

Santander UK Group Holdings plc

June 2018 Additional Capital and Risk Management Disclosures

Introduction

Santander UK Group Holdings plc's Additional Capital and Risk Management Disclosures for the year ended 30 June 2018 should be read in conjunction with our 2018 Half Yearly Financial Report.

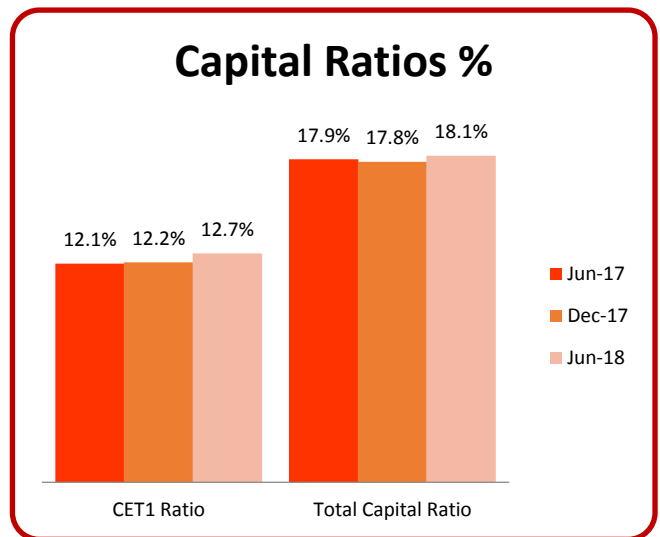
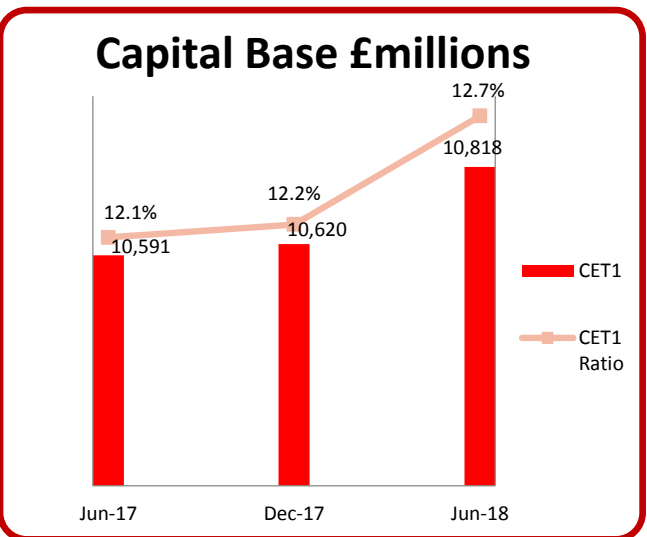
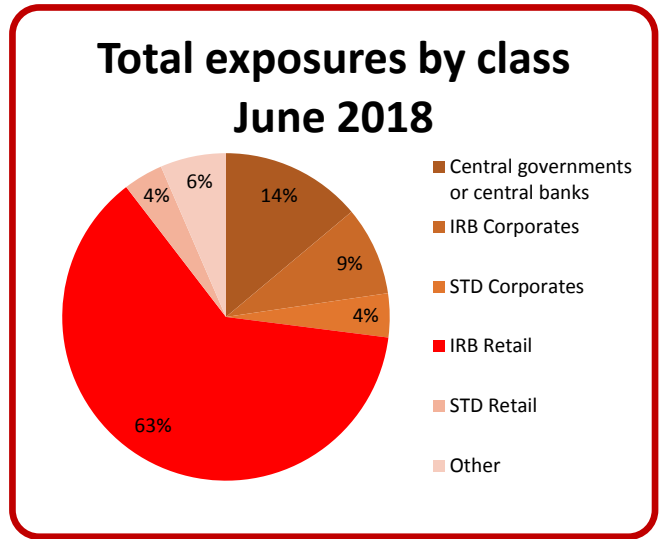
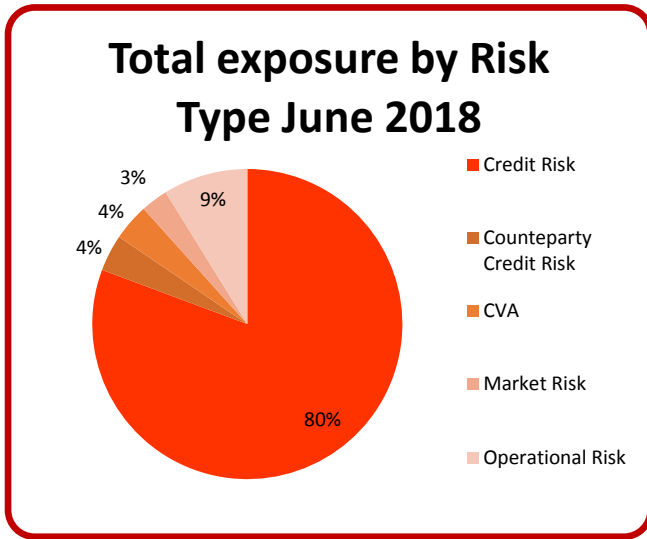
Santander UK Group Holdings plc (the 'Company') is the immediate parent company of Santander UK plc. The Company and Santander UK plc operate on the basis of a unified business strategy, albeit the principal business activities of the Santander UK group are currently carried on by the Santander UK plc 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.

As a significant wholly-owned subsidiary of Banco Santander, S.A., under CRD IV⁽¹⁾ Santander UK Group Holdings plc is only required to produce and publish a specified set of Pillar 3 elements, rather than a complete set of Pillar 3 disclosures. However the additional capital and risk management disclosures set out in this document align to the European Banking Authority (EBA) templates based on the Basel Committee Phase 1 Pillar 3 requirements (published on 14th December 2016).

CRD IV disclosures

This document contains disclosures required under CRD IV and the EBA for Santander UK as a significant subsidiary of an EU Banking Group, some of which are not disclosed in the 2018 Half Yearly Financial Report. All disclosures cover the 30 June 2018 position or movement during 2018.

Summary



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

Key metrics

The following table summarises the Company's Own Funds and key risk-based capital ratios at 30 June 2018 and 30 June 2017 together with the previously disclosed quarter end information at 31 March 2018, 31 December 2017 and 30 September 2017. Further detail on Risk Weighted Assets is included in the subsequent sections of this document. This table also includes the fully loaded IFRS 9 positions.

	30 June 2018 £m	31 March 2018 £m	31 December 2017 £m	30 September 2017 £m	30 June 2017 £m
Available Capital (amounts)					
Common Equity Tier 1 (CET1) capital	10,818	10,681	10,620	10,699	10,591
Fully loaded ¹ Expected Credit Loss (ECL) accounting model CET1	10,796	10,663	-	-	-
Tier 1 capital	13,178	13,045	13,068	13,153	13,042
Fully loaded ECL accounting model Tier 1	13,156	13,027	-	-	-
Total capital	15,427	15,205	15,488	15,605	15,641
Fully loaded ECL accounting model total capital	15,405	15,186	-	-	-
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	85,128	85,275	87,005	88,138	87,194
Fully loaded ECL accounting model total RWA	85,203	85,356	-	-	-
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	12.7%	12.5%	12.2%	12.1%	12.1%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	12.7%	12.5%	-	-	-
Tier 1 ratio	15.5%	15.3%	15.0%	14.9%	15.0%
Fully loaded ECL accounting model Tier 1 ratio (%)	15.4%	15.3%	-	-	-
Total capital ratio	18.1%	17.8%	17.8%	17.7%	17.9%
Fully loaded ECL accounting model total capital ratio (%)	18.1%	17.8%	-	-	-
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	1.88%	1.88%	1.25%	1.25%	1.25%
Countercyclical buffer requirement (%)	0.48%	0.00%	0.00%	0.00%	0.00%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Total of bank CET1 specific buffer requirements (%)	2.36%	1.88%	1.25%	1.25%	1.25%
CET1 available after meeting the banks minimum capital requirements (%)	5.85%	6.15%	6.46%	6.35%	6.35%
Basel III leverage ratio					
Total Basel III leverage ratio exposure measure	314.8	315.4	317.7	317.7	308.0
Basel III leverage ratio	4.1%	4.0%	4.0%	4.0%	4.1%
Fully loaded ECL accounting model leverage ratio	4.1%	4.0%	-	-	-
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	46,537	47,084	47,428	45,770	48,495
Total net cash outflow	33,757	35,666	39,666	37,492	36,508
Liquidity coverage ratio (LCR)	137.9%	132.0%	120.0%	122.1%	133.0%

Key Movements

The CET1 capital ratio improved by 20 bps to 12.7% compared to 12.5% at 31 March 2018. While steady profits contributed to a higher CET 1 capital, total RWAs decreased by £0.2bn with RWA management through enhanced focus on risk-weighted assets.

Total capital ratio increased to 18.1% with a higher total capital due to quarterly profit contribution. From 27 June 2018 the UK Countercyclical Buffer rate is 0.5% in line with CRD IV directive.

The LCR increased during the quarter reflecting management of requirements and liquidity planning.

Leverage ratio

The following table summarises the Company's end point CRD IV and UK PRA Tier 1 Leverage ratio at 30 June 2018 and 30 June 2017 together with the previously disclosed quarter end information at 31 March 2018, 31 December 2017 and 30 September 2017. 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.

	30 June 2018 £m	31 March 2018 £m	31 December 2017 £m	30 September 2017 £m	30 June 2017 £m
Common Equity Tier 1 (CET1) capital	10,818	10,681	10,620	10,699	10,591
End point Additional Tier 1 (AT1) capital	2,041	2,041	2,041	2,041	2,041
End point Tier 1 capital	12,859	12,722	12,661	12,740	12,632
Leverage Exposure CRD IV (£bn)	314.8	315.4	317.7	317.7	308.0
Leverage Exposure UK Leverage Ratio ² (£bn)	295.6	291.3	287.0	287.4	289.3
End point Tier 1 Leverage Ratio CRD IV	4.1%	4.0%	4.0%	4.0%	4.1%
End point Tier 1 Leverage Ratio UK Leverage Ratio ²	4.4%	4.4%	4.4%	4.4%	4.4%
Average Tier 1 Leverage Ratio UK Leverage Ratio ²	4.4%	4.3%	4.4%	4.3%	4.3%

EBA Leverage Ratio improved from March 2018 due to higher end point Tier 1 capital whilst the balance sheet remained flat.

The PRA Leverage Ratio remained 4.4%. Higher end point Tier 1 capital was offset by lower deductible cash deposits at Central Banks.

¹ Fully loaded excludes the impact of transitional arrangements.

² Includes deductions permitted under the recommendation from the Financial Policy Committee on 25th July 2016.

Liquidity Coverage Ratio

Additional liquidity disclosures are published in the Half Yearly Financial Report. For further information please refer to the Liquidity Risk section of the Half Yearly Financial Report

		Average unweighted value		Average weighted value	
		30 June 2018 £m	31 March 2018 £m	30 June 2018 £m	31 March 2018 £m
1	Total high-quality liquid assets (HQLA)	48,641	48,488	47,213	47,342
Cash-Outflows					
2	Retail deposits and deposits from small business customers, of which:	135,860	136,389	7,958	7,965
3	Stable deposits	119,205	120,283	5,960	6,014
4	Less stable deposits	16,655	16,107	1,998	1,951
5	Unsecured wholesale funding	25,315	25,006	15,727	15,571
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	22,401	22,051	12,813	12,616
8	Unsecured debt	2,914	2,955	2,914	2,955
9	Secured wholesale funding	25,284	23,785	2,175	2,370
10	Additional requirements	25,851	25,966	10,780	10,993
11	Outflows related to derivative exposures and other collateral requirements	7,761	8,057	7,761	8,057
12	Outflows related to loss of funding on debt products	473	528	473	528
13	Credit and liquidity facilities	17,618	17,381	2,547	2,408
14	Other contractual funding obligations	1,266	1,316	1,183	1,228
15	Other contingent funding obligations	24,898	25,103	1,378	1,328
16	TOTAL CASH OUTFLOWS	238,473	237,566	39,201	39,455
Cash-Inflows					
17	Secured lending (eg reverse repos)	21,616	21,901	697	784
18	Inflows from fully performing exposures	1,962	1,880	1,273	1,246
19	Other cash inflows	2,198	2,112	941	793
EU-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)	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	TOTAL CASH INFLOWS	25,776	25,893	2,911	2,823
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows Subject to 90% Cap	-	-	-	-
EU-20c	Inflows Subject to 75% Cap	14,200	13,520	2,911	2,823
21	LIQUIDITY BUFFER	-	-	47,213	47,343
22	TOTAL NET CASH OUTFLOWS	-	-	36,500	36,842
23	LIQUIDITY COVERAGE RATIO (%)	-	-	129%	129%
24	Number of data points used in calculation of averages	12	12	12	12

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

Overview of RWA

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

	RWA		Minimum capital requirements
	30 June 2018 £bn	31 March 2018 £bn	30 June 2018 £bn ⁽¹⁾
Credit risk (excluding counterparty credit risk) (CCR) ^(note1)	67.9	67.2	5.4
- Of which standardised approach (SA)	22.9	22.4	1.8
- Of which foundation internal rating-based approach	9.3	9.4	0.7
- Of which advanced internal rating-based approach	35.4	35.2	2.8
- Of which equity IRB under the Simple risk-weight or the internal models approach	0.3	0.2	-
Counterparty credit risk ^(note1)	6.6	6.4	0.5
- Of which marked to market	3.2	3.9	0.2
- 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	0.1	0.2	-
- Of which CVA	3.3	2.3	0.3
Settlement risk	-	-	-
Securitisation exposures in banking book (after cap) ²	0.7	0.8	0.1
- Of which IRB ratings-based approach (RBA)	0.5	0.5	-
- Of which IRB supervisory formula approach (SFA)	-	-	-
- Of which internal assessment approach (IAA)	-	-	-
- Of which standardised approach	0.2	0.3	-
Market risk ^(note1)	2.4	3.4	0.2
- Of which standardised approach	0.3	0.2	-
- Of which internal model approach (IM)	2.1	3.2	0.2
Operational Risk ^(note1)	7.5	7.5	0.6
- Of which basic indicator approach	-	-	-
- Of which standardised approach	7.5	7.5	0.6
- Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustments	-	-	-
Total ^(note1)	85.1	85.3	6.8

CRD IV 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 CRD IV 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 standardised³

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
RWAs at 1 April	48.2	3.9
Asset size	(0.3)	-
Asset quality	0.1	-
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
Other	-	-
RWAs at 30 June	48.0	3.9

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 1 April	23.9	1.9
Asset size	(0.5)	(0.1)
Asset quality	0.2	-
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
Other	0.3	0.1
RWAs at 30 June	23.9	1.9

“Other” includes impact of Banking Reform related activities

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

² Includes 3 Significant Risk Transfer transactions which are subject to re-characterisation risk

³ Table excludes CVA

Credit risk exposure and Credit Risk Mitigation (CRM) effects**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
	30 June 2018 £bn	30 June 2018 £bn	30 June 2018 £bn	30 June 2018 £bn	30 June 2018 £bn	30 June 2018
Central government of central banks	35.6	1.0	35.6	0.9	-	-
Regional government or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral Development Banks	1.4	-	1.4	-	-	-
Intentional Organisations	-	-	-	-	-	-
Institutions	2.9	-	2.4	-	0.4	16%
Corporates	11.4	3.6	11.1	1.4	12.1	98%
Retail	9.0	8.2	9.0	-	6.7	74%
Secured by mortgages on immovable property	1.1	-	1.1	-	0.6	55%
Exposures in default	0.2	-	0.2	-	0.3	117%
Higher-risk categories	0.1	-	0.1	-	0.2	149%
Covered bonds	2.6	-	2.6	-	0.4	14%
Institutions and corporations with a short term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Other items	5.4	-	5.4	-	2.9	54%
Securitisations	1.1	-	1.1	-	0.2	23%
Contributions to the default fund of a CCP	-	-	-	-	0.1	1250%
Total	70.8	12.8	70.0	2.3	23.9	33%

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
	30 June 2018 £bn	30 June 2018 £bn	30 June 2018 £bn	30 June 2018 £bn	30 June 2018 £bn	30 June 2018
Corporates – Specialised Lending	6.6	1.0	6.6	0.5	6.1	85%
Corporates – SME	2.2	0.3	2.2	0.2	2.3	94%
Corporates – Other	13.7	14.3	13.7	6.3	8.0	40%
Institutions	4.5	0.3	4.5	0.1	1.5	34%
Retail Immovable Property	157.1	11.8	157.4	7.5	25.7	16%
Retail QRR	0.5	3.8	0.6	4.8	1.8	34%
Retail Other	2.1	-	2.1	-	1.8	87%
Equity	0.1	-	0.1	-	0.3	370%
Securitisations	2.8	1.2	2.8	1.2	0.5	11%
Total	189.6	32.7	190.0	20.6	48.0	23%

IRB (specialised lending and equities)

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

Regulatory categories	Remaining maturity	Specialised Lending				
		On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWAs £m	Expected losses £m
1	Less than 2.5 years	97	77	50%	61	-
	Equal to or more than 2.5 years	482	154	70%	370	2
2	Less than 2.5 years	2,299	330	70%	1,713	10
	Equal to or more than 2.5 years	3,387	366	90%	3,251	29
3	Less than 2.5 years	66	1	115%	77	2
	Equal to or more than 2.5 years	78	-	115%	90	2
4	Less than 2.5 years	50	-	250%	124	4
	Equal to or more than 2.5 years	122	105	250%	364	12
5	Less than 2.5 years	25	-	-	-	12
	Equal to or more than 2.5 years	21	-	-	-	11
Total	Less than 2.5 years	2,537	408	-	1,975	28
	Equal to or more than 2.5 years	4,090	625	-	4,075	56

Equities under the simple risk-weight approach						
	On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWAs £m	Capital requirements £m	
Exchange-traded equity exposures	-	-	190%	-	-	
Private equity exposures	-	-	290%	-	-	
Other equity exposures	85	-	370%	316	25	
Total	85	-	-	316	25	

Countercyclical Capital Buffer

The following table outlines the geographical distribution of credit risk exposures relevant for the calculation of the countercyclical capital buffer as at 30 June 2018.

Country	General credit exposure		Trading book exposure		Securitisation exposure		Own funds requirement			Total £bn	Own funds requirement weight	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			
UK	27.5	209.0	-	-	1.1	3.8	5.3	-	0.1	5.4	0.01	0.5%
Crown Dependencies	1.0	0.7	-	-	-	-	0.1	-	-	0.1	-	0%
United States	0.2	0.1	-	-	-	-	-	-	-	-	-	0%
Australia	0.4	-	-	-	-	-	-	-	-	-	-	0%
Luxembourg	0.4	0.1	-	-	-	-	-	-	-	-	-	0%
Canada	0.5	-	-	-	-	-	-	-	-	-	-	0%
Netherlands	0.2	0.7	-	-	-	0.2	-	-	-	-	-	0%
Ireland	0.1	0.7	-	-	-	-	-	-	-	-	-	0%
Norway	0.2	0.4	-	-	-	-	-	-	-	-	-	2%
Sweden	0.2	0.2	-	-	-	-	-	-	-	-	-	2%
France	0.3	-	-	-	-	-	-	-	-	-	-	0%
Belgium	0.1	-	-	-	-	-	-	-	-	-	-	0%
Finland	-	0.2	-	-	-	-	-	-	-	-	-	0%
Switzerland	0.1	0.3	-	-	-	-	-	-	-	-	-	0%
British Virgin Islands	0.1	0.1	-	-	-	-	-	-	-	-	-	0%
Denmark	0.1	0.5	-	-	-	-	-	-	-	-	-	0%
Italy	-	0.2	-	-	-	-	-	-	-	-	-	0%
Singapore	0.1	-	-	-	-	-	-	-	-	-	-	0%
Bermuda	-	0.2	-	-	-	-	-	-	-	-	-	0%
Other	0.1	0.1	-	-	-	-	-	-	-	-	-	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. From 27 June 2018 the UK countercyclical capital buffer rate increased from 0% to 0.5%.

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

	£bn
Total risk exposure	85.1
Institution specific countercyclical capital buffer rate	0.5%
Institution specific countercyclical capital buffer requirement	0.4

The level of the Countercyclical Capital Buffer for Santander UK at 30 June 2018 applied on all relevant credit exposures was 0.5%.

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 30 June 2018 by industry. Further information on impairment losses and provisions is outlined in Notes 8 and 15 to the financial statements in the Santander UK Group Holdings plc 2018 Half Yearly Financial Report.

Definitions of past due and impaired and the approaches and methods adopted for specific and general credit risk are included in Note 1 to the financial statements in the Santander UK Group Holdings plc 2018 Half Yearly Financial Report.

The following tables are on a carrying value basis.

Credit quality of exposures by industry

Breakdown of exposures by industry class and credit quality

As at 30 June 2018	Gross carrying values of					Net value £m
	Defaulted Exposure £m	Non-Defaulted Exposure £m	Specific Credit Risk £m	Accumulated write-offs £m	Credit risk adjustment charges during the period £m	
Central Banks and Central Governments	-	20,624	-	-	-	20,624
Agriculture, forestry and fishing	20	248	(1)	(2)	2	267
Mining and quarrying	23	208	(1)	(1)	5	230
Manufacturing	25	2,022	(11)	(14)	15	2,036
Electricity, gas, steam and air conditioning supply	-	1,766	(10)	(12)	9	1,756
Water supply	-	274	(1)	(2)	1	273
Construction	63	2,807	(16)	(20)	31	2,854
Wholesale and retail trade	64	6,301	(35)	(44)	33	6,330
Transport and storage	16	1,073	(6)	(7)	9	1,083
Accommodation and food service activities	54	2,813	(16)	(20)	16	2,851
Information and communication	16	662	(4)	(5)	13	674
Real estate activities	20	20,371	(113)	(141)	21	20,278
Professional, scientific and technical activities	12	1,031	(6)	(7)	5	1,037
Administrative and support service activities	9	1,762	(10)	(12)	9	1,761
Public administration and defence, compulsory social security	-	2	-	-	-	2
Education	9	1,038	(6)	(7)	6	1,041
Human health services and social work activities	150	2,175	(12)	(15)	20	2,313
Arts, entertainment and recreation	6	617	(3)	(4)	3	620
Other services	-	72	-	(1)	-	72
Household	2,018	189,765	(601)	(93)	(110)	191,182
Financial Institutions and Other Financial Corporates	10	24,772	-	-	-	24,782
Total	2,515	280,403	(852)	(407)	88	282,066

Credit risk exposure by country

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

As at 30 June 2018	Gross carrying values of				Accumulated write-offs £m	Credit risk adjustment charges during the period £m	Net value £m
	Defaulted Exposure £m	Non-Defaulted Exposure £m	Specific Credit Risk £m				
UK	2,499	256,331	(846)	(407)	88	257,984	
US	-	5,191	-	-	-	5,191	
Japan	-	1,943	-	-	-	1,943	
Ireland	-	8,048	-	-	-	8,048	
Luxembourg	-	1,418	(1)	-	-	1,417	
Jersey	12	1,564	(2)	-	-	1,574	
Germany	-	663	-	-	-	663	
Canada	-	16	-	-	-	16	
France	-	176	-	-	-	176	
Isle Of Man	-	762	(2)	-	-	760	
Netherlands	-	733	-	-	-	733	
Italy	-	213	-	-	-	213	
Norway	-	376	-	-	-	376	
Denmark	-	514	-	-	-	514	
Australia	-	98	-	-	-	98	
Other	4	2,357	(1)	-	-	2,360	
Total	2,515	280,403	(852)	(407)	88	282,066	

Ageing of past-due exposures

The following table provides an ageing analysis of accounting on-balance-sheet past-due exposures regardless of their impairment status.

As at 30 June 2018	Gross carrying values					
	≤30 days £m	>30 days ≤ 60 days £m	>60 days ≤90 days £m	>90 days ≤ 180 days £m	>180 days ≤ 1 year £m	> 1 year £m
Loans	2,264	758	448	722	488	489
Debt Securities	-	-	-	-	-	-
Total Exposures	2,264	758	448	722	488	489

Non-performing and forborne exposures

This table provides an overview of non-performing and forborne exposures as at 30 June 2018.

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	£m	Of which performing but past due > 30 days and ≤ 90 days £m	Of which performing forborne £m	Of which non-performing				On performing exposures £m	Of which forborne £m	On non-performing exposures £m	Of which forborne £m	On non-performing exposures £m	Of which forborne exposures £m
				non-performing £m	defaulted £m	impaired £m	forborne £m						
Debt Securities	22,181	-	-	-	-	-	-	-	-	-	-	-	-
Loans and Advances	242,380	1,089	1,296	2,515	2,515	2,515	751	(401)	(25)	(464)	(199)	1,937	1,390
Off-balance-sheet exposures	42,087	-	-	25	25	25	25	(46)	-	(14)	-	-	-

Credit risk exposure

Credit risk exposure class by credit quality.

As at 30 June 2018	Gross carrying values of							Net value
	Defaulted Exposure	Non-Defaulted Exposure	Net value of exposures at the end of the period	Specific Credit Risk	Accumulated write-offs	Credit risk adjustment charges during the period	Net value	
	£m	£m	£m	£m	£m	£m		
Central Banks and Central Governments	-	20,624	20,624	-	-	-	20,624	
Financial Institutions and Other Financial Corporates	10	24,772	24,782	-	-	-	24,782	
Corporate Exposures	487	45,242	45,729	(251)	(314)	198	45,478	
Of which Specialised lending	46	7,615	7,661	(51)	-	-	7,610	
Retail	2,018	189,765	191,783	(601)	(93)	(110)	191,182	
Of which: IRB residential immovable property	1,910	167,008	168,918	(253)	-	-	168,665	
Total	2,515	280,403	282,918	(852)	(407)	88	282,066	

Credit Risk Mitigation Techniques

For more detail on the Company's approach to Credit Risk Mitigation refer to the Other Segments – Credit Risk Management section of the 2018 Half Yearly Financial Report.

The following table provides analysis of secured and collateralised exposures as at 30 June 2018.

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	30 June 2018	30 June 2018	30 June 2018	30 June 2018	30 June 2018
	£bn	£bn	£bn	£bn	£bn
Total loans	80,154	180,859	15,668	5,826	-
Total debt securities ¹	15,137	-	5,849	-	-
Total exposures	95,291	180,859	21,517	5,826	-
Of which defaulted	574	1,941	-	-	-

¹ Per note 18 Financial Investments in the Half Yearly Financial Report, excluding equity securities.

Changes in the stock of specific credit risk adjustments

Movement over the period 1 January 2018 to 30 June 2018 of specific credit risk adjustments¹.

	Accumulated specific credit risk adjustment
	£m
Opening balance	1,151
Increases due to origination and acquisition during the period	56
Decreases due to derecognition during the period	(37)
Changes due to change in credit risk (net)	92
Changes due to modifications without derecognition (net)	18
Changes due to update in the institution's methodology for estimation (net)	-
Other adjustments	(15)
Decrease in allowance account due to write-offs	(413)
Closing balance	852
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(38)
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

Movement over the period 1 January 2018 to 30 June 2018 of carrying value of defaulted exposures.

	Gross carrying value of defaulted exposures
	£m
Opening balance	2,848
Loans and debt securities that have defaulted or impaired since the last reporting period (excluding collections)	503
Returned to non-defaulted status (excluding collections)	(81)
Amounts written off	(413)
Other changes (including collections) ²	(342)
Closing balance	2,515

¹ 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.

² Includes impact of IFRS 9

CRR Leverage ratio – disclosure template

The table below provides a reconciliation of accounting assets to the UK Leverage ratio exposure, and information on the composition of the principal exposure elements as at 30 June 2018. A CRD IV 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

	£m	
1	Total assets as per published financial statements	316,625
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	716
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)	(2,995)
4	Adjustments for derivative financial instruments	(15,518)
5	Adjustments for securities financing transactions (SFTs)	1,156
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	13,481
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	1,372
8	Total Leverage Ratio exposure	314,837

Leverage Ratio common disclosure

	Exposure £m	
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	271,192
2	(Asset amounts deducted in determining Tier 1 capital)	(2,995)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	268,197
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6,055
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	4,846
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)	-
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)	10,901
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	24,682
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(5,668)
14	Counterparty credit risk exposure for SFT assets	1,156
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)	20,170
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	42,082
18	(Adjustments for conversion to credit equivalent amounts)	(28,601)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	13,481
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))	716
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	1,372
Capital and total exposures		
20	Tier 1 capital (CRD IV end point)	12,859
21	Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	314,837
Leverage Ratio		
22	Leverage Ratio	4.1%
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 Santander UK Group Holdings plc balance sheet is substantially the same as that used for regulatory purposes.

The sole difference is the consolidation for regulatory purposes of trust preferred entities, which were set up by Santander UK solely for the issuance of trust preferred securities to third parties and to lend the funds raised on to Santander UK plc. These securities are recognised as liabilities for Regulatory purposes and are classified as “US\$1,000m Non-Cumulative Trust Preferred Securities”. For the Santander UK Group Holdings plc balance sheet, following the adoption of IFRS 10 with effect from 1 January 2012, the trust preferred entities were no longer consolidated. Instead the subordinated liabilities issued by Santander UK Group Holdings plc to the trust preferred entities, which are for the same amount and terms as the notes issued to third parties from the trust preferred entities, are recognised as liabilities of the Santander UK group and classified as subordinated liabilities. These are classified as “8.963% Subordinated notes 2030 (US\$1,000m)”.

A reconciliation of regulatory own funds to the relevant balance sheet items for Santander UK Group Holdings plc is included in the table below as at 30 June 2018. 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
Santander UK Balance Sheet elements			
Shareholder's equity and Non-controlling interests	14,273	2,290	-
Subordinated Liabilities	-	453	3,305
Less 8.963% Subordinated notes 2030 (US\$1,000m)/	-	(101)	-
Add US\$1,000m Non-Cumulative Trust Preferred Securities	-	101	-
CRD IV Adjustments			
Additional value adjustments	(85)	-	-
Intangible Assets (net of related tax liability)	(1,740)	-	-
Fair value reserves related to gains or losses on cash flow hedges	(143)	-	-
Negative amounts resulting from the calculation of regulatory expected loss amounts	(621)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(6)	-	-
Deferred tax assets arising from temporary differences	(25)	-	-
Defined benefit pension fund assets	(654)	-	-
- Dividend accrual	(39)	-	-
- Deduction for minority interests	(164)	-	-
- IFRS 9 Transitional Adjustment	22	-	-
Amount excluded from Tier 2 due to transitional recognition cap	-	(383)	(1,056)
Total	10,818	2,360	2,249

Own Funds disclosure – Transitional Own Funds disclosure template

The following table provides disclosure of Santander UK Group Holdings plc's own funds items. The CRD IV end point position can be derived as the sum of the 30 June 2018 result 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.

	30 June 2018 £m	CRD IV end point adjustments £m	
Common Equity Tier 1 (CET1) Capital: instruments and reserves			
1	Capital Instruments and the related share premium accounts	7,060	-
2	Retained Earnings	6,820	-
3	Accumulated other comprehensive income (and other reserves)	190	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium account subject to phase out from CET1	-	-
5	Minority interests (amount allowed in consolidated CET1)	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,070	-
Common Equity Tier 1 (CET1) Capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(85)	-
8	Intangible assets (net of related tax liability) (negative amount)	(1,740)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-
11	Fair value reserves related to gains or losses on cash flow hedges	(143)	-
12	Negative amounts resulting from the calculation of expected loss amounts	(621)	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(6)	-
15	Defined-benefit pension fund assets (negative amount)	(654)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
17	Direct, indirect and synthetic holdings of the CET1 instruments 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)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments 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)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-
20c	of which: securitisation positions (negative amount)	-	-
20d	of which: free deliveries (negative amount)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(25)	-
22	Amount exceeding the 15% threshold (negative amount)	-	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
25a	Losses for the current financial year (negative amount)	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-
26	Regulatory adjustment applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment and IFRS transitional	22	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	-
27	Qualifying ATI deductions that exceed the ATI capital of the institution (negative amount)	-	-
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(3,252)	-
29	Common Equity Tier 1 (CET1) capital	10,818	-
30	Capital instruments and the related share premium accounts	2,041	-
31	of which: classified as equity under applicable accounting standards	2,041	-
32	of which: classified as liabilities under applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from ATI	-	-
34	Qualifying Tier 1 capital included in consolidated ATI capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	319	(319)
35	of which: instruments issued by subsidiaries subject to phase out	319	(319)
36	Additional Tier 1 (ATI) capital before regulatory adjustments	2,360	(319)
Additional Tier 1 (ATI) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own ATI instruments (negative amount)	-	-
38	Holdings of the ATI instruments 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)	-	-
39	Direct, indirect and synthetic holdings of the ATI instruments 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)	-	-
40	Direct, indirect and synthetic holdings by the institution of the ATI instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-	-
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-

		30 June 2018 £m	CRD IV end point adjustments £m
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transition period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article of Regulation (EU) No 575/2013	-	-
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	2,360	-
45	Tier 1 capital (T1 = CET1 + AT1)	13,178	-

Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1,145	-
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	1,104	(50) ¹
49	of which: instruments issued by subsidiaries subject to phase out	225	(225)
50	Credit risk adjustments	-	-
51	Tier 2 (T2) capital before regulatory adjustments	2,249	(50)
Tier 2 (T2) capital: regulatory adjustments			
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	2,249	-
59	Total Capital (TC = T1 + T2)	15,427	-
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	85,128	-
Capital ratio and buffers			
61	Common Equity Tier (as a percentage of total risk exposure amount)	12.7%	-
62	Tier 1 (as a percentage of total risk exposure amount)	15.5%	-
63	Total capital (as a percentage of total risk exposure amount)	18.1%	-
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)	2.38%	-
65	of which: capital conservation buffer requirement	1.88%	-
66	of which: countercyclical buffer requirement	0.5%	-
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)	12.7%	-

¹ Includes offsetting impact of Tier 1 instruments moving to Tier 2

Amounts below the threshold for deduction (before risk weighting)			
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)	137	-
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)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
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	295	-
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	288	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
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 Santander UK's 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 UK plc	Santander UK plc
2	ISIN	XS0060837068	XS0117973262	XS0117973429	XS0103012893	US002920AC09	XS0989359756 US80283LAA17	XS0133956168
3	Governing law(s) of the instrument	English	English	English	English	New York	English	English
Regulatory treatment								
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	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)	205	17	362	39	267	1,131	9
9	Par value of instrument (£m)	200	14	270	29	197	1,137	11
9a	Issue Price of Instrument	100.432%	99.277%	175m @ 97.712% 100m @ 109.744%	99.561%	99.626%	99.681%	98.878%
9b	Redemption Price of Instrument	n/a	100% (call)	100% (call)	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	23/10/1995	28/09/2000	28/09/2000	21/10/1999	26/10/1999	07/11/2013	14/08/2001
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	n/a	n/a	21/10/2030	26/10/2029	07/11/2023	14/08/2031
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	No	No	No	n/a
15	Optional call date, contingent call dates and redemption amount	n/a	28/09/2020	28/09/2030	n/a	n/a	n/a	n/a
16	Subsequent call dates, if applicable	n/a	5 years	5 years	n/a	n/a	n/a	n/a
Coupons / dividends								
17	Fixed or floating dividend/coupon	Fixed	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.0625%	7.375%	7.125%	6.5%	7.95%	5%	5.875%
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Mandatory	Partially discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	No	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	Fully or Partially	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	100%	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	at the option of the issuer	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	Additional Tier 1	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	Santander UK	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Senior	Senior	Senior	Senior
36	Non-compliant transitioned features	No	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features		Incentive to Redeem: Step Up	Incentive to Redeem: Step Up				

Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK plc	Santander UK plc	Abbey National Capital Trust I	Santander UK plc
2	ISIN	XS0361244311	US80281LAA35 XS1291333760	US80281LAB18 XS1291352711	GB0000064393	GB0000044221	US002927AA95	XS0124569566
3	Governing law(s) of the instrument	English	English	English	English	English	Delaware	English
Regulatory treatment								
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Ineligible	Ineligible
6	Eligible at solo/group/ group&solo	Solo and Consolidated	Consolidated	Consolidated	Solo and Consolidated	Solo and Consolidated	Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Preferred	Preferred	Preferred	Preferred
8	Amount recognised in regulatory capital (£m)	132	762	382	200	125	109	235
9	Par value of instrument (£m)	122	758	379	200	125	78	235
9a	Issue Price of Instrument	99.313%	99.724%	99.412%	100m @ 101.52% 100m @ 108.935%	101.55%	100%	100%
9b	Redemption Price of Instrument	100%	100%	100%	n/a	n/a	100% (call)	100% (call)
10	Accounting classification	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	30/04/2008	15/09/2015	15/09/2015	23/10/1995	09/06/1997	07/02/2000	14/02/2001
12	Perpetual or dated	Dated	Dated	Dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	30/10/2023	15/09/2025	15/09/2045	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	No	No	No	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	30/10/2018	n/a	n/a	n/a	n/a	30/06/2030	14/02/2026
16	Subsequent call dates, if applicable	Quarterly	n/a	n/a	n/a	n/a	Quarterly	Annually
Coupons / dividends								
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed to Floating	Fixed to Floating
18	Coupon rate and any related index	9.625%	4.75%	5.625%	10.375%	8.625%	8.963%	7.037%
19	Existence of a dividend stopper	No	No	No	Yes	Yes	Yes	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	Yes	No	No	No	No	Yes	Yes
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Convertible	Non Convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	San UK Total Capital Ratio < minimum requirement	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	Fully	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	100%	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	mandatory	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	Additional Tier 1	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	Santander UK	n/a
30	Write-down feature	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	No	No	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	Incentive to Redeem: Step Up			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	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 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	XS0502105454	n/a	n/a	XS1244538523	n/a	XS1592884123
3	Governing law(s) of the instrument	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	Common Equity Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group&solo	Solo and Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Preferred	Additional Tier 1	Additional Tier 1	Additional Tier 1	Equity	Additional Tier 1
8	Amount recognised in regulatory capital (£m)	14	500	300	745	7,060	500
9	Par value of instrument (£m)	14	500	300	750	7,060	500
9a	Issue Price of Instrument	100%	100%	100%	100%	100%	100%
9b	Redemption Price of Instrument	100% (call)	100% (call)	100% (call)	100% (call)	n/a	100% (call)
10	Accounting classification	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity
11	Original date of issuance	24/05/2006	24/06/2014	02/12/2014	10/06/2015	10/01/2014	10/04/2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	No	Yes
15	Optional call date, contingent call dates and redemption amount	24/05/2019	24/06/2019	24/12/2019	24/06/2022	n/a	24/06/2024
16	Subsequent call dates, if applicable	Quarterly	Quarterly	Quarterly	5 years	n/a	5 years
Coupons / dividends							
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Variable	Fixed to Floating
18	Coupon rate and any related index	6.222%	6.625%	7.6%	7.375%	n/a	6.75%
19	Existence of a dividend stopper	Yes	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary
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	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	CET1 Capital Ratio of the Group < 7%	CET1 Capital Ratio of the Group < 7%	CET1 Capital Ratio of the Group < 7%	n/a	CET1 Capital Ratio of the Group < 7%
32	If write-down, full or partial	n/a	Full	Full	Full	n/a	Full
33	If write-down, permanent or temporary	n/a	Permanent	Permanent	Permanent	n/a	Permanent
34	If temporary write-down, description of write-up mechanism	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	Additional Tier 1	Tier 2
36	Non-compliant transitioned features	Yes	No	No	No	No	No
37	If yes, specify non-compliant features	No CET1 conversion or write down trigger Dividend Stopper Incentive to Redeem: Step Up					

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 CRD IV 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.
CRD IV	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.
Expected Loss (EL)	The Santander UK 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-mode lled 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 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's method, under the CRD IV framework, for calculating credit risk capital requirements using the Santander UK 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	CRD IV 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 CRD IV 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 holds, determined in accordance with rules established by the UK PRA for the consolidated Santander UK group and by local regulators for individual Santander UK 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's internal method of calculating credit risk capital requirements for its key retail portfolios. The FSA approved the Santander UK group's application of the Retail IRB approach to the Santander UK 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 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 CRD IV, 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 CRD IV, 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.