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RATING ACTION COMMENTARY

Fitch Affirms Santander UK Group Holdings at 'A'; Outlook Stable

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Fitch Ratings - London - 05 Nov 2026: Fitch Ratings has affirmed Santander UK Group Holdings plc's (SGH) Long-Term Issuer Default Rating (IDR) at 'A', and Viability Rating (VR) at 'a'. Fitch has also affirmed the Long-Term IDRs of SGH's main operating company, Santander UK plc (San UK) at 'AA-', and of its small subsidiary, Santander Financial Services plc (SFS), at 'AA-'. The Outlooks on the Long-Term IDRs are Stable. A full list of rating actions is below.

KEY RATING DRIVERS

Low-Risk, Undiversified Business Model: SGH's VR is equalised with that of San UK, reflecting SGH's role as a holding company and low double leverage. The VRs reflect the group's low-risk business model, conservative risk profile, healthy asset quality, sound profitability, strong capitalization, and stable funding and liquidity profiles. San UK's Long-Term IDR is two notches above the VR as external creditors are protected by very large resolution debt buffers.

TSB Acquisition Adds Scale: San UK's recent acquisition of TSB Banking Group plc (TSB) supports the group's market position and consolidates it as the UK's fourth-largest mortgage lender. However, the combined group is still highly concentrated on the UK housing market and reliant on net interest income.

Conservative Risk Appetite; Integration Risks: SGH's risk profile is underpinned by its focus on low-risk residential mortgage lending, which accounts for the vast majority of total loans. The acquisition introduces moderate integration and execution risks, reflecting TSB's size. SGH expects material cost savings from the acquisition, which should strengthen profitability following successful integration.

Modest Asset Quality Deterioration: The impaired loans ratio remained stable at 1.1% of gross loans at end-3Q26 (end-2025: 1.1%), as the increase in impaired loans from

purchased or originated credit-impaired loans acquired with TSB was largely offset by strong loan growth and the GBP1.3 billion disposal of higher risk-weighted mortgages in 2Q26.

We expect the ratio to increase modestly through 2028, reflecting pressure on borrower affordability and a greater share of higher-risk unsecured and commercial lending. However, we expect it to remain below 1.5% given the group's predominantly secured nature of the loan book.

Profitability to Improve: Operating profit/risk-weighted assets (RWAs) declined to 2.2% in 9M26 (9M25: 2.4%), reflecting higher loan impairment charges due to a deterioration in the macroeconomic outlook. We expect profitability to improve to above 3% by 2028, supported by substantially lower integration and restructuring costs, lower funding costs following the acquisition of TSB, and structural hedge gains. The gradual realization of cost synergies and continued RWA optimization should provide additional support.

Adequate Capitalization: SGH's common equity Tier 1 (CET1) ratio declined to 14.0% at end-3Q26 (end-2025: 15.7%) due to the net effects of the TSB acquisition, which closed in 1H26, along with a resumption of dividend distributions to the parent, Banco Santander S.A (Santander; A+/Stable). We expect the CET1 ratio to remain broadly stable by end-2026, supported by profit generation, before trending towards 13-14% in the medium term. We view SGH's capitalization as adequate for its predominantly low-risk business model.

Strong Funding and Liquidity: Customer deposits amounted to 77% of non-equity funding at end-1H26 (end-2025: 75%), underpinned by a granular retail deposit base. The gross loans/customer deposits ratio declined to 105% in 1H26 (end-2025: 108%). The liquidity coverage ratio was a healthy 166%. Proven wholesale-market access, ordinary support from its parent and access to the Bank of England's liquidity facilities support funding stability. Fitch expects the loans/deposits ratio to remain around 105% in 2026-2027 as deposit growth slightly outpaces loan growth.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

SGH's ratings would come under pressure if material integration risks in relation to the TSB acquisition weighed on the group's strategic execution and financial performance.

Ratings would also come under pressure if risk appetite materially increased and resulted in material asset quality deterioration, for example, if we expected the impaired

loans ratio to increase above 2% on a sustained basis. This would have to be combined with a structural deterioration in operating profitability to consistently below 1.5% of RWAs. Acquisition impacts, rapid asset growth and weaker-than-expected profitability that resulted in the CET1 ratio falling materially below 13% and the UK leverage ratio sharply below 5%, without credible plans to swiftly restore them, would also be negative for the ratings.

Fitch could also downgrade SGH's Long-Term IDR and VR if, all else remaining equal, double leverage increases sustainably over 120%, unless this is mitigated by measures that reduce the risk of cash flow mismatches.

San UK's IDRs would be downgraded if its VR was downgraded or if the group's resolution debt buffer falls below 15% of RWAs.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Given SGH's undiversified business model compared with higher rated peers, an upgrade would require successful integration of TSB, a significant strengthening of SGH's business profile (e.g. materially stronger revenue diversification), material and sustainable improvements to operating profitability to over 3% of RWAs, combined with healthy capital and liquidity buffers.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

SGH's Short-Term IDR of 'F1' is the lower of the two options mapping to its Long-Term IDR because the group's funding and liquidity profile score of 'a' does not warrant a higher short-term rating. The Short-Term IDRs of SGH's subsidiaries are 'F1+', the only option mapping to their 'AA-' Long-Term IDRs.

San UK's long-term senior unsecured debt and deposit ratings and Derivative Counterparty Rating (DCR) are two notches above its VR, due to the group's very large resolution debt buffer, which we expect to sustainably exceed 15%.

SGH's senior unsecured debt rating is in line with its VR for the same reason.

The ratings of subordinated debt and hybrid securities issued by SGH and San UK are notched down from SGH's VR, reflecting Fitch's assessment of their incremental non-performance risk relative to the group's VR and assumptions around loss severity.

SGH's subordinated Tier 2 debt is notched down twice from the VR for loss severity. Additional Tier 1 (AT1) capital securities are rated four notches below the group's VR to

reflect above average loss severity risk (two notches) and higher risk of non-performance as coupon payments are fully discretionary (two notches).

Legacy upper Tier 2 instruments are notched down three times from San UK's VR: twice for loss severity and once for incremental non-performance risk. Legacy dated lower Tier 2 instruments are notched down twice from the VR for loss severity.

Legacy Tier 1 securities issued by San UK are rated four notches below the bank's VR to reflect higher loss severity risk (two notches) and higher risk of non-performance due to discretionary coupon payments (two notches).

Our assessment is based on the group operating with a CET1 ratio comfortably above the maximum distributable amount thresholds, and we expect this to continue.

The 'a-' Shareholder Support Ratings (SSR) of SGH and San UK are one notch below Santander's VR because we view Santander's ability to provide support as constrained by the UK entities' large relative size, which has increased with the TSB acquisition. In our view, Santander has a strong propensity to support both entities, given the strategic importance of the UK and the high reputation risk Santander would face upon a default of its UK entities.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

SGH's senior unsecured debt ratings are sensitive to changes in SGH's VR.

San UK's Long-Term IDR, long-term senior unsecured debt rating and DCR would be downgraded if its VR was downgraded or if the group's resolution debt buffer falls below 15% of RWAs. Its long-term deposit rating would be downgraded if the VR was downgraded or if we expected the group's resolution debt buffer to fall sustainably below 10% of RWAs.

The ratings of subordinated debt and hybrid securities are primarily sensitive to changes in the VRs from which they are notched. AT1 and other discretionary Tier 1 instruments are also sensitive to Fitch changing its assessment of the probability of their non-performance relative to the risk captured in the VR. This could result from an adverse change in capital management or flexibility, or an unexpected unfavourable shift in regulatory buffers. Tier 2 subordinated debt ratings are also sensitive to an adverse change in Fitch's assessment of loss severity in a default.

The SSRs of SGH and San UK could be downgraded if Santander's VR was downgraded or if Fitch assesses that Santander's ability or propensity to provide support has

weakened. They could be upgraded if Santander's Long-Term IDR is upgraded, provided its propensity to support its UK subsidiaries is unchanged.

SUBSIDIARIES & AFFILIATES: KEY RATING DRIVERS

SFS

Fitch does not assign a VR to SFS as its business model and strong reliance on SGH prevent a meaningful standalone analysis of the entity. Its IDRs are based on support from SGH. Its 'a' SSR is in line with SGH's VR and reflects Fitch's view of the holding company's strong propensity to support SFS, given SFS's role in the group and a strong ability to provide support, due to the subsidiary's small size.

SFS's Long-Term IDR and long-term deposit rating are two notches above its SSR due to the presence of the group's very large resolution debt buffers.

SUBSIDIARIES AND AFFILIATES: RATING SENSITIVITIES

SFS's ratings are primarily sensitive to changes in SGH's VR. They are also sensitive to a material reduction in SGH's propensity to support SFS. We would also downgrade SFS's Long-Term IDR if the group's resolution debt buffer fell below 15%.

SFS's long-term deposit rating would be downgraded if its SSR was downgraded or if we expected the group's resolution debt buffer to fall sustainably below 10% of RWAs.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

SGH's and San UK's SSRs are driven by our view of potential support from Santander.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Santander Financial Services plc	LT IDR	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+
	Shareholder Support	a	Affirmed	a
long-term deposits	LT	AA-	Affirmed	AA-
short-term deposits	ST	F1+	Affirmed	F1+
Santander UK plc	LT IDR	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+
	Viability	a	Affirmed	a
	DCR	AA-(dcr)	Affirmed	AA-(dcr)
	Shareholder Support	a-	Affirmed	a-
subordinated	LT	BBB	Affirmed	BBB
preferred	LT	BBB-	Affirmed	BBB-
senior unsecured	LT	AA-	Affirmed	AA-
long-term deposits	LT	AA-	Affirmed	AA-
Tier 2	LT	BBB+	Affirmed	BBB+

senior unsecured	ST	F1+	Affirmed	F1+
short-term deposits	ST	F1+	Affirmed	F1+
Santander UK Group Holdings plc	LT IDR	A Rating Outlook Stable	Affirmed	A Rating Outlook Stable
	ST IDR	F1	Affirmed	F1
	Viability	a	Affirmed	a
	Shareholder Support	a-	Affirmed	a-
senior unsecured	LT	A	Affirmed	A
Tier 2	LT	BBB+	Affirmed	BBB+
Additional Tier 1	LT	BBB-	Affirmed	BBB-
senior unsecured	ST	F1	Affirmed	F1

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Bank Rating Criteria (pub. 08 May 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Santander Financial Services plc	UK Issued, EU Endorsed
Santander UK Group Holdings plc	UK Issued, EU Endorsed

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