

Santander UK Group Holdings plc

September 2017 Additional Capital Disclosures

Additional Capital Disclosures

Introduction

As a significant wholly-owned subsidiary of Banco Santander, S.A., under CRD IV¹ Santander UK Group Holdings plc (the 'Company') 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 frequency², 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 cover the consolidated Santander UK Group Holdings plc group position.

The Company is the immediate parent company of Santander UK plc. The Company and Santander UK plc operate on the basis of a unified business strategy, albeit the principal business activities are currently carried out by the Santander UK plc group. The Company was incorporated on 23 September 2013 and on 10 January 2014 became the immediate parent company of Santander UK plc and its controlled entities. From this date, the Company became the head of the Santander UK group for regulatory capital and leverage purposes.

Own Funds and Capital Ratios

The following table summarises the Company's Own Funds at 30 September 2017 and the previously disclosed information for the three preceding quarter ends. It also details the key risk-based capital ratios. Further detail on Risk Weighted Assets is included in the subsequent RWA and Capital Requirements section of this document.

	30 September 2017 £m	30 June 2017 £m	31 March 2017 £m	31 December 2016 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,861	14,589	14,598	14,290
Common Equity Tier 1 (CET1) capital regulatory adjustments	(4,162)	(3,998)	(4,156)	(4,084)
Common Equity Tier 1 (CET1) capital	10,699	10,591	10,442	10,206
Additional Tier 1 (AT1) capital before regulatory adjustments	2,454	2,451	1,965	2,033
Additional Tier 1 (AT1) capital regulatory adjustments	-	-	-	-
Additional Tier 1 (AT1) capital	2,454	2,451	1,965	2,033
Tier 1 capital	13,153	13,042	12,407	12,239
Tier 2 (T2) capital before regulatory adjustments	2,452	2,599	2,706	2,955
Tier 2 (T2) capital regulatory adjustments	-	-	-	-
Tier 2 (T2) capital	2,452	2,599	2,706	2,955
Total Capital	15,605	15,641	15,113	15,194
Risk Weighted Assets	88,138	87,194	87,997	87,632
Common Equity Tier 1 ratio	12.1%	12.1%	11.9 %	11.6%
Tier 1 ratio	14.9%	15.0%	14.1 %	14.0%
Total Capital ratio	17.7%	17.9%	17.2 %	17.3%

Common Equity Tier 1 (CET1) ratio at 30 September 2017 remained flat at 12.1% when compared to 30 June 2017. 30 September 2017 ratio includes 0.06% of adverse movements relating to temporary restructuring in preparation for the Financial Services (Banking Reform) Act 2013.

¹ The Capital Requirements Directive IV ('CRD IV') and Capital Requirements Regulation ('CRR') legislative package, collectively referred to as CRD IV

² 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

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Leverage Ratio

The following table summarises the Company's end point CRD IV Tier 1 Leverage Ratio and UK Leverage Ratio at 30 September 2017 and the previously disclosed 3 preceding quarter ends of June, March and December 2016. The end point CRD IV Tier 1 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. For the UK Leverage Ratio, deductions are made to the exposure measure for assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity. The Average Leverage Exposure and Leverage Ratios included below represent the monthly averages for the 3 month periods ending on the specified date.

	30 September 2017 £m	30 June 2017 £m	31 March 2017 £m	31 December 2016 £m
Common Equity Tier 1 (CET1) capital	10,699	10,591	10,442	10,206
End point Additional Tier 1 (AT1) capital	2,041	2,041	1,545	1,545
End point Tier 1 capital	12,740	12,632	11,987	11,751
Leverage Exposure CRD IV (£bn)	317.7	308.0	304.3	306.8
End point Tier 1 Leverage Ratio CRD IV	4.0%	4.1%	3.9%	3.8%
End point Tier 1 Leverage Ratio UK Leverage Ratio	4.4%	4.4%	4.1%	4.1%
Average Tier 1 Leverage Ratio UK Leverage Ratio	4.3%	4.3%	4.0%	4.0%

The UK Leverage Ratio remained flat when comparing 30 September to 30 June 2017, principally driven by the increased leverage exposure off-set by growth in the end point additional tier 1 capital. CRDIV ratio decreased due to an increased exposure to central banks.

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RWA and Capital Requirements

Overview of RWA

The following table details RWA compared to the previous quarter and equivalent Own Funds Requirements. Own Funds Requirements are calculated as RWA multiplied by 8%.

	RWA		Minimum capital requirements
	30 September 2017 £bn	30 June 2017 £bn	30 September ¹ 2017 £bn
Credit risk (excluding counterparty credit risk) (CCR)	70.1	69.8	5.6
- Of which standardised approach (SA)	25.8	25.2	2.1
- Of which foundation internal rating-based approach	9.9	9.8	0.8
- Of which advanced internal rating-based approach	34.3	34.7	2.7
- Of which equity IRB under the Simple risk-weight or the internal models approach	0.1	0.1	-
Counterparty credit risk	6.7	5.9	0.5
- Of which marked to market	4.4	4.2	0.4
- Of which original exposure	-	-	-
- Of which standardised approach for counterparty credit risk	-	-	-
- Of which internal model method (IMM)	-	-	-
- Of which risk exposure amount for contributions to the default fund of a CCP	0.2	0.2	0.0
- Of which CVA	2.1	1.5	0.2
Settlement risk	-	-	-
Securitisation exposures in banking book (after cap)	0.7	0.9	0.1
- Of which IRB ratings-based approach (RBA)	0.3	0.2	0.0
- Of which IRB supervisory formula approach (SFA)	-	-	-
- Of which internal assessment approach (IAA)	-	-	-
- Of which standardised approach (SA)	0.4	0.7	0.0
Market risk	3.3	3.3	0.3
- Of which standardised approach (SA)	0.5	0.5	0.0
- Of which internal model approach (IM)	2.8	2.8	0.2
Operational Risk	7.3	7.3	0.6
- Of which basic indicator approach	-	-	-
- Of which standardised approach	7.3	7.3	0.6
- Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustments	-	-	-
Total	88.1	87.2	7.1

Increases in CVA (£0.6bn) are due to temporary adverse movements from restructuring to comply with the Financial Services (Banking Reform) Act 2013 and increased standardised credit risk RWAs mainly driven by a change of treatment for one portfolio subject to securitisation treatment.

RWA flow statements of credit risk exposures under IRB

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised.

	RWA £bn	Capital requirements
RWAs at 1 July ²	47.4	3.8
Asset size	(0.2)	-
Asset quality	0.3	-
Model updates	(0.1)	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
Other	-	-
RWAs at 30 September	47.4	3.8

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 1 July	27.6	2.2
Asset size	0.4	-
Asset quality	(0.2)	-
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
Other	-	-
RWAs at 30 September	27.8	2.2

¹ Includes balances which are not visible due to rounding.

² Includes 2 Significant Risk Transfer transactions which are subject to re-characterisation risk.

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Credit risk and Counterparty risk by risk class

The following table details RWA and equivalent Own Funds Requirements (RWA multiplied by 8%) per risk class. Counterparty Risk and Credit Valuation Adjustment Risk are included in the table.

RWA

	30 September 2017 RWA £bn	30 June 2017 RWA £bn	31 March 2017 RWA £bn	31 December 2016 RWA £bn
Standardised Approach credit risk				
Institutions	0.3	0.4	0.5	0.5
Corporates	16.2	16.1	17.8	17.1
Standardised Retail	6.7	6.2	6.8	7.2
Secured by Mortgages on Immovable Property	0.6	0.6	0.6	0.7
Exposures in Default	0.5	0.3	0.3	0.4
Higher-risk Categories	0.1	0.3	-	-
Covered Bonds	0.4	0.4	0.3	0.3
Equity	0.1	0.1	0.3	0.3
Securitisation Positions	0.4	0.7	0.4	0.4
Other	2.5	2.5	2.6	2.5
Total	27.8	27.6	29.6	29.4
IRB Approach credit risk				
Institutions	1.9	1.6	1.9	1.5
Corporates	15.3	15.6	13.4	13.6
IRB Retail Mortgages	25.9	26.0	25.7	25.5
IRB Qualifying Revolving Retail Exposures	1.9	1.9	1.9	1.9
Other Retail	2.0	2.0	2.4	2.4
Securitisation Positions	0.3	0.2	0.4	0.4
IRB Equity Exposures – 370% Risk Weight	0.1	0.1	0.1	0.1
Total	47.4	47.4	45.8	45.4
CVA	2.1	1.5	1.7	1.9

Own Funds Requirements

	30 September 2017 8%* RWA £bn	30 June 2017 8%* RWA £bn	31 March 2017 8%* RWA £bn	31 December 2016 8%* RWA £bn
Standardised Approach credit risk				
Institutions	-	-	-	-
Corporates	1.3	1.3	1.4	1.4
Standardised Retail	0.5	0.5	0.5	0.5
Secured by Mortgages on Immovable Property	-	-	0.1	0.1
Exposures in Default	-	-	-	-
Higher-risk Categories	-	-	-	-
Covered Bonds	-	-	-	-
Equity	-	-	-	-
Securitisation Positions	-	0.1	-	-
Other	0.2	0.2	0.2	0.2
Total¹	2.2	2.2	2.4	2.4
IRB Approach credit risk				
Institutions	0.1	0.1	0.2	0.1
Corporates	1.2	1.2	1.1	1.1
IRB Retail Mortgages	2.1	2.1	2.1	2.0
IRB Qualifying Revolving Retail Exposures	0.1	0.2	0.1	0.2
Other Retail	0.2	0.2	0.2	0.2
Securitisation Positions	-	-	-	-
IRB Equity Exposures – 370% Risk Weight	-	-	-	-
Total¹	3.8	3.7	3.7	3.6
CVA	0.2	0.1	0.1	0.2

¹ Total includes balances which are not visible in the table due to rounding.