

**Santander UK Group Holdings plc and Santander UK plc**

**December 2020 Additional Capital and Risk Management Disclosures**

**Introduction**

Santander UK Group Holdings plc’s Additional Capital and Risk Management Disclosures for the year ended 31 December 2020 should be read in conjunction with our 2020 Annual Report.

As a wholly-owned large subsidiary of Banco Santander, S.A., under the retained EU law version of Capital Requirements Regulation (UK CRR) Santander UK Group Holdings plc (the Company) is required to produce and publish annually a specified number of Pillar 3 disclosures. In accordance with the European Banking Authority (EBA) guidelines on disclosure frequency<sup>[1]</sup>, the Company has assessed the need to publish capital-related disclosures more frequently than annually and the disclosures deemed appropriate for more frequent publication have been included in the additional capital disclosures set out in this document. All disclosures within Part 1 of this document on pages 2 to 39 cover the consolidated Santander UK Group Holdings plc group position.

The Company is the immediate parent company of Santander UK plc, a Ring Fenced Bank (RFB), and associated controlled entities and is the head of the Santander UK group for regulatory capital and leverage purposes. Part 2 of this document on pages 40-62 includes a specified number of Pillar 3 disclosures in accordance with the EBA guidelines on disclosure frequency for the Santander UK plc group, which are similar to those for the Company.

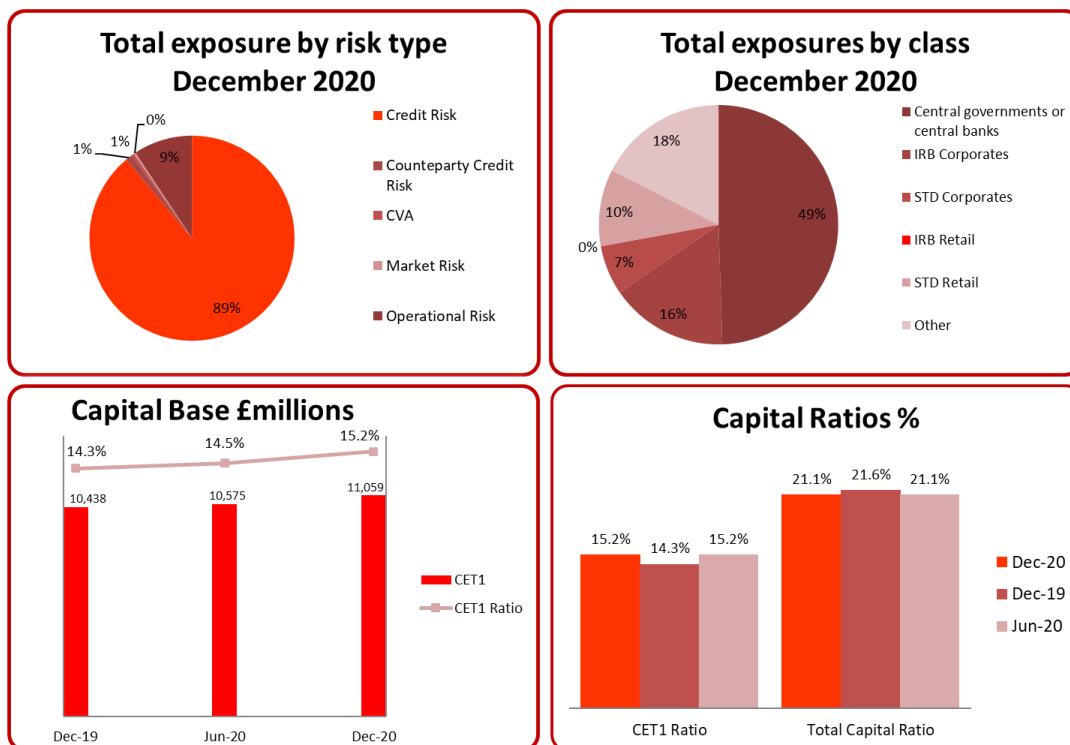
The regulatory and supervisory measures to alleviate the financial stability impact of the Coronavirus pandemic (Covid-19) and maintain the safety and soundness of authorised firms have been reflected in the Santander UK Group Holdings plc group and Santander UK plc group capital results. These measures are aimed to ensure the Santander UK Group Holdings plc group and the Santander UK plc group are able to continue to lend to households and businesses, support the real economy, and provide robust and consistent market disclosures. While activity is disrupted, substantial and substantive Government and Central Bank measures have been put in place in the UK and internationally to support businesses and households.

**Retained EU Law disclosures**

This document contains disclosures required under UK CRR for the Company as a large subsidiary of an EU parent undertaking, some of which are not disclosed in the 2020 Annual Report. All disclosures cover the 31 December 2020 position or movement during 2020.

**Additional Capital and Risk Management Disclosures for Santander UK Group Holdings plc group**

**Summary**



<sup>[1]</sup> EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(20) and 433 of Regulation (EU) No 575/2013.

## Key metrics

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 December 2020 together with the previously disclosed quarter end information at 30 September 2020, 30 June 2020, 31 March 2020 and 31 December 2019. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	31 December 2020 £m	30 September 2020 £m	30 June 2020 £m	31 March 2020 £m	31 December 2019 £m
<b>Available Capital (amounts)</b>					
Common Equity Tier 1 (CET1) capital	11,059	10,683	10,575	10,659	10,438
Fully loaded <sup>1</sup> Expected Credit Loss (ECL) accounting model CET1	10,986	10,670	10,512	10,612	10,422
Tier 1 capital	13,531	13,165	13,056	13,143	13,083
Fully loaded ECL accounting model Tier 1	13,458	13,152	12,993	13,096	13,066
Total capital	15,388	15,533	15,514	15,632	15,778
Fully loaded ECL accounting model total capital	15,315	15,520	15,451	15,585	15,761
<b>Risk-weighted assets (amounts)</b>					
Total risk-weighted assets (RWA)	72,922	74,154	72,718	74,014	73,202
Fully loaded ECL accounting model total RWA	72,794	74,072	72,616	73,979	73,232
<b>Risk-based capital ratios as a percentage of RWA</b>					
Common Equity Tier 1 ratio	15.2%	14.4%	14.5%	14.4%	14.3%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	15.1%	14.4%	14.5%	14.3%	14.2%
Tier 1 ratio	18.6%	17.8%	18.0%	17.8%	17.9%
Fully loaded ECL accounting model Tier 1 ratio (%)	18.5%	17.8%	17.9%	17.7%	17.8%
Total capital ratio	21.1%	20.9%	21.3%	21.1%	21.6%
Fully loaded ECL accounting model total capital ratio (%)	21.0%	21.0%	21.3%	21.1%	21.5%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	-	-	-	0.02%	0.98%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%	2.52%	3.48%
CET1 available after meeting the banks minimum capital	8.16%	7.41%	7.54%	7.38%	6.28%
<b>UK CRR leverage ratio</b>					
Total UK CRR leverage ratio exposure measure (£bn)	306.6	303.3	308.1	298.0	295.6
UK CRR leverage ratio	4.3%	4.3%	4.2%	4.3%	4.3%
Fully loaded ECL accounting model leverage Ratio	4.3%	4.2%	4.1%	4.3%	4.3%
<b>Liquidity Coverage Ratio</b>					
Total high-quality liquid assets (HQLA)	51,232	47,116	47,425	42,900	41,604
Total net cash outflow	34,104	30,995	32,274	31,186	29,266
Liquidity coverage ratio (LCR)	150.2%	152.0%	146.9%	137.6%	142.2%

## Key Movements

CET1 capital increased to £11.1bn, with capital accretion through retained profits, the impact of the change in treatment of software asset outlined in the EBA technical standard on the prudential treatment of software assets and a lower deduction from the excess of regulatory expected loss amounts over credit provisions. These increases were partially offset by adverse market driven movements in the defined benefit pension schemes. CET1 capital ratio increased 90bps to 15.2%. The CET1 capital ratio includes a benefit of c.30bps and UK leverage ratio includes a benefit of c.10bps from the change in the treatment of software asset. Amendments to Capital Requirements Regulation (CRR), which were published in the Official Journal on 26 June 2020, contributed 17bps to the CET1 capital ratio, through the implementation of the RWA reduction factors for certain SME and infrastructure exposures.

<sup>1</sup> Fully loaded excludes the impact of transitional arrangements.

**Key metrics – Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements**

The following table summarises key metrics about Own Funds and Eligible Liabilities available, and MREL requirements applied, for the Santander UK Group Holdings plc group.

	31 December 2020 £m	30 September 2020 £m	30 June 2020 £m	31 March 2020 £m	31 December 2019 £m
Total Own Funds and Eligible Liabilities available	22,961	23,282	23,860	23,829	23,787
Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	22,889	23,269	23,796	23,782	23,771
Total RWA at the level of the resolution group	72,922	74,154	72,718	74,014	73,202
Total Own Funds and Eligible Liabilities as a percentage of RWA	31.5%	31.4%	32.8%	32.2%	32.5%
Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	31.4%	31.4%	32.8%	32.3%	32.5%
UK CRR Leverage exposure measure at the level of the resolution group	306,581	303,267	308,063	298,015	295,562
Total Own Funds and Eligible Liabilities as a percentage of UK CRR leverage exposure measure	7.5%	7.7%	7.7%	8.0%	8.0%
Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model UK CRR leverage ratio exposure measure	7.5%	7.7%	7.7%	8.0%	8.0%
Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as Own Funds and Eligible Liabilities, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as Own Funds and Eligible Liabilities if no cap was applied (%)	n/a	n/a	n/a	n/a	n/a

The MREL requirement for the Santander UK Group Holdings plc group, excluding capital buffers, is the higher of:

- 16% of consolidated RWAs or 6% of the CRR Leverage exposure.

**TLAC1: Total Loss Absorbing Capacity composition for G-SIBs (at resolution group level)**

TLAC position of the Santander UK Group Holdings plc consolidated group (the resolution group)

	31 December 2020 £bn	30 June 2020 £bn	31 December 2019 £bn
<b>Regulatory capital elements of TLAC and adjustments</b>			
1	11.1	10.6	10.4
2	2.5	2.5	2.7
3	-	-	-
4	-	-	-
5	2.5	2.5	2.7
6	1.8	2.4	2.7
7	-	-	-
8	-	-	-
9	-	-	-
10	1.8	2.4	2.7
11	15.4	15.5	15.8
12	7.6	8.4	8.0
13	-	-	-
14	-	-	-
15	-	-	-
16	-	-	-
17	7.6	8.4	8.0
<b>Non-regulatory capital elements of TLAC: adjustments</b>			
18	23.0	23.9	23.8
19	-	-	-
20	-	-	-
21	-	-	-
22	23.0	23.9	23.8
<b>Risk-weighted assets and leverage exposure measure for TLAC purposes</b>			
23	72.9	72.7	73.2
24	306.6	308.0	295.6
<b>TLAC ratios and buffers</b>			
25	31.5%	32.8%	32.5%
26	7.5%	7.7%	8.0%
27	6.3%	7.4%	8.3%
28	2.50%	2.50%	3.48%
29	2.50%	2.50%	2.50%
30	-	-	0.98%
31	-	-	-

In March 2020, UK countercyclical capital buffer has been reduced to nil.

**TLAC2 – Material subgroup entity – creditor ranking at legal entity level**

Creditor Hierarchy of Material subsidiaries, Santander UK plc

£bn		Creditor ranking						Sum of 1 to 6
		1 (most junior)	2	3	4	5	6	
1	Is the resolution entity the creditor/investor?	Yes	Yes	No	Yes	No	Yes	-
2	Description of creditor ranking	Share Capital	Additional Tier 1 Instruments	Additional Tier 1 Instruments	Subordinated Debt	Subordinated Debt	Bail-in Debt	-
3	Total capital and liabilities net of credit risk mitigation	3.1	2.0	0.6	1.1	1.3	9.2	17.3
4	Subset of row 3 that are excluded liabilities	-	-	-	-	-	-	-
5	Total capital and liabilities less excluded liabilities	3.1	2.0	0.6	1.1	1.3	9.2	17.3
6	Subset of row 5 that are eligible as TLAC	3.1	2.0	0.6	1.1	1.3	7.0	15.1
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years	-	-	-	-	0.6	2.1	2.7
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years	-	-	-	0.7	-	4.1	4.8
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years	-	-	-	-	0.2	0.8	1.0
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities	-	-	-	0.4	-	-	0.4
11	Subset of row 6 that is perpetual securities	3.1	2.0	0.6	-	0.5	-	6.2

**TLAC3 – Resolution entity – creditor ranking at legal entity level**

Creditor Hierarchy of the Company

£bn		Creditor ranking				Sum of 1 to 4
		1 (most junior)	2	3	4 (most senior)	
1	Description of creditor ranking	Share Capital Book value	Additional Tier 1 Instruments Stated value	Subordinated Debt Par value	Bail-in Debt Par value	Total
2	Total capital and liabilities net of credit risk mitigation	7.1	2.8	2.4	9.3	21.6
3	Subset of row 2 that are excluded liabilities	-	-	-	-	-
4	Total capital and liabilities less excluded liabilities	7.1	2.8	2.4	9.3	21.6
5	Subset of row 4 that are potentially eligible as TLAC	7.1	2.8	2.4	7.5	19.8
6	Subset of row 5 with 1 year ≤ residual maturity < 2 years	-	-	0.7	2.1	2.8
7	Subset of row 5 with 2 years ≤ residual maturity < 5 years	-	-	0.7	4.6	5.3
8	Subset of row 5 with 5 years ≤ residual maturity < 10 years	-	-	0.2	0.8	1.0
9	Subset of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities	-	0.5	0.4	-	0.9
10	Subset of row 5 that is perpetual securities	7.1	2.3	0.4	-	9.8

**IFRS 9 Transitional Arrangements (IFRS9-FL)**

The following table summarises the impact of IFRS 9 transitional arrangements at 31 December 2020 over the full allowable period.

	2020	2021	2022	2023	2024
IFRS9 Transitional Factor	70%	50%	25%		
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	100%	100%	75%	50%	25%
<b>Available Capital (amounts)</b>					
1 Common Equity Tier 1 (CET1) capital	11,059	11,056	11,036	11,016	11,001
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,046	11,046	11,031	11,016	11,001
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,999	10,996	10,991	11,016	10,986
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,986	10,986	10,986	10,986	10,986
3 Tier 1 Capital	13,531	13,529	13,509	13,489	13,474
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,458	13,458	13,458	13,458	13,458
5 Total Capital	15,388	15,386	15,366	15,346	15,331
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,315	15,315	15,315	15,315	15,315
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets (RWA)	72,922	72,926	72,895	72,865	72,830
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	72,999	72,981	72,923	72,865	72,830
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	72,717	72,739	72,766	72,794	72,794
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	72,794	72,794	72,794	72,794	72,794
<b>Capital Ratios</b>					
9 Common Equity Tier 1 ratio	15.2%	15.2%	15.1%	15.1%	15.1%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.1%	15.1%	15.1%	15.1%	15.1%
11 Tier 1 ratio	18.6%	18.6%	18.5%	18.5%	18.5%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.5%	18.5%	18.5%	18.5%	18.5%
13 Total capital ratio	21.1%	21.1%	21.1%	21.1%	21.1%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	21.0%	21.0%	21.0%	21.0%	21.0%
<b>UK CRR leverage ratio</b>					
15 Leverage Ratio Total Exposure Measure	306,581	306,581	306,581	306,581	306,581
16 Leverage Ratio	4.3%	4.3%	4.3%	4.3%	4.3%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.3%	4.3%	4.3%	4.3%	4.3%

The Company is applying the IFRS 9 capital transitional arrangements set out in EU Regulation 2017/2395 and EU Regulation 2020/873 that amend the Capital Requirements Regulation. Under the transitional arrangements, the Company is entitled to mitigate the effect to capital of Expected Credit Loss-based provisioning following the implementation of IFRS 9. The transitional arrangements last for a five-year period beginning on the 1st of January 2018 with the amount of capital relief available reduced each year by the transitional factor, with an extended transitional period used for capital relief against provision movements from 1 January 2020. The transitional factor is 70 percent in 2020, declining to 50 percent in 2021 and 25 percent in 2022, and for post 1 January 2020 provision movements is 100 percent in 2020 and 2021, 75 percent in 2022, 50 percent in 2023 and 25 percent in 2024.

The capital relief affects both the capital base and RWAs reported by the Company. The adjustment to CET1 capital is comprised of a static element and a dynamic element. The static element is based on the CET1 capital impact of the change in provision levels upon implementation of IFRS 9 (on 1st January 2018). The capital adjustments from this static element will only change over the five-year transition period due to the phased reduction of the transitional factor. The dynamic element is based on the capital impact of the change in provision levels for non-credit impaired exposures from the first day of the implementation of IFRS 9. The dynamic element will change over the transition period and is also subject to progressive reduction over the five-year transitional period and the extended period for provision movements post 1 January 2020 due to the transitional factor. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk, deferred tax assets created upon adoption of IFRS 9 ECL-based provisioning and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Rating Based approach.

**Leverage Ratio**

The following table summarises the Company's end point UK CRR and UK Leverage Ratio at 31 December 2020 together with the previously disclosed quarter end information at 30 September 2020, June 2020, 31 March 2020 and 31 December 2020. The UK Leverage Ratio is consistent with the Leverage Ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage Ratio.

	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Common Equity Tier 1 (CET1) capital (£m)	11,059	10,683	10,575	10,659	10,438
End point Additional Tier 1 (AT1) capital (£m)	2,105	2,140	2,186	2,209	2,187
End point Tier 1 capital (£m)	13,164	12,823	12,761	12,868	12,625
Leverage Exposure UK CRR (£bn)	306.6	303.3	308.1	298.0	295.6
Leverage Exposure UK <sup>1</sup> (£bn)	259.0	263.3	269.0	271.9	269.2
End point Tier 1 Leverage Ratio UK CRR	4.3%	4.3%	4.2%	4.3%	4.3%
End point Tier 1 Leverage Ratio UK <sup>1</sup>	5.1%	4.9%	4.7%	4.7%	4.7%
Average Tier 1 Leverage Ratio UK <sup>1</sup>	5.0%	4.8%	4.7%	4.7%	4.6%

UK leverage ratio was at 5.1%, up 40bps, primarily through improvement in CET1 capital and active management of leverage exposures. It is 1.5 percentage points above the regulatory requirement.

<sup>1</sup> Includes the impact of AT1 cap on end point AT1 capital and deductions permitted under the recommendation from the Financial Policy Committee on 25th July 2016.



**Liquidity Coverage Ratio**

Additional liquidity disclosures are published in the 2020 Annual Report. For further information please refer to the Liquidity Risk section of the 2020 Annual Report.

The values presented below are the simple average of the preceding monthly periods ending on the reporting date as specified in the table.

	Average unweighted value		Average weighted value	
	31 December 2020 £m	30 September 2020 £m	31 December 2020 £m	30 September 2020 £m
Total high-quality liquid assets (HQLA)	47,005	45,579	46,697	45,202
<b>CASH-OUTFLOWS</b>				
<b>Retail deposits and deposits from small business customers, of which:</b>	<b>138,938</b>	<b>136,769</b>	<b>8,129</b>	<b>8,009</b>
Stable deposits	121,248	119,542	6,062	5,977
Less stable deposits	17,690	17,227	2,067	2,032
<b>Unsecured wholesale funding</b>	<b>27,337</b>	<b>26,076</b>	<b>15,200</b>	<b>14,581</b>
Operational deposits (all counterparties) and deposits in networks of cooperative banks				
Non-operational deposits (all counterparties)	25,561	24,436	13,424	12,941
Unsecured debt	1,776	1,640	1,776	1,640
<b>Secured wholesale funding</b>	<b>15,193</b>	<b>13,819</b>	<b>346</b>	<b>247</b>
<b>Additional requirements</b>	<b>20,378</b>	<b>19,886</b>	<b>8,838</b>	<b>8,430</b>
Outflows related to derivative exposures and other collateral requirements	6,820	6,466	6,820	6,466
Outflows related to loss of funding on debt products	279	182	279	182
Credit and liquidity facilities	13,279	13,238	1,739	1,782
<b>Other contractual funding obligations</b>	<b>66</b>	<b>55</b>	<b>-</b>	<b>-</b>
<b>Other contingent funding obligations</b>	<b>25,930</b>	<b>25,808</b>	<b>2,070</b>	<b>2,020</b>
<b>TOTAL CASH OUTFLOWS</b>	<b>227,842</b>	<b>222,413</b>	<b>34,583</b>	<b>33,287</b>
<b>CASH-INFLOWS</b>				
Secured lending (e.g reverse repos)	8,174	7,641	21	23
Inflows from fully performing exposures	1,752	1,786	1,077	1,074
Other cash inflows	1,925	1,917	689	657
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
(Excess inflows from a related specialised credit institution)				
<b>TOTAL CASH INFLOWS</b>	<b>11,851</b>	<b>11,344</b>	<b>1,787</b>	<b>1,754</b>
Fully exempt inflows				
Inflows Subject to 90% Cap				
Inflows Subject to 75% Cap	9,281	9,013	1,809	1,782
<b>LIQUIDITY BUFFER</b>			<b>46,697</b>	<b>45,202</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>-</b>	<b>31,507</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>142.48</b>	<b>143.47</b>
Number of data points used in calculation of averages	12	12	12	12

**Key Movements**

LCR of 152% (2019:142%); with very strong customer deposit growth of £13.9bn (2019: £5.7bn)

### Use of internal model-based approaches for determination of capital requirements

In accordance with UK CRR rules, and with approval of the Single Supervisory Mechanism (SSM) comprised of the European Central Bank (ECB) and national supervisory authorities of the participating countries, the Company uses internal models to calculate regulatory capital requirements for credit risk. Further details on the internal models used are included under credit risk and market risk in the risk types section of this document.

For credit risk three model-based approaches are used, which are collectively termed the Internal Ratings-Based (IRB) approach. The first of these approaches is the foundation IRB (FIRB) approach, under which a bank can calculate capital requirements using an internal assessment of the probability of default (PD) of a counterparty, combined with supervisory formula to estimate the exposure at default (EAD) and loss given default (LGD). The second approach is the advanced IRB (AIRB) approach (this includes the Retail IRB approach) under which a bank can calculate capital requirements using internal assessments for PD, EAD and LGD. The third approach is 'slotting', used for specialised lending exposures. For these types of exposures, a set of supervisory risk weights are used, which are assigned on the basis of a classification in five categories, depending on the underlying credit risk, as well as the remaining maturity.

Where these model-based approaches are not used, the standardised approach is used, under which a bank will apply a risk weighting to exposures depending on the category of exposure and, where applicable, an external credit rating.

The Company scope of the use of IRB credit risk approaches and standardised approach is detailed in the table below:

	AIRB	FIRB	Slotting	Standardised
Retail	Residential mortgages Unsecured Personal Loans Bank Accounts	-	-	Credit Cards Consumer Finance Other
Non Retail	Banks Insurers Large Corporates Social Housing	Corporate	Specialised Lending	Sovereigns Other Non-IRB Corporates

By the introduction of Post Banking Reform restructuring, which is applicable as at 1<sup>st</sup> January 2019, there has been no VAR Internal Market Risk models.

### Risk-weighted assets by business division

	Regulatory exposure			Risk-weighting			RWAs		
	Standardised approach	IRB Approach	Total	Standardised approach	IRB Approach	Total	Standardised approach	IRB Approach	Total
31 December 2020	£bn	£bn	£bn	%	%	%	£bn	£bn	£bn
<b>Retail Banking</b>									
- Secured lending	0.3	179.1	179.4	54.5%	17.0%	17.1%	0.2	30.5	30.7
- Unsecured lending	18.3	7.6	25.9	55.2%	43.4%	51.7%	10.1	3.3	13.4
- Operational risk	-	-	-	-	-	-	5.4	-	5.4
<b>Corporate &amp; Commercial Banking</b>									
- Customer assets	10.2	8.2	18.4	57.5%	76.4%	65.9%	5.9	6.2	12.1
- Counterparty risk	0.2	0.3	0.5	93.2%	70.1%	77.7%	0.1	0.2	0.3
- Operational risk	-	-	-	-	-	-	0.9	-	0.9
<b>Corporate &amp; Institutional Banking</b>									
- Credit risk	0.2	5.1	5.3	99.6%	57.7%	59.0%	0.2	2.9	3.1
- Counterparty risk	-	0.3	0.3	-	63.9%	66.4%	-	0.2	0.2
- Market risk <sup>1</sup>	-	-	-	-	-	-	-	-	-
- Operational risk	-	-	-	-	-	-	0.5	-	0.5
<b>Corporate Centre</b>									
- Customer assets <sup>2</sup>	0.7	3.8	4.5	18.7%	25.5%	24.4%	0.1	1.0	1.1
- Counterparty Risk	0.8	1.5	2.3	56.7%	6.2%	23.6%	0.5	0.1	0.6
- Eligible liquid assets <sup>3</sup>	50.5	-	50.5	-	-	-	-	-	-
- Market Risk <sup>1</sup>	-	-	-	-	-	-	0.2	-	0.2
- Operational Risk	-	-	-	-	-	-	-	-	-
<b>Other assets<sup>4</sup></b>	<b>4.4</b>	<b>4.5</b>	<b>8.9</b>	<b>63.6%</b>	<b>35.6%</b>	<b>49.4%</b>	<b>2.8</b>	<b>1.6</b>	<b>4.4</b>
<b>Total</b>	<b>85.6</b>	<b>210.4</b>	<b>296.0</b>	<b>31.4%</b>	<b>21.9%</b>	<b>24.6%</b>	<b>26.9</b>	<b>46.0</b>	<b>72.9</b>

(1) Market Risk RWAs are determined using standardised approaches.

(2) Customer assets in the Corporate Centre largely comprise Social Housing.

(3) Eligible liquid assets include reverse repurchase agreements collateralised by eligible sovereign securities.

(4) The RWAs for other assets have been allocated to Corporate Centre. The RWAs cover Credit risk, Market risk and Operational risk.

**RWA and Capital Requirements****Overview of RWA (OV1)**

The following table details RWA and equivalent Own Funds Requirements. Own Funds Requirements are calculated as RWA multiplied by 8%.

	RWA		Minimum capital requirements
	31 December 2020 £bn	30 September 2020 £bn	31 December 2020 £bn <sup>1</sup>
1 Credit risk (excluding counterparty credit risk) <sup>1</sup>	63.4	64.0	5.1
2 - Of which: standardised approach (SA)	18.5	17.8	1.5
3 - Of which: foundation internal rating-based approach (FIRB) approach	5.2	5.3	0.4
4 - Of which: advanced internal rating-based approach (AIRB) approach	39.7	40.9	3.2
6 Counterparty credit risk (CCR) <sup>1</sup>	0.8	0.9	0.1
9 - Of which: standardised approach for counterparty credit risk	0.3	0.3	-
10 - Of which: IMM	0.5	0.6	-
- Of which: other CCR	-	-	-
12 Credit Valuation Adjustment (CVA)	0.3	0.3	-
Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	0.5	0.5	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
13 Settlement risk	-	-	-
14 Securitisation exposures in banking book (after cap) <sup>2</sup>	0.9	1.0	0.1
- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.2	-
- Of which: securitisation external ratings-based approach (SEC-ERBA), including external assessment approach (IAA)	0.5	0.5	-
- Of which: securitisation standardised approach (SEC-SA)	0.3	0.3	-
19 Market risk <sup>1</sup>	0.2	0.2	-
20 - Of which: standardised approach	0.2	0.2	-
21 - Of which: internal model approach (IMA)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
23 Operational risk <sup>1</sup>	6.8	7.3	0.5
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Aggregate capital floor applied	-	-	-
28 Floor adjustment (before application of transitional cap)	-	-	-
28 Floor adjustment (after application of transitional cap)	-	-	-
29 Total <sup>1</sup>	72.9	74.2	5.8

<sup>1</sup> Includes balances which are not visible due to rounding have been included in the total.

<sup>2</sup> Includes 2 Significant Risk Transfer transactions which are subject to re-characterisation risk.

**UK CRR Pillar 1 risk types**

The following sections of this document cover credit risk (which includes counterparty risk), market risk and operational risk, which are the risk types included in UK CRR Pillar 1 that contribute to the level of RWAs.

**RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised<sup>1</sup> (CR8)****RWA flow statements of credit risk exposures under IRB**

	RWA £bn	Capital requirements
1 RWAs at 30 September	47.3	3.7
2 Asset size	(0.5)	-
3 Asset quality	(0.8)	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 31 December	46.0	3.7

**RWA flow statements of credit risk exposures under standardised approach**

	RWA £bn	Capital requirements
1 RWAs at 30 September	18.9	1.5
2 Asset size	0.4	0.1
3 Asset quality	0.1	-
4 Model updates	-	-
5 Methodology and policy	0.2	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 31 December	19.6	1.6

£0.2bn RWA increase in Methodology and policy section under standardised approach is due to the impact of the change in treatment of software asset outlined in the EBA technical standard on the prudential treatment of software assets.

<sup>1</sup> Table excludes CVA

**Credit risk exposure and credit risk mitigation (CRM) effects (CR4)****Standardised approach**

	Exposures before CCF and CRM		Exposure post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020
1 Central government or central banks	53.9	0.2	53.9	0.2	-	-
2 Regional government or local authorities	-	-	-	-	-	-
3 Public sector entities	-	0.1	-	-	-	20%
4 Multilateral Development Banks	1.4	-	1.4	-	-	-
5 International Organisations	-	-	-	-	-	-
6 Institutions	1.1	-	1.1	-	0.1	13%
7 Corporates	10.1	2.7	6.5	0.2	6.4	96%
8 Retail	11.3	10.1	10.6	-	7.8	73%
9 Secured by mortgages on immovable property	0.4	-	0.4	-	0.2	44%
10 Exposures in default	0.2	-	0.2	-	0.3	110%
11 Higher-risk categories	0.1	0.1	0.1	-	0.1	150%
12 Covered bonds	1.4	-	1.4	-	0.1	10%
13 Institutions and corporations with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	-	-	-	-	-	-
16 Other items	6.4	-	6.4	-	3.8	59%
Securitisations	2.5	-	2.5	-	0.8	32%
Contributions to the default fund of a CCP	-	-	-	-	-	1250%
17 Total	88.8	13.2	84.5	0.4	19.6	23%

**IRB approach**

	Exposures before CCF and CRM		Exposure post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020
Corporates – Specialised Lending	4.9	1.1	4.9	0.4	3.9	75%
Corporates – SME	1.1	0.2	1.1	-	1.0	91%
Corporates – Other	10.1	12.5	10.2	5.6	6.3	40%
Institutions	1.3	-	1.3	-	0.3	20%
Retail Immovable Property	170.1	13.3	170.4	8.7	30.5	17%
Retail QRR	0.4	4.1	0.4	5.1	1.7	30%
Retail Other	2.0	-	2.0	-	1.7	81%
Equity	0.1	-	0.1	-	0.5	370%
Securitisations	0.8	0.1	0.8	0.1	0.1	17%
Total	190.8	31.3	191.2	19.9	46.0	22%

**IRB (specialised lending and equities) (CR10)**

The following table outlines the level of exposure assigned to each Specialised Lending Category and maturity.

		Specialised Lending				Expected losses £m
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWA £m	
1	Less than 2.5 years	68.9	43.8	50%	33.1	-
	Equal to or more than 2.5 years	299.2	141.4	70%	203.8	1.4
2	Less than 2.5 years	2,032.3	433.6	70%	1,426.8	8.7
	Equal to or more than 2.5 years	1,948.3	471.3	90%	1,689.5	16.8
3	Less than 2.5 years	193.1	1.4	115%	214.0	5.4
	Equal to or more than 2.5 years	166.5	5.8	115%	177.0	4.7
4	Less than 2.5 years	31.1	-	250%	69.1	2.5
	Equal to or more than 2.5 years	32.4	21.0	250%	84.7	2.9
5	Less than 2.5 years	19.7	1.0	-	-	10.1
	Equal to or more than 2.5 years	67.7	-	-	-	33.9
Total	Less than 2.5 years	2,345.1	479.8	-	1,743.0	26.7
	Equal to or more than 2.5 years	2,514.1	639.5	-	2,155.0	59.7

Equities under the simple risk-weight approach						
	On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWA £m	Capital requirements £m	
Exchange –traded equity exposures	-	-	190%	-	-	-
Private equity exposures	-	-	250%	-	-	-
Other equity exposures	146.4	-	370%	541.7	43.3	
Total	146.4	-	-	541.7	43.3	

**Countercyclical Capital Buffer**

The following table outlines the geographical distribution of credit risk exposures relevant for the calculation of the countercyclical capital buffer at 31 December 2020.

Country	General credit exposure		Trading book exposure		Securitisation exposure		Own funds requirement					Counter-cyclical capital buffer rate
	Exposure value for SA £bn	Exposure value IRB £bn	Sum of long and short position of trading book £bn	Value of trading book exposure for internal models £bn	Exposure value for SA £bn	Exposure value IRB £bn	Of which: general credit exposures £bn	Of which: trading book exposures £bn	Of which: securitisation exposures £bn	Total £bn	Own funds requirement weight	
UK	28.4	218.0	-	-	0.7	0.1	5.0	-	-	5.0	-	0%
Crown												
Dependencies	0.7	0.5	-	-	-	-	-	-	-	-	-	0%
United States	0.1	0.1	-	-	-	-	-	-	-	-	-	0%
Spain	-	-	-	-	-	-	-	-	-	-	-	0%
Australia	-	-	-	-	-	-	-	-	-	-	-	0%
Luxembourg	-	0.1	-	-	-	-	-	-	-	-	-	0.25%
Canada	-	-	-	-	-	-	-	-	-	-	-	0%
Netherlands	0.1	-	-	-	-	-	-	-	-	-	-	0%
Ireland	0.1	0.2	-	-	1.1	1.5	-	-	0.1	0.1	-	0%
Norway	0.1	0.3	-	-	-	-	-	-	-	-	-	1%
Sweden	-	0.1	-	-	-	-	-	-	-	-	-	0%
France	0.3	-	-	-	-	-	-	-	-	-	-	0%
Belgium	0.1	-	-	-	-	-	-	-	-	-	-	0%
Finland	-	-	-	-	-	-	-	-	-	-	-	0%
Switzerland	-	-	-	-	-	-	-	-	-	-	-	0%
British Virgin Islands	-	-	-	-	-	-	-	-	-	-	-	0%
Denmark	-	0.1	-	-	-	-	-	-	-	-	-	0%
Italy	-	-	-	-	-	-	-	-	-	-	-	0%
Bermuda	-	0.1	-	-	-	-	-	-	-	-	-	0%
New Zealand	-	-	-	-	-	-	-	-	-	-	-	0%
Saudi Arabia	-	-	-	-	-	-	-	-	-	-	-	0%
Other	-	-	-	-	-	-	-	-	-	-	-	0% or not set

Exposure value of relevant credit exposures defined in accordance with Article 140(4) of Directive 2013/36/EU.

Countries included in the table above were selected if total exposure was greater than £0.1bn pre-deductions based on Article 140(4) of Directive 2013/36/EU.

The following table shows the amount of institution-specific countercyclical capital buffer.

	£bn
Total risk exposure	72.9
Institution specific countercyclical capital buffer rate	0%
Institution specific countercyclical capital buffer requirement	-

The level of the Countercyclical Capital Buffer for the Company at 31 December 2020 was 0%.

### Key features of credit risk models

The following table shows the key features of the HoldCo Group's IRB models, outlining the model methodology or approach, the number of years of loss data used, the exposure class covered and applicable regulatory thresholds for each of the PD, LGD and EAD components<sup>1</sup>. The RWAs at 31 December 2020 are also shown. This table does not include portfolios covered by the IRB approach for securitisations (£0.1bn RWAs) and IRB approach for equity exposures (£0.5bn RWAs).

Component Modelled	Portfolio	Number of significant models and size of associated portfolio (RWAs)	Model Description and Methodology	Number of Years Loss Data	Exposure Classes Measured	Applicable Industry-wide regulatory thresholds
PD	Residential Mortgages	One Model (£30.5bn)	Statistical scorecard produces a PD that is scaled to a long-run cycle average	>10 years	Retail Mortgages	PD floor of 0.03%
	Unsecured Personal Loans	One Model (£1.7bn)	Statistical scorecard produces a PD that is scaled to a long-run average	c.3 years	Other Retail	PD floor of 0.03%
	Bank Accounts	One Model (£1.7bn)	Observed default rates segmented into statistical score bands, scaled to a long-run average	6-10 years	Qualifying Revolving Retail Exposures	PD floor of 0.03%
	Social Housing	One Model (£2.1bn)	Expert judgement rating model	Low default portfolio	Corporates	PD floor of 0.03%
	Corporate	Four Models (£6.0bn)	Statistical rating model for Corporates and slotting model (2) for Specialised Lending	>10 years	Corporates	PD floor of 0.03%
	Global Models	Three Models (£3.4bn)	Combination of statistical and expert judgement models for Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	PD floor of 0.03%
	LGD	Residential Mortgages	One Model (£30.5bn)	Data driven estimates of loss and propensity to write-off, stressed to a downturn position	>10 years	Retail Mortgages
Unsecured Personal Loans		One Model (£1.7bn)	Regression based estimates of loss and propensity to write-off, with expert judgement where appropriate	c.3 years	Other Retail	NA
Bank Accounts		One Model (£1.7bn)	Data driven estimates of loss and propensity to write-off, using a long run average	6-10 years	Qualifying Revolving Retail Exposures	NA
Social Housing		One Model (£2.1bn)	Data driven estimate of realisable value of collateral	Low default portfolio	Corporates	LGD Floor of 35%
Corporate		Four Models (£6.0bn)	Foundation IRB and Slotting	NA	Corporates	NA
Global Models		Three Models (£3.4bn)	Combination of statistical and expert judgement models for Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	NA
EAD		Residential Mortgages	One Model (£30.5bn)	Long-run credit conversion factors applied to on and off balance	>10 years	Retail Mortgages
	Unsecured Personal Loans	One Model (£1.7bn)	Regression based model	c.3 years	Other Retail	EAD must be at least equivalent to current balance utilisation at account level
	Bank Accounts	One Model (£1.7bn)	Long-run credit conversion factors applied to on and off balance	6-10 years	Qualifying Revolving Retail Exposures	EAD must be at least equivalent to current balance utilisation at account level
	Social Housing	One Model (£2.1bn)	Data driven estimate	Low default portfolio	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Corporate	Four Models (£6.0bn)	Foundation IRB and Slotting	NA	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Global Models	Three Models (£3.4bn)	Combination of statistical and expert judgement models for Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	EAD must be at least equivalent to current balance utilisation at account level

<sup>1</sup> Slotting models do not estimate a PD or LGD but do generate an Expected Loss.

**Probability of Default disclosures (CR6)**

The following tables show the distribution by credit quality of the value of exposures, credit risk parameters and capital for the Holdco Group's IRB portfolios, by exposure class. This excludes specialised lending and securitisation portfolios where PD is not estimated for RWA calculations. The initial table below details the relationship between the IRB model portfolio and exposure class.

IRB Model Portfolio	Exposure class
Residential Mortgages	Retail Mortgages
Unsecured Personal Loans	Other Retail
Bank Accounts	Qualifying Revolving Retail Exposures
Social Housing	Corporates
Corporate	Corporates
Global Models – Banks	Institutions
Global Models – Insurers	Corporates
Global Models – Large Corporates	Corporates

The Company uses a single rating scale for reporting purposes to provide a consistent approach for reporting default risk across all the credit risk portfolios. In the tables below, the PD bands and associated PD ranges reflect those used for PRA reporting purposes. The PD band is with 1 representing the lowest risk, and the definition of default is in accordance with PRA rules.

For the corporates and institutions exposure classes, the PD bands for an individual counterparty exposure are determined by the through-the-cycle PD value assigned to the counterparty exposures. This through-the-cycle PD is also used in the calculation of average PD, RWAs and average risk weighting for these classes. For the retail mortgages, qualifying revolving retail exposures and other retail exposure classes, the PD band and PD range reflect the point-in-time PD of an individual counterparty exposure, but the PD used for average PD, RWAs and average risk weighting is cycle-adjusted and hence can be different to the point-in-time PD. This results in the average PD being outside the specified PD range for some PD bands.

For all exposure classes, the average PD and average LGD reflect exposure at default-weighted values. The analysis for corporates and institutions includes both banking book exposures and counterparty risk exposures.

**At 31 December 2020****Corporates**

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
1	0.000 to 0.160	11,974	0.06	37.48	2,832	24
2	0.160 to 0.290	934	0.24	46.68	530	57
3	0.290 to 0.530	862	0.39	45.62	640	74
4	0.530 to 0.920	609	0.65	47.30	566	93
5	0.920 to 1.560	358	1.05	48.06	426	119
6	1.560 to 2.700	1,134	2.28	42.80	1,167	103
7	2.700 to 35.000	820	7.11	44.21	1,178	144
	In default	135	100.00	45.02	-	-
	Total	16,826	1.42	39.73	7,339	43.61

**Institutions**

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
1	0.000 to 0.037	940	0.03	44.40	120	12.71
2	0.037 to 0.039	-	-	-	-	-
3	0.039 to 0.045	-	-	-	-	-
4	0.045 to 0.058	231	0.06	45.14	64	27.55
5	0.058 to 0.076	-	-	-	-	-
6	0.076 to 0.100	96	0.08	45.6	32	33.29
7	0.100 to 0.134	48	0.13	46.16	28	59.59
8	0.134 to 0.211	3	0.20	46.20	1	39.62
9	0.211 to 0.339	-	-	-	-	-
10	0.339 to 0.544	-	-	-	-	-
11	0.544 to 0.873	15	0.70	48.60	15	101.44
12	0.873 to 1.402	-	-	-	-	-
	In default	-	-	-	-	-
	Total	1333	0.52	44.73	260	19.51



**Retail mortgages**

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
1	0.000 to 0.015	9,349	0.43	11.15	739	7.91
2	0.015 to 0.030	7,670	0.40	10.48	547	7.13
3	0.030 to 0.060	17,218	0.39	9.15	1060	6.16
4	0.060 to 0.120	36,188	0.43	8.98	2,342	6.47
5	0.120 to 0.250	52,038	1.41	9.60	8,144	15.65
6	0.250 to 0.500	22,299	2.86	11.02	6,107	27.39
7	0.500 to 1.000	8,199	5.52	12.11	3,480	42.45
8	1.000 to 2.000	1,945	11.47	11.91	1,083	55.68
9	2.000 to 4.000	17,112	4.86	9.84	4,448	25.99
10	4.000 to 8.000	3,192	14.69	12.57	1,711	53.62
11	8.000 to 15.000	885	28.82	10.72	409	46.31
12	15.000 to 30.000	692	50.32	11.03	313	45.27
13	30.000 to 60.000	399	79.79	10.65	100	24.95
14	60.000 to 99.999	186	82.62	10.89	43	23.03
	In default	1,731	99.62	14.04	5	0.30
	Total	179,103	3.60	100.0	30,531	17.05

**Qualifying revolving retail exposures**

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
1	0.000 to 0.010	181	0.03	65.70	3	1.52
2	0.010 to 0.030	3,180	0.19	69.54	234	7.36
3	0.030 to 0.050	91	0.26	74.37	9	10.51
4	0.050 to 0.100	359	1.18	63.82	105	29.37
5	0.100 to 0.200	323	1.12	70.22	97	29.92
6	0.200 to 0.500	440	2.09	67.78	197	44.82
7	0.500 to 1.000	237	2.59	69.36	132	55.79
8	1.000 to 2.000	288	5.08	66.07	244	84.51
9	2.000 to 5.000	259	9.80	65.48	325	125.2
10	5.000 to 10.000	108	20.10	63.30	188	174.34
11	10.000 to 20.000	44	33.91	60.83	83	187.75
12	20.000 to 40.000	19	47.50	55.64	33	167.57
13	40.000 to 99.999	6	66.08	59.01	8	144.01
	In default	15	100.00	74.89	1	5.52
	Total	5550	2.42	68.41	1,659	29.88

**Other Retail**

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
2	0.010 to 0.030	-	0.08	88.01	-	19.26
3	0.030 to 0.050	9	0.10	88.00	2	23.14
4	0.050 to 0.100	136	0.15	88.00	43	31.54
5	0.100 to 0.200	400	0.22	88.00	159	39.79
6	0.200 to 0.500	638	0.50	88.00	426	66.85
7	0.500 to 1.000	395	1.16	88.00	399	100.95
8	1.000 to 2.000	246	2.86	88.00	318	129.22
9	2.000 to 5.000	127	5.89	88.00	178	140.10
10	5.000 to 10.000	38	11.44	88.00	62	164.20
11	10.000 to 20.000	11	18.49	88.00	23	201.16
12	20.000 to 40.000	10	29.54	88.00	25	237.44
13	40.000 to 99.999	13	64.91	88.00	26	204.38
	In default	15	100.00	88.01	-	0.04
	Total	2,038	2.74	88.00	1,661	81.50

### Significant IRB models and model performance

The residential mortgage portfolio comprised £179.1 bn of EAD at 31 December 2020 and represented 85% of all IRB EAD, therefore the IRB models employed to calculate RWAs for this portfolio are considered the most significant. PD is determined by the new business application score and a bespoke default-risk scorecard for the back-book. These models produce account level, point-in-time PD estimates which are adjusted to a long-run average default rate using a variable scalar methodology employing observed and inferred default rate data back to 1989. Within each of the legacy portfolios (the former Abbey and Alliance & Leicester businesses) the scaling of the PD (grouped into 15 non-default risk grades) is performed separately across 13 risk segments determined by balance-to-value and buyer type.

LGD for residential mortgages is calculated as the proportion of the EAD expected to be written-off multiplied by the probability of a write-off occurring after a default event. The loss proportion uses a 'workout' approach, that is one minus the expected recovery proportion, plus direct and indirect recovery costs associated with the recovery process. The probability of write-off given default is measured from observed loss rates from quarterly tranches of accounts entering default since 2007. Downturn LGD is determined by stressing the model inputs to values observed during the worst points of the last recession. For example, the forced sale discount is increased from 19% in normal times to a downturn value of 27%. The downturn probability of write-off given default uses the highest observed values, typically seen from in-defaults occurring during 2008. Other parameters such as time from default to sale, balance owing at sale and property value are also adjusted to be applicable for downturn conditions.

For the Company foundation IRB models employed in Commercial Banking, PD is determined via a calibration of the rating model outputs to observed defaults.

The performance of the Company's IRB models is monitored each quarter in accordance with its model monitoring policies. The monitoring assesses the performance of the rating system with respect to the accuracy of the calibration, discrimination and stability of the component models. The retail models produce both point-in-time and regulatory values of PD, LGD and EAD. Actual values for these parameters are compared with:

- The point-in-time estimates to ensure the models remain accurate; and
- The regulatory values to ensure the margin of conservatism in regulatory capital.

The model monitoring analyses the causes of significant variance between actual and predicted parameters and identifies actions required to remediate. The monitoring and actions taken to correct under-performance are reviewed in accordance with the Company's internal model governance. Should the monitoring indicate that a model is underestimating risk, a temporary capital charge is raised by management until the cause is resolved.

The table below compares the IRB model expected loss with the amount of impairment allowances calculated under the IFRS rules and the impairment charge. The amount of expected loss not covered by impairment allowances contributes to deductions from regulatory capital.

	Expected Loss		Impairment	
	31 December 2019 £bn	31 December 2020 £bn	Allowances at 31 December 2020 £bn	Net Charge for 2020 £bn
Residential Mortgages	0.7	0.8	0.3	-
Unsecured Personal Loans	0.1	0.1	0.1	-
Bank Accounts	0.1	0.1	0.1	-
Social Housing	-	-	-	-
Corporate	0.2	0.2	0.3	-
Global Models	-	-	0.1	-
<b>Total</b>	<b>1.1</b>	<b>1.2</b>	<b>0.9</b>	

Differences in the value of EL and provisions arise from differences in the way the two measures are calculated under the regulatory capital and accounting rules. These include, but are not limited to:

- Differences in the definition of default and impairment used for EL and provisions, respectively;
- Regulatory floors and economic cycle adjustments applied to PD and LGD values used in EL;
- Provisions recognise forward-looking losses for 12-months and lifetime period while EL is a forward-looking measure of loss arising from defaults in the 12 months; and
- Differences in the cost of recovery and discount rates applied to EL and provisions.

The IRB model expected loss is not regarded as an indicator of expected losses in accordance with accounting standards due to the level of regulatory floors and prudence built into the IRB models.

### Market risk

Movements in RWAs during 2020 were as follows:

Market risk	2020 £bn
RWAs at 1 January	0.3
Movement in risk levels <sup>1</sup>	(0.1)
Model updates <sup>2</sup>	-
Methodology and policy <sup>3</sup>	-
<b>RWAs at 31 December</b>	<b>0.2</b>

(1) Changes in risk due to position changes and market movements, includes the removal of regulatory add-ons.

(2) Updates to the model to reflect recent experience, change in model scope.

(3) Methodology changes to the calculations driven by regulatory policy changes.

The 31 December 2020 RWAs of £0.2 bn were calculated under standardised approach.

**Key features of market risk models**

Following the introduction of Banking Reform, applicable as at 1<sup>st</sup> January 2019, the Company no longer has approval for a VAR Internal Market Risk model. All Market Risk is calculated using the Standardised approach.

**Operational risk**

The Company calculates its operational risk capital requirement under the standardised approach in accordance with PRA rules. The standardised approach uses the average of three years' income of each business line. The average three year income is adjusted to take into account historical income of any businesses acquired during that period. The decrease of RWAs in 2020 of £0.5bn was a result of lower average three year income.

**Credit risk adjustments**

The following table outlines the credit risk exposure, the associated level of impaired and past due exposures levels and impairment levels (credit risk adjustments) for 2020 by class of exposure. Further information on impairment losses and provisions is outlined in Notes 8 and 13 to the financial statements in the Company's 2019 Annual Report.

Definitions of past due and impaired and the approaches and methods adopted for specific credit risk are included in Note 1 to the financial statements in the Company's 2020 Annual Report.

**Credit quality of exposures by industry (CR1-B)**

Breakdown of exposures by industry class and Credit Quality.

At 31 December 2020	Gross carrying values of					
	Defaulted Exposure	Non-Defaulted Exposure	Specific Credit Risk Adjustments	Accumulated write-offs	Credit risk adjustment charges during the period	Net value
Central Banks and Central Governments	-	42,601	-	-	-	42,601
Agriculture, forestry and fishing	13	299	(8)	(1)	-	304
Mining and quarrying	1	296	(1)	(1)	-	296
Manufacturing	46	1,504	(35)	(3)	-	1,515
Electricity, gas, steam and air conditioning supply	1	870	(1)	(2)	-	870
Water supply	1	378	(1)	(1)	-	378
Construction	57	2,428	(56)	(4)	-	2,429
Wholesale and retail trade	43	5,791	(68)	(10)	-	5,766
Transport and storage	9	961	(7)	(2)	-	963
Accommodation and food service activities	353	2,917	(197)	(5)	-	3,073
Information and communication	7	1,319	(4)	(2)	-	1,322
Real estate activities	180	16,913	(127)	(30)	-	16,966
Professional, scientific and technical activities	126	1,849	(48)	(3)	-	1,927
Administrative and support service activities	40	1,970	(32)	(4)	-	1,978
Public administration and defence, compulsory social security	-	6	-	-	-	6
Education	7	569	(6)	(1)	-	570
Human health services and social work activities	136	2,067	(70)	(4)	-	2,133
Arts, entertainment and recreation	5	549	(5)	(1)	-	549
Other services	3	271	(5)	-	-	269
Retail	1,968	207,720	(706)	(179)	-	208,982
Financial Institutions and Other Financial Corporates	-	26,647	-	-	-	26,647
<b>Total</b>	<b>2,996</b>	<b>317,925</b>	<b>(1,377)</b>	<b>(253)</b>	-	<b>319,544</b>

**Credit risk exposure by country (CR1-C)**

The following table provides analysis of the distribution of exposures by geography.

At 31 December 2020	Gross carrying values of					
	Defaulted Exposure	Non-Defaulted Exposure	Specific Credit Risk Adjustments	Accumulated write-offs	Credit risk adjustment charges during the period	Net value
UK	2,799	302,987	(1,296)	(253)	-	303,490
US	-	489	-	-	-	489
Japan	-	1,036	-	-	-	1,036
Ireland	-	9,681	(4)	-	-	9,677
Luxembourg	-	1,892	(1)	-	-	1,891
Jersey	27	382	(11)	-	-	398
Germany	-	61	-	-	-	61
Canada	-	43	-	-	-	43
France	-	185	-	-	-	185
Isle of Man	3	532	(5)	-	-	530
Netherlands	-	120	-	-	-	120
Italy	-	18	-	-	-	18
Norway	-	256	-	-	-	256
Denmark	-	65	(2)	-	-	63
Australia	-	31	-	-	-	31
Other	167	1,147	(58)	-	-	1,256
<b>Total</b>	<b>2,996</b>	<b>317,925</b>	<b>(1,377)</b>	<b>(253)</b>	-	<b>319,544</b>

For geographical areas of past due and impaired exposures, nearly 93% are to the UK.

**Credit Risk Mitigation Techniques (CR3)**

For more detail on the Company's approach to Credit Risk Mitigation refer to the Other Segments – Credit Risk Management section of the Annual Report.

The following table provides analysis of secured and collateralised exposures at 31 December 2020.

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn
1 Total loans	124,012	190,248	612	4,672	-
2 Total debt securities <sup>1</sup>	7,873	-	2,240	-	-
3 Total exposures	131,885	190,248	2,852	4,672	-
4 Of which defaulted	1,253	1,743	-	-	-

**Changes in the stock of specific credit risk adjustments (CR2-A)**

Movement over the period 1 January 2020 to 31 December 2020 of specific credit risk adjustments<sup>2</sup>

	Accumulated specific credit risk adjustment £m
<b>Opening balance (IFRS9)</b>	863
Increases due to origination and acquisition during the period	157
Decreases due to derecognition during the period	(118)
Changes due to change in credit risk (net)	614
Changes due to modifications without derecognition (net)	20
Changes due to update in the institution's methodology for estimation (net)	-
Other adjustments	90
Decrease in allowance account due to write-offs	(249)
<b>Closing balance</b>	<b>1,377</b>
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	67
Specific credit risk adjustments directly recorded to the statement of profit or loss	-

**Changes in the stock of defaulted and impaired loans and debt securities (CR2-B)**

Movement over the period 1 January 2020 to 31 December 2020 of carrying value of defaulted exposures.

	Gross carrying value of defaulted exposures £m
1 Opening balance (IFRS9)	2,369
2 Loans and debt securities that have defaulted or impaired since the last reporting period	1,511
3 Returned to non-defaulted status	(50)
4 Amounts written off	(393)
5 Other changes <sup>3</sup>	(441)
6 Closing balance	2,996

**Credit risk exposure (CRB-B, CR1-A)**

Breakdown of loans and advances to banks and customers and central bank exposures by credit quality, including total and average net amount of exposures (excludes securitisations and other debt instruments).

	Gross carrying values of							Credit risk adjustment charges during the period	Net Value £m
	At 31 December 2020	Defaulted Exposure	Non-Defaulted Exposure	Net value of exposures at the end of the period	Average net exposures over the period	Specific Credit Risk Adjustments	Accumulated write-offs		
1 Central Banks and Central Governments	-	42,601	42,601	34,038	-	-	-	42,601	
2 Financial Institutions and Other Financial Corporates	-	26,647	26,647	29,208	-	-	-	26,647	
3 Corporate Exposures	1,028	40,957	41,985	41,054	(671)	(73)	-	41,314	
4 Of which: Specialised lending	88	5,890	5,978	5,978	(129)	(15)	-	5,849	
6 Retail	1,968	207,720	209,688	206,517	(706)	(180)	-	208,982	
7 Of which: IRB residential immovable property	1,729	181,654	183,383	180,610	(283)	(11)	-	183,100	
<b>Total</b>	<b>2,996</b>	<b>317,925</b>	<b>320,921</b>	<b>310,817</b>	<b>(1,377)</b>	<b>(253)</b>	<b>-</b>	<b>319,544</b>	

<sup>1</sup> Per note 20 Financial Investments in the Annual Report, excluding debt securities.

<sup>2</sup> Table has been revised from the version in the EBA "Final Report on the guidelines on disclosure requirements under part eight of regulation (EU) NO 575/2013" to reflect FINREP update due to the adoption of IFRS 9.

<sup>3</sup> Includes residual movement on facilities that did not change stage in the year, and which were neither acquired nor purchased in the year.

The following tables include all material CRDIV credit risk exposure classes, including securitisations and other debt instruments

### Credit risk exposure by industry (CRB-D)

The following table outlines the CRDIV credit risk exposure by industry

At 31 December 2020	Agriculture, Forestry & Fishing	Construction	Financial Industry (bank and non-bank)	Real Estate (commercial)	Manufactur-ing	Mining & Quarrying	Wholesale and Retail Trade	Business Services and Other	Transport, Utilities & Storage	Retail	Other Sectors
Central governments or central banks	-	-	42,601	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	6
Multilateral Development Banks	-	-	1,374	-	-	-	-	-	-	-	-
Institutions	-	-	26,647	-	-	-	-	-	-	-	-
Corporations	304	2,429	-	16,966	1,515	296	5,766	1,978	963	-	11,097
Of which specialised Lending	-	7	797	4,038	71	-	10	258	341	2	325
Securitisations	-	-	3,431	-	-	-	-	-	-	-	-
Retail	12	25	309	371	32	4	128	8,111	24	199,742	224
Of which secured on residential real estate	-	4	288	53	-	-	1	59	-	182,693	2

### Residual maturity of credit exposures (CRB-E)

The following table outlines the CRDIV credit risk exposure by maturity.

At 31 December 2020	< 3 months	< 1 year	1-3 years	3-5 years	> 5 years
Central governments or central banks	33,141	702	3,511	1,203	4,044
Public sector entities	4	-	-	-	2
Multilateral development banks	-	49	357	968	-
Institutions	10,631	2,270	8,551	5,041	154
Corporations	6,549	3,621	11,571	16,414	3,159
Of which specialised Lending	493	858	1,969	1,549	980
Securitisations	-	-	74	-	3,357
Retail	30,778	50,181	5,435	2,692	119,896
Of which secured on residential real estate	28,098	34,923	4,865	2,363	112,851

### Geographical Analysis of credit exposures (CRB-C)

The following table outlines the CRDIV credit risk exposure by geography.

At 31 December 2020	UK	Germany	France	US	Spain	Other Eurozone	Other
Central governments or central banks	42,601	-	-	-	-	-	-
Public sector entities	6	-	-	-	-	-	-
Multilateral Development Banks	155	-	-	-	-	621	598
Institutions	12,778	10	163	24	700	11,780	1,192
Corporations	39,526	39	-	419	16	966	348
Of which specialised Lending	5,438	-	-	45	-	244	122
Securitisations	3,431	-	-	-	-	-	-
Retail	208,586	12	21	45	12	50	256
Of which secured on residential real estate	183,100	-	-	-	-	-	-

**Credit quality of forborne exposures**

The following table provides an overview of the quality of forborne exposures at 31 December 2020

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		£m	£m	Of which defaulted £m				
1 Loans and advances	1,430	676	676	676	(35)	(159)	1,552	339
2 Central banks	-	-	-	-	-	-	-	-
3 General governments	-	-	-	-	-	-	-	-
4 Credit institutions	-	-	-	-	-	-	-	-
5 Other financial corporations	-	-	-	-	-	-	-	-
6 Non-financial corporations	205	271	271	271	(11)	(102)	71	28
7 Households	1,225	405	405	405	(24)	(57)	1,481	311
8 Debt Securities	-	-	-	-	-	-	-	-
9 Loan commitments given	-	-	-	-	-	-	-	-
<b>10 Total</b>	<b>1,430</b>	<b>676</b>	<b>676</b>	<b>676</b>	<b>(35)</b>	<b>(159)</b>	<b>1,552</b>	<b>339</b>

**Credit quality of performing and non-performing exposures by past due days**

The following table provides an overview of credit quality of non-performing exposures at 31 December 2020.

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		£m	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	£m	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	£m
1	<b>Loans and advances</b>	232,732	231,821	911	2,896	1,116	605	526	571	61	12	5	2,896
2	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
3	General governments	299	299	-	-	-	-	-	-	-	-	-	-
4	Credit institutions	2,933	2,933	-	-	-	-	-	-	-	-	-	-
5	Other financial corporations	22,373	22,373	-	-	-	-	-	-	-	-	-	-
6	Non-financial corporations	25,793	25,710	82	970	678	101	46	68	60	12	5	970
7	<i>Of which SMEs</i>	11,701	11,637	64	641	409	62	41	55	58	11	5	641
8	Households	181,334	180,506	829	1,926	438	504	480	503	1	-	-	1,926
9	<b>Debt securities</b>	10,204	10,204	-	-	-	-	-	-	-	-	-	-
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	5,438	5,438	-	-	-	-	-	-	-	-	-	-
12	Credit institutions	3,451	3,451	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	1,315	1,315	-	-	-	-	-	-	-	-	-	-
14	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
15	<b>Off-balance-sheet exposures</b>	43,070			100								-
16	Central banks	-			-								-
17	General governments	-			-								-
18	Credit institutions	7			-								-
19	Other financial corporations	1,560			-								-
20	Non-financial corporations	15,117			59								-
21	Households	26,386			41								-
22	<b>Total</b>	<b>286,006</b>	<b>242,025</b>	<b>911</b>	<b>2,996</b>	<b>1,116</b>	<b>605</b>	<b>526</b>	<b>571</b>	<b>61</b>	<b>12</b>	<b>5</b>	<b>2,896</b>



## Performing and non-performing exposures and related provisions

The following table provides an overview of the credit quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class at 31 December 2020.

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated Partial write-off	Collateral and financial guarantees received		
	Performing exposures		Non-performing exposures				Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures	
		Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3							
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
1	<b>Loans and advances</b>	232,732	215,024	17,116	2,896	-	2,896	(742)	(186)	(556)	(614)	-	(614)	-	215,276	1,931
2	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	General governments	299	299	-	-	-	-	-	-	-	-	-	-	-	8	-
4	Credit institutions	2,933	2,933	-	-	-	-	-	-	-	-	-	-	-	1,258	-
5	Other financial corporations	22,373	21,824	-	-	-	-	(1)	(1)	-	-	-	-	-	19,317	-
6	Non-financial corporations	25,793	19,913	5,837	970	-	970	(321)	(106)	(215)	(348)	-	(348)	-	18,956	270
7	Of which SMEs	11,701	8,489	3,182	641	-	641	(205)	(75)	(130)	(246)	-	(246)	-	9,252	176
8	Households	181,334	170,055	11,279	1,926	-	1,926	(420)	(79)	(341)	(266)	-	(266)	-	175,737	1,661
9	<b>Debt securities</b>	10,204	10,092	-	-	-	-	(1)	(1)	-	-	-	-	-	391	-
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	5,438	5,437	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
12	Credit institutions	3,451	3,451	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	1,315	1,204	-	-	-	-	-	-	-	-	-	-	-	391	-
14	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	<b>Off-balance-sheet exposures</b>	43,070	41,801	1,269	100	-	100	65	30	36	9	-	9	-	-	-
16	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Credit institutions	7	7	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Other financial corporations	1,560	1,535	25	-	-	-	1	1	1	-	-	-	-	-	-
20	Non-financial corporations	15,117	14,122	995	59	-	59	29	12	16	8	-	8	-	-	-
21	Households	26,386	26,137	249	41	-	41	35	17	19	1	-	1	-	-	-
	<b>Total</b>	286,006	266,917	18,385	2,996	-	2,996	(678)	(157)	(520)	(604)	-	(604)	-	215,667	1,931

### Collateral obtained by taking possession and execution processes

The following table provides an overview of foreclosed assets obtained from non-performing exposures at 31 December 2020.

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		£m	£m
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	25	-
3	Residential immovable property	25	-
4	Commercial Immovable property	-	-
5	Movable property (auto, shipping, etc.)	-	-
6	Equity and debt instruments	-	-
7	Other	-	-
<b>8</b>	<b>Total</b>	<b>25</b>	<b>-</b>

The following three tables relate to new disclosure requirements in response to Covid-19 in accordance with EBA guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, EBA/GL/2020/07 published on 02 June 2020.

**Information on loans and advances subject to legislative and non-legislative moratoria**

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		As at 31 December 2020 £m	Performing			Non-performing				Performing			Non-performing			Inflows to non-performing exposures
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
1	Loans and advances subject to moratorium	2,577	2,510	33	629	67	16	-	21	15	1	14	5	2	-	9
2	of which: Households	2,518	2,453	27	585	65	14	-	19	14	-	12	5	1	-	9
3	<i>of which: Collateralised by residential immovable property</i>	2,452	2,388	27	569	63	14	-	10	6	-	6	4	1	-	8
4	of which: Non-financial corporations	59	57	6	44	2	2	-	2	2	-	1	1	1	-	-
5	<i>of which: Small and Medium-sized Enterprises</i>	10	10	4	5	-	-	-	-	-	-	-	-	-	-	-
6	<i>of which: Collateralised by commercial immovable property</i>	34	32	1	31	2	2	-	2	1	-	1	1	1	-	-

The table shows the carry amount of support through the range of legislative and non-legislative moratoria for individuals and businesses through these uncertain times.

### Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	Number of obligors	Gross carrying amount	Residual maturity of moratoria								
			Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year		
As at 31 December 2020											
Loans and advances for which moratorium was offered	373,527	43,784									
Loans and advances subject to moratorium (granted)	360,236	39,977	37,382	37,400	2,558	17	2	-	-	-	-
of which: Households		37,863	37,382	35,345	2,507	11	-	-	-	-	-
of which: Collateralised by residential immovable property		37,066	37,066	34,614	2,441	11	-	-	-	-	-
of which: Non-financial corporations		2,114	-	2,055	51	6	2	-	-	-	-
of which: Small and Medium-sized Enterprises		379	-	369	7	3	-	-	-	-	-
of which: Collateralised by commercial immovable property		592	-	558	31	1	2	-	-	-	-

The table shows the total value of loans and advances subject to moratoria throughout the pandemic and the remaining balances that are still receiving some form of relief.

### Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

As at 31 December 2020	Gross carrying amount		Maximum amount of the guarantee that can be considered Public guarantees received	Gross carrying amount Inflows to non-performing exposures
		of which: forborne		
<b>Newly originated loans and advances subject to public guarantee schemes</b>	4,593	-	4,471	-
of which: Households	-			-
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	4,593	-	4,471	-
of which: Small and Medium-sized Enterprises	4,120			-
of which: Collateralised by commercial immovable property	11			-

**Prudential valuation adjustments (PVA)**

PVA for all assets measured at fair value (mark to market or marked to model) and for which PVA are required. Assets can be non-derivative or derivative instruments.

At 31 December 2020	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
Closeout uncertainty, of which:	5.56	7.87	-	1.64	-	15.07	1.29	13.78
- Mid-market value	5.52	6.47	-	1.27	-	13.26	1.25	12.01
- Closeout cost	0.04	0.87	-	0.37	-	1.28	0.04	1.24
- Concentration	-	0.53	-	-	-	0.53	-	0.53
Early termination	-	-	-	-	-	-	-	-
Model risk	0.01	5.42	-	2.72	-	8.15	0.41	7.74
Operational risk	0.56	0.68	-	0.16	-	1.40	0.13	1.27
Investing and funding costs	-	4.78	-	-	-	4.78	2.74	2.04
Unearned credit spreads	-	2.06	-	-	-	2.06	2.06	-
Future administrative costs	-	1.94	-	-	-	1.94	-	1.94
Other	1.90	-	-	-	-	1.90	-	1.90
<b>Total adjustment</b>	<b>8.03</b>	<b>22.75</b>	<b>-</b>	<b>4.52</b>	<b>-</b>	<b>35.30</b>	<b>6.63</b>	<b>28.67</b>

**Key Movements**

The reduction in PVA is due to the AVA aggregation factor, which has increased from 50% in Dec-2019 to 66% in Dec-2020. This factor is set by the regulator and provides a diversification benefit across most of the AVAs. The AVA decrease from the diversification impact is partially offset by an increase in Close Out Cost AVA due to the implementation of Property Derivatives close out cost in November 2020. In addition to those, the HoldCo PVA reduction is also driven by SEIL, following a drop in the VISA class B shares, as well as a change in the VISA AVA methodology.

**Remuneration**

Per the Basel Committee on Banking Supervision's Pillar 3 disclosure requirements – consolidated and enhanced framework directive, the Company is fulfilling its obligation to disclose remuneration notes in the Directors' Remuneration Report section of the 2020 Annual Report.

**CRR Leverage ratio – disclosure template**

The table below provides a reconciliation of accounting assets to the UK CRR Leverage ratio exposure, and information on the composition of the principal exposure elements at 31 December 2020. A UK CRR end point Tier 1 capital measure is used for this disclosure and Leverage Ratio calculation, consistent with the UK framework for large banks.

**Summary reconciliation of accounting assets and Leverage Ratio exposures**

	£bn	
1	Total assets as per published financial statements	299,064
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	1,032
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the Leverage Ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 CRR)	(2,019)
4	Adjustments for derivative financial instruments	(1,521)
5	Adjustments for securities financing transactions (SFTs)	767
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	8,114
EU-6a	(Adjustment for intragroup exposures excluded from the Leverage Ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the Leverage Ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	1,144
8	Total Leverage Ratio exposure	306,581

**Leverage Ratio common disclosure**

	Exposure £bn	
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	276,013
2	(Asset amounts deducted in determining Tier 1 capital)	(2,019)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	273,994
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2,631
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	870
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(1,571)
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	1,930
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	26,085
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(6,485)
14	Counterparty credit risk exposure for SFT assets	767
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	20,367
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	43,170
18	(Adjustments for conversion to credit equivalent amounts)	(35,056)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	8,114
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	1,032
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	1,144
Capital and total exposures		
20	Tier 1 capital (UK CRR end point)	13,300
21	Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	306,581
Leverage Ratio		
22	Leverage Ratio	4.3%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

**Own Funds disclosure – balance sheet reconciliation**

The scope of consolidation and method for consolidation of the Company's balance sheet is substantially the same as that used for regulatory purposes.

A reconciliation of regulatory own funds to the relevant balance sheet items for the Company is included in the table below at 31 December 2020. This outlines the impact of the difference in scope of consolidation outlined above.

	Own Funds Type		
	CET1 £m	Additional Tier 1 £m	Tier 2 £m
<b>Santander UK Balance Sheet elements</b>	13,769	2,476	-
Shareholder's equity and Non-controlling interests	-	89	2,467
Subordinated Liabilities	-	-	-
<b>UK CRR Adjustments</b>			
Additional value adjustments	(21)	-	-
Intangible Assets (net of related tax liability)	(1,349)	-	-
Fair value reserves related to gains or losses on cash flow hedges	(486)	-	-
Negative amounts resulting from the calculation of regulatory expected loss amounts	(368)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(6)	-	-
Deferred tax assets arising from temporary differences	(9)	-	-
Defined benefit pension fund assets	(364)	-	-
- Dividend accrual	(18)	-	-
- Deduction for minority interests	(162)	-	-
- IFRS 9 Transitional Adjustments	73	-	-
Amount excluded from Tier 2 due to transitional recognition cap	-	(93)	(610)
<b>Total</b>	<b>11,059</b>	<b>2,472</b>	<b>1,857</b>

**Own Funds disclosure – Transitional Own Funds disclosure template**

The following table provides disclosure of the Company's own funds items. The UK CRR end point position can be derived as the sum of the 31 December 2020 results and the associated end point adjustment. The Common Equity Tier 1 (CET1) Capital before regulatory adjustments below differs from other disclosures in this document as this template requires an alternative treatment of CET1 Minority Interests and foreseeable dividends.

	31 December 2020 £m	UK CRR end point adjustments £m
Common Equity Tier 1 (CET1) Capital: instruments and reserves		
1	7,060	-
2	6,012	-
3	517	-
4	-	-
5	-	-
5a	-	-
<b>6</b>	<b>13,589</b>	
7	(21)	-
8	(1,349)	-
10	-	-
11	(486)	-
12	(368)	-
13	-	-
14	(6)	-
15	(364)	-
16	-	-
17	-	-
18	-	-
19	-	-
20a	-	-
20b	-	-
20c	-	-
20d	-	-
21	(9)	-
22	-	-
23	-	-
25	-	-
25a	-	-
25b	-	-
26	73	-
26a	-	-
26b	-	-
27	-	-
28	(2,530)	-
<b>29</b>	<b>11,059</b>	
30	2,241	-
31	2,241	-
32	-	-
33	-	-
34	231	(231)
35	231	(231)
<b>36</b>	<b>2,472</b>	<b>(231)</b>
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	-	-
38	-	-
39	-	-
40	-	-
41	-	-
41a	-	-
41b	-	-
41c	-	-
42	-	-



	31 December 2020 £m	UK CRR end point adjustments £m
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	(231)
45	Tier 1 capital (T1 = CET1 + AT1)	(231)
<b>Tier 2 (T2) capital: instruments and provisions</b>		
46	Capital instruments and the related share premium accounts	799
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties	1,058
49	of which: instruments issued by subsidiaries subject to phase out	243
50	Credit risk adjustments	-
51	Tier 2 (T2) capital before regulatory adjustments	1,857
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
54a	Of which new holdings not subject to transitional arrangements	-
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) 575/2013 (i.e. CRR residual amounts)	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	Tier 2 (T2) capital	1,857
59	Total Capital (TC = T1 + T2)	15,388
59a	Risk weighted assets in respect of amounts subject to pre CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) 575/2013 (i.e. CRR residual amounts)	-
60	Total risk weighted assets	72,922
<b>Capital ratio and buffers</b>		
61	Common Equity Tier (as a percentage of total risk exposure amount)	15.2%
62	Tier 1 (as a percentage of total risk exposure amount)	18.6%
63	Total capital (as a percentage of total risk exposure amount)	21.1%
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	2.50%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical buffer requirement	-
67	of which: systemic risk buffer requirement	-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.2%
<b>Amounts below the threshold for deduction (before risk weighting)</b>		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institutions of the CET1 instruments of financial sector entities where the institution has a significant in those entities (amount below 10% threshold and net of eligible short positions)	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion if credit risk adjustment in T2 under standardised approach	234
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustment in T2 under internal ratings-based approach	275
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

## Own Funds disclosure – capital instruments main features

The following table outlines the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments. Further details are included in the Company's 2020 Annual Report in Notes 25 and 31 to the financial statements.

1	Issuer	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK plc	Santander UK plc
2	ISIN	XS1244538523	n/a	n/a	XS1592884123	US802811AA35 XS1291333760	US802811AB18 XS1291332711	GB0000064393	GB0000044221	GB0000044221
3	Governing law(s) of the instrument	English	English	English	English	English	English	English	English	English
Regulatory treatment										
4	Transitional Basel III rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/groupSolo	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Subordinated	Subordinated	Preferred	Preferred	Preferred
8	Amount recognised in regulatory capital (£m)	745	500	500	500	505	294	212	132	132
9	Par value of instrument (£m)	750	500	500	500	531	293	200	125	125
9a	Issue Price of Instrument	100%	100%	100%	100%	99.724%	99.412%	100m @ 101.52% 100m @ 108.935%	101.55%	101.55%
9b	Redemption Price of Instrument	100% (call)	100% (call)	100% (call)	100% (call)	100%	100%	n/a	n/a	n/a
10	Accounting classification	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost
11	Original date of issuance	10/06/2015	24/06/2014	09/08/2015	10/04/2017	15/09/2015	23/10/1995	15/09/2015	15/09/1995	09/06/1997
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a	n/a	15/09/2025	15/09/2045	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	No	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	Next issuer call option 24/06/2022, Tax event call option at any time, Regulatory Capital Event call option / par	Next issuer call option 24/03/2021, Tax event call option at any time, Regulatory Capital Event call option / par	Next issuer call option 24/03/2025, Tax event call option at any time, Regulatory Capital Event call option / par	Next issuer call option 24/06/2024, Tax event call option at any time, Regulatory Capital Event call option / par	Tax event at any time, Regulatory Capital Event call option / par	Tax event at any time, Regulatory Capital Event call option / par	n/a	n/a	n/a
16	Subsequent call dates, if applicable	5 years	Quarterly	Quarterly	5 years	n/a	n/a	n/a	n/a	n/a
Coupons / dividends										
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	7.375%	5.33%	6.3%	6.75%	4.75%	5.625%	10.375%	8.625%	8.625%
19	Existence of a dividend stopper	No	No	No	No	No	No	Yes	Yes	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible
24	If convertible, conversion trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV –UK BoE/PRA
25	If convertible, fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially
26	If convertible, conversion rate	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion
27	If convertible, mandatory or optional conversion	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions
28	If convertible, specify instrument type convertible into	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities
29	If convertible, specify issuer of instrument it converts into	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK plc	Santander UK plc
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA
32	If write-down, full or partial	Contractual: Full Statutory: May write-down fully or partially	Contractual: Full Statutory: May write-down fully or partially	Contractual: Full Statutory: May write-down fully or partially	Contractual: Full Statutory: May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Senior	Senior	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	No	No	No	No	Yes	Yes	Yes

37	If yes, specify non-compliant features							No CET1 conversion or write down trigger Dividend Stopper	No CET1 conversion or write down trigger Dividend Stopper
----	--	--	--	--	--	--	--	---	---

## Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK Group Holdings plc
2	ISIN	XS0124569566	XS0103012893	XS0060837068	US002920AC09	XS0133956168	XS0989359756 US80283LAA17	XS0117973429	n/a
3	Governing law(s) of the instrument	English	English	English	New York	English	English	English	English
Regulatory treatment									
4	Transitional Basel III rules	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Common Equity Tier 1
5	Post-transitional Basel III rules	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Ineligible
6	Eligible at solo/group/group&solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Preferred	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Equity
8	Amount recognised in regulatory capital (£m)	235	31	205	162	10	309	352	7,060
9	Par value of instrument (£m)	235	22	200	243	11	541	252	7,060
9a	Issue Price of Instrument	100%	99.561%	100.432%	99.626%	98.878%	99.681%	175m @ 97.712% 100m @ 109.744%	100%
9b	Redemption Price of Instrument	100% (call)	100%	n/a	100%	100%	100%	100% (call)	n/a
10	Accounting classification	Shareholders' Equity	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Shareholders Equity
11	Original date of issuance	14/02/2001	21/10/1999	23/10/1995	26/10/1999	14/08/2001	07/11/2013	28/09/2000	10/01/2014
12	Perpetual or dated	Perpetual	Dated	Perpetual	Dated	Dated	Dated	Perpetual	Perpetual
13	Original maturity date	n/a	21/10/2030	n/a	26/10/2029	14/08/2031	07/11/2023	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	No	No	No	n/a	No	Yes	No
15	Optional call date, contingent call dates and redemption amount	Next issuer call option 14/02/2026, Tax event at any time, Regulatory Capital Event call option /par	Tax event at any time/par	Tax event at any time/par	Tax event at any time/par	Tax event at any time/par	Tax event at any time, Regulatory Capital Event call option / par	Next issuer call option 28/09/2030, Tax event at any time/par	n/a
16	Subsequent call dates, if applicable	Annually	n/a	n/a	n/a	n/a	n/a	5 years	n/a
Coupons / dividends									
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed to Floating	Variable
18	Coupon rate and any related index	7.037%	6.5%	10.0625%	7.95%	5.875%	5%	7.125%	n/a
19	Existence of a dividend stopper	Yes	No	No	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Mandatory	Partially discretionary	Partially discretionary	Mandatory	Mandatory	Partially discretionary	Fully Discretionary
21	Existence of step up or other incentive to redeem	Yes	No	No	No	No	No	Yes	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Noncumulative
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Contractual: None Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	n/a
25	If convertible, fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	n/a
26	If convertible, conversion rate	To be determined at conversion	To be determined at conversion	Contractual:100% Statutory: To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	n/a
27	If convertible, mandatory or optional conversion	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Contractual : at the option of the issuer Statutory: Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	n/a
28	If convertible, specify instrument type convertible into	CET1 or other securities	CET1 or other securities	Contractual: Additional Tier 1 Statutory: CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	n/a
29	If convertible, specify issuer of instrument it converts into	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	n/a
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
31	If write-down, write-down trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	n/a
32	If write-down, full or partial	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	n/a
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	n/a

34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Senior	Tier 2	Senior	Senior	Senior	Tier 2	Additional Tier 1
36	Non-compliant transitioned features	Yes	No	No	No	No	No	Yes	No
37	If yes, specify non-compliant features	No CET1 conversion or write down trigger Dividend Stopper Incentive to Redeem: Step Up			Governing law: New York Grandfather to June 2025			Incentive to Redeem: Step Up	

**CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments**

Own Funds disclosure – capital instruments main features table on page 33-34 outlines the main features of the Company's Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments. Other TLAC eligible instruments are detailed in the following table.

**CCA Bail In- Main features of other TLAC-eligible instruments**

1	Issuer	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc
2	ISIN	XS1487315860	US80281LAF22	XS1615065320	US80281LAG05	US80281LAH87	XS1799039976	XS1816338914	US80281LAJ44
3	Governing law(s) of the instrument	English	New York	English	New York	New York	English	English	New York
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	n/a	Contractual	n/a	Contractual	Contractual	n/a	n/a	Contractual
4	Transitional CRR rules	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5	Post-transitional CRR rules	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6	Eligible at solo/group/group & solo	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond
8	Amount recognised in regulatory capital (£m)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9	Par value of instrument (£m)	895	732	448	732	732	672	500	732
10	Accounting classification	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised cost	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised Cost
11	Original date of issuance	08/09/2016	10/01/2017	18/05/2017	03/11/2017	05/01/2018	27/03/2018	08/05/2018	15/11/2018
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	08/09/2023	10/01/2023	18/05/2023	03/11/2028	05/01/2024	27/03/2024	08/05/2026	15/11/2024
14	Issuer call subject to prior supervisory approval	n/a	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax event at any time/par	Next issuer call option 10/01/2022, Tax event at any time/par	Next issuer call option 18/05/2022, Tax event at any time, Loss absorption disqualification event call option/par	Next issuer call option 03/11/2027, Tax event at any time, Loss absorption disqualification event call option/par	Next issuer call option 05/01/2023, Tax event at any time, Loss absorption disqualification event call option/par	Next issuer call option 27/03/2023, Tax event at any time, Loss absorption disqualification event call option/par	Next issuer call option 08/05/2025, Tax event at any time, Loss absorption disqualification event call option/par	Next issuer call option 15/11/2023, Tax event at any time, Loss absorption disqualification event call option/par
16	Subsequent call dates, if applicable <sup>1</sup>	n/a	None	None	None	None	None	None	None
Coupons / dividends									
17	Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed to Floating	Fixed to Floating	Floating	Fixed	Fixed to Floating
18	Coupon rate and any related index	1.13%	3.57%	3m EURIBOR + 78bps	3.82%	3.37%	3m EURIBOR + 85bps	2.92%	4.80%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible
24	If convertible, conversion trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA - Contractual recognition	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA - Contractual recognition	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA - Contractual recognition	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA - Contractual recognition
25	If convertible, fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially

<sup>1</sup> Not considering contingent call events.

26	If convertible, conversion rate	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion
27	If convertible, mandatory or optional conversion	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions
28	If convertible, specify instrument type convertible into	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities
29	If convertible, specify issuer of instrument it converts into	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA - Contractual recognition	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA - Contractual recognition	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA - Contractual recognition
32	If write-down, full or partial	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially
33	If write-down, permanent or temporary <sup>1</sup>	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34a	Type of subordination	Structural	Structural	Structural	Structural	Structural	Structural	Structural	Structural
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	No	No	Yes
37	If yes, specify non-compliant features	Right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity  Permanently Grandfathered	Right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity  Permanently Grandfathered	Right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity  Permanently Grandfathered	No disapplication of the right of set-off  Permanently Grandfathered	No disapplication of the right of set-off  Permanently Grandfathered			No disapplication of the right of set-off  Permanently Grandfathered

<sup>1</sup> Permanent subject to any write-up in accordance with s.48Y Banking Act 2009.

<sup>2</sup> Section 48Y Banking Act 2009.

## CCA Bail In- Main features of other TLAC-eligible instruments

1	Issuer	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc
2	ISIN	XS1345415472	XS1435163859	XS1569879304	XS1573245864	XS2126058168	US80281LAM72
3	Governing law(s) of the instrument	English	English	English	English	English	New York
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	n/a	n/a	n/a	n/a	n/a	Contractual
4	Transitional CRR rules	n/a	n/a	n/a	n/a	n/a	n/a
5	Post-transitional CRR rules	n/a	n/a	n/a	n/a	n/a	n/a
6	Eligible at solo/group/group & solo	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond	Bond	Bond	Bond
8	Amount recognised in regulatory capital (£m)	n/a	n/a	n/a	n/a	n/a	n/a
9	Par value of instrument (£m)	500	44	17	71	672	732
10	Accounting classification	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised Cost	Liability – Amortised Cost
11	Original date of issuance	14/01/2016	22/06/2016	22/02/2017	10/03/2017	28/02/2020	21/08/2020
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	14/01/2026	22/06/2026	22/02/2027	10/03/2027	28/02/2025	21/08/2026
14	Issuer call subject to prior supervisory approval	n/a	n/a	n/a	n/a	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Tax event at any time / par	Tax event at any time / par	Tax event at any time / par	Tax event at any time, Loss absorption disqualification event call option / par	Next issuer call option 28/02/2024, Tax event at any time, Loss absorption disqualification event call option / par	Next issuer call option 21/08/2025, Tax event at any time, Loss absorption event call option/par
16	Subsequent call dates, if applicable <sup>1</sup>	n/a	n/a	n/a	n/a	None	None
Coupons / dividends							
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	3.63%	0.79%	3.45%	0.90%	0.39%	1.53%
19	Existence of a dividend stopper	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible
24	If convertible, conversion trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA- Contractual recognition	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA- Contractual recognition
25	If convertible, fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially
26	If convertible, conversion rate	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion

<sup>1</sup> Not considering contingent call events.



27	If convertible, mandatory or optional conversion	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions
28	If convertible, specify instrument type convertible into	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities
29	If convertible, specify issuer of instrument it converts into	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA – contractual recognition	Triggers to statutory bail-in power under UK Banking Act 2009 - UK BoE/PRA – contractual recognition
32	If write-down, full or partial	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially
33	If write-down, permanent or temporary <sup>1</sup>	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a
34a	Type of subordination	Structural	Structural	Structural	Structural	Structural	Structural
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	n/a	n/a	n/a	n/a	n/a
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	No	No
37	If yes, specify non-compliant features	Right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity  No express waiver to set off  Permanently Grandfathered	Right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity  No express waiver to set off  Permanently Grandfathered	Right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity  Permanently Grandfathered	Right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity  Permanently Grandfathered		

<sup>1</sup> Permanent subject to any write-up in accordance with s.48Y Banking Act 2009.

<sup>2</sup> Section 48Y Banking Act 2009.

## Part 2

## December 2020 Additional Capital and Risk Management Disclosures for Santander UK plc Group

## Introduction

As a wholly-owned large subsidiary under UK CRR, Santander UK plc (the RFB) is required to produce and publish annually a specified number of Pillar 3 disclosures rather than a complete set of Pillar 3 disclosures. In accordance with the EBA guidelines on disclosure frequency<sup>1</sup>, the RFB has assessed the need to publish capital-related disclosures more frequently than annually, and the disclosures deemed appropriate for more frequent publication have been included in the additional capital disclosures set out in this document. All disclosures cover the consolidated RFB Group position.

## Key metrics

The following table summarises the RFB Group's Own Funds and key risk-based capital ratios at 31 December 2020, together with the previously disclosed quarter end information at 30 September 2020, 30 June 2020, 31 March 2020 and 31 December 2019. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	31 December 2020 £m	30 September 2020 £m	30 June 2020 £m	31 March 2020 £m	31 December 2019 £m
<b>Available Capital (amounts)</b>					
Common Equity Tier 1 (CET1) capital	11,057	10,703	10,591	10,657	10,419
Fully loaded <sup>2</sup> Expected Credit Loss (ECL) accounting model CET1	10,984	10,690	10,528	10,610	10,403
Tier 1 capital	13,338	12,983	12,872	12,937	12,862
Fully loaded ECL accounting model Tier 1	13,265	12,970	12,809	12,890	12,845
Total capital	15,247	15,456	15,478	15,566	15,787
Fully loaded ECL accounting model total capital	15,174	15,443	15,415	15,518	15,771
<b>Risk-weighted assets (amounts)</b>					
Total risk-weighted assets (RWA)	71,860	73,586	72,176	73,458	72,614
Fully loaded ECL accounting model total RWA	71,732	73,504	72,074	73,423	72,645
<b>Risk-based capital ratios as a percentage of RWA</b>					
Common Equity Tier 1 ratio	15.4%	14.5%	14.7%	14.5%	14.3%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	15.3%	14.5%	14.6%	14.5%	14.3%
Tier 1 ratio	18.6%	17.6%	17.8%	17.6%	17.7%
Fully loaded ECL accounting model Tier 1 ratio (%)	18.5%	17.6%	17.8%	17.6%	17.7%
Total capital ratio	21.2%	21.0%	21.4%	21.2%	21.7%
Fully loaded ECL accounting model total capital ratio (%)	21.2%	21.0%	21.4%	21.1%	21.7%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	-	-	-	0.02%	0.99%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Other Systemically Important Institution Buffer (%)	1.00%	-	-	-	-
Systemic Risk Buffer requirement (%)	-	1.00%	1.00%	1.00%	1.00%
Total of bank CET1 specific buffer requirements (%)	3.50%	3.50%	3.50%	3.52%	4.49%
CET1 available after meeting the banks minimum capital	7.39%	6.54%	6.67%	6.49%	5.36%
<b>Basel III leverage ratio</b>					
Total Basel III leverage ratio exposure measure (£bn)	299.9	296.4	300.9	290.3	288.7
Basel III leverage ratio	4.3%	4.3%	4.2%	4.3%	4.3%
Fully loaded ECL accounting model leverage Ratio	4.3%	4.3%	4.1%	4.3%	4.3%
<b>Liquidity Coverage Ratio</b>					
Total high-quality liquid assets (HQLA)	51,232	47,116	47,425	42,900	41,604
Total net cash outflow	33,766	30,605	31,934	30,315	28,601
Liquidity coverage ratio (LCR)	151.7%	154.0%	148.5%	141.5%	145.5%

## Key Movements

CET1 capital increased to £11.1bn, with capital accretion through retained profits, the impact of the change in treatment of software asset outlined in the EBA technical standard on the prudential treatment of software assets and a lower deduction from the excess of regulatory expected loss amounts over credit provisions. These increases were partially offset by adverse market driven movements in the defined benefit pension schemes. CET1 capital ratio increased 110bps to 15.4%. The CET1 capital ratio includes a benefit of c.30bps and UK leverage ratio includes a benefit of c.10bps from the change in the treatment of software asset. Amendments to Capital Requirements Regulation (CRR), which were published in the Official Journal on 26 June 2020, contributed 17bps to the CET1 capital ratio, through the implementation of the RWA reduction factors for certain SME and infrastructure exposures.

<sup>1</sup> EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(20) and 433 of Regulation (EU) No 575/2013.

<sup>2</sup> Fully loaded excludes the impact of transitional arrangements.

**IFRS 9 Transitional Arrangements (IFRS9 – FL)**

The following table summarises the impact of IFRS 9 transitional arrangements at 31 December 2020 over the full allowable period.

	2020	2021	2022	2023	2024
IFRS9 Transitional Factor	70%	50%	25%		
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	100%	100%	75%	50%	25%
<b>Available Capital (amounts)</b>					
1 Common Equity Tier 1 (CET1) capital	11,057	11,055	11,035	11,015	11,000
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,044	11,045	11,030	11,015	11,000
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,997	10,994	10,989	10,984	10,984
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,984	10,984	10,984	10,984	10,984
3 Tier 1 Capital	13,338	13,334	13,314	13,294	13,279
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,265	13,265	13,265	13,265	13,265
5 Total Capital	15,247	15,244	15,224	15,204	15,189
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,174	15,174	15,174	15,174	15,174
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets (RWA)	71,860	71,864	71,833	71,803	71,768
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	71,937	71,919	71,861	71,803	71,768
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	71,655	71,677	71,704	71,732	71,732
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	71,732	71,732	71,732	71,732	71,732
<b>Capital Ratios</b>					
9 Common Equity Tier 1 ratio	15.4%	15.4%	15.4%	15.3%	15.3%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.3%	15.3%	15.3%	15.3%	15.3%
11 Tier 1 ratio	18.6%	18.6%	18.5%	18.5%	18.5%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.5%	18.5%	18.5%	18.5%	18.5%
13 Total capital ratio	21.2%	21.2%	21.2%	21.2%	21.2%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	21.2%	21.2%	21.2%	21.2%	21.2%
<b>UK CRR leverage ratio</b>					
15 Leverage Ratio Total Exposure Measure	299,851	299,851	299,851	299,851	299,851
16 Leverage Ratio	4.3%	4.3%	4.3%	4.3%	4.3%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.3%	4.3%	4.3%	4.3%	4.3%

The RFB group is applying the IFRS 9 capital transitional arrangements set out in EU Regulation 2017/2395 and EU Regulation 2020/873 that amend the Capital Requirements Regulation. Under the transitional arrangements, the RFB group is entitled to mitigate the effect to capital of ECL-based provisioning following the implementation of IFRS 9. The transitional arrangements last for a five-year period beginning on the 1 January 2018 with the amount of capital relief available reduced each year by the transitional factor, with an extended transitional period used for capital relief against provision movements from 1 January 2020. The transitional factor is 70 percent in 2020, declining to 50 percent in 2021 and 25 percent in 2022, and for post 1 January 2020 provision movements is 100 percent in 2020 and 2021, 75 percent in 2022, 50 percent in 2023 and 25 percent in 2024.

The capital relief affects both the capital base and RWAs reported by RFB group. The adjustment to CET1 capital is comprised of a static element and a dynamic element. The static element is based on the CET1 capital impact of the change in provision levels upon implementation of IFRS 9 (on 1st January 2018). The capital adjustments from this static element will only change over the five-year transition period due to the phased reduction of the transitional factor. The dynamic element is based on the capital impact of the change in provision levels for non-credit impaired exposures from the first day of the implementation of IFRS 9. The dynamic element will change over the transition period and is also subject to progressive reduction over the five-year transitional period and the extended period for provision movements post 1 January 2020 due to the transitional factor. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk, deferred tax assets created upon adoption of IFRS 9 ECL-based provisioning and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Rating Based approach.

### Leverage Ratio

The following table summarises the RFB group's end point UK CRR and UK PRA Tier 1 Leverage ratio at 31 December 2020 together with the previously disclosed quarter end information at 30 September 2020, 30 June 2020, 31 March 2020 and 31 December 2019. This is consistent with the Leverage ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage ratio.

	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Common Equity Tier 1 (CET1) capital (£m)	11,057	10,703	10,591	10,657	10,419
End point Additional Tier 1 (AT1) capital (£m)	1,957	1,956	1,957	1,956	1,956
End point Tier 1 capital (£m)	13,014	12,659	12,548	12,613	12,375
Leverage Exposure UK CRR (£bn)	299.9	296.4	300.9	290.3	288.7
Leverage Exposure UK <sup>1</sup> (£bn)	254.6	261.9	267.5	269.8	267.5
End point Tier 1 Leverage Ratio UK CRR	4.3%	4.3%	4.2%	4.3%	4.3%
End point Tier 1 Leverage Ratio UK <sup>1</sup>	5.1%	4.8%	4.7%	4.7%	4.6%
Average Tier 1 Leverage Ratio UK <sup>1</sup>	5.0%	4.8%	4.6%	4.6%	4.6%

UK leverage ratio was at 5.1%, up 50bps, primarily through improvement in CET1 capital and active management of leverage exposures. It is 1.4 percentage points above the regulatory requirement.

### Liquidity Coverage Ratio

The values presented below are the simple average of the preceding monthly periods ending on the reporting date as specified in the table.

	Average unweighted value		Average weighted value	
	31 December 2020 £m	30 September 2020 £m	31 December 2020 £m	30 September 2020 £m
Total high-quality liquid assets (HQLA)	47,005	45,579	46,697	45,202
CASH OUTFLOWS				
<b>Retail deposits and deposits from small business customers, of which:</b>	<b>138,938</b>	<b>136,769</b>	<b>8,129</b>	<b>8,009</b>
Stable deposits	121,248	119,542	6,062	5,977
Less stable deposits	17,690	17,227	2,067	2,032
<b>Unsecured wholesale funding</b>	<b>27,159</b>	<b>25,911</b>	<b>15,028</b>	<b>14,417</b>
Operational deposits (all counterparties) and deposits in networks of cooperative banks				
Non-operational deposits (all counterparties)	25,383	24,271	13,252	12,777
Unsecured debt	1,776	1,640	1,776	1,640
<b>Secured wholesale funding</b>	<b>15,193</b>	<b>13,819</b>	<b>346</b>	<b>247</b>
<b>Additional requirements</b>	<b>20,135</b>	<b>19,497</b>	<b>8,714</b>	<b>8,246</b>
Outflows related to derivative exposures and other collateral requirements	6,819	6,466	6,819	6,466
Outflows related to loss of funding on debt products	297	200	297	200
Credit and liquidity facilities	13,019	12,831	1,598	1,580
<b>Other contractual funding obligations</b>	<b>66</b>	<b>55</b>	-	-
<b>Other contingent funding obligations</b>	<b>25,929</b>	<b>25,808</b>	<b>2,071</b>	<b>2,020</b>
<b>TOTAL CASH OUTFLOWS</b>	<b>227,420</b>	<b>221,859</b>	<b>34,288</b>	<b>32,939</b>
CASH INFLOWS				
Secured lending (e.g. reverse repos)	8,174	7,641	21	23
Inflows from fully performing exposures	2,019	2,066	1,211	1,217
Other cash inflows	2,008	1,992	705	672
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) (Excess inflows from a related specialised credit institution)				
<b>TOTAL CASH INFLOWS</b>	<b>12,201</b>	<b>11,699</b>	<b>1,937</b>	<b>1,912</b>
Fully exempt inflows				
Inflows Subject to 90% Cap				
Inflows Subject to 75% Cap	9631	9,369	1,960	1,940
LIQUIDITY BUFFER	-	-	46,697	45,202
TOTAL NET CASH OUTFLOWS	-	-	32,351	31,001
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>144.44</b>	<b>145.81</b>
Number of data points used in calculation of averages	12	12	12	12

The average LCR of 144.44% reflects our prudent approach in the uncertain operating environment.

<sup>1</sup> Includes deductions permitted under the recommendation from the Financial Policy Committee on 25th July 2016.

## RWA and Capital Requirements

### Overview of RWA (OV1)

The following table details RWA and equivalent Own Funds Requirements. Own Funds Requirements are calculated as RWA multiplied by 8%.

	RWA		Minimum capital requirements
	31 December	30 September	31 December
	2020	2020	2020
	£bn	£bn	£bn <sup>1</sup>
1 Credit risk (excluding counterparty credit risk) <sup>1</sup>	62.8	63.7	5.0
2 - Of which: standardised approach (SA)	18.5	17.7	1.5
3 - Of which: foundation internal rating-based approach (FIRB) approach	5.2	5.3	0.4
4 - Of which: advanced internal rating-based approach (AIRB) approach	39.1	40.7	3.1
6 Counterparty credit risk (CCR) <sup>1</sup>	0.8	0.9	0.1
9 - Of which: standardised approach for counterparty credit risk	0.3	0.3	-
10 - Of which: IMM	0.5	0.6	-
- Of which: other CCR	-	-	-
12 Credit Valuation Adjustment (CVA)	0.3	0.3	-
Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	0.1	0.1	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
13 Settlement risk	-	-	-
14 Securitisation exposures in banking book (after cap) <sup>2</sup>	0.9	1.0	0.1
- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.2	-
- Of which: securitisation external ratings-based approach (SEC-ERBA), including external assessment approach (IAA)	0.5	0.5	-
- Of which: securitisation standardised approach (SEC-SA)	0.3	0.3	-
19 Market risk <sup>1</sup>	0.2	0.3	-
20 - Of which: standardised approach	0.2	0.3	-
21 - Of which: internal model approach (IMA)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
23 Operational risk <sup>1</sup>	6.8	7.3	0.5
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Aggregate capital floor applied	-	-	-
28 Floor adjustment (before application of transitional cap)	-	-	-
28 Floor adjustment (after application of transitional cap)	-	-	-
29 Total <sup>1</sup>	71.9	73.6	5.7

### RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised<sup>3</sup> (CR8)

#### RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
RWAs at 30 September	46.9	3.7
Asset size	(1.1)	(0.1)
Asset quality	(0.8)	-
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
RWAs at 31 December	45.0	3.6

#### RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 30 September	18.9	1.5
Asset size	0.4	0.1
Asset quality	0.1	-
Model updates	-	-
Methodology and policy	0.2	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
RWAs at 31 December	19.6	1.6

£0.2bn RWA increase in Methodology and policy section under standardised approach is due to the impact of the change in treatment of software asset outlined in the EBA technical standard on the prudential treatment of software assets.

<sup>1</sup> Includes balances which are not visible due to rounding have been included in the total

<sup>2</sup> Includes two Significant Risk Transfer transactions which are subject to re-characterisation risk.

<sup>3</sup> Table excludes CVA.

**Credit risk exposure and credit risk mitigation (CRM) effects (CR4)****Standardised approach**

	Exposures before CCF and CRM		Exposure post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020
1 Central government or central banks	51.6	0.2	51.6	0.2	-	-
2 Regional government or local authorities	-	-	-	-	-	-
3 Public sector entities	-	0.1	-	-	-	20%
4 Multilateral Development Banks	1.4	-	1.4	-	-	-
5 International Organisations	-	-	-	-	-	-
6 Institutions	1.1	-	1.1	-	0.1	12%
7 Corporates	9.5	2.7	6.5	0.2	6.5	96%
8 Retail	11.3	10.1	10.6	-	7.8	73%
9 Secured by mortgages on immovable property	0.1	-	0.1	-	0.1	63%
10 Exposures in default	0.2	-	0.2	-	0.3	110%
11 Higher-risk categories	0.1	0.1	0.1	-	0.1	150%
12 Covered bonds	1.4	-	1.4	-	0.1	10%
13 Institutions and corporations with a short-term credit assessment	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-
15 Equity	-	-	-	-	-	-
16 Other items	6.4	-	6.4	-	3.8	59%
Securitisations	2.5	-	2.5	-	0.8	33%
Contributions to the default fund of a CCP	-	-	-	-	-	1250%
17 Total	85.6	13.2	81.9	0.4	19.6	24%

**IRB approach**

	Exposures before CCF and CRM		Exposure post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020
Corporates – Specialised Lending	4.9	1.1	4.9	0.4	3.9	75%
Corporates – SME	1.1	0.2	1.1	-	1.0	91%
Corporates – Other	10.1	12.5	10.2	5.6	6.2	40%
Institutions	1.3	-	1.3	-	0.3	19%
Retail Immovable Property	167.0	13.3	167.3	8.7	30.0	17%
Retail QRR	0.4	4.1	0.4	5.1	1.7	30%
Retail Other	2.0	-	2.0	-	1.7	81%
Equity	-	-	-	-	0.1	370%
Securitisations	0.8	0.1	0.8	0.1	0.1	17%
Total	187.6	31.3	188.0	19.9	45.0	22%

**IRB (specialised lending and equities) (CR10)**

The following table outlines the level of exposure assigned to each Specialised Lending Category and maturity.

		Specialised Lending				Expected losses £m
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWA £m	
1	Less than 2.5 years	68.9	43.8	50%	33.1	-
	Equal to or more than 2.5 years	299.2	141.4	70%	203.8	1.4
2	Less than 2.5 years	2,032.3	433.6	70%	1,426.8	8.7
	Equal to or more than 2.5 years	1,948.3	471.3	90%	1,689.5	16.8
3	Less than 2.5 years	193.1	1.4	115%	214.0	5.4
	Equal to or more than 2.5 years	166.5	5.8	115%	177.0	4.7
4	Less than 2.5 years	31.1	-	250%	69.1	2.5
	Equal to or more than 2.5 years	32.4	21.0	250%	84.7	2.9
5	Less than 2.5 years	19.7	1.0	-	-	10.1
	Equal to or more than 2.5 years	67.7	-	-	-	33.9
Total	Less than 2.5 years	<b>2,345.1</b>	<b>479.8</b>	-	<b>1,743.0</b>	<b>26.7</b>
	Equal to or more than 2.5 years	<b>2,514.1</b>	<b>639.5</b>	-	<b>2,155.0</b>	<b>59.7</b>

Equities under the simple risk-weight approach					
	On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWA £m	Capital requirements £m
Exchange –traded equity exposures	-	-	190%	-	-
Private equity exposures	-	-	250%	-	-
Other equity exposures	16.0	-	370%	59.2	4.7
Total	<b>16.0</b>	-	-	<b>59.2</b>	<b>4.7</b>

**Countercyclical Capital Buffer**

The following table outlines the geographical distribution of credit risk exposures relevant for the calculation of the countercyclical capital buffer at 31 December 2020.

Country	General credit exposure		Trading book exposure		Securitisation exposure		Own funds requirement					Counter-cyclical capital buffer rate
	Exposure value for SA £bn	Exposure value IRB £bn	Sum of long and short position of trading book £bn	Value of trading book exposure for internal models £bn	Exposure value for SA £bn	Exposure value IRB £bn	Of which: general credit exposures £bn	Of which: trading book exposures £bn	Of which: securitisation exposures £bn	Total £bn	Own funds requirement weight	
UK	28.3	214.5	-	-	0.7	0.1	4.9	-	-	4.9	-	0%
Crown Dependencies	0.1	0.5	-	-	-	-	-	-	-	-	-	0%
United States	-	0.1	-	-	-	-	-	-	-	-	-	0%
Spain	-	-	-	-	-	-	-	-	-	-	-	0%
Australia	-	-	-	-	-	-	-	-	-	-	-	0%
Luxembourg	-	0.1	-	-	-	-	-	-	-	-	-	0.25%
Canada	-	-	-	-	-	-	-	-	-	-	-	0%
Netherlands	0.1	-	-	-	-	-	-	-	-	-	-	0%
Ireland	0.1	0.2	-	-	1.1	1.5	-	-	0.1	0.1	-	0%
Norway	0.1	0.3	-	-	-	-	-	-	-	-	-	1%
Sweden	-	0.1	-	-	-	-	-	-	-	-	-	0%
France	-	-	-	-	-	-	-	-	-	-	-	0%
Belgium	0.1	-	-	-	-	-	-	-	-	-	-	0%
Finland	-	-	-	-	-	-	-	-	-	-	-	0%
British Virgin Islands	-	-	-	-	-	-	-	-	-	-	-	0%
Denmark	-	0.1	-	-	-	-	-	-	-	-	-	0%
New Zealand	-	-	-	-	-	-	-	-	-	-	-	0%
Saudi Arabia	-	-	-	-	-	-	-	-	-	-	-	0%
Other	-	-	-	-	-	-	-	-	-	-	-	0% or not set

Exposure value of relevant credit exposures defined in accordance with Article 140(4) of Directive 2013/36/EU.

Countries included in the table above were selected if total exposure was greater than £0.1 bn pre-deductions based on Article 140(4) of Directive 2013/36/EU.

The following table shows the amount of institution-specific countercyclical capital buffer.

	£bn
Total risk exposure	71.9
Institution specific countercyclical capital buffer rate	0%
Institution specific countercyclical capital buffer requirement	-

The level of the Countercyclical Capital Buffer for the RFB Group at 31 December 2020 was 0%.

**Credit risk adjustments**

The following table outlines the credit risk exposure, the associated level of impaired and past due exposures levels and impairment levels (credit risk adjustments) for 31 December 2020 by class of exposure. Further information on impairment losses and provisions is outlined in Note 8 to the financial statements in the in the RFB 2020 Annual Report.

**Credit quality of exposures by industry (CR1-B)**

Breakdown of exposures by industry class and Credit Quality.

At 31 December 2020	Gross carrying values of					
	Defaulted Exposure	Non-Defaulted Exposure	Specific Credit Risk Adjustments	Accumulated write-offs	Credit risk adjustment charges during the period	Net value
Central Banks and Central Governments	-	40,314	-	-	-	40,314
Agriculture, forestry and fishing	13	299	(8)	(1)	-	304
Mining and quarrying	1	296	(1)	(1)	-	296
Manufacturing	46	1,504	(35)	(3)	-	1,515
Electricity, gas, steam and air conditioning supply	1	870	(1)	(2)	-	870
Water supply	1	378	(1)	(1)	-	378
Construction	57	2,429	(56)	(4)	-	2,430
Wholesale and retail trade	43	5,792	(68)	(10)	-	5,767
Transport and storage	9	961	(7)	(2)	-	963
Accommodation and food service activities	353	2,918	(197)	(5)	-	3,074
Information and communication	7	1,291	(4)	(2)	-	1,294
Real estate activities	180	16,919	(127)	(30)	-	16,972
Professional, scientific and technical activities	126	1,849	(48)	(3)	-	1,927
Administrative and support service activities	40	1,970	(32)	(4)	-	1,978
Public administration and defence, compulsory social security	-	6	-	-	-	6
Education	7	569	(6)	(1)	-	570
Human health services and social work activities	136	2,068	(70)	(4)	-	2,134
Arts, entertainment and recreation	5	549	(5)	(1)	-	549
Other services	4	269	(5)	-	-	268
Retail	1,966	204,335	(706)	(179)	-	205,595
Financial Institutions and Other Financial Corporates	-	26,292	-	-	-	26,292
<b>Total</b>	<b>2,995</b>	<b>311,878</b>	<b>(1,377)</b>	<b>(253)</b>	<b>-</b>	<b>313,496</b>

**Credit risk exposure by country (CR1-C)**

The following table provides analysis of the distribution of exposures by geography.

At 31 December 2020	Gross carrying values of					
	Defaulted Exposure	Non-Defaulted Exposure	Specific Credit Risk Adjustments	Accumulated write-offs	Credit risk adjustment charges during the period	Net value
UK	2,799	296,524	(1,297)	(253)	-	298,026
US	-	484	-	-	-	484
Japan	-	1,036	-	-	-	1,036
Ireland	-	9,678	(4)	-	-	9,674
Luxembourg	-	1,892	(1)	-	-	1,891
Jersey	27	367	(11)	-	-	383
Germany	-	55	-	-	-	55
Canada	-	43	-	-	-	43
France	-	184	-	-	-	184
Isle of Man	2	248	(4)	-	-	246
Netherlands	-	120	-	-	-	120
Italy	-	17	-	-	-	17
Norway	-	256	-	-	-	256
Denmark	-	65	(2)	-	-	63
Australia	-	30	-	-	-	30
Other	167	879	(58)	-	-	988
<b>Total</b>	<b>2,995</b>	<b>311,878</b>	<b>(1,377)</b>	<b>(253)</b>	<b>-</b>	<b>313,496</b>

For geographical areas of past due and impaired exposures, nearly 93% are to the UK.



**Credit Risk Mitigation Techniques (CR3)**

For more detail on the RFB Group's approach to Credit Risk Mitigation refer to the Other Segments – Credit Risk Review section of the RFB 2020 Annual Financial Report.

The following table provides analysis of secured and collateralised exposures at 31 December 2020.

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn	31 December 2020 £bn
1 Total loans	121,058	187,153	612	4,672	-
2 Total debt securities <sup>1</sup>	7,873	-	2,240	-	-
3 Total exposures	128,931	197,153	2,852	4,672	-
4 Of which defaulted	1,251	1,744	-	-	-

**Changes in the stock of specific credit risk adjustments (CR2-A)**

Movement over the period 1 January 2020 to 31 December 2020 of specific credit risk adjustments.<sup>2</sup>

	Accumulated specific credit risk adjustment £m
<b>Opening balance (IFRS9)</b>	863
Increases due to origination and acquisition during the period	157
Decreases due to derecognition during the period	(118)
Changes due to change in credit risk (net)	614
Changes due to modifications without derecognition (net)	20
Changes due to update in the institution's methodology for estimation (net)	0
Other adjustments	90
Decrease in allowance account due to write-offs	(249)
<b>Closing balance</b>	<b>1,377</b>
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	67
Specific credit risk adjustments directly recorded to the statement of profit or loss	0

**Changes in the stock of defaulted and impaired loans and debt securities (CR2-B)**

Movement over the period 1 January 2020 to 31 December 2020 of carrying value of defaulted exposures.

	Gross carrying value of defaulted exposures £m
1 Opening balance (IFRS9)	2,369
2 Loans and debt securities that have defaulted or impaired since the last reporting period	1,511
3 Returned to non-defaulted status	(50)
4 Amounts written off	(393)
5 Other changes <sup>3</sup>	(442)
6 Closing balance	2,995

**Credit risk exposure (CRB-B, CR1-A)**

Breakdown of loans and advances to banks and customers and central bank exposures by credit quality, including total and average net amount of exposures (excludes securitisations and other debt instruments).

At 31 December 2020	Gross carrying values of			Average net exposures over the period	Specific Credit Risk Adjustments	Accumulated write-offs	Credit risk adjustment charges during the period	Net Value £m
	Defaulted Exposure	Non-Defaulted Exposure	Net value of exposures at the end of the period					
1 Central Banks and Central Governments	-	40,314	40,314	30,287	-	-	-	40,314
Financial Institutions and Other	-	26,292	26,292	28,650	-	-	-	26,292
2 Financial Corporates								
3 Corporate Exposures	1,029	40,937	41,966	41,117	(671)	(73)	-	41,295
4 Of which: Specialised lending	88	5,890	5,978	5,846	(129)	(15)	-	5,849
6 Retail	1,966	204,335	206,301	204,656	(706)	(180)	-	205,595
7 Of which: IRB residential immovable property	1,728	178,576	180,304	178,866	(283)	(11)	-	180,021
<b>Total</b>	<b>2,995</b>	<b>311,878</b>	<b>314,873</b>	<b>304,710</b>	<b>(1,377)</b>	<b>(253)</b>	<b>-</b>	<b>313,496</b>

<sup>1</sup> Per note 20 Financial Investments in the Half Yearly Financial Report, excluding debt securities.

<sup>2</sup> Table has been revised from the version in the EBA "Final Report on the guidelines on disclosure requirements under part eight of regulation (EU) NO 575/2013" to reflect FINREP update due to the adoption of IFRS 9.

<sup>3</sup> Includes residual movement on facilities that did not change stage in the year, and which were neither acquired nor purchased in the year.

**Credit risk exposure by industry (CRB-D)**

The following table outlines the CRDIV credit risk exposure by industry

At 31 December 2020	Agriculture, Forestry & Fishing	Construction	Financial Industry (bank and non-bank)	Real Estate (commercial)	Manufacturing	Mining & Quarrying	Wholesale and Retail Trade	Business Services and Other	Transport, Utilities & Storage	Retail	Other Sectors
Central governments or central banks	-	-	40,314	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	6
Multilateral Development Banks	-	-	1,374	-	-	-	-	-	-	-	-
Institutions	-	-	26,292	-	-	-	-	-	-	-	-
Corporations	304	2,430	-	16,972	1,515	296	5,768	1,978	964	-	11,068
Of which specialised Lending	-	7	797	4,038	71	-	10	258	341	2	325
Securitisations	-	-	3431	-	-	-	-	-	-	-	-
Retail	12	25	309	371	32	4	128	8,111	24	199,741	224
Of which secured on residential real estate	-	4	1	53	-	-	1	59	-	179,901	2

**Residual maturity of credit exposures (CRB-E)**

The following table outlines the CRDIV credit risk exposure by maturity.

At 31 December 2020	< 3 months	< 1 year	1-3 years	3-5 years	> 5 years
Central governments or central banks	32,758	694	1,676	1,189	3,997
Public sector entities	4	-	-	-	2
Multilateral Development Banks	-	49	357	968	-
Institutions	9,757	2,461	9,141	4,766	167
Corporations	6,541	3,618	11,569	16,408	3,159
Of which specialised Lending	493	858	1,969	1,549	980
Securitisations	-	-	74	-	3,357
Retail	30,029	49,790	5,388	2,693	117,695
Of which secured on residential real estate	27,405	34,575	4,824	2,367	110,850

**Geographical Analysis of credit exposures (CRB-C)**

The following table outlines the CRDIV credit risk exposure by geography.

At 31 December 2020	UK	Germany	France	US	Spain	Other Eurozone	Other
Central governments or central banks	40,314	-	-	-	-	-	-
Public sector entities	6	-	-	-	-	-	-
Multilateral Development Banks	155	-	-	-	-	621	598
Institutions	12,796	4	163	21	431	11,787	1,090
Corporations	39,599	39	-	419	32	879	327
Of which specialised Lending	5,438	-	-	45	-	244	122
Securitisations	3,431	-	-	-	-	-	-
Retail	205,318	12	21	44	11	48	141
Of which secured on residential real estate	180,021	-	-	-	-	-	-

**Credit quality of forborne exposures**

The following table provides an overview of the quality of forborne exposures at 31 December 2020.

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		£m	£m	Of which defaulted £m				
1 Loans and advances	1,430	676	676	676	(35)	(159)	1,552	339
2 Central banks	-	-	-	-	-	-	-	-
3 General governments	-	-	-	-	-	-	-	-
4 Credit institutions	-	-	-	-	-	-	-	-
5 Other financial corporations	-	-	-	-	-	-	-	-
6 Non-financial corporations	205	271	271	271	(11)	(102)	71	28
7 Households	1,225	405	405	405	(24)	(57)	1,481	311
8 Debt Securities	-	-	-	-	-	-	-	-
9 Loan commitments given	-	-	-	-	-	-	-	-
<b>10 Total</b>	<b>1,430</b>	<b>676</b>	<b>676</b>	<b>676</b>	<b>(35)</b>	<b>(159)</b>	<b>1,552</b>	<b>339</b>

**Credit quality of performing and non-performing exposures by past due days**

The following table provides an overview of credit quality of non-performing exposures at 31 December 2020.

		Gross carrying amount/nominal amount												
		Performing exposures			Non-performing exposures									Of which defaulted
		£m	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	£m	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	£m	
1	<b>Loans and advances</b>	228,558	227,648	910	2,895	1,119	604	525	570	61	12	4	2,895	
2	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
3	General governments	299	299	-	-	-	-	-	-	-	-	-	-	
4	Credit institutions	2,678	2,678	-	-	-	-	-	-	-	-	-	-	
5	Other financial corporations	21,849	21,849	-	-	-	-	-	-	-	-	-	-	
6	Non-financial corporations	25,772	25,690	82	970	679	101	46	68	60	12	4	970	
7	<i>Of which SMEs</i>	11,698	11,634	64	641	410	62	41	55	58	11	4	641	
8	Households	177,960	177,132	828	1,925	440	503	479	502	1	-	-	1,925	
9	<b>Debt securities</b>	10,201	10,201	-	-	-	-	-	-	-	-	-	-	
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
11	General governments	5,437	5,437	-	-	-	-	-	-	-	-	-	-	
12	Credit institutions	3,451	3,451	-	-	-	-	-	-	-	-	-	-	
13	Other financial corporations	1,313	1,313	-	-	-	-	-	-	-	-	-	-	
14	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	
15	<b>Off-balance-sheet exposures</b>	43,060			100								-	
16	Central banks	-			-								-	
17	General governments	-			-								-	
18	Credit institutions	7			-								-	
19	Other financial corporations	1,560			-								-	
20	Non-financial corporations	15,117			59								-	
21	Households	26,376			41								-	
22	<b>Total</b>	<b>281,819</b>	<b>237,849</b>	<b>910</b>	<b>2,995</b>	<b>1,119</b>	<b>604</b>	<b>525</b>	<b>570</b>	<b>61</b>	<b>12</b>	<b>4</b>	<b>2,895</b>	

## Performing and non-performing exposures and related provisions

The following table provides an overview of the credit quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class at 31 December 2020.

	Gross carrying amount/nominal amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated Partial write-off	Collateral and financial guarantees received	
	Performing exposures		Non-performing exposures					Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	£m	Of which stage 1	Of which stage 2	£m	Of which stage 2	Of which stage 3	£m	Of which stage 1	Of which stage 2	£m	Of which stage 2	Of which stage 3	£m			
		£m	£m		£m	£m		£m	£m		£m	£m				
1	<b>Loans and advances</b>	228,558	211,387	17,073	2,985	-	2,985	(742)	(186)	(556)	(613)	-	(613)	-	211,200	1,930
2	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	General governments	299	299	-	-	-	-	-	-	-	-	-	-	-	8	-
4	Credit institutions	2,678	2,678	-	-	-	-	-	-	-	-	-	-	-	1,258	-
5	Other financial corporations	21,849	21,793	-	-	-	-	(1)	(1)	-	-	-	-	-	18,646	-
6	Non-financial corporations	25,772	19,893	5,837	970	-	970	(321)	(106)	(215)	(348)	-	(348)	-	18,936	270
7	Of which SMEs	11,698	8,487	3,182	641	-	641	(205)	(75)	(130)	(246)	-	(246)	-	9,250	176
8	Households	177,960	166,724	11,236	1,925	-	1,925	(420)	(79)	(341)	(265)	-	(265)	-	172,352	1,660
9	<b>Debt securities</b>	10,201	10,092	-	-	-	-	(1)	(1)	-	-	-	-	-	391	-
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	5,437	5,437	-	-	-	-	(1)	(1)	-	-	-	-	-	-	-
12	Credit institutions	3,451	3,451	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other financial corporations	1,313	1,204	-	-	-	-	-	-	-	-	-	-	-	391	-
14	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	<b>Off-balance-sheet exposures</b>	43,060	41,791	1,269	100	-	100	65	30	36	9	-	-	-	-	-
16	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Credit institutions	7	7	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Other financial corporations	1,560	1,535	25	-	-	-	1	-	-	-	-	-	-	-	-
20	Non-financial corporations	15,117	14,122	995	59	-	59	29	13	16	8	-	-	-	-	-
21	Households	26,376	26,127	249	41	-	41	35	17	20	1	-	-	-	-	-
	<b>Total</b>	281,819	263,270	18,342	2,995	-	2,995	(678)	(157)	(520)	(604)	-	(613)	-	211,591	1,930

**Collateral obtained by taking possession and execution processes**

The following table provides an overview of foreclosed assets obtained from non-performing exposures at 31 December 2020.

		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
		£m	£m
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&E	25	-
3	Residential immovable property	25	-
4	Commercial Immovable property	-	-
5	Movable property (auto, shipping, etc.)	-	-
6	Equity and debt instruments	-	-
7	Other	-	-
<b>8</b>	<b>Total</b>	<b>25</b>	<b>-</b>

**Prudential valuation adjustments (PVA)**

PVA for all assets measured at fair value (mark to market or marked to model) and for which PVA are required. Assets can be non-derivative or derivative instruments.

At 31 December 2020	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
Closeout uncertainty, of which:	0.02	8.42	-	0.57	-	9.01	0.14	8.87
- Mid-market value	0.01	2.09	-	0.42	-	2.52	0.14	2.38
- Closeout cost	-	4.97	-	0.19	-	5.16	-	5.16
- Concentration	0.01	1.36	-	(0.04)	-	1.33	-	1.33
Early termination	-	-	-	-	-	-	-	-
Model risk	0.03	2.77	-	1.31	-	4.11	0.19	3.92
Operational risk	-	0.77	-	0.06	-	0.83	0.06	0.77
Investing and funding costs	-	2.14	-	-	-	2.14	1.26	0.88
Unearned credit spreads	-	1.87	-	-	-	1.87	1.71	0.16
Future administrative costs	-	1.41	-	-	-	1.41	-	1.41
Other	-	-	-	-	-	-	-	-
<b>Total adjustment</b>	<b>0.05</b>	<b>17.38</b>	<b>-</b>	<b>1.94</b>	<b>-</b>	<b>19.37</b>	<b>3.36</b>	<b>16.01</b>

**Key Movements**

The reduction in RFB PVA is due to the AVA aggregation factor, which has increased from 50% in Dec-2019 to 66% in Dec-2020. This factor is set by the regulator and provides a diversification benefit across most of the AVAs. The AVA decrease from the diversification impact is partially offset by an increase in Close Out Cost AVA due to the implementation of Property Derivatives close out cost in November 2020.

**Remuneration**

Per the Basel Committee on Banking Supervision's Pillar 3 disclosure requirements – consolidated and enhanced framework directive, the Company is fulfilling its obligation to disclose remuneration notes in the Directors' Remuneration Report section of the 2020 Annual Report.

**CRR Leverage ratio – disclosure template**

The table below provides a reconciliation of accounting assets to the UK CRR Leverage ratio exposure, and information on the composition of the principal exposure elements at 31 December 2020. A UK CRR end point Tier 1 capital measure is used for this disclosure and Leverage Ratio calculation, consistent with the UK framework for large banks.

**Summary reconciliation of accounting assets and Leverage Ratio exposures**

	£bn	
1	Total assets as per published financial statements	292,332
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	1,032
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the Leverage Ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 CRR)	(2,005)
4	Adjustments for derivative financial instruments	(1,531)
5	Adjustments for securities financing transactions (SFTs)	767
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	8,112
EU-6a	(Adjustment for intragroup exposures excluded from the Leverage Ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the Leverage Ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	1,144
8	Total Leverage Ratio exposure	299,851

**Leverage Ratio common disclosure**

	Exposure £bn	
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	269,326
2	(Asset amounts deducted in determining Tier 1 capital)	(2,005)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	267,321
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2,624
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	822
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(1,571)
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	1,875
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	26,085
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(6,485)
14	Counterparty credit risk exposure for SFT assets	767
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	20,367
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	43,170
18	(Adjustments for conversion to credit equivalent amounts)	(35,058)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	8,112
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	1,032
EU-19a	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	1,144
Capital and total exposures		
20	Tier 1 capital (UK CRR end point)	13,014
21	Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	299,851
Leverage Ratio		
22	Leverage Ratio	4.3%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

**Own Funds disclosure – balance sheet reconciliation**

The scope of consolidation and method for consolidation of the RFB Group balance sheet is substantially the same as that used for regulatory purposes.

A reconciliation of regulatory own funds to the relevant balance sheet items for the RFB Group is included in the table below at 31 December 2020. This outlines the impact of the difference in scope of consolidation outlined above.

	Own Funds Type		
	CET1 £m	Additional Tier 1 £m	Tier 2 £m
<b>Santander UK Balance Sheet elements</b>			
Shareholder's equity and Non-controlling interests	13,747	2,191	-
Subordinated Liabilities	-	90	2,466
<b>UK CRR Adjustments</b>			
Additional value adjustments	(19)		
Intangible Assets (net of related tax liability)	(1,345)		
Fair value reserves related to gains or losses on cash flow hedges	(483)		
Negative amounts resulting from the calculation of regulatory expected loss amounts	(359)		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(6)		
Deferred tax assets arising from temporary differences	(9)		
Defined benefit pension fund assets	(363)		
- Dividend accrual	(17)		
- Deduction for minority interests	(162)		
- IFRS 9 Transitional Adjustments	73		
Amount excluded from Tier 2 due to transitional recognition cap	-	-	(557)
<b>Total</b>	<b>11,057</b>	<b>2,281</b>	<b>1,909</b>



## Own Funds disclosure – Transitional Own Funds disclosure template

The following table provides disclosure of the RFB Group's own funds items. The UK CRR end point position can be derived as the sum of the 31 December 2020 results and the associated end point adjustment. The Common Equity Tier 1 (CET1) Capital before regulatory adjustments below differs from other disclosures in this document as this template requires an alternative treatment of CET1 Minority Interests and foreseeable dividends.

	31 December 2020 £m	UK CRR end point adjustments £m
Common Equity Tier 1 (CET1) Capital: instruments and reserves		
1	8,725	-
2	4,326	-
3	517	-
4	-	-
5	-	-
5a	-	-
6	13,568	-
Common Equity Tier 1 (CET1) Capital: regulatory adjustments		
7	(19)	-
8	(1,345)	-
10	-	-
11	(483)	-
12	(359)	-
13	-	-
14	(6)	-
15	(363)	-
16	-	-
17	-	-
18	-	-
19	-	-
20a	-	-
20b	-	-
20c	-	-
20d	-	-
21	(9)	-
22	-	-
23	-	-
25	-	-
25a	-	-
25b	-	-
26	73	-
26a	-	-
26b	-	-
27	-	-
28	(2,511)	-
29	11,057	-
30	1,956	-
31	1,956	-
32	-	-
33	-	-
34	325	(325)
35	325	(325)
36	2,281	(325)
Additional Tier 1 (AT1) capital: regulatory adjustments		
37	-	-
38	-	-
39	-	-
40	-	-
41	-	-
41a	-	-
41b	-	-

	31 December 2020 £m	UK CRR end point adjustments £m
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1 (AT1) capital	2,281
45	Tier 1 capital (T1 = CET1 + AT1)	13,338
<b>Tier 2 (T2) capital: instruments and provisions</b>		
46	Capital instruments and the related share premium accounts	799
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties	1,110
49	of which: instruments issued by subsidiaries subject to phase out	313
50	Credit risk adjustments	-
51	Tier 2 (T2) capital before regulatory adjustments	1,909
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
54a	Of which new holdings not subject to transitional arrangements	-
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) 575/2013 (i.e. CRR residual amounts)	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	Tier 2 (T2) capital	1,909
59	Total Capital (TC = T1 + T2)	15,247
59a	Risk weighted assets in respect of amounts subject to pre CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) 575/2013 (i.e. CRR residual amounts)	-
60	Total risk weighted assets	71,860
<b>Capital ratio and buffers</b>		
61	Common Equity Tier (as a percentage of total risk exposure amount)	15.4%
62	Tier 1 (as a percentage of total risk exposure amount)	18.6%
63	Total capital (as a percentage of total risk exposure amount)	21.2%
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	3.50%
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical buffer requirement	-
67	of which: systemic risk buffer requirement	-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.4%
<b>Amounts below the threshold for deduction (before risk weighting)</b>		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institutions of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion if credit risk adjustment in T2 under standardised approach	234
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustment in T2 under internal ratings-based approach	269
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

## Own Funds disclosure – capital instruments main features

The following table outlines the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.

1	Issuer	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander plc	Santander UK plc	Santander UK plc
2	ISIN	GB0000064393	GB0000044221	XS0124569566					XS0060837068
3	Governing law(s) of the instrument	English	English	English	English	English	English	English	English
Regulatory treatment									
4	Transitional CRR rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel CRR rules	Ineligible	Ineligible	Ineligible	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/ group/ group & solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Preferred	Preferred	Preferred	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Subordinated
8	Amount recognised in regulatory capital (£m)	212	132	235	210	745	500	500	205
9	Par value of instrument (£m)	200	125	235	210	750	500	500	200
9a	Issue Price of Instrument	100m @ 101.52% 100m @ 108.935%	101.55%	100%	100%	100%	100%	100%	100.432%
9b	Redemption Price of Instrument	n/a	n/a	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	n/a
10	Accounting classification	Liability-amortised cost	Liability-amortised cost	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Liability-amortised cost
11	Original date of issuance	23/10/1995	09/06/1997	14/02/2001	24/06/2014	10/06/2015	09/08/2019	10/04/2017	23/10/1995
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates and redemption amount	n/a	n/a	14/02/2026, Tax event at any time, Regulatory Capital Event call option / par	24/03/2021, Tax event call option at any time, Regulatory Capital Event call option / par	24/06/2022, Tax event call option at any time, Regulatory Capital Event call option / par	24/03/2025 Tax event call option at any time, Regulatory Capital Event call option / par	24/06/2024, Tax event call option at any time, Regulatory Capital Event call option / par	Tax event at any time/par
16	Subsequent call dates, if applicable	n/a	n/a	Annually	Quarterly	5 years	Quarterly	5 years	n/a
Coupons / dividends									
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed
18	Coupon rate and any related index	10.375%	8.625%	7.037%	5.180%	7.375%	6.3%	6.75%	10.0625%
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible
24	If convertible, conversion trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Contractual: None Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA
25	If convertible, fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially
26	If convertible, conversion rate	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	Contractual:100% Statutory: To be determined at conversion
27	If convertible, mandatory or optional conversion	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Contractual : at the option of the issuer Statutory: Mandatory upon satisfaction of certain conditions
28	If convertible, specify instrument type convertible into	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	Contractual: Additional Tier 1 Statutory: CET1 or other securities
29	If convertible, specify issuer of instrument it converts into	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Statutory: Bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA Contractual: CET1 Capital Ratio of the Group < 7% (Loss Absorption Event)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA

Additional Capital and Risk Management Disclosures

32	If write-down, full or partial	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism (specify instrument type immediately senior to instrument)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No	No
37	If yes, specify non-compliant features	No CET1 conversion or write down trigger Dividend Stopper	No CET1 conversion or write down trigger Dividend Stopper	No CET1 conversion or write down trigger Dividend Stopper Incentive to Redeem: Step Up					

## Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc
2	ISIN	XS0117973429	XS0103012893	U5002920AC09	XS0989359756	US80281LAA35	XS0133956168	US80281LAA35
					US80283LAA17	XS1291333760		XS1291333760
3	Governing Law(s) of the instrument	English	English	New York	English	English	English	English
Regulatory treatment								
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel CRR rules	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Ineligible	Tier 2
6	Eligible at solo/group/group & solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
8	Amount recognised in regulatory capital (£m)	352	31	162	309	157	10	174
9	Par value of instrument (£m)	252	22	243	541	165	11	183
9a	Issue Price of Instruments	175m @ 97.712% 100m @ 109.744%	99.561%	99.626%	99.681%	99.724%	98.878%	99.724%
9b	Redemption Price of Instrument	100% (call)	100%	100%	100%	100%	100%	100%
10	Accounting classification	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost
11	Original date of issuance	28/09/2000	21/10/1999	26/10/1999	07/11/2013	15/09/2015	14/08/2001	15/09/2001
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	21/10/2030	26/10/2029	07/11/2023	15/09/2025	14/08/2031	15/09/2025
14	Issuer call subject to prior supervisory approval	Yes	No	No	No	No	n/a	No
15	Optional call date, contingent call dates and redemption amount	Next issuer call option 28/09/2030, Tax event at any time/par	Tax event at any time/par	Tax event at any time/par	Tax event at any time, Regulatory Capital Event call option / par	Tax event at any time, Regulatory Capital Event call option / par	Tax event at any time/par	Tax event at any time, Regulatory Capital Event call option / par
16	Subsequent call dates, if applicable	5 years	n/a	n/a	n/a	n/a	n/a	n/a
Coupons / dividends								
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	7.125%	6.5%	7.95%	5%	4.75%	5.875%	4.75%
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Mandatory	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	Yes	No	No	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible	Convertible
24	If convertible, conversion trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA
25	If convertible, fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially
26	If convertible, conversion rate	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion	To be determined at conversion
27	If convertible, mandatory or optional conversion	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions
28	If convertible, specify instrument type convertible into	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities	CET1 or other securities
29	If convertible, specify issuer of instrument it converts into	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA
32	If write-down, full or partial	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Senior	Senior	Senior	Senior	Senior	Senior
36	Non-compliant transitioned features	Yes	No	No	No	No	Yes	No
37	If yes, specify non-compliant features	Incentive to Redeem: Step Up		Governing law: New York Grandfather to June 2025				

## Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc
2	ISIN	US80281LAA35 XS1291333760	US80281LAB18 XS1291352711	US80281LAB18 XS1291352711	n/a
3	Governing law(s) of the instrument	English	English	English	English
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Common Equity Tier 1
5	Post-transitional Basel CRR rules	Tier 2	Tier 2	Tier 2	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Equity
8	Amount recognised in regulatory capital (£m)	174	110	184	7,060
9	Par value of instrument (£m)	183	109	183	7,060
9a	Issue Price of Instrument	99.724%	99.412%	99.412%	100%
9b	Redemption Price of Instrument	100%	100%	100%	n/a
10	Accounting classification	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Shareholders Equity
11	Original date of issuance	15/09/2015	15/09/2015	15/09/2015	10/01/2014
12	Perpetual or dated	Dated	Dated	Dated	Perpetual
13	Original maturity date	15/09/2025	15/09/2045	15/09/2045	n/a
14	Issuer call subject to prior supervisory approval	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	Tax event at any time, Regulatory Capital Event call option / par	Tax event at any time, Regulatory Capital Event call option / par	Tax event at any time, Regulatory Capital Event call option / par	n/a
16	Subsequent call dates, if applicable	n/a	n/a	n/a	n/a
Coupons / dividends					
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Variable
18	Coupon rate and any related index	4.75%	5.625%	5.625%	n/a
19	Existence of a dividend stopper	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Fully Discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Noncumulative
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Non-Convertible
24	If convertible, conversion trigger (s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	n/a
25	If convertible, fully or partially	May convert fully or partially	May convert fully or partially	May convert fully or partially	n/a
26	If convertible, conversion rate	To be determined at conversion	To be determined at conversion	To be determined at conversion	n/a
27	If convertible, mandatory or optional conversion	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	Mandatory upon satisfaction of certain conditions	n/a
28	If convertible, specify instrument type convertible into	CET1 or other securities	CET1 or other securities	CET1 or other securities	n/a
29	If convertible, specify issuer of instrument it converts into	Santander UK plc	Santander UK plc	Santander UK plc	n/a
30	Write-down feature	Yes	Yes	Yes	No
31	If write-down, write-down trigger(s)	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	Triggers to statutory bail-in power under UK Banking Act 2009 at PONV – UK BoE/PRA	n/a
32	If write-down, full or partial	May write-down fully or partially	May write-down fully or partially	May write-down fully or partially	n/a
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior	Additional Tier 1
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features				

## Glossary

Advanced Internal Ratings Based Approach (AIRB)	A method of calculation using internal estimates for all risk components.
Basel III	In December 2010, the Basel Committee on Banking Supervision issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The standards were implemented in the EU in January 2014.
Capital Conservation Buffer	A capital buffer required under Basel III to ensure banks build up capital buffers outside of periods of stress.
Common Equity Tier 1 (CET1) capital	The called-up share capital and eligible reserves less deductions calculated in accordance with the UK CRR implementation rules as per the PRA Policy Statement PS7/13. CET1 capital ratio is CET1 capital as a percentage of risk-weighted assets.
Common Equity Tier 1 ratio	CET1 capital as a percentage of risk weighted assets.
Countercyclical capital buffer (CCyB)	A capital buffer required under Basel III to ensure that capital requirements take account of the macro-financial environment in which banks operate.
Counterparty credit risk	A subset of credit risk and is the risk that a counterparty defaults.
UK CRR	An EU legislative package covering prudential rules for banks, building societies and investment firms.
Credit Conversion Factor (CCF)	An estimate of the amount Santander expects a customer to have drawn further on a facility limit at the point of default.
Credit Risk	The risk that a counterparty will default and will be unable to fulfil the obligations of their contract.
Credit Valuation Adjustment (CVA)	Adjustments to the fair values of derivative assets to reflect the creditworthiness of the counterparty.
EU Banking Group	Banco Santander group, a leading and commercial bank headquartered in Spain.
Expected Loss (EL)	The Santander UK Group Holdings plc group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Santander UK Group Holdings plc group-modelled view of anticipated loss based on Probability of Default, Loss Given Default and Exposure at Default, with a one-year time horizon.
Exposure	The maximum loss that a financial institution might suffer if a borrower, counterparty or group fails to meet their obligations or assets and off-balance sheet positions have to be realised.
Exposure at Default (EAD)	The estimation of the extent to which the Santander UK Group Holdings plc group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
Fair Value	The value of an asset or liability when the transaction is on an arm's length basis.
Financial Policy Committee	An independent committee at the Bank of England with the objective of overseeing and taking action to remove or reduce systemic risks to protect and enhance the resilience of the UK financial system.
Foundation Internal Ratings Based Approach (FIRB)	A method of calculation for credit risk capital requirements using internal estimate of PD with supervisory estimates for LGD and supervisory calculations for EAD.
Global Systemically Important Bank (G-SIB)	G-SIBs are subject to higher capital buffer requirements, total loss-absorbing capacity requirements, resolvability requirements and higher supervisory expectations and have been phased in from 1 January 2016.
Institution	An investment firm or credit institution.
Internal Models Approach (IMA)	Approved by the PRA this model is used to calculate market risk capital and RWA.
Internal Ratings-Based Approach (IRB)	The Santander UK Group Holdings plc group's method, under the UK CRR framework, for calculating credit risk capital requirements using the Santander UK Group Holdings plc group's internal Probability of Default models but with supervisory estimates of Loss Given Default and conversion factors for the calculation of Exposure at Default.
Leverage Ratio	UK CRR end-point Tier 1 capital divided by exposures as defined by the European Commission Delegated Regulation 2015/62 of October 2014. In July 2016, the definition was amended to exclude from the calculation for total exposure those assets held against central banks that are matched by deposits in the same currency and of equal or longer maturity.
Loss Given Default (LGD)	The fraction of Exposure at Default that will not be recovered following default. LGD comprises the actual loss (the part that is not recovered), together with the economic costs associated with the recovery process.
Mark-to-Market Approach	An approach available to banks to calculate the exposure value associated with derivative transactions.
Market Risk	The risk of loss of earnings or economic value due to adverse changes in the financial market.
Maturity or Residual Maturity (for RWAs)	Remaining time until a transaction expires.
Minimum Capital Requirement	Minimum capital required for credit, market and operational risk.
Multilateral Development Banks	An institution created by a group of countries to provide financing for the purpose of development.
Operational Risk	The risk of loss due to the failure of people, process or technology.
Pillar 1	The first pillar of the Basel III approach which provides the approach to the calculation of the minimum capital requirements. This is 8% of the banks risk-weighted assets.
Pillar 3	The part of the UK CRR Accord which sets out the disclosure requirements for firms to publish details of their risks, capital and risk management. The aims are greater transparency and strengthening market discipline.
Probability of Default (PD)	The degree of likelihood that the counterparty fails to meet their financial obligation, within a period of one year.
Prudential Regulation Authority (PRA)	The UK financial services regulator formed as one of the successors to the FSA. The PRA is part of the Bank of England and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm.
Prudential Valuation Adjustment (PVA)	These are adjustments to the tier 1 capital where the prudent value of the position in the trading book is seen by the bank as being below the fair value recognised in the financial statements.
Regulatory Capital	The amount of capital that the Santander UK Group Holdings plc group holds, determined in accordance with rules established by the UK PRA for the consolidated Santander UK Group Holdings plc group and by local regulators for individual Santander UK Group Holdings plc group companies.
Repurchase Agreement (repo)/Reverse Repurchase Agreement (reverse repo)	In a sale and repurchase agreement one party, the seller, sells a financial asset to another party, the buyer, under commitments to reacquire the asset at a later date. The buyer at the same time agrees to resell the asset at the same later date. From the seller's perspective such agreements are securities sold under repurchase agreements (repos) and from the buyer's securities purchased under commitments to resell (reverse repos).
Retail Internal Ratings Based Approach (Retail IRB)	The Santander UK Group Holdings plc group's internal method of calculating credit risk capital requirements for its key retail portfolios. The FSA approved the Santander UK Group Holdings plc group's application of the Retail IRB approach to the Santander UK Group Holdings plc group's credit portfolios with effect from 1 January 2008.
Risk-Weighted Assets (RWAs)	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the PRA.
RWA Density	The risk-weighted asset divided by exposure at default.
Securities Financing Transactions (SFT)	Transactions involving repurchase agreements and reverse repurchase agreements, stock borrow lending and other securities.
Securitisation Positions	The position assumed by the bank following the purchase of certain structured securities.

Specialised Lending	An exposure to an entity which was created specifically to finance and/or operate physical assets, where the contractual arrangements given the lender a substantial degree of control over the assets and the income that they generate and the primary source of repayment of the obligation is the income generated by the assets being financed.
Standardised Approach	In relation to credit risk, a method for calculating credit risk capital requirements under UK CRR, using External Credit Assessment Institutions ratings and supervisory risk weights. The Standardised approach is less risk-sensitive than IRB (see 'IRB' above). In relation to operational risk, a method of calculating the operational capital requirement under UK CRR, by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Tier 1 Capital	A measure of a bank's financial strength defined by the PRA. It captures Core Tier 1 capital plus other Tier 1 securities in issue but is subject to a deduction in respect of material holdings in financial companies.
Tier 1 Capital ratio	The ratio expresses Tier 1 capital as a percentage of risk weighted assets.
Tier 2 Capital	Defined by the PRA. Broadly, it includes qualifying subordinated debt and other Tier 2 securities in issue, eligible collective impairment allowances, unrealised available for sale equity gains and revaluation reserves. It is subject to deductions relating to the excess of expected loss over regulatory impairment allowance, securitisation positions and material holdings in financial companies.
Trading Book	Positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book, which must be free of restrictive covenants on their tradability or ability to be hedged.
Value at Risk (VaR)	An estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level.