

## STRUCTURE, STRENGTH AND SECURITY



### Structure

Cater Allen Private Bank and Santander UK plc, which unconditionally guarantees deposits held by Cater Allen, are part of Banco Santander, one of the world's largest banks.

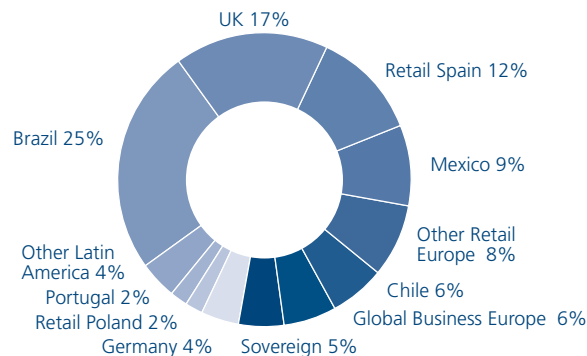
#### Banco Santander

Banco Santander registered an attributable net profit of €3.5bn in the first half (H1) of 2011, with a core capital ratio of 9.20%, up from 8.61% in June 2010<sup>1</sup>.

In July 2011, the European Banking Authority (EBA) determined that in the most extreme scenario posited by the stress tests which they carried out on 91 European banks (representing 65% of Europe's banking assets), Banco Santander would earn the highest profits and would be one of the most solvent of Europe's major banking institutions. The EBA also announced that in the most adverse scenario that they modelled, Banco Santander, of all the biggest European banks (i.e. those with over €100bn in assets) would register the greatest improvement in its solvency (+1.3 percentage points).

Banco Santander's geographical diversification is evenly balanced between developed and emerging markets. Its presence is concentrated in 10 major markets: Spain, Portugal, Germany, Poland, the UK, Brazil, Mexico, Chile, Argentina and the US<sup>1</sup>.

#### Geographical distribution of H1 2011 attributable profit<sup>2</sup>:



### Santander UK plc and Cater Allen Private Bank

Santander UK plc which unconditionally guarantees deposits held by Cater Allen Private Bank operates under a 'subsidiary' model. This means that, in terms of its capital and liquidity, it is autonomous from the parent company Banco Santander. This structure acts as a firewall to limit potential contagion within the global group of any potential capital losses incurred by each unit, in the event of financial difficulties caused by global markets or other factors.

As a standalone bank within a larger group, Santander UK plc manages its own capital and liquidity. This means that money raised in the UK stays in the UK. Santander UK plc is not dependent on other countries for its financing, unlike other banks that operate with country 'branches'. The UK business has a very strong, prudent balance sheet of primarily secured retail assets backed by retail and commercial deposits<sup>1</sup>.

Santander UK plc has no significant sovereign debt exposure to Ireland, Greece, Italy, Portugal or Spain.

Santander UK plc is subject to the full supervision of the Financial Services Authority (FSA) in the UK.

For bank accounts and deposit-based products, Cater Allen is covered by the Financial Services Compensation Scheme (FSCS), with each eligible depositor covered up to £85,000 as a combined amount across their Cater Allen accounts, including their share of any joint accounts. Any money held in one of Cater Allen's Structured Deposit Products would also be counted in the £85,000 limit.

Because Cater Allen holds its own banking licence, a client's deposits with Cater Allen are regarded for the purposes of FSCS cover as being distinct from the client's deposits with Santander UK plc. A client is therefore afforded up to £85,000 cover as a combined amount across his/her Cater Allen accounts, and up to £85,000 as a combined amount across his/her Santander UK plc accounts.

Cater Allen also offers Structured Investment Products that are provided by Santander ISA Managers Limited and include a capital guarantee that is provided by Santander Guarantee Company. These products may be covered by the FSCS in relation to claims

against Santander ISA Managers, Cater Allen or Santander UK plc and their roles in the selling, arrangement, administration or management of the Plan, although a claim based solely on the guarantee would not be. The limit for this type of claim is currently £50,000.

Cater Allen's Plan specific Product Guides contain details relating to cover provided and for more information you can also refer to the FSCS website at [www.FSCS.org.uk](http://www.FSCS.org.uk)

## Strength

The H1 2011 financial results show that Santander UK plc attributable profit after tax was £300.4 million<sup>1,3</sup>.

The highlights of the H1 2011 results:

- Santander UK plc improved its commercial funding position compared to the same period last year, with growth in commercial deposits of 3%, exceeding in absolute terms residential mortgages growth of 1% and SME loans growth of 27%<sup>1</sup>.
- Santander UK plc is a domestically focused commercial bank with circa 85% of assets UK-based<sup>1</sup>.
- Loan-loss provisions were 49% lower than in the first half of 2010, due to improved evolution of retail products<sup>1</sup>.
- Customer deposit balances rose 3% despite a small outflow in the first half, resulting in an improvement in the loan to deposit ratio of 132% (from 134% in June 2010)<sup>1</sup>.
- Santander UK plc's mortgage non-performing loan levels remain significantly below market levels, as shown by the industry averages from the Council of Mortgage Lenders.

<sup>1</sup> Figures taken from Banco Santander Financial Report H1 2011.

<sup>2</sup> Before the impact from the extraordinary provision in relation to PPI remediation in the UK

<sup>3</sup> Including one-off provision of £538.1 million in relation to PPI remediation. Excepting this provision, attributable profit was £838.5 million.

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Cater Allen – part of Santander Private Banking



## Credit Ratings

Santander UK plc has its own credit rating assessed independently from Banco Santander.

### Santander UK plc

Credit Rating Agency	Rating	Last Changed	Outlook	Last Changed
S&P	AA-	11 Oct 2011	Rating under review	8 Dec 2011
Fitch	A+	3 Nov 2011	Stable	3 Nov 2011
Moody's	A1	7 Oct 2011	Negative	7 Oct 2011

Source: Bloomberg 31 January 2012

### Banco Santander

Credit Rating Agency	Rating	Last Changed	Outlook	Last Changed
S&P	AA-	11 Oct 2011	Rating under review	8 Dec 2011
Fitch	AA-	11 Oct 2011	Rating under review	20 Dec 2011
Moody's	Aa3	19 Oct 2011	Negative	19 Oct 2011

Source: Bloomberg 31 January 2012

## Security

Santander UK plc is self-sufficient from both a funding and liquidity perspective, and if wholesale funding is required, it is raised 100% by Santander UK plc.

Liquidity is held to cover both FSA and internal stresses, which cover a variety of periods and scenarios across the whole business. From both the point of view of funding (business as usual financing) and liquidity (stress scenario financing) no reliance can be placed on the parent, and this has to be demonstrated to the FSA.