UK – At The Heart Of Santander's Success

Madrid, 17th September 2009

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Abbey & Santander

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This presentation is not a form of statutory accounts.

Contents

Overview of UK competitors

LBG

- Mortgages mark. share: 28.5%
- Retail deposits mark. share: 18.2%
- Retail Bank Acc.: c.22 million
- Branches 2008: c.2,982
- Main Businesses:
  - Lloyds TSB
  - Cheltenhan & Cloucester
  - Halifax
  - Bank of Scotland
  - Lloyds TSB Scotland
  - Scottish Widows
  - Intelligent Finance

SAN UK

- Mortgages mark. share: 13.1%
- Retail deposits mark. share: 10.1%
- Retail Bank Acc.: c.7.3 million
- Branches 2008: 1,328
- Main Businesses:
  - Abbey
  - A&L
  - B&B Savings

Barclays

- Mortgages mark. share: 6.9%
- Retail deposits mark. share: 7.4%
- Retail Bank Acc.: c.11.4 million
- Branches 2008: 1,724
- Main Businesses:
  - Barclays
  - Woolwich

RBS

- Mortgages mark. share: 6.6%
- Retail deposits mark. share: 6.9%
- Retail Bank Acc.: c.12.6 million
- Branches 2008: 2,279
- Main Businesses:
  - RBS
  - Natwest
  - Direct Line
  - Churchill

Nationwide

- Mortgages mark. share: 10.6%
- Retail deposits mark. share: 10.7%
- Retail Bank Acc.: c.4.8 million
- Branches 2008: c.900
- Main Businesses:
  - Nationwide
  - The Mortgage Works

HSBC

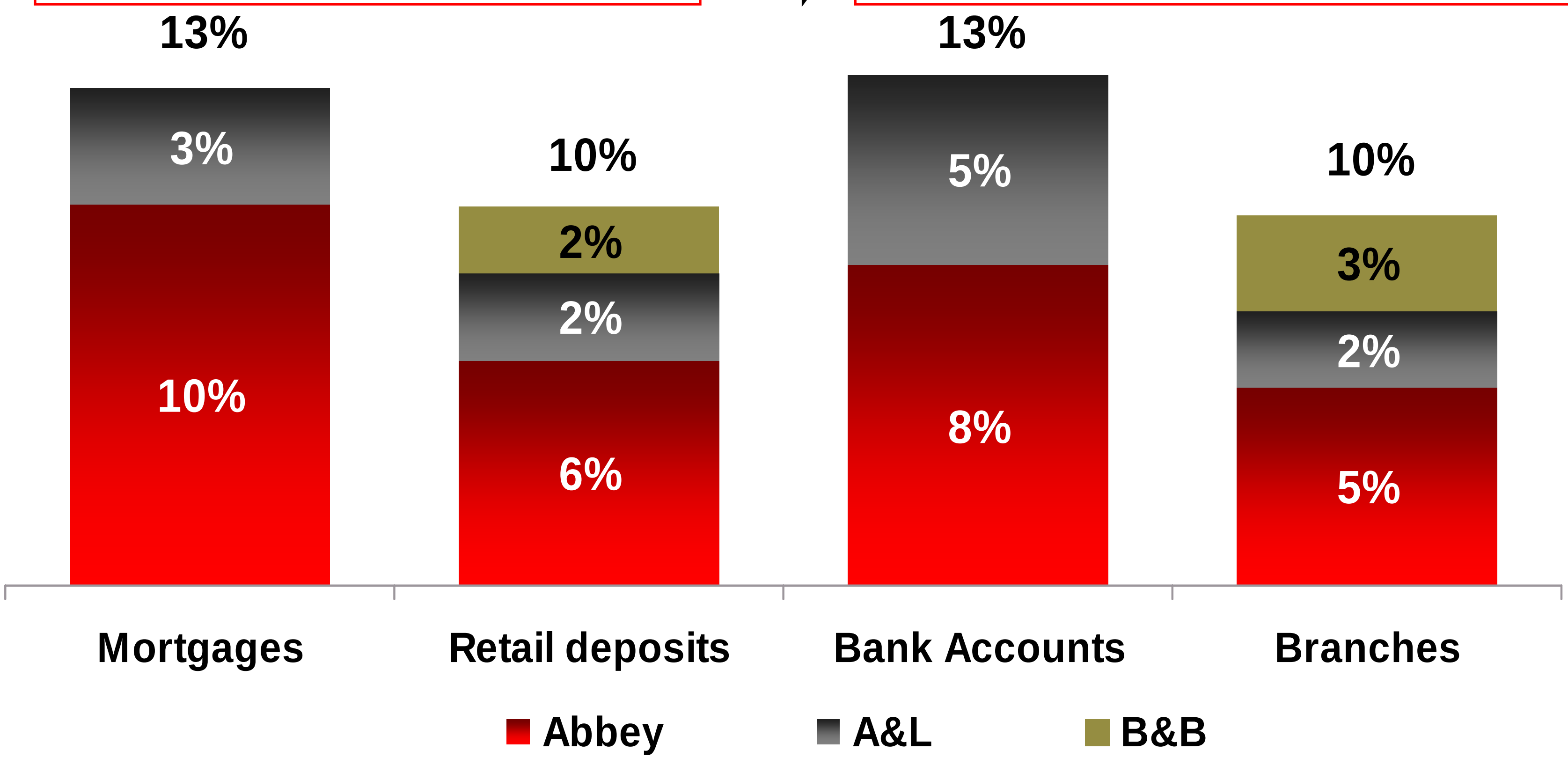
- Mortgages mark. share: 4.6%
- Retail deposits mark. share: n.a.
- Retail Bank Acc.: n.a.
- Branches 2008: 1,444
- Main Businesses:
  - HSBC
  - First Direct
  - M&S Money
  - John Lewis (Finance)

Sources: H1'09 reports data and BBA Abstracts. Limited disclosure made by HSBC regarding UK business.

Santander UK achieving a critical mass in core PFS markets through organic growth and acquisitions

Santander vertical strategy: Increasing our share of core markets

Abbey average share across markets c. 6% → Combined average share across markets c. 11%

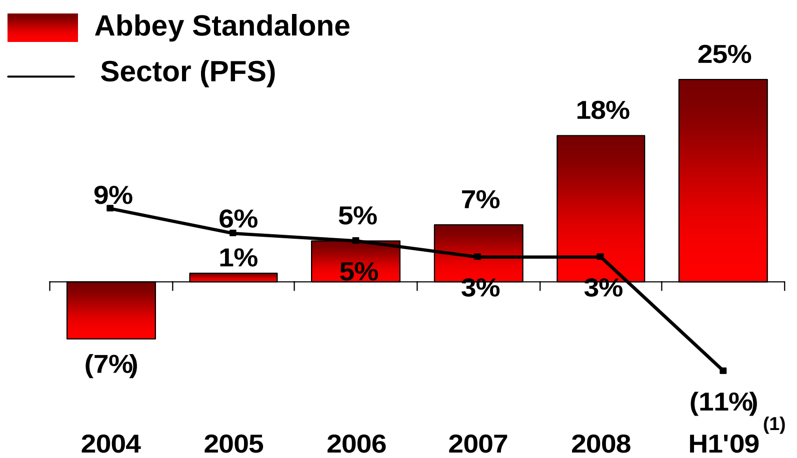


The UK business contributed more than 16% to Group revenues in H1'09 and by PAT is now ranked 12th in Europe

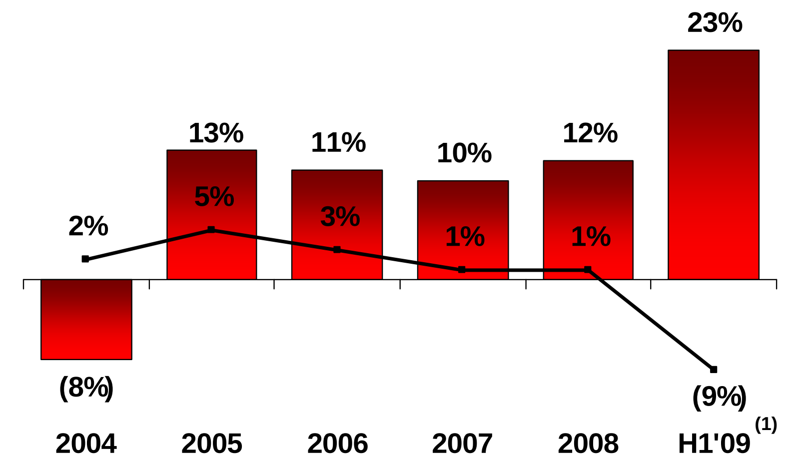
Notes:
- Data as at June 2009
- Market share is based on Abbey's estimate of market size consistently applied for all entities

While earnings in the UK PFS sector are under pressure in the current environment, Santander UK continues to perform well…

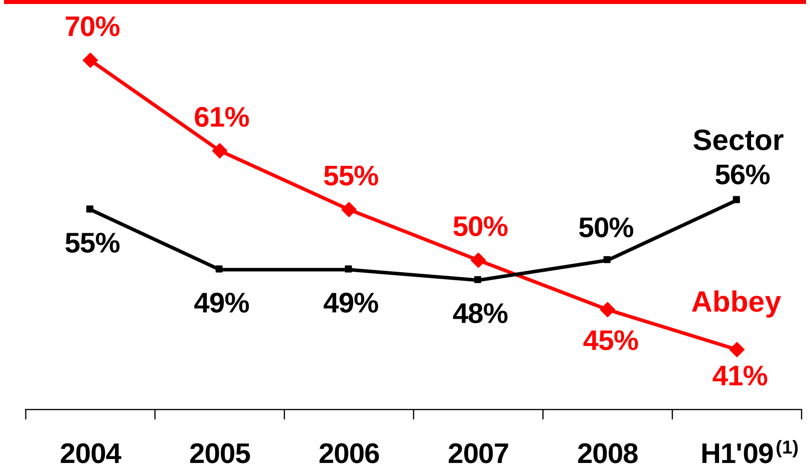
Revenue growth



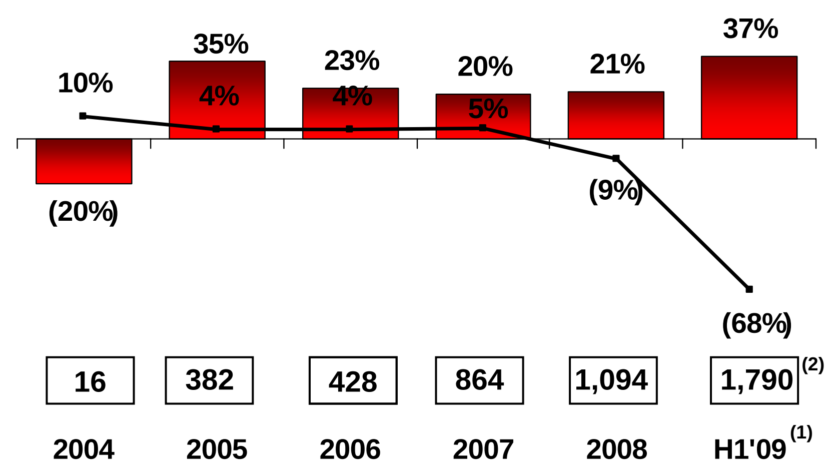
Jaws



Efficiency



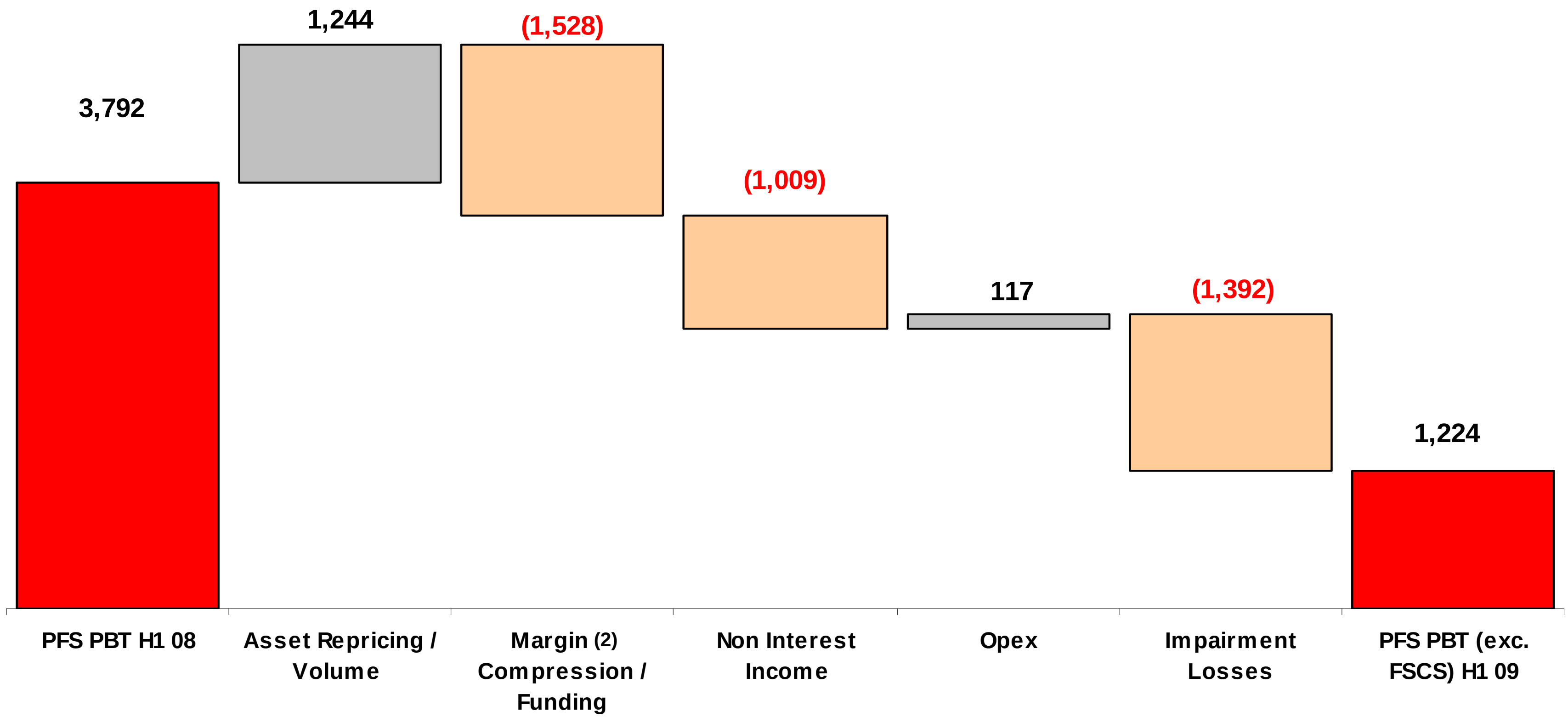
PBT



Notes:
(1) Abbey H1'09 on pro-forma basis
(2) Statutory profit on continuing operations before tax. H1'09 annualised

…with five key factors driving the performance differential

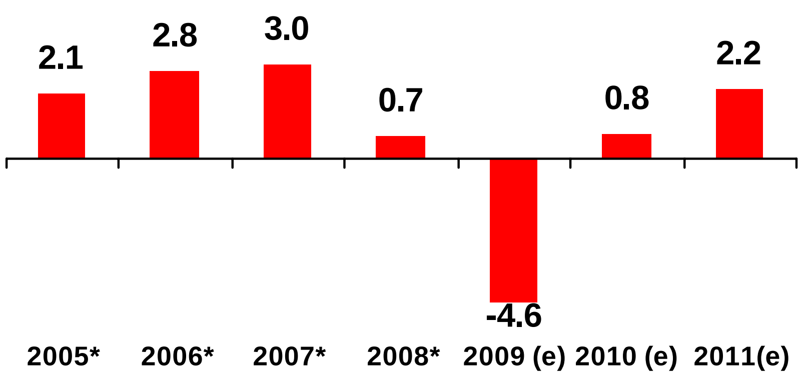
SAN UK Contribution to PBT change	>90%	<(10)%	<(20)%	>2%[(1)]	<(35)%	>22%
Sector Contribution to PBT change	33%	(40)%	(27)%	3%	(37)%	(68)%



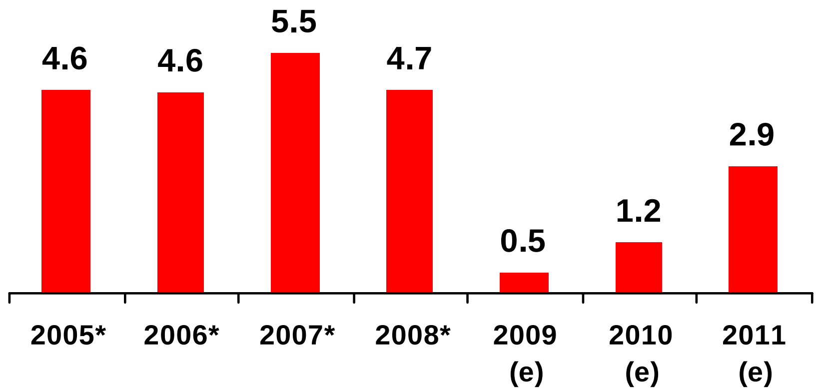
Notes:
(1) exc. B&B costs
(2) estimated based on disclosures range between -£1bn and -£1.7bn

The outlook for the economic environment is showing signs of improvement 2009 onwards

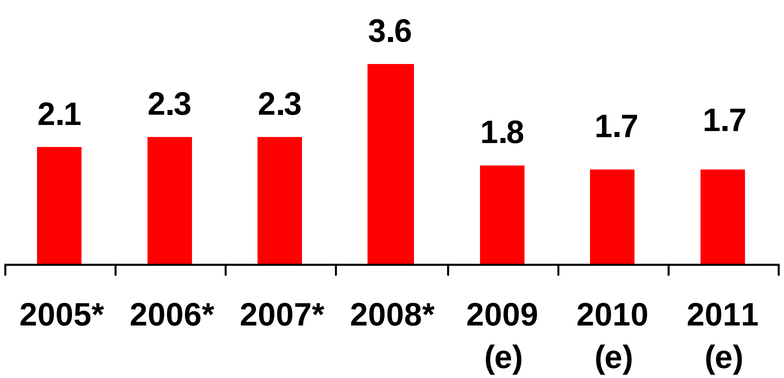
Annual GDP Growth (%, annual average)



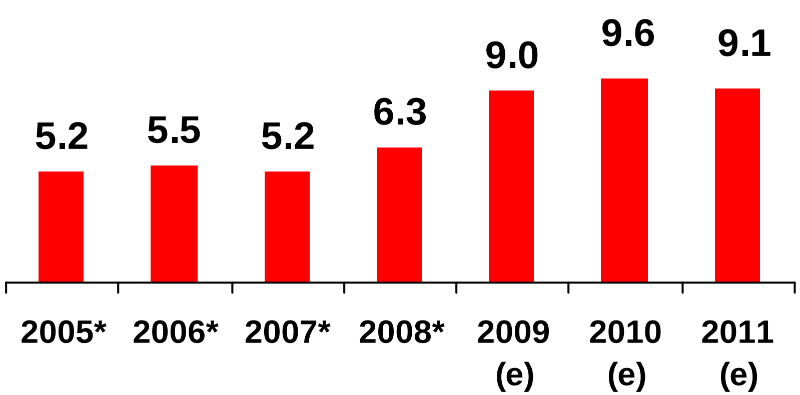
Interest Rates (%, annual average)



Annual CPI inflation rate (%, annual average)



Unemployment Rate (ILO %)



*source - Office for National Statistics & Bank of England

(e) estimated by Abbey

Contents

Managing Santander UK's portfolio of businesses

Commercial Divisions

- Retail
- Corporate
- SGBM
- Private Banking

Global Business Units

- Cards
- Asset Management
- Insurance

Established Retail Products

- Mortgages
- Savings

Growth opportunities (Non – Retail)

- Corporate Banking – Developing Portfolio
- Private Banking
- Global Banking and Markets

Growth Retail Products

- Bank accounts
- Business banking
- Investments (& link to savings)
- Insurance & protection

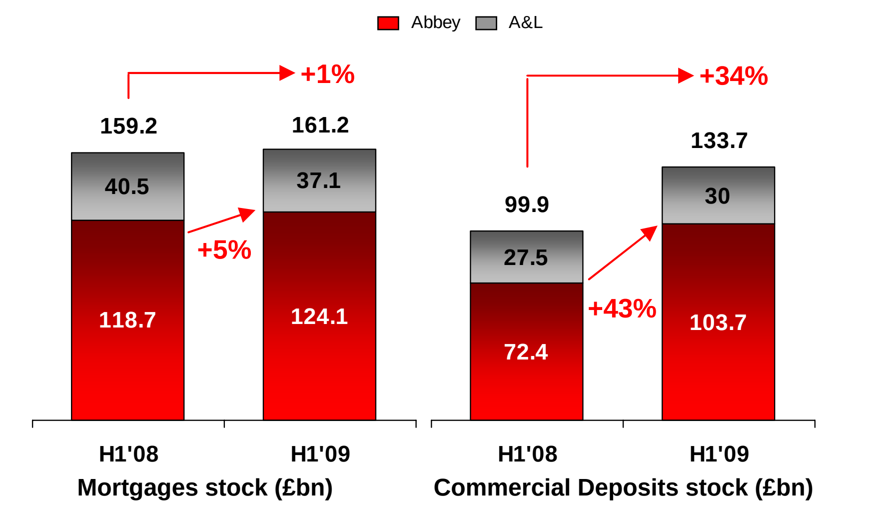
Manage down / Reduce exposure

- UPLs
- A&L securities
- Corporate Banking – Other Portfolios (e.g. shipping, aviation)

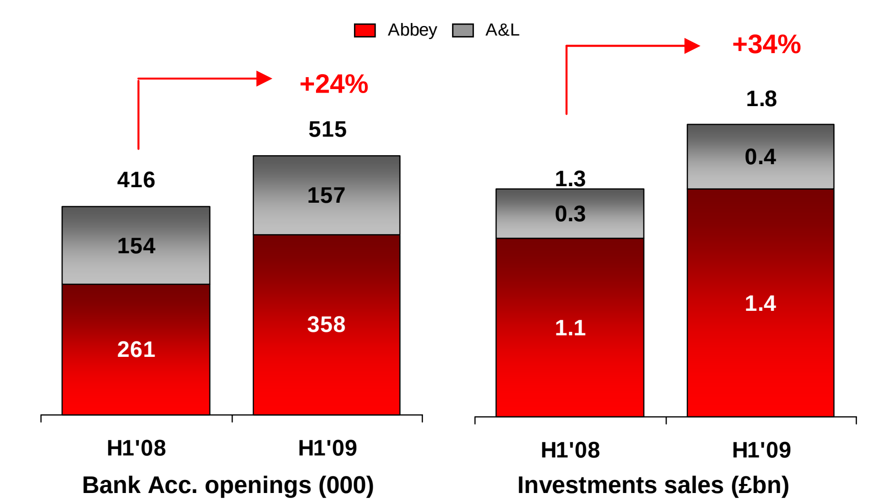
Spread management | **Risk management** | **Balance sheet strength**

Managing Santander UK's portfolio of businesses (cont.)

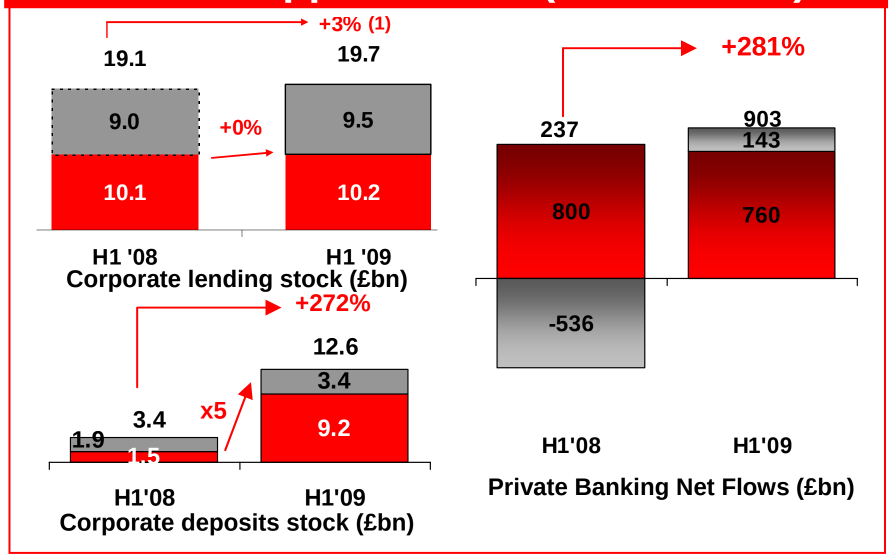
Established Retail Products



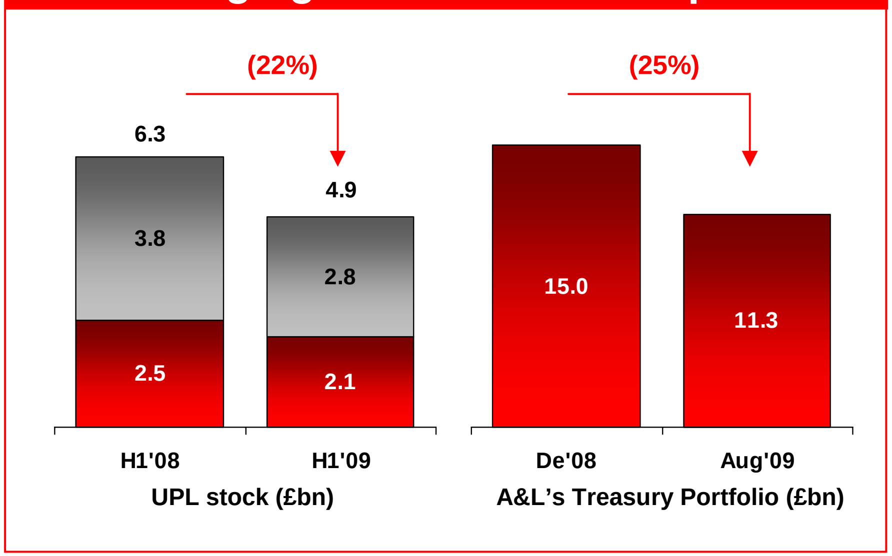
Growth Retail Products



Growth Opportunities (Non - Retail)



Managing down / Reduce exposure



Abbey Bradford & Bingley Alliance Leicester

Notes:
(1) +13% excluding Porterbrook

Santander

The UK business is at the heart of the Group's success

Consistent Results

1. Backed by the operating areas' performance…
2. …the income statement shows strong underlying business…
3. …and reflects the management priorities:
   – Revenue increase
     • Mix management of volume/return
   – Flat costs
     • Disciplines/ synergies
   – Provisions according to forecast
     • Active management of risks / recoveries

Balance Sheet Strength

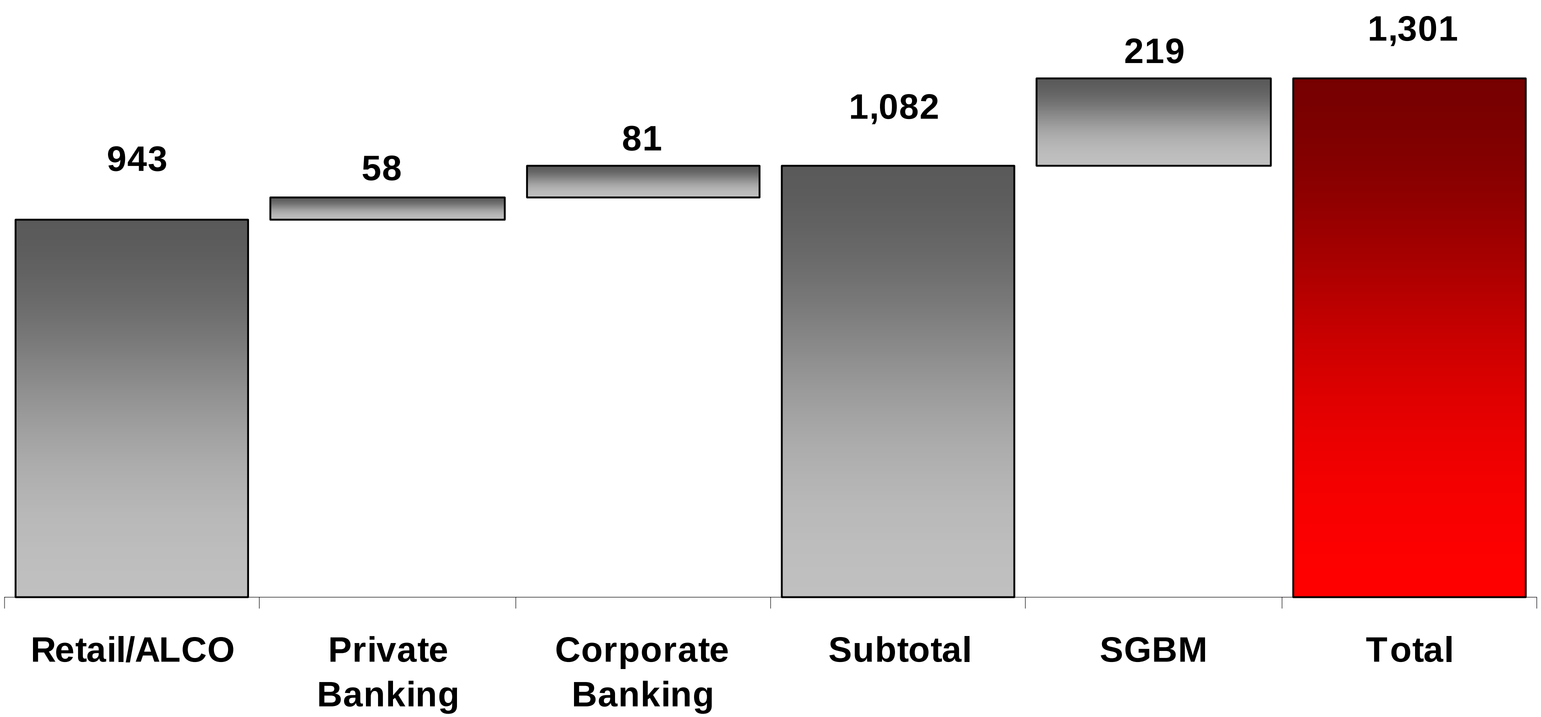
4. Low risk balance sheet
   – Better portfolio quality in core markets…
   – …and larger provisions
5. Capital base and funding
   – Driving better Return on RWAs
   – Improving LDR

Amid the global recession we maintain our capacity to generate higher earnings than our competitors

1 & 2 PFS PBT growth in all businesses and on track to deliver 5th successive year of double digit PBT growth

	Retail/ALCO	Private Banking	Corporate Banking	Subtotal	SGBM	Total
Abbey 2005	£520m	£8m	£31m	£559m	£115m	£674m
CAGR	22%	94%	38%	25%	24%	25%
Assets (1)	£163.4bn	-	£19.9bn	£185.3bn	£35.0bn	£218.3bn (1)
Deposits	£107.1bn	£13.4bn	£10.9bn	£134.3bn	£32.3bn	£161.4bn

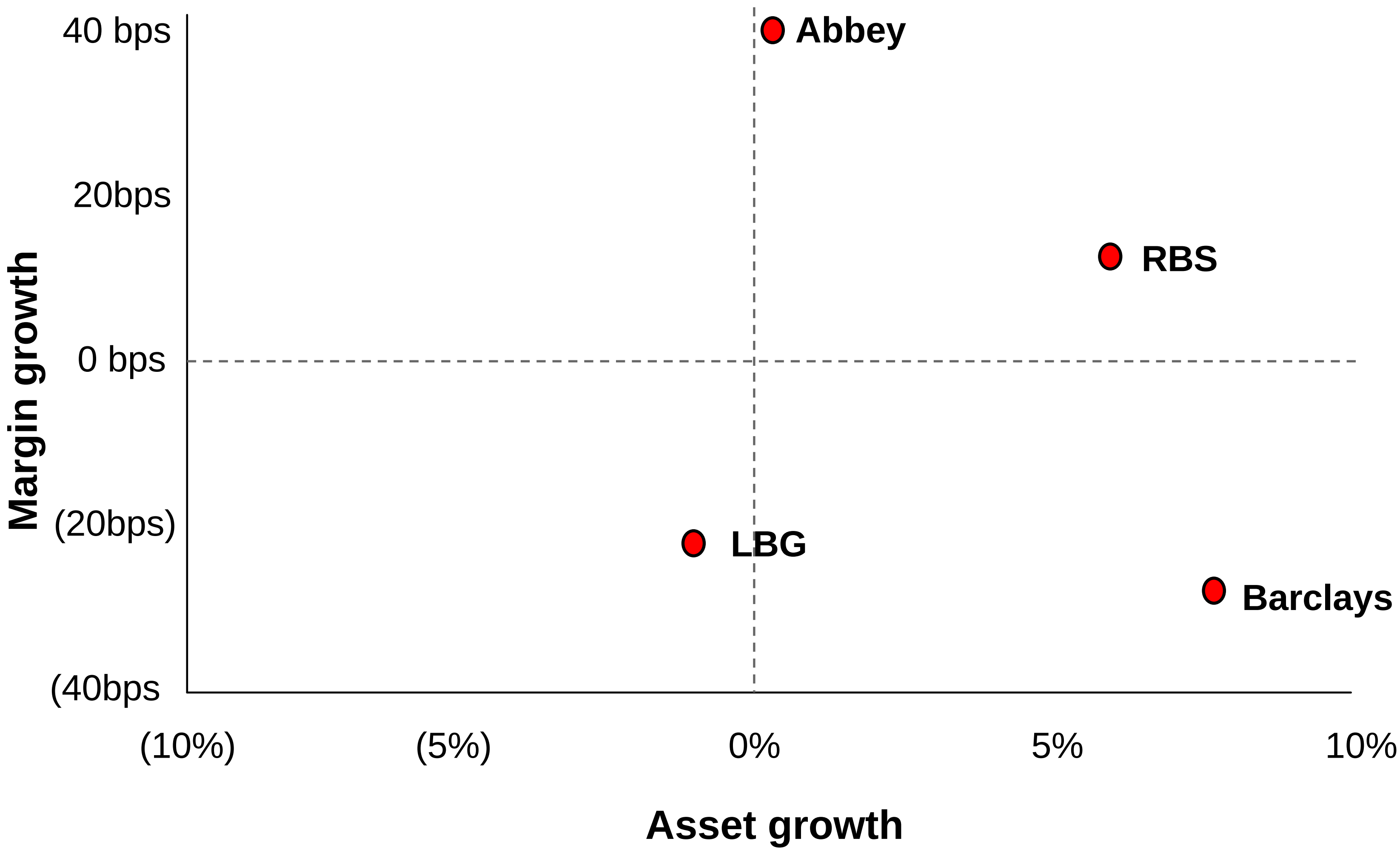
Abbey standalone 2008



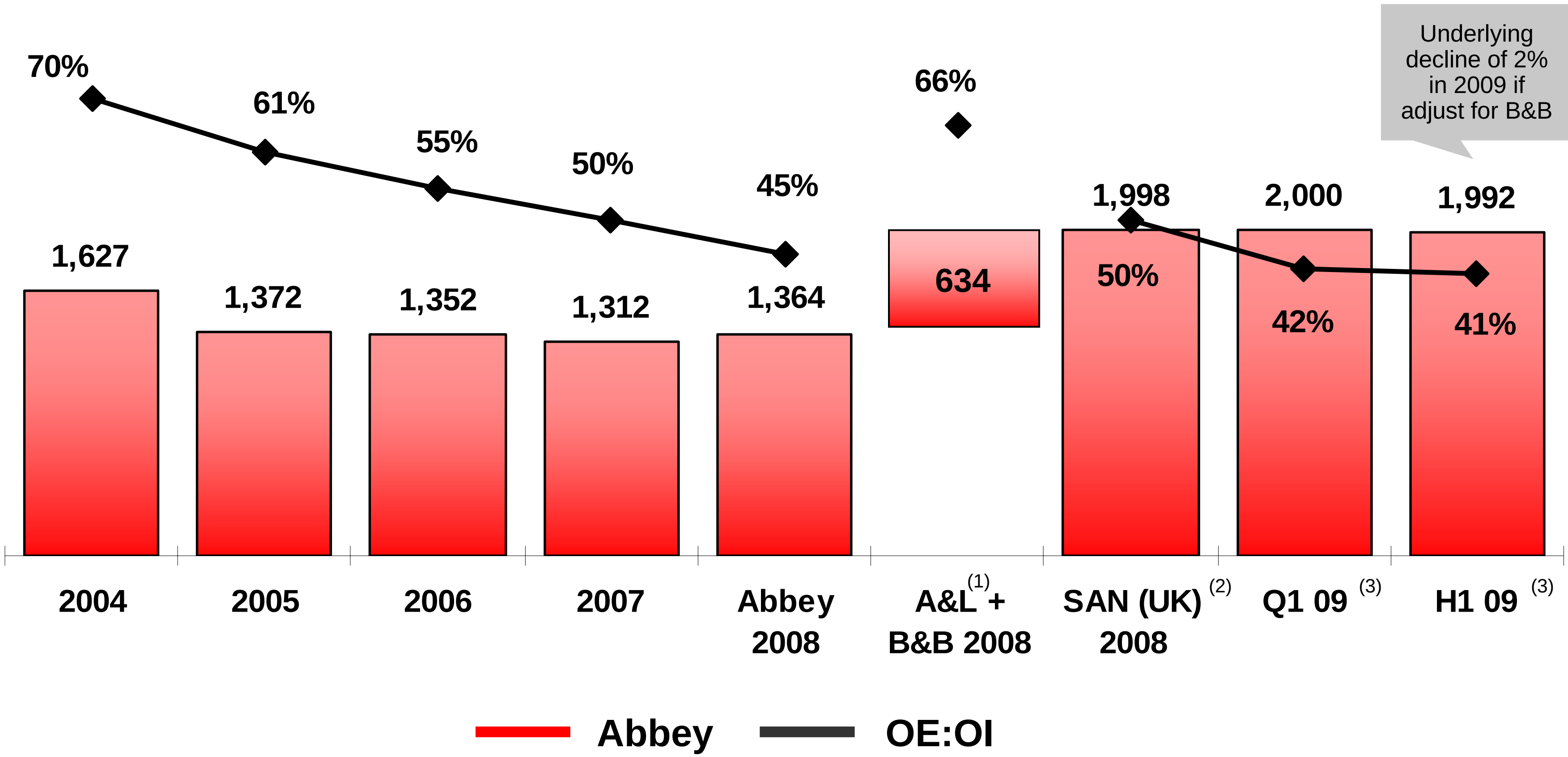
Notes:
(1) Customer assets as at FY 2008. Total assets including ALCO are £296.7bn of which £75bn related to A&L

3 Active balance sheet growth and margin management

Retail margin / Asset trends



3 Strict cost management



Notes:
(1) Based on proforma underlying costs and earning for A&L
(2) On a proforma basis
(3) Q1 and H1 costs and income annualised. Underlying decline in 2009 excluding B&B costs

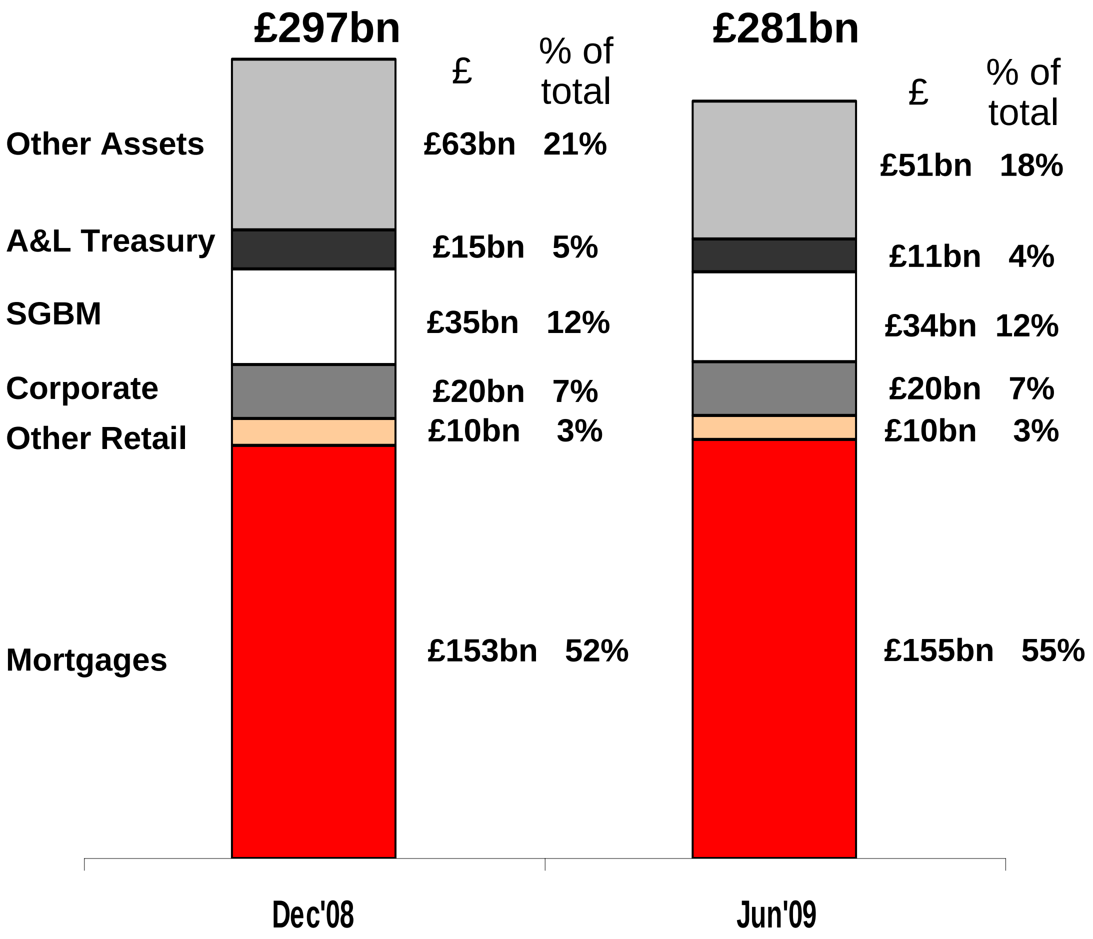
3 Driving differential to other UK banks

	Op Inc % Change	Jaws	PBT % Change	OE:OI Absolute
SAN UK [1]	25%	23%	37%	41%
Bank A	(3%)	(3%)	(59%)	62%
Bank B	(8%)	(7%)	(58%)	64%
Bank C	(16%)	(12%)	(73%)	49%
Bank E			(77%)	57% [2]

Figures displayed represent H1 2009 absolute or H1 2009 growth versus H1 2008

Notes:
1. Includes SGBM
2. Bank E Europe

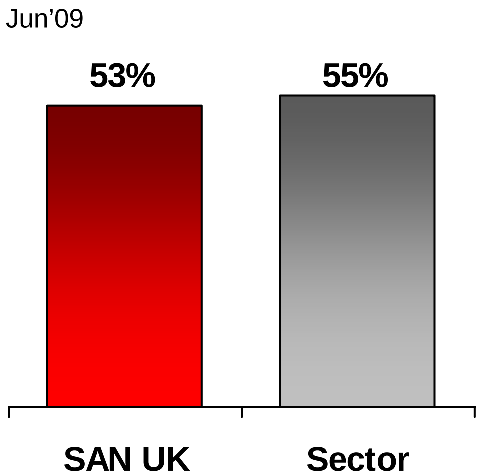
4 High quality, transparent and low risk balance sheet



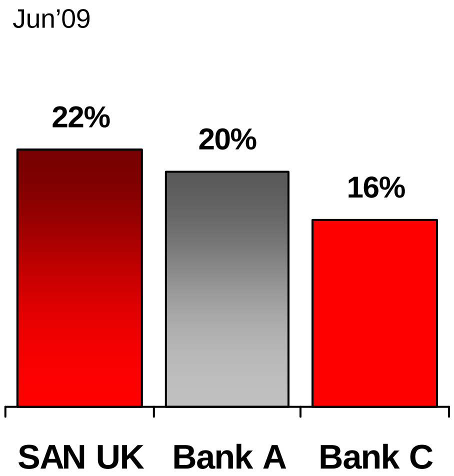
- **High quality**
  - Over half the balance sheet comprises high quality mortgage lending with average LTV of stock 53%. Other Retail is mainly comprised of £3.8bn commercial mortgages and £4.6bn UPLs
- **Transparent**
  - Corporate contains £6.3bn of Social Housing and £13.4bn other Corporate (£9.5bn A&L Corporate and £3.4bn Abbey Corporate)
  - A&L Treasury assets being deleveraged
- **Low Risk**
  - Other assets contain low risk Group Assets, Government securities and Cash held for liquidity purposes.

4 Low risk secured portfolio

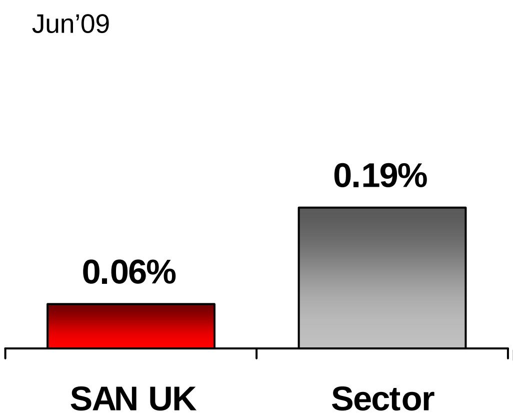
Avg. LTV stock



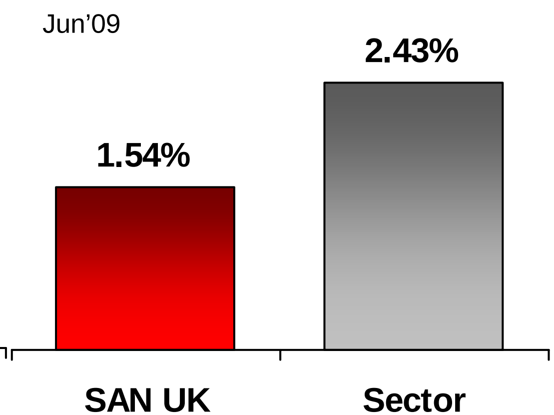
Sec. Coverage ratio



PIPs



NPLs

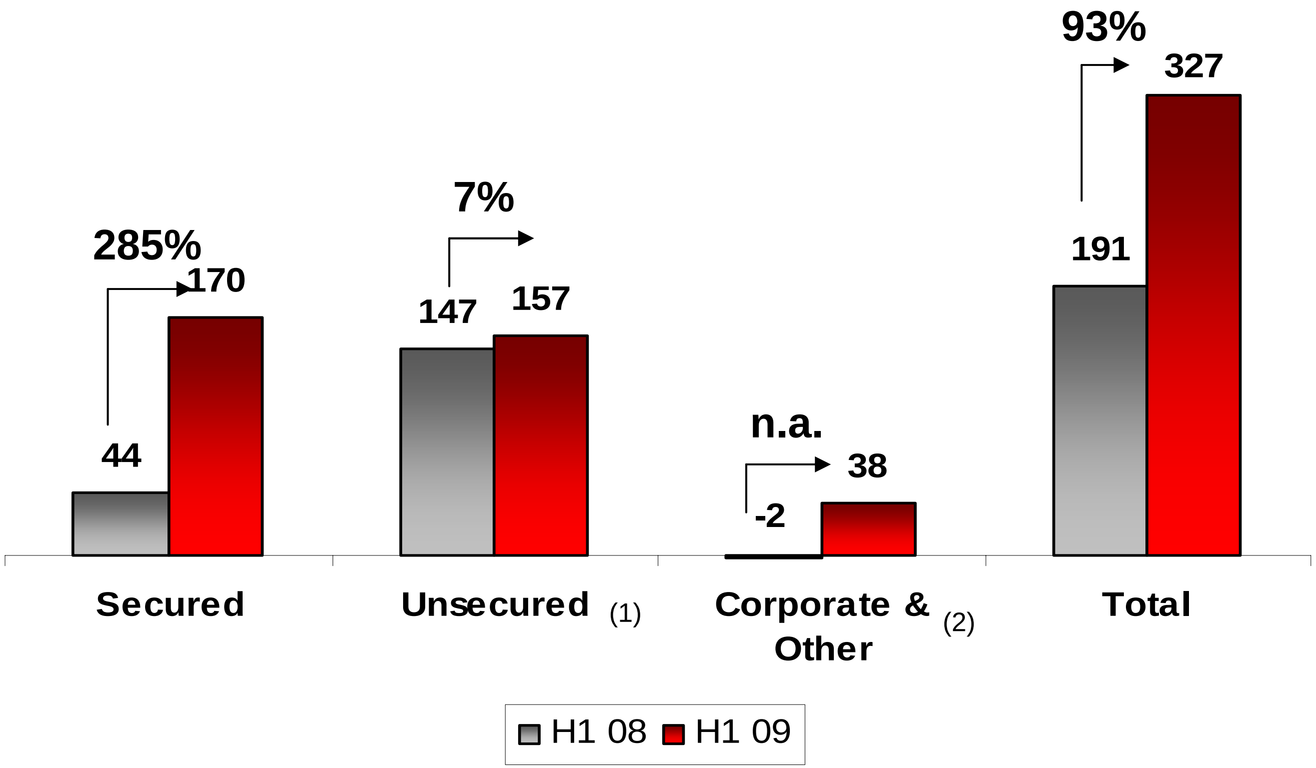


Sectors Source: Council Mortgage Lenders

- In preparation of the worsening economic environment, Abbey tightened credit criteria during Q4 '07 and has continued tightening during 2008 and into H1 '09 with currently no new lending >90% LTV
- Abbey maintained conservative coverage of both the high quality secured portfolio (secured coverage ratio 22% vs. main peers less than 20%) and the reducing unsecured portfolio (unsecured coverage ratio >100% vs. peers no bigger than 75%)
- High quality prime residential nature of the portfolio and reduced exposure to unsecured lending, puts Abbey in a robust position given the economic environment
- The stock of properties in possession has decreased by 27 properties by June 2009 from the year end position of 969

4 Provisions charges in line with expectations

	Secured	Unsecured	Corporate & Other	Total
NPLs	2,294	245	480	3,199
Coverage	21.5%	125.3%	67.0%	45.4%



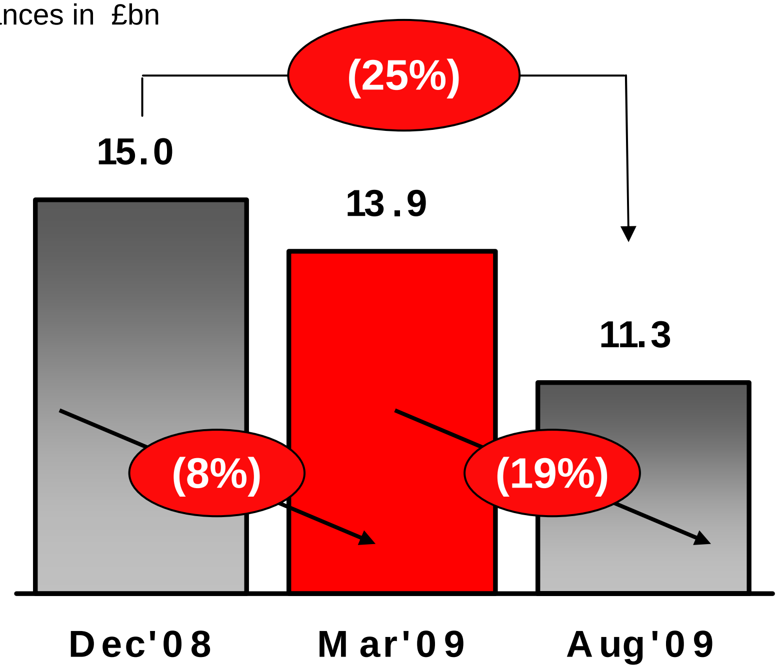
Notes:

- Unsecured represents banking and UPL credit losses (excludes Cahoot, Abbey business and fraud)
- Corporate & Other includes Cahoot, Abbey business, fraud and other GI items

4 A&L deleveraged

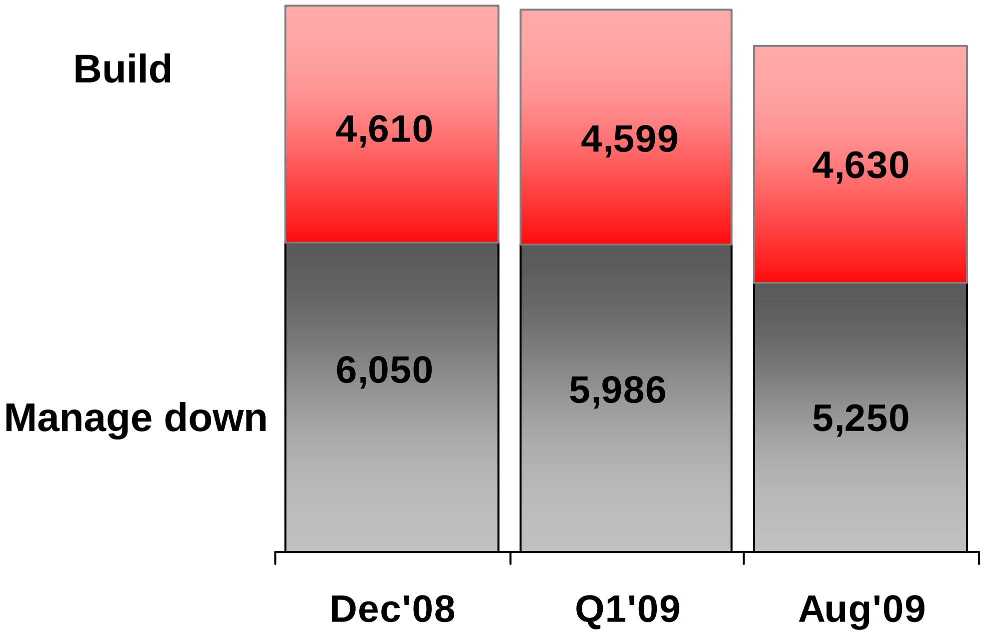
Securities portfolio

Balances in £bn



- business being run down taking advantage of market evolution as opportunities appear
- portfolio performing in line with expectations, consistent with the level of provisions raised at the time of its acquisition by Santander

Corporate portfolio



Build
- portfolio aligned to commercial strategy
- risk profile consistent with Santander / Abbey

Manage down
- collateral offsets c. £2.1bn
- actively manage down

Funding strategy improving loan to deposit ratio

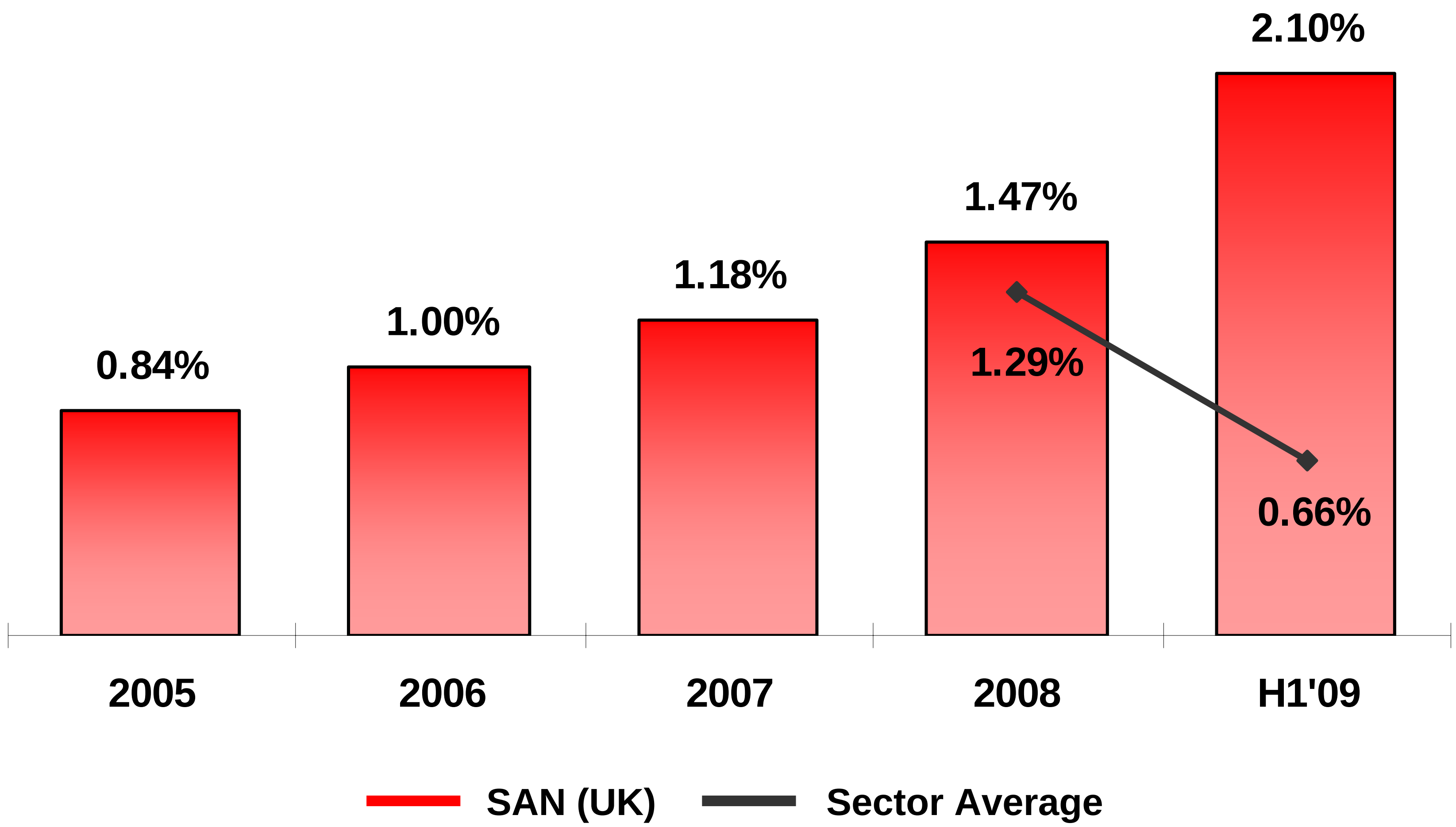
	Dec 2007	June 2009
SAN UK	**199%**	**138%**
Bank A	**115%**	**121%**
Bank B	**103%**	**115%**
Bank C	**174%**	**183%**

Key Comments

- Acquisitions of A&L and B&B have strengthened the funding of the balance sheet and created a platform for future growth.
- Focus on driving growth in savings and investments
  - £4.7bn net commercial deposit flow in H1'09
  - API grown by 34% over the past year compared to market decline of c23%
- Growing bank account base – on track to achieve 2009 target of opening 1 million new current accounts
- Developing deeper multi product relationships with corporate clients through full service banking proposition

5

Driving a better return on RWA's



Santander UK’s performance and model differentiation continuing to be recognised by rating agencies

	SAN UK	
	Jun'08	Jun'09
Moodys	Aa3	Aa3
S&P	AA	AA
Fitch	AA-	AA-

“Moodys confirmed the Aa3 senior debt and deposit ratings for Abbey and A&L… the ratings confirmations reflect Moody’s view supported by the accelerated pace of engagement between Abbey and A&L, as evidenced by rapid developments in organization combinations, operational coordination, network consolidation and common branding…. Gains from centralized funding, cost and margin management are already apparent in notably stronger net interest margins for A&L which have improved considerably from FY08…”

(Moody’s Investor Service press release 26th August)

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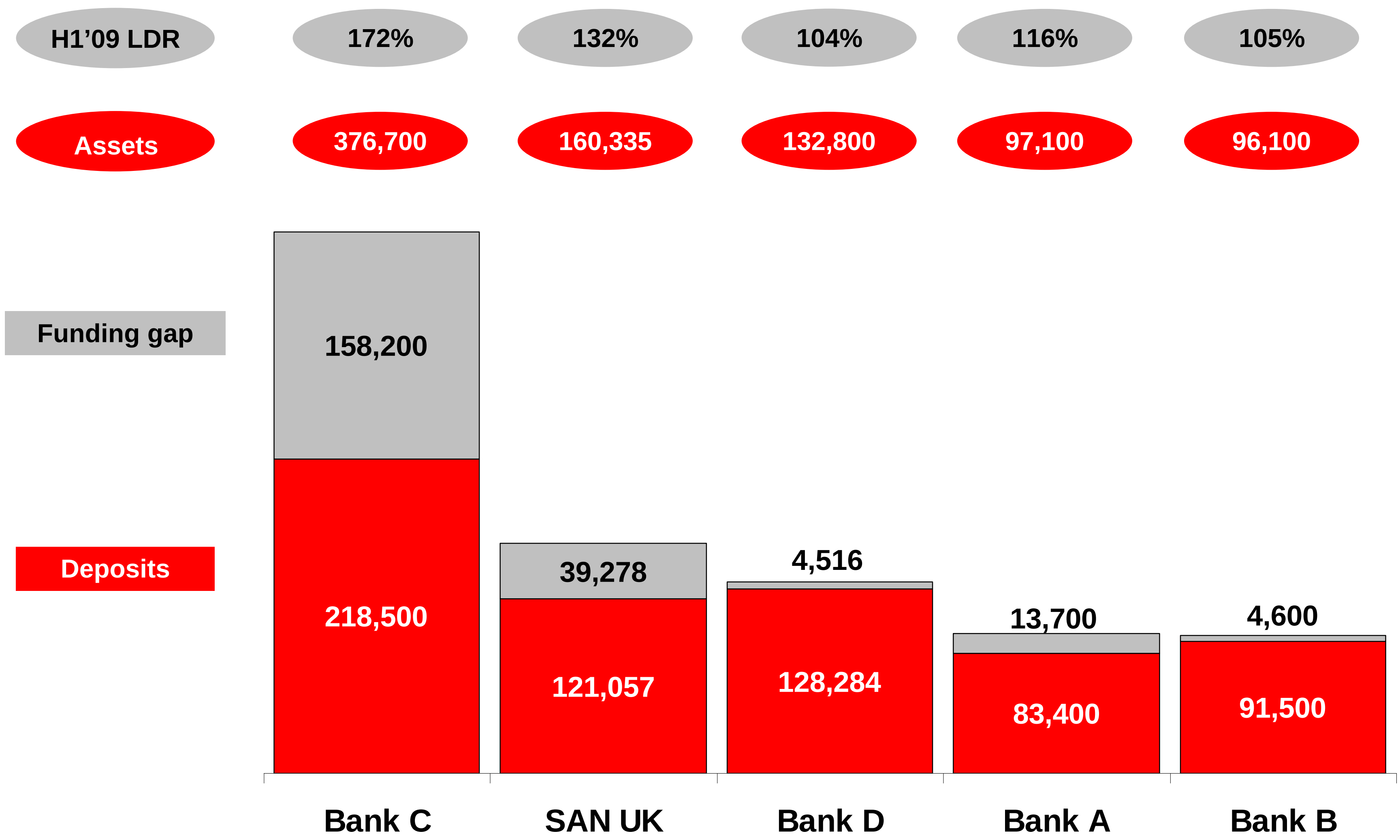
Dow Jones Sustainability Indexes
Member 2008/09

FTSE4Good Index Series

Appendix

Recent consolidations have left 5 major PFS players in the UK…

Retail Deposits and Assets – UK sector (£bn)



…a dramatic change over the last two years

Commercial Deposits and Assets – UK sector (£bn)

	Bank C	Bank A	SAN UK	Bank B	Bank D
H2'07 LDR	174%	115%	199%	103%	125%
H1'09 LDR	183%	121%	138%	115%	121%
Assets	574,500	203,100	184,314	170,600	155,200