

Santander UK Group Holdings plc

September 2015 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 only 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 of the Santander UK group are currently carried on 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 June 2015 and 30 September 2015, and 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 2015 £m	30 June 2015 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,085	13,399
Common Equity Tier 1 (CET1) capital regulatory adjustments	(4,076)	(3,423)
Common Equity Tier 1 (CET1) capital	10,009	9,976
Additional Tier 1 (AT1) capital before regulatory adjustments	2,096	2,083
Additional Tier 1 (AT1) capital regulatory adjustments	-	-
Additional Tier 1 (AT1) capital	2,096	2,083
Tier 1 capital	12,105	12,059
Tier 2 (T2) capital before regulatory adjustments	2,832	2,268
Tier 2 (T2) capital regulatory adjustments	-	-
Tier 2 (T2) capital	2,832	2,268
Total Capital	14,937	14,327
Risk Weighted Assets	85,905	85,177
Common Equity Tier 1 ratio	11.7%	11.7%
Tier 1 ratio	14.1%	14.2%
Total Capital ratio	17.4%	16.8%

Common Equity Tier 1 ratio remained unchanged from 30 June 2015 to 30 September 2015 at 11.7%.

Leverage Ratio

The following table summarises the Company's end point CRD IV Tier 1 Leverage Ratio at 30 June 2015 and 30 September 2015, which 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.

	30 September 2015 £m	30 June 2015 £m
Common Equity Tier 1 (CET1) capital	10,009	9,976
End point Additional Tier 1 (AT1) capital	1,545	1,545
End point Tier 1 capital	11,554	11,521
Leverage Exposure (£bn)	284.2	279.3
End point Tier 1 Leverage Ratio	4.1%	4.1%

Leverage ratio remained unchanged from 30 June 2015 to 30 September 2015 at 4.1%.

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

RWA and Capital Requirements

By Risk Type

The following table summarises RWA and equivalent Own Funds Requirements (RWA multiplied by 8%) for each risk type.

	30 September 2015		30 June 2015	
	RWA £bn	8%* RWA £bn	RWA £bn	8%* RWA £bn
Credit Risk	69.8	5.6	69.9	5.6
Counterparty Risk	3.6	0.3	3.4	0.3
Credit Valuation Adjustment Risk – Standardised method	1.9	0.2	1.8	0.1
Market Risk	3.9	0.3	3.5	0.3
Operational Risk – Standardised approach	6.7	0.5	6.6	0.5
Total	85.9	6.9	85.2	6.8

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.

	30 September 2015		30 June 2015	
	RWA £bn	8%* RWA £bn	RWA £bn	8%* RWA £bn
Standardised Approach credit risk				
Institutions	0.6	0.1	0.5	-
Corporates	15.5	1.2	15.5	1.3
Standardised Retail	7.5	0.6	7.5	0.6
Secured by Mortgages on Immovable Property	0.8	0.1	0.9	0.1
Exposures in Default	0.4	-	0.4	-
Covered Bonds	0.3	-	0.2	-
Other	4.5	0.4	4.3	0.3
Total	29.6	2.4	29.3	2.3

IRB Approach credit risk

Institutions	1.9	0.2	2.1	0.2
Corporates	13.3	1.1	13.1	1.0
IRB Retail Mortgages	25.3	2.0	25.5	2.0
IRB Qualifying Revolving Retail Exposures	2.1	0.2	2.0	0.2
Other Retail	2.5	0.2	2.5	0.2
Securitisation Positions	0.4	-	0.5	0.1
IRB Equity Exposures – 370% Risk Weight	0.2	-	0.1	-
Total	45.7	3.7	45.8	3.7

Market risk by risk class

The following table details RWA and equivalent Own Funds Requirements (RWA multiplied by 8%) for Market Risk which includes Trading Book risks.

	30 September 2015		30 June 2015	
	RWA £bn	8%* RWA £bn	RWA £bn	8%* RWA £bn
Position risk and large exposures	3.4	0.3	2.9	0.2
Foreign exchange, settlement and commodities risk	0.5	-	0.6	0.1
Total	3.9	0.3	3.5	0.3