENT

	Property	Office fixtures and equipment	Computer software	Operating lease assets	Right-of-use assets	Group Total ¹
	£m	£m	£m	£m	£m	£m
Cost:						
At 1 January 2025	941	892	7	716	270	2,826
Additions	2	65	—	213	22	302
Reclassification to assets held for sale	(15)	—	—	—	—	(15)
Disposals	(20)	(38)	(1)	(225)	(15)	(299)
At 31 December 2025	908	919	6	704	277	2,814
Accumulated depreciation and impairment:						
At 1 January 2025	238	685	7	142	191	1,263
Charge for the year	22	55	—	70	18	165
Impairment during the year	16	4	—	5	3	28
Reclassification to assets held for sale	(7)	—	—	—	—	(7)
Disposals	(18)	(37)	(1)	(86)	(4)	(146)
At 31 December 2025	251	707	6	131	208	1,303
Carrying amount	657	212	—	573	69	1,511

	Property	Office fixtures and equipment	Computer software	Operating lease assets	Right-of-use assets	Group 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 and impairment:						
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

¹ In 2025 and 2024, property included investment properties of £16m.

See Note 27 for further details on the property provision made as part of transforming our branch network.

	Company				
	Property	Office fixtures and equipment	Computer software	Right-of-use assets	Total ¹
	£m	£m	£m	£m	£m
Cost:					
At 1 January 2025	931	869	1	254	2,055
Additions	2	65	—	21	88
Reclassification from assets held for sale	(15)	—	—	—	(15)
Disposals	(16)	(38)	(1)	(13)	(68)
At 31 December 2025	902	896	—	262	2,060
Accumulated depreciation:					
At 1 January 2025	234	662	1	185	1,082
Charge for the year	22	55	—	16	93
Impairment during the year	16	4	—	3	23
Reclassification from assets held for sale	(7)	—	—	—	(7)
Disposals	(16)	(37)	(1)	(3)	(57)
At 31 December 2025	249	684	—	201	1,134
Carrying amount	653	212	—	61	926
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

¹ In 2025 and 2024, property included investment properties of £16m.

21. DEPOSITS BY BANKS

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Items in the course of transmission ¹	572	523	555	517
Deposits held as collateral	442	682	442	682
Other deposits ²	5,613	12,787	4,791	12,781
Amounts due to other Santander UK Group Holdings plc subsidiaries	1	1	5,338	5,541
	6,628	13,993	11,126	19,521

¹ Includes £503m (2024: £476m) of balances relating to settlement activities.

² Includes balance drawn from the TFSME of £3.9bn (2024: £11.0bn).

At 31 December 2025, deposits by banks included amounts due to Banco Santander group entities of £1,264m (2024: £361m).

22. DEPOSITS BY CUSTOMERS

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
Demand and time deposits ¹	184,155	177,335	179,090	172,222
Amounts due to other Santander UK Group Holdings plc subsidiaries	182	122	30,990	26,933
Amounts due to Santander UK Group Holdings plc ²	1,373	1,793	1,373	1,793
Amounts due to fellow Banco Santander subsidiaries and joint ventures	1,590	1,717	190	267
	187,300	180,967	211,643	201,215

¹ Includes capital amount guaranteed / protected equity index linked deposits of £87m (2024: £173m).

² Includes downstreamed funding from our immediate parent company Santander UK Group Holdings plc.

At 31 December 2025, deposits by customers included amounts due to Banco Santander group entities of £3,145m (2024: £3,632m).

23. REPURCHASE AGREEMENTS – NON-TRADING

	Group and Company	
	2025	2024
	£m	£m
Agreements with banks	3,557	2,336
Agreements with customers	5,472	5,281
	9,029	8,617

At 31 December 2025, repurchase agreements - non-trading included amounts due to Banco Santander group entities of £20m (2024: £9m).

24. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2025	2024
	£m	£m
Structured Notes Programmes	331	355
Structured deposits	824	605
Zero Amortising Guaranteed Notes	95	95
	1,250	1,055

At 31 December 2025, other financial liabilities at fair value through profit or loss included amounts due to Banco Santander group entities of £16m (2024: £18m).

For the Santander UK group and the Company, in 2025 and 2024 all the other financial liabilities were designated at FVTPL.

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 £1m (2024: £17m loss, 2023: £21m loss). The cumulative net loss attributable to changes in the Santander UK group's own credit risk on the above securities at 31 December 2025 was £5m (2024: £4m loss, 2023: £6m loss).

At 31 December 2025, the amount that would be required to be contractually paid at maturity of the securities above was £35m (2024: £76m) below the carrying value.

25. DEBT SECURITIES IN ISSUE

	2025	Group	2025	Company
	£m	2024	£m	2024
	£m	£m	£m	£m
Medium-term notes:				
– US \$30bn Euro Medium Term Note Programme	308	696	308	696
– Euro €30bn Euro Medium Term Note Programme	1,982	—	1,982	—
	2,290	696	2,290	696
Downstreamed from Santander UK Group Holdings plc to Santander UK plc:				
– Euro €30bn Euro Medium Term Note Programme	2,960	2,997	2,960	2,997
– US SEC-registered Debt Programme - Santander UK plc	6,646	5,929	6,646	5,929
	11,896	9,622	11,896	9,622
Euro €35bn Global Covered Bond Programme	19,201	17,211	19,248	17,300
US \$20bn Commercial Paper Programmes	2,411	3,274	2,411	3,274
Certificates of deposit	1,607	1,196	1,607	1,196
Credit linked notes	635	441	635	441
Securitisation programmes	5,638	3,929	—	—
	41,388	35,673	35,797	31,833

At 31 December 2025, debt securities in issue included amounts due to Banco Santander group entities of £9,626m (2024: £9,036m).

26. OTHER LIABILITIES

	2025	Group	2025	Company
	£m	2024	£m	2024
	£m	£m	£m	£m
Lease liabilities	72	88	63	79
Other	2,101	1,764	1,886	1,710
	2,173	1,852	1,949	1,789

At 31 December 2025, other liabilities included amounts due to Banco Santander group entities of £273m (2024: £67m).

27. PROVISIONS

	Group							
	Customer remediation	Litigation and other regulatory	Regulatory levies and fees	Bank Levy	Property	ECL on undrawn facilities and guarantees	Restructuring	Other
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	348	112	2	4	28	85	18	14
Additional provisions (See Note 8)	198	40	95	36	18	5	93	208
Provisions released (See Note 8)	(2)	(83)	—	—	(2)	(7)	—	(4)
Utilisation and other	(76)	(31)	(91)	(74)	(13)	—	(90)	(201)
Recharge ¹	—	—	—	14	—	—	—	—
Reclassification from provisions to other assets	—	—	—	39	—	—	—	—
At 31 December 2025	468	38	6	19	31	83	21	17

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 2025 were £352m (2024: £208m).

	Company							
	Customer remediation	Litigation and other regulatory	Regulatory levies and fees	Bank Levy	Property	ECL on undrawn facilities and guarantees	Restructuring	Other
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2025	55	111	2	—	28	85	18	14
Additional provisions	48	12	95	32	18	5	90	170
Provisions released	(2)	(83)	—	—	(2)	(7)	—	(3)
Utilisation and other	(60)	(16)	(91)	(71)	(13)	—	(87)	(163)
Recharge ¹	—	—	—	14	—	—	—	—
Reclassification from provisions to other assets	—	—	—	39	—	—	—	—
At 31 December 2025	41	24	6	14	31	83	21	18

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 2025 were £138m (2024: £203m).

a) Customer remediation

Motor Finance Broker Commissions

Following the Financial Conduct Authority's (FCA) Motor Market review in 2019 which resulted in a change in rules in January 2021, Santander Consumer (UK) plc (SCUK) received several county court claims and complaints in respect of its historical use of discretionary commission arrangements (DCAs) prior to the 2021 rule changes. In January 2024, the FCA commenced a review of the use of DCAs between lenders and credit brokers (the FCA Review). Pending the conclusion of its review, the FCA paused the handling of motor finance commission related complaints. The pause is currently in place until 31 May 2026. A claim was issued against SCUK, Santander UK plc and others in the Competition Appeal Tribunal, alleging that SCUK's historical DCAs in respect of used car financing operated in breach of the Competition Act 1998. This is currently paused until the end of March 2026 reflecting the extended timeline of the FCA's Review and subsequent Consultation (see below).

On 1 August 2025, the Supreme Court handed down its judgment in Hopcraft, Wrench and Johnson (Hopcraft) that motor dealers acting as credit brokers do not owe fiduciary or disinterested duties to their customers and, as a consequence, commission payments by lenders to motor dealers would not be unlawful on that basis. In addition, the Supreme Court held that an unfair relationship under s.140A of the Consumer Credit Act 1974 had arisen in one of the cases on its facts and awarded the amount of the commission paid by the lender plus interest at a commercial rate as the remedy. It also confirmed that the test for unfairness was highly fact sensitive and it outlined a series of non-exhaustive factors to consider in assessing unfair relationships in this context (indicating that no or partial disclosure was not necessarily enough on its own to constitute an unfair relationship).

Following the Supreme Court's judgment, on 3 August 2025 the FCA announced that it aimed to publish a consultation on an industry-wide redress scheme in early October, and that this consultation would be open for six weeks. In early September 2025, the appeal to the Court of Appeal of the High Court's judicial review of a final decision by the Financial Ombudsman Service against another lender (which alongside the Supreme Court case was highly relevant to the outcome of the FCA's Review) was discontinued.

Further to the publication of the FCA's consultation paper on 7 October 2025 regarding a proposed industry-wide motor finance consumer redress scheme (Consultation), the Santander UK group has reassessed the potential financial impact arising from motor finance related redress payments.

The Santander UK group recognised a provision of £295m in its financial results for 2024. This provision was determined based upon the information then available. It included estimates for operational and legal costs and potential awards based on various scenarios and used a range of assumptions, including the possible outcome of the appeal to the Supreme Court in 2025 of the Court of Appeal's decision in Hopcraft.

The Santander UK group responded to the Consultation on 12 December 2025 and continues to engage constructively with the FCA about its Consultation proposals. Based on its detailed consideration, the Santander UK group considers that there remains significant uncertainty regarding the ultimate outcome of the Consultation. The Santander UK group has updated its range of scenarios which has resulted in an additional estimated charge of £183m, increasing the total provision to £461m. This continues to include estimates for operational and legal costs and potential awards reflecting an increased likelihood of a higher number of cases than had previously been predicted as eligible for redress as well as an increased possibility that a remedy is sought to be imposed which extends beyond reversing any damaging financial consequences caused by any unfair relationships. The provision is based on various scenarios using a range of assumptions, including potential changes to the proposed scheme following responses to the Consultation or publication of the FCA's final scheme rules.

There continue to be significant uncertainties as to the nature, extent and timing of redress payments. The ultimate financial impact could be materially higher or lower than the amount provided.

		Increase / (decrease) in provision
		2025
Assumption	Change in assumption	£m
Claim rate	5% increase	18
Claim rate	5% decrease	(18)

The claim rate represents the proportion of customers who make a request for reimbursement and is a critical judgement and accounting estimate that could materially change the ultimate financial impact.

We have assumed the claim rate in our provision is in line with a write and invite redress scheme with claim rates at 85%.

Mortgages

Provisions were also recognised in 2025 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 2025 there were net releases of £43m (2024: £39m charge) for legal provisions.

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 2025 there were charges of £95m (2024: £44m) including £50m (2024: £nil) relating to FCA fees.

d) Bank Levy

In 2025, a rate of 0.05% (2024: 0.05%) was charged on long term chargeable equity and liabilities and 0.10% on short-term chargeable liabilities (2024: 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 charge of £16m relating to transformation activity in 2025 (2024: release of £2m). In 2025, 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 £88m 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 2025, Other provisions included charges for operational risk provisions of £153m (2024: £161m), including fraud losses of £122m (2024: £122m).

Transforming our Branch Network

In 2025 we announced changes to our branch network to enable the bank to better serve the changing needs of its customers. Starting in June 2025, the changes involve the closure of 95 branches, with new Community Bankers providing local communities with ongoing face-to-face support in these locations. Our refreshed network will consist of 350 branches, including 290 full-service branches, 36 reduced-hours branches, 18 counter-free branches and 6 Work Cafés. As part of these changes, approximately 750 of our colleagues have been placed at risk of redundancy, with support provided to those impacted, including assistance in finding redeployment roles within the bank, access to specialist outplacement support, and dedicated wellbeing support. As a result, we have taken £63m in charges in 2025 including £25m in redundancy provisions and £17m in property provisions which are included in the table shown above. The remaining £21m relates to the impairment of property, see Note 20.

28. RETIREMENT BENEFIT PLANS

The amounts recognised in the balance sheet were as follows:

	Group and Company	
	2025	2024
	£m	£m
Assets/(liabilities)		
Funded defined benefit pension scheme - surplus	524	439
Unfunded pension and post-retirement medical benefits	(22)	(23)
Total net assets	502	416

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 £74m (2024: £79m) 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% (2024: 6%) 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 (2024: six) Directors selected by Santander UK Group Holdings plc, plus four (2024: 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 2025 was finalised in November 2025, with an overall scheme deficit of £75m. The next scheduled triennial funding valuation will be at 31 March 2028. 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:

	2025	2024	Group 2023
	£m	£m	£m
Net interest income	(27)	(34)	(54)
Current service cost	8	13	13
Past service and GMP costs	—	—	1
Administration costs	8	9	7
	(11)	(12)	(33)

The amounts recognised in other comprehensive income were as follows:

	2025	2024	Group 2023
	£m	£m	£m
Loss on plan assets (excluding amounts included in net interest expense)	359	1,217	352
Actuarial gains arising from changes in demographic assumptions	(163)	(113)	(51)
Actuarial losses arising from experience adjustments	86	84	91
Actuarial (gains)/losses arising from changes in financial assumptions	(182)	(786)	206
	100	402	598

Movements in the present value of defined benefit scheme obligations were as follows:

	Group and Company	
	2025	2024
	£m	£m
At 1 January	(7,380)	(8,201)
Current service cost paid by Santander UK plc	(8)	(13)
Interest cost	(398)	(371)
Employer salary sacrifice contributions	(2)	(4)
– Changes in demographic assumptions	163	113
– Experience adjustments	(86)	(84)
– Changes in financial assumptions	182	786
Benefits paid	402	394
At 31 December	(7,127)	(7,380)

Movements in the fair value of the schemes' assets were as follows:

	Group and Company	
	2025	2024
	£m	£m
At 1 January	7,796	8,858
Interest income	425	405
Contributions paid by employer and scheme members	177	153
Administration costs paid	(8)	(9)
Return on plan assets (excluding amounts included in net interest expense)	(359)	(1,217)
Benefits paid	(402)	(394)
At 31 December	7,629	7,795

The composition and fair value of the schemes' assets by category was:

	Quoted prices in active markets		Prices not quoted in active markets		Total		Valuation technique
	£m	%	£m	%	£m	%	
2025							
Overseas equities	—	—	585	8	585	8	A,C
Corporate bonds	2,282	30	151	2	2,433	32	A,C
Government fixed interest bonds	1,717	23	—	—	1,717	23	A
Government index-linked bonds	4,509	59	—	—	4,509	59	A
Property	—	—	848	11	848	11	B
Derivatives	—	—	(6)	—	(6)	—	A
Cash	—	—	918	12	918	12	A
Repurchase agreements ¹	—	—	(3,629)	(48)	(3,629)	(48)	A
Infrastructure	62	1	3	—	65	1	B,C
Annuities	—	—	262	3	262	3	D
Longevity swap	—	—	(76)	(1)	(76)	(1)	D
Other	—	—	3	—	3	—	C
	8,570	113	(941)	(13)	7,629	100	—
2024							
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	

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 2025 and 2024 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.

At 31 December 2025 and 2024, as highlighted above, the Scheme was invested in certain assets whose values are not based on market observable data, such as investments in private equity funds and bonds, as well as commercial real estate, property funds, 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 2025 the currency forwards had a notional value of £772m (2024: £709m). In 2025, we reduced our investments in property 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 2025 and 2024. 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 £174m in 2025 (2024: £150m) to the Scheme, of which £148m (2024: £119m) was in respect of agreed deficit repair contributions. A new valuation at 31 March 2025 was agreed in November 2025 with a new schedule of contributions applying from 28 November 2025. The funding target was maintained as above. Under this valuation a single deficit contribution is due in March 2026 to address any remaining underfunding. Contingent contributions may also be due if there is underperformance from the not quoted assets. 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		
	2025	2024	2023
	%	%	%
To determine benefit obligations ¹ :			
– Discount rate for scheme liabilities	5.6	5.5	4.6
– General price inflation	2.9	3.1	3.0
– General salary increase	1.0	1.0	1.0
– Expected rate of pension increase	2.8	3.0	3.0
	Years	Years	Years
Longevity at 60 for current pensioners, on the valuation date:			
– Males	27.2	26.9	27.0
– Females	29.1	29.8	29.8
Longevity at 60 for future pensioners currently aged 40, on the valuation date:			
– Males	28.7	28.5	28.6
– Females	30.6	31.3	31.3

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 2025 was due to the decreased inflation rate reflecting changes in market conditions and updated longevity assumptions.

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.

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 S4 Light all pensioners amounts mortality table was adopted with appropriate adjustments to reflect the actual mortality experience. At 31 December 2025 the assumption for future improvements was updated and the CMI 2024 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. The assumptions were reviewed as part of the 2025 funding valuation which indicated no changes were required so were retained at 31 December 2025.

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	
		2025	2024
Assumption	Change in pension obligation at period end from	£m	£m
Discount rate	50bps increase	(377)	(413)
General price inflation	50bps increase	305	316
Mortality	Each additional year of longevity assumed	195	190

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
2026	503
2027	423
2028	439
2029	460
2030	475
Five years ending 2035	2,445

The average duration of the defined benefit obligation at 31 December 2025 was 12.0 years (2024: 12.7 years).

29. SUBORDINATED LIABILITIES

	Group		Company	
	2025	2024	2025	2024
	£m	£m	£m	£m
£325m Sterling preference shares	343	343	343	343
Undated subordinated liabilities	205	205	205	205
Dated subordinated liabilities	1,484	1,837	1,485	1,838
	2,032	2,385	2,033	2,386

At 31 December 2025, subordinated liabilities included amounts due to Banco Santander group entities of £1,532m (2024: £1,879m).

In 2025, certain debt securities and subordinated liabilities were repurchased, resulting in a loss of £3m (2024: nil).

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 2025 and 2024, 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 FRA.

Undated subordinated liabilities

	First call date	Group		Company	
		2025	2024	2025	2024
		£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

	Maturity	Group		Company	
		2025	2024	2025	2024
		£m	£m	£m	£m
4.75% Subordinated notes	2025	—	332	—	332
7.95% Subordinated notes	2029	177	189	177	189
6.50% Subordinated notes	2030	1	1	1	1
5.875% Subordinated notes	2031	8	7	9	8
5.625% Subordinated notes	2045	210	226	210	226
7.869% Subordinated notes	2033	319	314	319	314
8.296% Subordinated notes	2033	769	768	769	768
		1,484	1,837	1,485	1,838

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

	2025	Group 2024	2025	Company 2024
	£m	£m	£m	£m
Guarantees given to subsidiaries	—	—	5,044	5,185
Guarantees given to third parties	716	493	716	493
Formal standby facilities, credit lines and other commitments	38,105	35,156	38,094	35,155
	38,821	35,649	43,854	40,833

At 31 December 2025, 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 2027. 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.

Motor finance broker commissions

As set out in Note 27, Santander UK has recognised a provision for motor finance commission payments. There continue to be significant uncertainties as to the extent of remediation action. As such, the ultimate financial impact could be materially higher or lower than the amount provided. Based on Management's range of scenarios, the unweighted provision for the upper range estimate would result in an increase in provision from £461m to £646m.

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 2025 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 liabilities. 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. Any potential losses, claims or expenses suffered or incurred by Santander Financial Services plc in respect of these matters have been fully indemnified by Santander UK plc, as part of the ring-fencing transfer scheme between Santander UK plc, Santander Financial Services plc and Banco Santander SA.

Payment Protection Insurance claim

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) brought a claim against (i) Santander Cards UK Limited (formerly 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) (SISUK and together with GECB 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.

On 25 July 2025, the Commercial Court of England and Wales handed down its judgment in relation to the claim brought by AXA France (the Judgment). It found against SISUK in relation to AXA France's claim pursuant to an indemnity in an agency agreement entered between GECB, FICL and FACL in 2000 and novated by GECB to SISUK in 2010. It also found GECB negligent in the sale of PPI policies, but this element of the claim was time barred to PPI policies sold in the period between 2002 and 2005 and overlaps with the indemnity claim.

In October 2025, the Santander Entities obtained permission to appeal the findings in the Judgment relating to the application of the indemnity arising from PPI sales occurring before the indemnity had been agreed in December 2000 (Santander Appeal). In January 2026, AXA France obtained permission to cross-appeal the Commercial Court's rejection of AXA France's contribution claim made under the Civil Liability (Contribution) Act 1978 against Santander Cards UK Limited. If the Santander Entities and AXA are both successful in their respective appeals, subject to any further appeal and defences which may be available to the Santander Entities, the Court of Appeal may find that Santander Cards UK Limited has a liability in contribution to AXA France for an amount to be determined by the Court.

With respect to the Santander Appeal and AXA France's cross-appeal, there are points of legal interpretation to be resolved and, in the case of the cross-appeal, factual points to be determined. In addition to the significant uncertainties outlined above as to whether any exposure for Santander Cards UK Limited will arise, it is noted that any such exposure would represent a reallocation of the costs already paid and recognised by other entities within the Banco Santander SA Group. The significant uncertainties make it difficult to predict the timing or the significance of the possible impact for the Santander UK group. With that context (and subject to the foregoing), the Santander UK group notes that its maximum potential exposure is approximately £528m. A decision on the Santander Appeal and AXA France's cross appeal is expected in H2 2026.

No customers have suffered loss as a consequence of the claim brought by AXA France or the Judgment, nor does it impact upon past redress paid to customers for PPI complaints.

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, our assessment is that the litigation will not give rise to more than €1bn of losses relating to UK&I MIFs, which would mean that the indemnity would not be called upon. However, the potential impact of the litigation is still not certain, and therefore it is still possible that the indemnity could be called upon.

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 2025, 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
	No.	£m	£m
Issued and fully paid share capital			
At 31 December 2024, 1 January 2025 and 31 December 2025	31,051,768,866	3,105	3,105

	Group and Company	
	2025	2024
	£m	£m
Share premium		
1 January 2025	5,620	5,620
Reduction	(4,501)	—
31 December 2025	1,119	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.

On 18 September 2025, the High Court of Justice, Chancery Division confirmed the reduction of the share premium account of Santander UK plc. The share premium account was reduced by £4,501m and retained earnings were increased by the same amount.

32. OTHER EQUITY INSTRUMENTS

	Interest rate	Next call date	Group and Company	
			2025	2024
	%		£m	£m
AT1 securities:				
- £500m Perpetual Capital Securities	6.30	March 2025	—	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	400
- £500m Perpetual Capital Securities	7.63	Sept 2030	500	—
			1,860	1,860

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%.

In February 2025, Santander UK Group Holdings plc issued £500m 7.63% Fixed Rate Reset Perpetual AT1 Capital Securities, which were fully subscribed by the Company's immediate parent company, Banco Santander SA, and in March 2025 redeemed the £500m 6.30% Fixed Rate Reset Perpetual AT1 Capital Securities.

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	Total
	£m	£m	£m	£m	£m
2025					
At 1 January	35,673	2,385	1,860	88	40,006
Proceeds from issue of debt securities	9,809	—	—	—	9,809
Repayment of debt securities	(3,917)	—	—	—	(3,917)
Repayment of subordinated liabilities	—	(302)	—	—	(302)
Issue of other equity instruments	—	—	500	—	500
Repurchase of other equity instruments	—	—	(500)	—	(500)
Principal elements of lease payments	—	—	—	(22)	(22)
Liability-related other changes	176	(5)	—	6	177
Non-cash changes:					
– Unrealised foreign exchange	(546)	(54)	—	—	(600)
– Other changes	193	8	—	—	201
At 31 December	41,388	2,032	1,860	72	45,352
2024					
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)
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	40,006
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)
Liability-related other changes	1,004	25	—	33	1,062
Non-cash changes:					
– Unrealised foreign exchange	(651)	(22)	—	—	(673)
– Other changes	386	(28)	—	—	358
At 31 December	33,910	2,386	1,956	111	38,363

	Balance sheet line item				Company
	Debt securities in issue £m	Subordinated liabilities £m	Other equity instruments £m	Lease liabilities £m	Total £m
2025					
At 1 January	31,833	2,386	1,860	79	36,158
Proceeds from issue of debt securities	8,108	—	—	—	8,108
Repayment of debt securities	(3,917)	—	—	—	(3,917)
Repayment of subordinated liabilities	—	(302)	—	—	(302)
Issue of other equity instruments	—	—	500	—	500
Repurchase of other equity instruments	—	—	(500)	—	(500)
Principal elements of lease payments	—	—	—	(20)	(20)
Liability-related other changes	171	(5)	—	4	170
Non-cash changes:					
– Unrealised foreign exchange	(546)	(54)	—	—	(600)
– Other changes	148	8	—	—	156
At 31 December	35,797	2,033	1,860	63	39,753
2024					
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)
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	36,158
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)
Liability-related other changes	990	25	—	30	1,045
Non-cash changes:					
– Unrealised foreign exchange	(651)	(22)	—	—	(673)
– Other changes	292	(31)	—	—	261
At 31 December	31,228	2,387	1,956	100	35,671

Footnotes to the consolidated cash flow statement

Net cash flows from operating activities includes interest received of £11,486m (2024: £12,370m, 2023: £11,395m), interest paid of £6,899m (2024: £8,033m, 2023: £6,326m) and dividends received of £nil (2024: £nil, 2023: £nil).

Total cash outflow for leases was £25m (2024: £36m, 2023: £50m).

Footnotes to the Company cash flow statement

Net cash flows from operating activities includes interest received of £12,102m (2024: £12,975m, 2023: £11,828m), interest paid of £6,960m (2024: £7,931m, 2023: £6,327m) and dividends received of £162m (2024: £240m, 2023: £420m).

Total cash outflow for leases was £23m (2024: £34m, 2023: £47m).

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	
	2025	2024	2025	2024
	£m	£m	£m	£m
On-balance sheet:				
Cash and balances at central banks	1,440	1,580	1,440	1,580
Loans and advances to banks	238	139	235	139
Loans and advances to customers - securitisations and covered bonds (See Note 14)	36,466	32,721	—	—
Loans and advances to customers - other	6,512	14,846	6,512	14,846
Other financial assets at amortised cost	1,282	1,529	1,282	1,529
Financial assets at fair value through other comprehensive income	2,900	4,504	2,900	4,504
Total on-balance sheet	48,838	55,319	12,369	22,598
Total off-balance sheet	9,653	9,564	9,653	9,564

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 2025 was £15,243m (2024: £16,987m), of which £2,474m (2024: £2,472m) 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 2025, there were £37,123m (2024: £33,905m) of gross assets in these secured programmes and £657m (2024: £1,184m) of these related to internally retained issuances that were available for use as collateral for liquidity purposes in the future.

At 31 December 2025, £2,975m (2024: £3,003m) 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 2025 (2024: £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 £7,133m at 31 December 2025 (2024: £15,860m) 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 2025, £2,122m (2024: £1,787m) of such collateral in the form of cash had been provided by Santander UK and is included in the table above.

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	
	2025	2024	2025	2024
	£m	£m	£m	£m
On-balance sheet:				
Deposits by banks	442	682	442	682
Deposits by customers	117	—	17	—
Total on-balance sheet	559	682	459	682
Total off-balance sheet	17,708	14,392	17,708	14,392

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 2025, the fair value of such collateral received was £16,410m (2024: £13,221m). 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 £1,298m at 31 December 2025 (2024: £1,171m) 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 2025, £559m (2024: £682m) 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 2025, the carrying amount of liabilities arising from share-based payment transactions, excluding any cash element was £64m (2024: £24m), of which £12m had vested at 31 December 2025 (2024: £1m).

a) Sharesave Schemes

The Santander UK group launched its seventeenth HM Revenue & Customs approved Sharesave invitation under Banco Santander SA sponsorship in September 2025. Sharesave invitations have been offered since 2008 under broadly similar terms. However, in 2025 only a three-year term was offered. Eligible employees may enter into contracts to save between £5 and £500 per month. 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 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.

	2025		2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	'000	£	'000	£
Outstanding at 1 January	25,689	2.39	27,139	2.19
Granted	3,324	6.35	4,991	3.36
Exercised	(9,966)	1.90	(4,004)	2.29
Forfeited/expired	(1,554)	2.88	(2,437)	2.37
Outstanding at 31 December	17,493	3.38	25,689	2.39
Exercisable at 31 December	1,886	2.10	1,115	2.36

The weighted average share price at the date the options were exercised was £7.78 (2024: £3.64).

The following table summarises the range of exercise prices and weighted average remaining contractual life of the options at 31 December 2025 and 2024.

Range of exercise prices	2025		2024	
	Weighted average remaining contractual life	Weighted average exercise price	Weighted average remaining contractual life	Weighted average exercise price
	Years	£	Years	£
£1 to £2	1	1.86	2	1.85
£2 to £3	2	2.74	2	2.71
£3 to £4	3	3.36	4	3.36
£6 to £7	3	6.35	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 £0.44 (2024: £0.23).

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 £660,000) or 60% (for the portion of any variable pay award greater than £660,000) is deferred over a four- or five-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 2025, 2,815,000 shares were outstanding (2024: 3,662,718 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 £13.4m (2024: £5.2m).

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.

	2025	2024	2023
	£	£	£
Directors' remuneration			
Salaries and fees	6,069,144	4,879,413	4,733,761
Performance-related payments	5,060,084	2,871,476	1,002,607
Other fixed remuneration (pension and other allowances & non-cash benefits) ¹	1,201,186	516,442	222,538
Total remuneration	12,330,414	8,267,331	5,958,906
	2025	2024	2023
	£	£	£
Directors' and Other Key Management Personnel compensation			
Short-term employee benefits	24,409,887	21,742,485	18,449,360
Post-employment benefits	1,123,802	868,368	858,437
Compensation for loss of office ²	3,000	—	—
Total compensation	25,536,689	22,610,853	19,307,797

¹ Included in Other fixed remuneration is an employer pension contribution to a defined contribution scheme of £292,540 (2024: £122,915).

² During 2025 legal fees of £3,000 were paid to one KMP in connection to loss of office. In 2024 and 2023, no compensation for loss of office was paid to Directors or Other KMPs. No payments to past directors have been made in respect of 2025 or 2024.

In 2025, the remuneration, excluding pension contributions, of the highest paid Director, was £3,422,838 (2024: £3,160,709, 2023: £2,640,491) of which £1,686,482 (2024: £1,431,612, 2023: £1,002,607) was performance related. In 2025, the accrued defined benefit pension relating to the highest paid director was £nil (2024: £nil, 2023: £nil).

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 2025, which have been provided for previously, amounted to £445,951 (2024: £430,904; 2023: £327,462). 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.

	2025		2024	
	No.	£000	No.	£000
Secured loans, unsecured loans and overdrafts				
At 1 January	10	996	8	1,075
Net movements	1	316	2	(79)
At 31 December	11	1,312	10	996
Deposit, bank and instant access accounts and investments				
At 1 January	19	1,780	17	1,702
Net movements	2	790	2	78
At 31 December	21	2,570	19	1,780

In 2025 and 2024, 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 2025 and 2024, 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 2025 and 2024, two Directors had loans with a principal amount of £380,067 outstanding at 31 December 2025 (2024: £180,000). In 2025, four Other KMPs had loans (2024: two), with a principal amount of £883,163 outstanding at 31 December 2025 (2024: £781,285).

In 2025 and 2024, 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 2025 and 2024, 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	
	2025	2024	2023	2025	2024	2023	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Ultimate parent	(19)	(23)	(8)	321	138	414	730	587	(1,834)	(944)
Immediate parent	(6)	(7)	(7)	594	526	504	—	—	(12,275)	(12,392)
Fellow subsidiaries	(38)	(42)	(38)	310	228	203	62	68	(573)	(346)
Joint ventures	(287)	(258)	(183)	76	84	55	5,038	4,812	(1,485)	(1,567)
	(350)	(330)	(236)	1,301	976	1,176	5,830	5,467	(16,167)	(15,249)

	Company									
	Interest, fees and other income received			Interest, fees and other expenses paid			Amounts owed by related parties		Amounts owed to related parties	
	2025	2024	2023	2025	2024	2023	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Ultimate parent	(20)	(12)	(8)	291	127	414	730	587	(1,019)	(944)
Immediate parent	(6)	(7)	(7)	594	526	504	—	—	(12,275)	(12,392)
Subsidiaries	(1,371)	(1,311)	(1,014)	784	2,535	1,359	31,883	30,090	(37,593)	(34,274)
Fellow subsidiaries	(34)	(37)	(33)	300	221	197	58	60	(573)	(345)
Joint ventures	—	—	—	1	1	1	1	1	(85)	(117)
	(1,431)	(1,367)	(1,062)	1,970	3,410	2,475	32,672	30,738	(51,545)	(48,072)

For more on this, see Note 11 Derivative Financial Statements, Note 13 Loans and advances to customers, Note 21 Deposit by banks, Note 22 Deposits by customers, Note 23 Repurchase agreements - non-trading, Note 24 Other Financial liabilities at Fair Value Through Profit or Loss, Note 25 Debt Securities in Issue, Note 26 Other liabilities, Note 29 Subordinated Liabilities and Note 32 Other Equity Instruments.

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.

Santander (CF Trustee) Limited entered into an unsecured committed liquidity facility with Santander UK plc 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.

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 2025 and 2024 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 2025, 2024 and 2023.

- 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 2025 and 2024, 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.

	Group									
	2025					2024				
	Fair value				Carrying value	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets										
Loans and advances to customers	—	—	203,426	203,426	202,609	—	—	198,376	198,376	199,408
Loans and advances to banks	—	1,048	—	1,048	1,048	—	1,032	—	1,032	1,032
Reverse repurchase agreements - non-trading	—	17,696	—	17,696	17,678	—	10,342	—	10,342	10,338
Other financial assets at amortised cost	3,747	—	—	3,747	3,987	3,190	—	—	3,190	3,408
	3,747	18,744	203,426	225,917	225,322	3,190	11,374	198,376	212,940	214,186
Liabilities										
Deposits by customers	—	117	187,849	187,966	187,300	—	185	180,282	180,467	180,967
Deposits by banks	—	6,630	—	6,630	6,628	—	13,934	39	13,973	13,993
Repurchase agreements - non-trading	—	9,039	—	9,039	9,029	—	8,622	—	8,622	8,617
Debt securities in issue	25,874	14,618	1,421	41,913	41,388	21,173	12,910	1,771	35,854	35,673
Subordinated liabilities	1,065	1,161	187	2,413	2,032	1,129	10	1,622	2,761	2,385
	26,939	31,565	189,457	247,961	246,377	22,302	35,661	183,714	241,677	241,635

	Company									
	2025					2024				
	Fair value				Carrying value	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets										
Loans and advances to customers	—	—	223,075	223,075	222,467	—	—	216,851	216,851	217,780
Loans and advances to banks	—	990	—	990	990	—	926	—	926	926
Reverse repurchase agreements - non-trading	—	17,696	—	17,696	17,678	—	10,342	—	10,342	10,338
Other financial assets at amortised cost	3,747	1,593	—	5,340	5,754	3,190	1,977	—	5,167	5,206
	3,747	20,279	223,075	247,101	246,889	3,190	13,245	216,851	233,286	234,250
Liabilities										
Deposits by customers	—	17	212,293	212,310	211,643	—	185	200,530	200,715	201,215
Deposits by banks	—	11,127	—	11,127	11,126	—	13,922	5,579	19,501	19,521
Repurchase agreements - non-trading	—	9,039	—	9,039	9,029	—	8,621	—	8,621	8,617
Debt securities in issue	20,968	14,480	859	36,307	35,797	17,870	12,846	1,379	32,095	31,833
Subordinated liabilities	1,065	1,161	187	2,413	2,033	1,129	10	1,598	2,737	2,386
	22,033	35,824	213,339	271,196	269,628	18,999	35,584	209,086	263,669	263,572

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 2025 and 31 December 2024, analysed by their levels in the fair value hierarchy - Level 1, Level 2 and Level 3.

		2025				2024				Group
		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	—	671	—	671	—	978	—	978	A
	Interest rate contracts	—	1,078	—	1,078	—	1,675	—	1,675	A & C
	Inflation rate contracts	—	85	—	85	—	70	—	70	A
	Equity and credit contracts	—	64	30	94	—	89	35	124	B & D
	Netting	—	(1,058)	—	(1,058)	—	(1,643)	—	(1,643)	
		—	840	30	870	—	1,169	35	1,204	
Other financial assets at FVTPL	Loans and advances to customers	—	—	40	40	—	—	44	44	A
	Debt securities and other debt instruments	—	—	24	24	—	56	36	92	A, B & D
		—	—	64	64	—	56	80	136	
Financial assets at FVOCI	Debt securities	5,017	199	—	5,216	8,805	201	34	9,040	D
		5,017	199	—	5,216	8,805	201	34	9,040	
Total assets at fair value		5,017	1,039	94	6,150	8,805	1,426	149	10,380	
Liabilities										
Derivative financial instruments	Exchange rate contracts	—	512	—	512	—	430	—	430	A
	Interest rate contracts	—	1,182	—	1,182	—	1,894	—	1,894	A & C
	Inflation rate contracts	—	30	—	30	—	—	—	—	A
	Equity and credit contracts	—	8	13	21	—	7	14	21	B & D
	Netting	—	(1,058)	—	(1,058)	—	(1,643)	—	(1,643)	
		—	674	13	687	—	688	14	702	
Other financial liabilities at FVTPL	Debt securities in issue	—	331	—	331	—	355	—	355	A
	Structured deposits	—	824	—	824	—	605	—	605	A
	Zero Amortising Guaranteed Notes	—	95	—	95	—	95	—	95	D
		—	1,250	—	1,250	—	1,055	—	1,055	
Total liabilities at fair value		—	1,924	13	1,937	—	1,743	14	1,757	

		2025				2024				Company
		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	—	771	—	771	—	1,243	—	1,243	A
	Interest rate contracts	—	1,075	—	1,075	—	1,685	3	1,688	A & C
	Inflation rate contracts	—	85	—	85	—	70	—	70	A
	Equity and credit contracts	—	64	30	94	—	89	35	124	B & D
	Netting	—	(1,058)	—	(1,058)	—	(1,643)	—	(1,643)	
		—	937	30	967	—	1,444	38	1,482	
Other financial assets at FVTPL	Loans and advances to customers	—	—	40	40	—	—	44	44	A
	Debt securities and other debt instruments	—	—	—	—	—	56	—	56	C
		—	—	40	40	—	56	44	100	
Financial assets at FVOCI	Debt securities	5,017	199	—	5,216	8,805	201	34	9,040	D
		5,017	199	—	5,216	8,805	201	34	9,040	
Total assets at fair value		5,017	1,136	70	6,223	8,805	1,701	116	10,622	
Liabilities										
Derivative financial instruments	Exchange rate contracts	—	836	—	836	—	456	—	456	A
	Interest rate contracts	—	1,235	1,068	2,303	—	1,933	1,840	3,773	A & C
	Inflation rate contracts	—	30	—	30	—	—	—	—	A
	Equity and credit contracts	—	8	13	21	—	7	14	21	B
	Netting	—	(1,058)	—	(1,058)	—	(1,643)	—	(1,643)	
		—	1,051	1,081	2,132	—	753	1,854	2,607	
Other financial liabilities at FVTPL	Debt securities in issue	—	331	—	331	—	355	—	355	A
	Structured deposits	—	824	—	824	—	605	—	605	A
	Zero Amortising Guaranteed Notes	—	95	—	95	—	95	—	95	D
		—	1,250	—	1,250	—	1,055	—	1,055	
Total liabilities at fair value		—	2,301	1,081	3,382	—	1,808	1,854	3,662	

Transfers between levels 1 and 2 of the fair value hierarchy

In 2025 and 2024, there were no significant transfers of financial instruments between levels 1 and 2 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:

	2025	Group 2024
	£m	£m
Risk-related:		
- Bid-offer and trade specific adjustments	9	6
- Uncertainty	4	4
- Credit risk adjustment	1	1
- Funding fair value adjustment	1	—
	15	11

	2025	Company 2024
	£m	£m
Risk-related:		
- Bid-offer and trade specific adjustments	9	8
- Uncertainty	4	4
- Credit risk adjustment	1	1
- Funding fair value adjustment	1	—
	15	13

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:

Balance sheet line item	Category	Financial instrument product type	Group				
			Balance sheet value		Fair value movements recognised in profit/(loss)		
			2025	2024	2025	2024	2023
			£m	£m	£m	£m	£m
1. Derivative assets	Equity and credit contracts	Reversionary property interests	30	35	1	6	12
2. FVTPL assets	Loans and advances to customers	Roll-up mortgage portfolio	20	22	(1)	(1)	(2)
3. FVTPL assets	Loans and advances to customers	Other loans	20	22	2	—	4
4. FVTPL assets	Debt securities	Reversionary property securities	24	36	—	2	(3)
5. FVOCI assets	Debt Instruments	Other securities	—	34	—	—	—
			94	149	2	7	11
Other Level 3 assets			—	—	—	—	(1)
Other Level 3 liabilities			(13)	(14)	1	(5)	(2)
Total net assets			81	135			
Total income/(expense)					3	2	8

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.

Balance sheet line item	Category	Financial instrument product type	Company				
			Balance sheet value		Fair value movements recognised in profit/(loss)		
			2025	2024	2025	2024	2023
			£m	£m	£m	£m	£m
1. Derivative assets	Interest rate contracts	Securitisation swaps	—	3	—	(131)	131
2. Derivative asset	Equity and credit contracts	Reversionary property interests	30	35	1	6	12
3. FVTPL Assets	Loans and advances to customers	Roll-up mortgage portfolio	20	22	(1)	(1)	(2)
4. FVTPL Assets	Loans and advances to customers	Other loans	20	22	2	—	4
5. FVOCI Assets	Debt securities	Other securities	—	34	—	—	—
6. Derivative liabilities	Interest rate contracts	Securitisation swaps	(1,068)	(1,840)	772	(749)	(61)
			(998)	(1,724)	774	(875)	84
Other Level 3 assets			—	—	—	—	4
Other Level 3 liabilities			(13)	(14)	1	(5)	(6)
Total net assets			(1,011)	(1,738)			
Total (expense)/income					775	(880)	82

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 & 5. FVTPL assets – Loans and advances to customers – other loans/debt securities

See Group valuation technique 3 & 4.

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 2025 and 2024:

	Group					
	Assets			Liabilities		
	Derivatives	Other financial assets at FVTPL	Financial assets at FVOCI	Total	Derivatives	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2025	35	80	34	149	(14)	(14)
Total gains/(losses) recognised:						
Fair value movements ¹	1	1	—	2	1	1
Transfers out	—	—	(32)	(32)	—	—
Settlements	(6)	(17)	(2)	(25)	—	—
At 31 December 2025	30	64	—	94	(13)	(13)
Gains recognised in profit or loss/other comprehensive income relating to assets and liabilities held at the end of the year ¹	1	1	—	2	1	1
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)

¹ Fair value movements relating to derivatives and other financial assets at FVTPL are recognised in other operating income in the income statement.

	Assets				Company Liabilities	
	Derivatives	Other financial assets at FVTPL	Financial assets at FVOCI	Total	Derivatives	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2025	38	44	34	116	(1,854)	(1,854)
Total gains/(losses) recognised:						
Fair value movements ¹	1	1	—	2	773	773
Transfers out	—	—	(32)	(32)	—	—
Settlements	(9)	(5)	(2)	(16)	—	—
At 31 December 2025	30	40	—	70	(1,081)	(1,081)
Gains/(losses) recognised in profit or loss/other comprehensive income relating to assets and liabilities held at the end of the year ¹	1	1	—	2	773	773
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)
(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)

¹ Fair value movements relating to derivatives and other financial assets at FVTPL are recognized in other operating income in the income statements. Fair value movements relating to financial assets at FVOCI are recognised in the movement in fair value reserve (debt instruments). Derivative fair value movements comprise unrealised fair value losses of £177m (2024: £1,950m) and coupon settlements of £950m (2024: £1,196m).

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.

2025	Fair value £m	Significant unobservable input		Sensitivity			Company
		Assumption description	Assumption value		Shift	Favourable changes £m	Unfavourable changes £m
			Range ¹	Weighted average			
1. Derivative liabilities - Interest rate contracts:		Weighted Average Mortgage Rate Payable	2% - 7%	4 %	0.5 %	345	(345)
- Securitisation swaps	(1,068)						
2024							
1. Derivative assets - Interest rate contracts:		Weighted Average Mortgage Rate Payable	5% - 6%	5 %	0.5 %	20	(20)
- Securitisation swaps	3						
2. Derivative liabilities - Interest rate contracts:		Weighted Average Mortgage Rate Payable	2% - 7%	4 %	0.5 %	384	(384)
- Securitisation swaps	(1,840)						

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.

2025	Group					Total £m
	On demand £m	Not later than 3 months £m	Later than 3 months and not later than 1 year £m	Later than 1 year and not later than 5 years £m	Later than 5 years £m	
Financial liabilities						
Derivative financial instruments	—	77	104	452	134	767
Other financial liabilities at fair value through profit or loss	—	172	114	707	438	1,431
Deposits by customers	177,747	4,072	2,818	2,612	238	187,487
Deposits by banks	696	726	969	3,299	1,668	7,358
Repurchase agreements – non trading	—	6,584	2,524	—	—	9,108
Debt securities in issue	—	6,677	3,166	27,747	11,462	49,052
Subordinated liabilities	—	33	98	621	2,623	3,375
Lease liabilities	—	—	21	46	14	81
Total financial liabilities	178,443	18,341	9,814	35,484	16,577	258,659
Off-balance sheet commitments given	3,757	22,766	1,330	7,602	3,366	38,821
2024						
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	—	—	8,556
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

						Company
	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
2025	£m	£m	£m	£m	£m	£m
Financial liabilities						
Derivative financial instruments	—	121	120	720	1,657	2,618
Other financial liabilities at fair value through profit or loss	—	172	114	707	438	1,431
Deposits by customers	200,560	4,350	2,487	4,293	247	211,937
Deposits by banks	6,011	632	719	2,764	1,667	11,793
Repurchase agreements – non trading	—	6,584	2,524	—	—	9,108
Debt securities in issue	—	6,628	2,748	26,712	5,284	41,372
Subordinated liabilities	—	24	71	540	2,522	3,157
Lease liabilities	—	—	19	42	10	71
Total financial liabilities	206,571	18,511	8,802	35,778	11,825	281,487
Off-balance sheet commitments given	8,328	22,775	1,364	8,021	3,366	43,854
2024						
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

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			Assets not subject to enforceable netting arrangements ²	Balance sheet total ³
	Gross amounts	Amounts offset	Net amounts on balance sheet	Financial instruments	Financial collateral ¹	Net amount		
2025	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Derivative financial assets	1,890	(1,058)	832	(415)	(370)	47	38	870
Reverse repurchase, securities borrowing & similar agreements:								
– Amortised cost	20,967	(3,289)	17,678	(1,167)	(16,511)	—	—	17,678
Loans and advances to customers and banks ⁴	3,959	(588)	3,371	—	—	3,371	200,286	203,657
	26,816	(4,935)	21,881	(1,582)	(16,881)	3,418	200,324	222,205
Liabilities								
Derivative financial liabilities	1,731	(1,058)	673	(415)	(182)	76	14	687
Repurchase, securities lending & similar agreements:								
– Amortised cost	12,318	(3,289)	9,029	(1,167)	(7,862)	—	—	9,029
Deposits by customers and banks ⁴	588	(588)	—	—	—	—	193,928	193,928
	14,637	(4,935)	9,702	(1,582)	(8,044)	76	193,942	203,644
2024								
Assets								
Derivative financial assets	2,799	(1,643)	1,156	(407)	(711)	38	48	1,204
Reverse repurchase, securities borrowing & similar agreements:								
– Amortised cost	15,175	(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

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 undrawn and that are subject to netting.

	Amounts subject to enforceable netting arrangements						Assets not subject to enforceable netting arrangements ²	Company Balance sheet total ³
	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		
2025	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Derivative financial assets	1,987	(1,058)	929	(514)	(370)	45	38	967
Reverse repurchase, securities borrowing & similar agreements:								
– Amortised cost	20,967	(3,289)	17,678	(1,167)	(16,511)	—	—	17,678
Loans and advances to customers and banks ⁴	3,959	(588)	3,371	—	—	3,371	220,086	223,457
	26,913	(4,935)	21,978	(1,681)	(16,881)	3,416	220,124	242,102
Liabilities								
Derivative financial liabilities	3,177	(1,058)	2,119	(514)	(182)	1,423	13	2,132
Repurchase, securities lending & similar agreements:								
– Amortised cost	12,318	(3,289)	9,029	(1,167)	(7,862)	—	—	9,029
Deposits by customers and banks ⁴	588	(588)	—	—	—	—	222,769	222,769
	16,083	(4,935)	11,148	(1,681)	(8,044)	1,423	222,782	233,930
2024								
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

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

The sale of the whole of Santander House, Milton Keynes is expected to complete in 2026. 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 2025 and 31 December 2024, assets held for sale comprised:

	2025	2024
	£m	£m
Assets		
Property, plant and equipment	18	12
	18	12

41. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events between 31 December 2025 and the date of approval of these financial statements which would require a change to or additional disclosure in the financial statements.

Shareholder information

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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 2025 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 (In Liquidation)	E	Direct	Ordinary £1	100
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	—
Navigator Global Limited	A	Direct	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 (In Liquidation)	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

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
		Ordinary €1.27	100
Santander ISA Managers Limited	G	Direct	Ordinary £1

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
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 Funding Limited	A
Abbey Covered Bonds (LM) Limited	D	Holmes Holdings Limited	A
Abbey Covered Bonds LLP	A	Holmes Master Issuer plc	A
Fosse (Master Issuer) Holdings Limited	C	Holmes Trustees Limited	A
Fosse Funding (No.1) Limited	C	MAC No.1 Limited	A
Fosse Master Issuer plc	C	Repton 2023-1 Limited	C
Fosse Trustee (UK) 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	J	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 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 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 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, fraud 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 2025) 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 liabilities, 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.