Santander UK Group Holdings plc and Santander UK plc

March 2022 Additional Capital and Risk Management Disclosures

Introduction

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[1], 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 3 to 9 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 10-15 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 at ensuring 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.

[1] 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.

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

Key metrics (KM1)

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 March 2022 together with the previously disclosed quarter end information at 31 December 2021, 30 September 2021, 30 June 2021 and 31 March 2021. Further detail on Risk Weighted Assets is included in the subsequent sections of this document:

		31 March 2022 £m	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m	31 March 2021 £m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	10,731	10,848	11,450	11,292	11,111
2	Tier 1 capital	12,922	13,154	13,751	13,600	13,420
3	Total capital	14,408	14,727	15,336	15,298	15,154
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	69,350	68,144	68,813	72,763	72,561
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.47%	15.90%	16.60%	15.50%	15.30%
6	Tier 1 ratio (%)	18.63%	19.30%	20.00%	18.70%	18.50%
7	Total capital ratio (%)	20.78%	21.60%	22.30%	21.00%	20.90%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	2.97%	2.98%	2.82%	2.78%	2.78%
UK 7b	Additional AT1 SREP requirements (%)	0.99%	0.99%	0.94%	0.93%	0.93%
UK 7c	Additional T2 SREP requirements (%)	1.32%	1.33%	1.26%	1.24%	1.24%
UK 7d	Total SREP own funds requirements (%)	5.27%	5.30%	5.02%	4.94%	4.94%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical buffer (%)	-	-	-	-	-
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 11a	Overall capital requirements (%)	15.77%	15.80%	15.52%	15.44%	15.44%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.00%	5.80%	6.78%	5.56%	5.46%
	Leverage ratio					
13	Total exposure measuring excluding claims on central banks	248.1	246.3	250.3	254.7	254.7
14	Leverage ratio excluding claims on central banks (%)	5.1%	5.2%	5.4%	5.2%	5.2%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.1%	5.3%	5.4%	5.2%	5.2%
14b	Leverage ratio including claims on central banks (%)	4.3%	4.3%	4.6%	4.5%	4.4%
14c	Average leverage ratio excluding claims on central banks (%)	5.1%	5.5%	5.4%	5.3%	5.1%
14d	Average leverage ratio including claims on central banks (%)	4.3%	4.5%	4.6%	4.5%	4.3%
14e	Countercyclical leverage ratio buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	48,359	51,266	44,284	46,802	50,112
UK 16a	Cash outflows – Total weighted value	31,480	32,204	32,075	33,690	38,079
UK 16b	Cash inflows – Total weighted value	3,205	1.313	1,539	1,182	1,617
16	Total net cash outflows (adjusted value)	28,275	30,891	30,536	32,508	36,462
17	Liquidity coverage ratio (%)	171.03%	166.00%	145.00%	144.00%	137.40%

Key Movements

The CET1 capital ratio decreased 40bps to 15.5%, this was largely as a result of regulatory changes that took effect from January 2022, which included the reintroduction of the full CET1 deduction for software assets and the implementation of the new regulatory guidance related to definition of default. Without these one-off regulatory changes, the CET1 capital ratio would have remained broadly flat in the period. The UK leverage ratio decreased 10bps to 5.1%, largely due to the change in treatment of software assets on 1 January 2022 which removed a c10bps benefit as well as higher leverage exposure from asset growth. The UK leverage ratio is 150bps above regulatory minimum. Total capital ratio decreased by 80bps to 20.8%, due to the one-off regulatory changes taking effect 1 January 2022 and the reduction in capital securities in issue and the increased effect from January 2022 of the CRD IV Grandfathering Cap rules that reduce the recognition of grandfathered capital instruments issued by Santander UK plc.

Key metrics – Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements (KM2)

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 March 2022 £m	31 December 2021 £	30 September 2021 £	31 June 2021 £m	31 March 2021 £m
1	Total Own Funds and Eligible Liabilities available	24,690	24,319	25,767	24,946	24,015
1a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	24,669	24,298	25,758	24,940	24,014
2	Total RWA at the level of the resolution group	69,350	68,144	68,813	72,763	72,561
3	Total Own Funds and Eligible Liabilities as a percentage of RWA	35.6%	35.7%	37.4%	34.3%	33.1%
3a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	35.6%	35.7%	37.4%	34.4%	33.1%
4	UK Leverage exposure measure at the level of the resolution group[1]	248,140	300,399	294,828	299,665	301,652
5	Total Own Funds and Eligible Liabilities as a percentage of UK leverage exposure	10.0%	8.1%	8.7%	8.3%	8.0%
5a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure	9.9%	8.1%	8.7%	8.3%	8.0%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6c	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

1 The UK leverage exposure as disclosed at 31 March 2022 excludes claims on central banks. Periods prior to the 1 Jan 2022 are based on UK Leverage exposure including claims on central banks.

The MREL requirement for Santander UK Group Holdings plc, excluding capital buffers, is 26.5% of RWAs (2*[P1+P2A])

IFRS 9 Transitional Arrangements (IFRS9-FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 31 March 2022 over the full allowable period:

		2022	2023	2024
	IFRS9 Transitional Factor	25%		
	IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	75%	50%	25%
	Available Capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	10,731	10,721	10,715
	CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	10,727	10,721	10,715
	CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,714	10,710	10,715
2	CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,710	10,710	10,710
3	Tier 1 Capital	12,922	12,912	12,906
4	Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	12,901	12,901	12,901
5	Total Capital	14,408	14,398	14,392
6	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	14,387	14,387	14,387
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets (RWA)	69,350	69,350	69,352
	Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	69,378	69,350	69,352
	Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	69,326	69,354	69,354
8	Total RWA as if ALL IFRS 9 transitional arrangements were not applied	69,354	69,354	69,354
	Capital Ratios			
9	Common Equity Tier 1 ratio	15.5%	15.5%	15.5%
10	Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.4%	15.4%	15.4%
11	Tier 1 ratio	18.6%	18.6%	18.6%
12	Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.6%	18.6%	18.6%
13	Total capital ratio	20.8%	20.8%	20.8%
14	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	20.7%	20.7%	20.7%
	UK leverage ratio including claims on central banks			
15	Leverage Ratio Total Exposure Measure	298,370	298,370	298,370
16	Leverage Ratio	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%

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 25 percent in 2022, and for post 1 January 2020 provision movements is 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 Tier 1 UK Leverage ratio at 31 March 2022 together with the previously disclosed quarter end information at 31 December 2021, 30 September 2021, 30 June 2021 and 31 March 2021. 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 March 2022	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Common Equity Tier 1 (CET1) capital (£m)	10,731	10,848	11,450	11,292	11,111
End point Additional Tier 1 (AT1) capital (£m)	2,016	2,001	2,034	2,070	2,069
End point Tier 1 capital (£m)	12,747	12,849	13,484	13,362	13,180
Leverage Exposure UK (£bn) (including claims on central banks)	298.4	300.4	294.8	299.7	301.7
Leverage Exposure UK[1] (£bn) (excluding claims on central banks)	248.1	246.3	250.3	254.7	254.7
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.3%	4.3%	4.6%	4.5%	4.4%
End point Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.1%	5.2%	5.4%	5.2%	5.2%
Average Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.1%	5.5%	5.4%	5.3%	5.1%

The UK leverage ratio decreased 10bps to 5.1%, largely due to the change in treatment of software assets on 1 January 2022 which removed a c10bps benefit as well as higher leverage exposure from asset growth. The UK leverage ratio is 150bps above regulatory minimum.

[1] 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 (LIQ1)

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

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)		49,412	48,341	48,723	48,706	49,203	48,110	48,459
	CASH-OUTFLOWS								
2	**Retail deposits and deposits from small business customers, of which:**	**149,460**	**149,033**	**147,483**	**144,969**	**9,034**	**8,953**	**8,786**	**8,561**
3	Stable deposits	126,630	126,909	126,398	125,219	6,331	6,346	6,320	6,261
4	Less stable deposits	22,830	22,124	21,085	19,750	2,703	2,607	2,466	2,300
5	**Unsecured wholesale funding**	**27,541**	**26,079**	**28,478**	**28,952**	**14,935**	**14,605**	**15,689**	**15,982**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,015	534	138	-	192	103	27	-
7	Non-operational deposits (all counterparties)	24,642	23,479	26,290	26,874	12,859	12,436	13,612	13,904
8	Unsecured debt	1,884	2,066	2,050	2,078	1,884	2,066	2,050	2,078
9	**Secured wholesale funding**		**14,610**	**16,552**	**16,354**	**144**	**184**	**285**	**317**
10	**Additional requirements**	**14,678**	**16,655**	**18,956**	**20,327**	**6,345**	**7,141**	**8,013**	**8,584**
11	Outflows related to derivative exposures and other collateral requirements	4,956	5,313	5,843	6,396	4,957	5,313	5,843	6,396
12	Outflows related to loss of funding on debt products	253	492	598	467	253	492	598	467
13	Credit and liquidity facilities	9,469	10,850	12,515	13,464	1,135	1,336	1,572	1,721
14	**Other contractual funding obligations**	**175**	**75**	**81**	**77**	**116**	**-**	**-**	**-**
15	**Other contingent funding obligations**	**28,605**	**27,906**	**27,508**	**26,878**	**2,480**	**2,398**	**2,323**	**2,215**
16	**TOTAL CASH OUTFLOWS**		**234,358**	**239,058**	**237,557**	**33,054**	**33,281**	**35,096**	**35,659**
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	5423	8,806	9,675	8,922	13	22	20	30
18	Inflows from fully performing exposures	1,703	1,585	1,563	1,501	1,094	1,024	1,013	972
19	Other cash inflows	1,804	1,686	1,701	1,888	557	475	513	718
UK 19a	(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)					-	-	-	
UK 19b	(Excess inflows from a related specialised credit institution)					-	-	-	
20	**TOTAL CASH INFLOWS**	**8,930**	**12,077**	**12,939**	**12,311**	**1,664**	**1,521**	**1,546**	**1,720**
UK 20a	Fully exempt inflows								
UK 20b	Inflows Subject to 90% Cap								
UK 20c	Inflows Subject to 75% Cap	8,930	9,654	10,259	9,539	1,664	1,521	1,546	1,720
	TOTAL ADJUSTED VALUE								
UK 21	LIQUIDITY BUFFER					48,706	49,203	48,110	48,459
22	TOTAL NET CASH OUTFLOWS					31,390	32,726	33,853	34,016
23	**LIQUIDITY COVERAGE RATIO (%)**					**155.17**	**150.35**	**142.12**	**142.46**

Key Movements

Strong LCR of 171%, significantly above regulatory requirements.

Qualitative information on LCR (LIQB)

Row	Qualitative information - Free format	
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	The LCR requirement (weighted) is broadly consistent over time, driven mainly by deposits. Corporate deposits contribute a greater requirement despite Retail deposits being significantly larger in number, as a result of the standardised LCR weightings. HQLA has increased as a result of deposit growth and TFSME drawdowns (which have a significantly smaller impact on the requirement). The LCR maintains a significantly surplus to both internal and regulatory requirements.
(b)	Explanations on the changes in the LCR over time	The LCR at HoldCo was 178% and 171% at the RFB DolSub. The LCR has over increased through 2021 primarily due to the increase in Retail deposits and TFMSE drawings, with additional term funding raised in Q1 2022 helped increase the ratio further.
(c)	Explanations on the actual concentration of funding sources	Santander UK is largely funded through customer deposits (£191bn), with the significant proportion being Retail. We also have a c£67.5bn of wholesale funding which includes both secured and unsecured term funding and c£32bn of TFSME Funding.
(d)	High-level description of the composition of the institution`s liquidity buffer.	The liquidity buffer is largely compromised (>95%) of Level 1 assets, primarily cash held in our Bank of England Reserve Account.
(e)	Derivative exposures and potential collateral calls	The main drivers of derivative exposures / potential collateral calls are the Historic Look Back Approach (HLBA) to calculating collateral requirements in the LCR and collateral outflows due to counterparties in the event of a deterioration of our own credit quality. As secured issuance volumes have been reduced as a result of our participation in the TFSME, this has in turn reduced these amounts.
(f)	Currency mismatch in the LCR	We have no material mismatch in our currency LCRs, with most of the funding raised in currency swapped back to GBP and the remainder being used to fund structural currency assets.
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	The LCR requirement (weighted) is broadly consistent over time, driven mainly by deposits. Corporate deposits contribute a greater requirement despite Retail deposits being significantly larger in number, as a result of the standardised LCR weightings. HQLA has increased as a result of deposit growth and TFSME drawdowns (which have a significantly smaller impact on the requirement). The LCR maintains a significantly surplus to both internal and regulatory requirements.

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%:

		Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
		31 March 2022 £bn	31 December 2021 £bn	31 March 2022 £bn'
1	Credit risk (excluding counterparty credit risk) [1]	61.1	59.4	4.9
2	- Of which: standardised approach (SA)	17.0	16.0	1.4
3	- Of which: foundation internal rating-based approach (FIRB) approach	1.9	2.0	0.2
4	- Of which: slotting approach	2.8	2.9	0.2
UK 4a	- Of which: equities under the simple risk weighted approach	0.2	0.2	0.0
5	- Of which: advanced internal rating-based approach (AIRB) approach	39.2	38.3	3.1
6	Counterparty credit risk (CCR) [1]	0.6	0.6	0.0
7	- Of which: standardised approach	0.3	0.3	0.0
8	- Of which: internal model method (IMM)	0.3	0.3	0.0
UK 8a	- Of which exposures to a CCP			
UK 8b	- Of which credit valuation adjustment - CVA	0.2	0.4	0.0
9	- Of which: other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after cap) [2]	0.4	0.8	0.0
17	- Of which: SEC-IRBA approach	-	0.1	0.0
18	- Of which: SEC-ERBA (including IAA)	0.3	0.4	0.0
19	- Of which: SEC-SA approach	0.1	0.3	0.0
UK 19a	- Of which: 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk) [1]	0.3	0.2	0.0
21	- Of which: standardised approach	0.3	0.2	0.0
22	- Of which: internal model approach (IMA)	-	-	-
UK 22a	Large exposures			
23	Operational risk [1]	6.7	6.7	0.5
UK 23a	- Of which: basic indicator approach			
UK 23b	- Of which: standardised approach	6.7	6.7	0.5
UK 23c	- Of which: advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
29	Total[1]	69.3	68.1	5.5

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised[3] (CR8)

RWEA flow statements of credit risk exposures under IRB

		RWEA £bn	Capital requirements
1	Risk weighted exposure amount as at 31 December	**43.8**	**3.5**
2	Asset size	0.8	0.1
3	Asset quality	(0.2)	-
4	Model updates	-	-
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	Risk weighted exposure amount as at 31 March	44.4	3.6

RWEA flow statements of credit risk exposures under standardised approach

		RWEA £bn	Capital requirements
1	Risk weighted exposure amount as at 31 December	**17.0**	**1.4**
2	Asset size	0.2	-
3	Asset quality	-	-
4	Model updates	-	-
5	Methodology and policy	0.5	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	
9	Risk weighted exposure amount as at 31 March	17.7	1.4

£0.5bn increase in Methodology and policy in standardised approach is mainly driven by the implementation of a new definition of default (£0.6bn) which is partially offset by the change in treatment of software assets on 1 January 2022 with £ 0.1bn decrease in RWA.

1 Balances which are not visible due to rounding have been included in the total.

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

3 Table excludes CVA

Credit Risk and Counterparty Risk by Risk Class

The following table details Risk Weighted Exposure Amount per risk class. Counterparty Risk and Credit Valuation Adjustment Risk are included in the table.

Standardised Approach credit risk	31 March 2022 £bn	31 December 2021 £bn	30 September 2021 £bn	30 June 2021 £bn	31 March 2021 £bn
Institutions	0.4	0.2	0.2	0.2	0.2
Corporates	5.7	5.7	5.5	6.3	6.5
Standardised Retail	6.8	6.6	6.9	8.0	7.6
Secured by Mortgages on Immovable Property	0.4	0.4	0.3	0.2	0.2
Exposures in Default	0.3	0.2	0.2	0.2	0.2
Higher-risk Categories	-	-	-	-	0.1
Covered Bonds	0.1	0.1	0.1	0.1	0.1
Equity	-	-	-	-	-
Securitisation Positions	0.4	0.7	0.5	0.7	0.7
Other	3.6	3.1	3.2	3.8	3.7
Total	17.7	17.0	16.9	19.5	19.3

IRB Approach credit risk	31 March 2022 £bn	31 December 2021 £bn	30 September 2021 £bn	30 June 2021 £bn	31 March 2021 £bn
Institutions	0.2	0.3	0.2	0.3	0.2
Corporates	7.3	7.5	8.4	9.9	10.8
IRB Retail Mortgages	33.2	32.4	32.1	31.9	31.1
IRB Qualifying Revolving Retail Exposures	1.8	1.8	1.7	1.6	1.6
Other Retail	1.7	1.6	1.6	1.6	1.6
Securitisation Positions	-	-	0.1	0.1	0.1
IRB Equity Exposures – 370% Risk Weight	0.2	0.2	0.5	0.6	0.5
Total	44.4	43.8	44.6	46.0	45.9
CVA	0.2	0.4	0.3	0.3	0.3

Part 2

March 2022 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[1], 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.

[1] 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 (KM1)

The following table summarises the RFB Group's Own Funds and key risk-based capital ratios at 31 March 2022, together with the previously disclosed quarter end information at 31 December 2021, 30 September 2021, 30 June 2021 and 31 March 2021. Further detail on Risk Weighted Assets is included in the subsequent sections of this document:

		31 March 2022 £m	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m	31 March 2021 £m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	10,698	10,820	11,446	11,289	11,108
2	Tier 1 capital	12,654	12,939	13,565	13,407	13,226
3	Total capital	14,332	14,755	15,027	15,026	14,900
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	68,234	67,148	67,637	71,673	71,502
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.68%	16.10%	16.90%	15.80%	15.50%
6	Tier 1 ratio (%)	18.55%	19.20%	20.10%	18.70%	18.50%
7	Total capital ratio (%)	21.00%	21.90%	22.20%	21.00%	20.80%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	2.92%	2.94%	2.81%	2.76%	2.76%
UK 7b	Additional AT1 SREP requirements (%)	0.97%	0.98%	0.94%	0.92%	0.92%
UK 7c	Additional T2 SREP requirements (%)	1.30%	1.31%	1.25%	1.23%	1.23%
UK 7d	Total SREP own funds requirements (%)	5.20%	5.23%	5.00%	4.91%	4.92%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical buffer (%)	-	-	-	-	-
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	3.50%	3.50%	3.50%	3.50%	3.50%
UK 11a	Overall capital requirements (%)	16.70%	16.73%	16.50%	16.41%	16.42%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.30%	5.17%	5.70%	4.59%	4.38%
	Leverage ratio					
13	Total exposure measuring excluding claims on central banks	243.6	242.1	246.1	250.5	250.5
14	Leverage ratio excluding claims on central banks (%)	5.2%	5.3%	5.4%	5.3%	5.2%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.2%	5.3%	5.4%	5.3%	5.2%
14b	Leverage ratio including claims on central banks (%)	4.3%	4.3%	4.6%	4.5%	4.4%
14c	Average leverage ratio excluding claims on central banks (%)	5.2%	5.5%	5.4%	5.3%	5.1%
14d	Average leverage ratio including claims on central banks (%)	4.3%	4.5%	4.6%	4.5%	4.3%
14e	Countercyclical leverage ratio buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	48,359	51,266	44,284	46,802	50,112
UK 16a	Cash outflows – Total weighted value	30,787	31,893	31,787	33,435	38,041
UK 16b	Cash inflows – Total weighted value	3,330	1,454	1,675	1,322	1,792
16	Total net cash outflows (adjusted value)	27,457	30,439	30,112	32,113	36,249
17	Liquidity coverage ratio (%)	176,12%	168.40%	147.10%	145.70%	138.20%

Key Movements

The CET1 capital ratio decreased 40bps to 15.7%, this was largely as a result of regulatory changes that took effect from January 2022, which included the reintroduction of the full CET1 deduction for software assets and the implementation of the new regulatory guidance related to definition of default. Without these one-off regulatory changes, the CET1 capital ratio would have remained broadly flat in the period. The UK leverage ratio decreased 10bps to 5.2%, largely due to the change in treatment of software assets on 1 January 2022 which removed a c10bps benefit as well as higher leverage exposure from asset growth. The UK leverage ratio is 160bps above regulatory minimum. Total capital ratio decreased by 90bps to 21.0%, due to the one-off regulatory changes taking effect 1 January 2022 and the reduction in capital securities in issue and the increased effect from January 2022 of the CRD IV Grandfathering Cap rules that reduce the recognition of grandfathered capital instruments issued by Santander UK plc.

IFRS 9 Transitional Arrangements (IFRS9 – FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2021 over the full allowable period:

		2022	2023	2024
	IFRS9 Transitional Factor	25%		
	IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	75%	50%	25%
	Available Capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	10,698	10,688	10,682
	CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	10,694	10,688	10,682
	CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,681	10,677	10,677
2	CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,677	10,677	10,677
3	Tier 1 Capital	12,654	12,644	12,638
4	Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	12,633	12,633	12,633
5	Total Capital	14,332	14,322	14,316
6	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	14,311	14,311	14,311
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets (RWA)	68,234	68,234	68,236
	Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	68,262	68,234	68,236
	Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	68,210	68,238	68,238
8	Total RWA as if ALL IFRS 9 transitional arrangements were not applied	68,238	68,238	68,238
	Capital Ratios			
9	Common Equity Tier 1 ratio	15.7%	15.7%	15.7%
10	Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.7%	15.7%	15.7%
11	Tier 1 ratio	18.5%	18.4%	18.4%
12	Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.5%	18.5%	18.5%
13	Total capital ratio	20.9%	20.9%	20.9%
14	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	21.0%	21.0%	21.0%
	UK leverage ratio including claims on central banks			
15	Leverage Ratio Total Exposure Measure	292,079	292,079	292,079
16	Leverage Ratio	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%

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 25 percent in 2021, and for post 1 January 2020 provision movements is 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 Tier 1 UK Leverage ratio at 31 March 2022 together with the previously disclosed quarter end information at 31 December 2021, 30 September 2021,30 June 2021 and 31 March 2021. 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 March 2022	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Common Equity Tier 1 (CET1) capital (£m)	10,698	10,820	11,446	11,289	11,108
End point Additional Tier 1 (AT1) capital (£m)	1,956	1,957	1,957	1,956	1,956
End point Tier 1 capital (£m)	12,654	12,777	13,403	13,245	13,064
Leverage Exposure UK (£bn) (including claims on central banks)	292.1	293.8	288.6	293.5	295.4
Leverage Exposure UK[1] (£bn) (excluding claims on central banks)	243.6	242.1	246.1	250.5	250.5
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.3%	4.3%	4.6%	4.5%	4.4%
End point Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.2%	5.3%	5.4%	5.3%	5.2%
Average Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.2%	5.5%	5.4%	5.3%	5.1%

The UK leverage ratio decreased 10bps to 5.2%, largely due to the change in treatment of software assets on 1 January 2022 which removed a c10bps benefit as well as higher leverage exposure from asset growth. The UK leverage ratio is 160bps above regulatory minimum.

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

Liquidity Coverage Ratio (LIQ1)

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

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m	30 June 2021 £m
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)		49,412	48,341	48,723	48,706	49,203	48,110	48,459
	CASH-OUTFLOWS								
2	**Retail deposits and deposits from small business customers, of which:**	**149,460**	**149,033**	**147,483**	**144,969**	9,034	**8,953**	**8,786**	**8,561**
3	Stable deposits	126,630	126,909	126,398	125,219	6,331	6,346	6,320	6,261
4	Less stable deposits	22,830	22,124	21,085	19,750	2,703	2,607	2,466	2,300
5	**Unsecured wholesale funding**	**27,167**	**25,836**	**28,242**	**28743**	14,561	**14,368**	**15,464**	**15,785**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,015	534	138	-	192	103	27	-
7	Non-operational deposits (all counterparties)	24,268	23,236	26,054	26,665	12,485	12,199	13,387	13,707
8	Unsecured debt	1,884	2,066	2,050	2,078	1,884	2,066	2,050	2,078
9	**Secured wholesale funding**		**14,610**	**16,552**	**16,354**	144	**184**	**285**	**317**
10	**Additional requirements**	**14,545**	**16,528**	**18,830**	**20168**	6,273	**7,067**	**7,941**	**8,487**
11	Outflows related to derivative exposures and other collateral requirements	4,956	5,313	5,843	6,395	4,957	5,313	5,843	6,395
12	Outflows related to loss of funding on debt products	258	498	609	475	257	498	609	475
13	Credit and liquidity facilities	9,331	10,717	12,378	13,298	1,059	1,256	1,489	1,617
14	**Other contractual funding obligations**	**175**	**75**	**81**	**77**	115	**-**	**-**	**-**
15	**Other contingent funding obligations**	**28,607**	**27,908**	**27,510**	**26,880**	2,481	**2,399**	**2,323**	**2,215**
16	**TOTAL CASH OUTFLOWS**		**233,990**	**238,698**	**237,191**	32,608	**32,971**	**34,799**	**35,365**
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	5,423	8,806	9,675	8,922	12	22	20	30
18	Inflows from fully performing exposures	1,955	1,848	1,827	1,768	1,220	1,157	1,145	1,106
19	Other cash inflows	1,889	1,769	1,784	1,973	574	492	529	735
UK 19a	(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)					-	-	-	
UK 19b	(Excess inflows from a related specialised credit institution)					-	-	-	
20	**TOTAL CASH INFLOWS**	**9,267**	**12,423**	**13,286**	**12,663**	1,806	**1,671**	**1,694**	**1,871**
UK 20a	Fully exempt inflows								
UK 20b	Inflows Subject to 90% Cap								
UK 20c	Inflows Subject to 75% Cap	9,267	9,999	10,605	9,891	1,806	1,671	1,694	**1,871**
	TOTAL ADJUSTED VALUE								
UK 21	LIQUIDITY BUFFER					48,706	49,203	48,110	48,459
22	TOTAL NET CASH OUTFLOWS					30,802	32,265	33,408	33,572
23	**LIQUIDITY COVERAGE RATIO (%)**					158,13%	**152.49**	**144.01**	**144.34**

Key Movements

Strong LCR of 176%, significantly above regulatory requirements.

Qualitative information on LCR (LIQB)

Row	Qualitative information - Free format	
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	The LCR requirement (weighted) is broadly consistent over time, driven mainly by deposits. Corporate deposits contribute a greater requirement despite Retail deposits being significantly larger in number, as a result of the standardised LCR weightings. HQLA has increased as a result of deposit growth and TFSME drawdowns (which have a significantly smaller impact on the requirement). The LCR maintains a significantly surplus to both internal and regulatory requirements.
(b)	Explanations on the changes in the LCR over time	The LCR at HoldCo was 178% and 171% at the RFB DolSub. The LCR has over increased through 2021 primarily due to the increase in Retail deposits and TFMSE drawings, with additional term funding raised in Q1 2022 helped increase the ratio further.
(c)	Explanations on the actual concentration of funding sources	Santander UK is largely funded through customer deposits (£191bn), with the significant proportion being Retail. We also have a c£67.5bn of wholesale funding which includes both secured and unsecured term funding and c£32bn of TFSME Funding.
(d)	High-level description of the composition of the institution`s liquidity buffer.	The liquidity buffer is largely compromised (>95%) of Level 1 assets, primarily cash held in our Bank of England Reserve Account.
(e)	Derivative exposures and potential collateral calls	The main drivers of derivative exposures / potential collateral calls are the Historic Look Back Approach (HLBA) to calculating collateral requirements in the LCR and collateral outflows due to counterparties in the event of a deterioration of our own credit quality. As secured issuance volumes have been reduced as a result of our participation in the TFSME, this has in turn reduced these amounts.
(f)	Currency mismatch in the LCR	We have no material mismatch in our currency LCRs, with most of the funding raised in currency swapped back to GBP and the remainder being used to fund structural currency assets.

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%:

		Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
		31 March 2022 £bn	31 December 2021 £bn	31 March 2022 £bn'
1	Credit risk (excluding counterparty credit risk) [1]	60.1	58.5	4.8
2	- Of which: standardised approach (SA)	16.6	15.7	1.3
3	- Of which: foundation internal rating-based approach (FIRB) approach	1.9	2.0	0.2
4	- Of which: slotting approach	2.8	2.9	0.2
UK 4a	- Of which: equities under the simple risk weighted approach	-	-	-
5	- Of which: advanced internal rating-based approach (AIRB) approach	38.8	37.9	3.1
6	Counterparty credit risk (CCR) [1]	0.6	0.6	0.0
7	- Of which: standardised approach	0.3	0.3	0.0
8	- Of which: internal model method (IMM)	0.3	0.3	0.0
UK 8a	- Of which exposures to a CCP			
UK 8b	- Of which credit valuation adjustment - CVA	0.2	0.4	0.0
9	- Of which: other CCR	-	-	
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap) [2]	0.4	0.8	0.0
17	- Of which: SEC-IRBA approach	-	0.1	0.0
18	- Of which: SEC-ERBA (including IAA)	0.3	0.4	0.0
19	- Of which: SEC-SA approach	0.1	0.3	0.0
UK 19a	- Of which: 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk) [1]	0.2	0.2	0.0
21	- Of which: standardised approach	0.2	0.2	0.0
22	- Of which: internal model approach (IMA)	-	-	
UK 22a	Large exposures			
23	Operational risk [1]	6.7	6.6	0.5
UK 23a	- Of which: basic indicator approach			
UK 23b	- Of which: standardised approach	6.7	6.6	0.5
UK 23c	- Of which: advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
29	Total[1]	68.2	67.1	5.5

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised[3] (CR8)

RWEA flow statements of credit risk exposures under IRB

		RWEA £bn	Capital requirements
1	Risk weighted exposure amounts as at 31 December 2021	43.2	3.4
2	Asset size	0.8	0.1
3	Asset quality	(0.2)	-
4	Model updates	-	-
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	Risk weighted exposure amounts as at 31 March 2022	43.8	3.5

RWEA flow statements of credit risk exposures under standardised approach

		RWEA £bn	Capital requirements
1	Risk weighted exposure amounts as at 31 December 2021	16.7	1.3
2	Asset size	0.1	0.1
3	Asset quality	-	-
4	Model updates	-	-
5	Methodology and policy	0.5	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	-	-
9	Risk weighted exposure amount as at 31 March 2022	17.3	1.4

£0.5bn increase in Methodology and policy in standardised approach is mainly driven by the implementation of a new definition of default (£0.6bn) which is partially offset by the change in treatment of software assets on 1 January 2022 with £ 0.1bn decrease in RWA.

1 Balances which are not visible due to rounding have been included in the total.

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

3 Table excludes CVA.