

Santander UK plc

2014 Additional Capital and Risk Management Disclosures

Introduction

Santander UK plc's Additional Capital and Risk Management Disclosures for the year ended 31 December 2014 should be read in conjunction with our 2014 Annual Report.

As a significant wholly-owned subsidiary of Banco Santander, S.A., Santander UK plc is not required to produce and publish separate Pillar 3 disclosures. However the additional capital and risk management disclosures set out in this document cover certain disclosures required by the UK's Prudential Regulation Authority ('PRA') and CRD IV¹ for major UK banking groups, together with certain other capital related disclosures recommended by the Enhanced Disclosure Task Force ('EDTF') to the extent that they are not already included in the Annual Report.

Use of Internal Model-based approaches for determination of capital requirements

In accordance with CRD IV rules, and with approval of the PRA and the Banco de España (the Bank of Spain) / European Central Bank (ECB), Santander UK uses internal models to calculate regulatory capital requirements for credit risk and market risk. Further details on the internal models used are included under credit risk and market risk in the risk types section of this document.

For credit risk two model-based approaches are used, which are collectively termed the Internal Ratings-Based ('IRB') approach. The less advanced approach is the foundation IRB ('FIRB') approach, under which a bank can calculate capital requirements using an internal assessment of the probability of default ('PD') of a counterparty, combined with supervisory formula to estimate the exposure at default ('EAD') and loss given default ('LGD') and for specialised lending risk weight and expected loss. The more sophisticated approach is the advanced IRB ('AIRB') approach² under which a bank can calculate capital requirements using internal assessments for PD, EAD and LGD. Where these model-based approaches are not used, the standardised approach is used, under which a bank will apply a risk weighting to exposures depending on the category of exposure and where available an external credit rating.

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

	AIRB²	FIRB	Standardised
Retail	Residential Mortgages Unsecured Personal Loans Bank Accounts	-	Credit Cards Consumer Finance Other
Non Retail	Banks Insurers Large Corporates Social Housing	Corporate	Sovereigns Other

For market risk, a combination of a Value at Risk ('VaR') model and a Stressed VaR ('SVaR') model are used to calculate capital requirements for risks within the trading book. For Santander UK, such models are used to calculate the capital requirements for certain risk factors as approved by the PRA with the remainder using the standardised approach.

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

² Includes the Retail IRB approach

Additional Capital and Risk Management Disclosures continued

Risk-weighted assets by business division

2014	Balance sheet amount £bn	Regulatory exposure			Risk-weighting			RWAs		
		Standardised approach £bn	IRB Approach £bn	Total £bn	Standardised approach %	IRB Approach %	Total %	Standardised approach £bn	IRB Approach £bn	Total £bn
Retail Banking										
- Secured lending	150.1	0.2	159.2	159.4	50.0	15.3	15.3	0.1	24.3	24.4
- Unsecured lending	8.4	5.8	7.1	12.9	77.6	63.4	69.8	4.5	4.5	9.0
- Operational risk	-	-	-	-	-	-	-	5.0	-	5.0
Commercial Banking										
- Customer assets	18.7	11.7	11.4	23.1	95.7	71.1	83.5	11.2	8.1	19.3
- Operational risk	-	-	-	-	-	-	-	0.6	-	0.6
Corporate & Institutional Banking										
- Credit risk	5.2	4.9	4.4	9.3	93.9	56.8	76.3	4.6	2.5	7.1
- Counterparty risk	29.9	2.8	5.7	8.5	57.1	52.6	54.1	1.6	3.0	4.6
- Market risk ⁽¹⁾	-	-	-	-	-	-	-	4.1	-	4.1
- Operational risk	-	-	-	-	-	-	-	1.0	-	1.0
Corporate Centre										
- Customer assets ⁽²⁾	8.3	1.4	8.5	9.9	64.3	11.8	19.2	0.9	1.0	1.9
- Counterparty Risk	-	-	-	-	-	-	-	-	0.2	0.2
- Eligible liquid assets ⁽³⁾	30.9	29.0	-	29.0	-	-	-	-	-	-
- Market Risk ⁽¹⁾	-	-	-	-	-	-	-	0.2	-	0.2
Intangible assets										
	2.2	-	-	-	-	-	-	-	-	-
Other assets⁽⁴⁾										
	22.3	8.8	2.8	11.6	42.0	42.9	42.2	3.7	1.2	4.9
	276.0	64.6	199.1	263.7				37.5	44.8	82.3

2013	Balance sheet amount £bn	Regulatory exposure			Risk-weighting			RWAs		
		Standardised approach £bn	IRB Approach £bn	Total £bn	Standardised approach %	IRB Approach %	Total %	Standardised approach £bn	IRB Approach £bn	Total £bn
Retail Banking										
- Secured lending	148.1	0.2	157.3	157.5	77.1	14.5	14.5	0.1	22.8	22.9
- Unsecured lending	7.5	4.8	6.5	11.3	78.2	65.1	70.8	3.8	4.2	8.0
- Operational risk	-	-	-	-	-	-	-	5.4	-	5.4
Commercial Banking										
- Customer assets	17.0	9.3	10.6	19.9	86.0	78.3	81.9	8.0	8.3	16.3
- Operational risk	-	-	-	-	-	-	-	0.7	-	0.7
Corporate & Institutional Banking										
- Credit risk	5.1	4.1	4.2	8.3	100	54.8	77.4	4.1	2.3	6.4
- Counterparty risk	27.6	3.5	4.6	8.1	52.2	56.5	54.7	1.8	2.6	4.4
- Market risk ⁽¹⁾	-	-	-	-	-	-	-	4.8	-	4.8
- Operational risk	-	-	-	-	-	-	-	0.9	-	0.9
Corporate Centre										
- Customer assets ⁽²⁾	9.4	2.0	9.1	11.1	77.2	21.5	31.5	1.5	2.0	3.5
- Eligible liquid assets ⁽³⁾	31.5	28.1	-	28.1	-	-	-	-	-	-
- Counterparty risk	-	-	-	-	-	-	-	0.5	-	0.5
Intangible assets										
	2.3	-	-	-	-	-	-	-	-	-
Other assets⁽⁴⁾										
	21.8	7.0	3.6	10.6	42.2	26.4	36.8	3.0	0.9	3.9
	270.3	59	195.9	254.9				34.6	43.1	77.7

(1) Market Risk RWAs are determined using both internal model-based and standardised approaches. See the Market Risk section of the Risk Review in the Santander UK plc Annual Report.

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

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

(4) The balance sheet amounts of other assets have not been allocated segmentally, although the RWAs have been allocated to Corporate Centre. The RWAs cover Credit risk, Market risk and Operational risk.

Additional Capital and Risk Management Disclosures continued

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.

Credit risk

Counterparty Risk is included in this section where indicated. Movements in RWAs during 2014 and 2013 were as follows:

	2014 £bn	2013 £bn
Credit risk		
RWAs at 1 January	61.1	62.5
Book size ⁽¹⁾	4.2	1.3
Book quality ⁽²⁾	1.2	(2.2)
Model updates ⁽³⁾	(0.2)	(0.5)
RWAs at 31 December	66.3	61.1
Counterparty risk		
RWAs at 1 January*	4.8	4.6
Book size ⁽¹⁾	0.4	0.1
Book quality ⁽²⁾	(0.1)	0.1
Model updates ⁽³⁾	-	-
RWAs at 31 December*	5.1	4.8

* 2013 results include an approximation restatement of £2.4bn to include CRD IV capital requirements

(1) Book size relates to organic changes in book size and composition (including new business and maturing loans).

(2) Quality of book changes caused by experience such as underlying customer behaviour or demographics, including changes through model calibrations/realignments.

(3) Model implementation, change in model scope or any change to address other model issues.

Significant movements in book size during the period were a consequence of balance sheet and off balance sheet growth. For Credit Risk, the 31 December 2014 RWAs of £66.3bn were comprised of £42.1bn using the IRB approach and £24.2bn using the standardised approach (2013 £41.5bn IRB, £21.1bn standardised). For Counterparty Risk, the December 2014 RWAs of £5.1bn were comprised of £2.7bn using the IRB approach and £2.4bn using the standardised approach (2013 £1.6bn IRB, £3.2bn standardised). Counterparty Risk includes Credit Valuation Adjustment ('CVA') capital requirements determined using the standardised approach.

Credit risk by risk class

The following table details RWA and equivalent Own Funds Requirements per risk class. Own Funds Requirements are calculated as RWA multiplied by 8%. Counterparty Risk, incorporating CVA capital requirements, is included in the table.

	2014		2013	
	RWA £bn	8%* RWA £bn	RWA £bn	8%*RWA £bn
Standardised Approach credit risk				
Institutions	0.4	-	0.5	-
Corporates	15.8	1.3	13.6	1.1
Standardised Retail	4.9	0.4	5.1	0.4
Secured by Mortgages on Immovable Property	0.9	0.1	0.7	0.1
Exposures in Default	0.5	-	0.5	-
Covered Bonds	0.2	-	0.1	-
Other	3.9	0.3	3.8	0.3
Total	26.6	2.1	24.3	1.9
IRB Approach credit risk				
Institutions	2.0	0.2	1.9	0.1
Corporates	12.9	1.0	12.6	1.0
IRB Retail Mortgages	24.3	1.9	22.8	1.8
IRB Qualifying Revolving Retail Exposures	2.0	0.2	2.0	0.2
Other Retail	2.5	0.2	2.3	0.2
Securitisation Positions	0.7	0.1	1.4	0.1
IRB Equity Exposures – 370% Risk Weight	0.4	-	0.1	-
Total	44.8	3.6	43.1	3.4

Additional Capital and Risk Management Disclosures continued

Key features of credit risk models

The following table shows the key features of the Santander UK group's IRB models, outlining the model methodology or approach, the number of years of loss data used, the exposure class covered and applicable regulatory thresholds for each of the PD, LGD and EAD components. The RWAs as at 31 December 2014 are also shown. This table does not include portfolios covered by the IRB approach for securitisations (£0.7bn RWAs) and IRB approach for equity exposures (£0.4bn), where estimates of expected loss are not performed.

Component Modelled	Portfolio	Number of significant models and size of associated portfolio (RWAs)	Model Description and Methodology	Number of Years Loss Data	Exposure Classes Measured	Applicable Industry-wide regulatory thresholds
PD	Residential Mortgages	One Model (£24.3bn)	Statistical scorecard produces a PD that is scaled to a long-run cycle average	>10 years	Retail Mortgages	PD floor of 0.03%
	Unsecured Personal Loans	One Model (£2.5bn)	Statistical scorecard produces a PD that is scaled to a long-run average	<3 years	Other Retail	PD floor of 0.03%
	Bank Accounts	One Model (£2.0bn)	Observed default rates segmented into statistical score bands, scaled to a long-run average	6-10 years	Qualifying Revolving Retail Exposures	PD floor of 0.03%
	Social Housing	One Model (£1.1bn)	Expert judgement rating model	Low default portfolio	Corporates	PD floor of 0.03%
	Corporate	Five Models (£9.0bn)	Statistical rating model for Corporates and slotting model ⁽¹⁾ for Specialised Lending	>10 years	Corporates	PD floor of 0.03%
	Global Models	Three Models (£4.8bn)	Combination of statistical and expert judgement models for Global Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	PD floor of 0.03%
LGD	Residential Mortgages	One Model (£24.3bn)	Data driven estimates of loss and propensity to write-off, stressed to a downturn position	3-5 years	Retail Mortgages	LGD floor of 10% at a portfolio level
	Unsecured Personal Loans	One Model (£2.5bn)	Regression based estimates of loss and propensity to write-off, with expert judgement where appropriate	<3 years	Other Retail	NA
	Bank Accounts	One Model (£2.0bn)	Data driven estimates of loss and propensity to write-off, using a long run average	3-5 years	Qualifying Revolving Retail Exposures	NA
	Social Housing	One Model (£1.1bn)	Data driven estimate of realisable value of collateral	Low default portfolio	Corporates	NA
	Corporate	Five Models (£9.0bn)	Foundation IRB	NA	Corporates	NA
	Global Models	Three Models (£4.8bn)	Combination of statistical and expert judgement models for Global Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	NA
EAD	Residential Mortgages	One Model (£24.3bn)	Long-run credit conversion factors applied to on and off balance	6-10 years	Retail Mortgages	EAD must be at least equivalent to current balance utilisation at account level
	Unsecured Personal Loans	One Model (£2.5bn)	Regression based model	<3 years	Other Retail	EAD must be at least equivalent to current balance utilisation at account level
	Bank Accounts	One Model (£2.0bn)	Long-run credit conversion factors applied to on and off balance	6-10 years	Qualifying Revolving Retail Exposures	EAD must be at least equivalent to current balance utilisation at account level
	Social Housing	One Model (£1.1bn)	Data driven estimate	Low default portfolio	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Corporate	Five Models (£9.0bn)	Foundation IRB	NA	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Global Models	Three Models (£4.8bn)	Combination of statistical and expert judgement models for Global Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	EAD must be at least equivalent to current balance utilisation at account level

(1) Slotting models do not estimate a PD or LGD, but do generate an Expected Loss

Additional Capital and Risk Management Disclosures continued

Probability of Default ('PD') disclosures

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

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

Santander UK uses a single rating scale to provide a consistent approach for reporting default risk across all the credit risk portfolios. The scale is comprised of eight grades for non-defaulted exposures numbered from 9 (lowest risk) to 2 (highest risk). In the tables below, the PD bands and associated PD ranges reflect those used for PRA reporting purposes. The PD band numbering is inverted, with 1 representing the lowest risk, and the definition of default is in accordance with PRA rules.

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

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

At 31 December 2014

Corporates

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting	External Rating Equivalent Range	External Rating Equivalent Average PD
	%	£m	%	%	£m	%		
1	0.000 to 0.160	10,002	0.056	19	1,352	14	AAA to A-	A
2	0.160 to 0.290	3,310	0.165	26	984	30	A- to BBB	BBB+
3	0.290 to 0.530	3,118	0.348	42	1,771	57	BBB to BBB-	BBB-
4	0.530 to 0.920	1,753	0.750	42	1,377	79	BBB- to BB+	BB+
5	0.920 to 1.560	893	1.385	40	777	87	BB+ to BB	BB
6	1.560 to 2.700	629	2.395	41	653	104	BB to BB-	BB-
7	2.700 to 35.000	166	4.612	42	191	115	BB- to C	B-
	In default	173	100.00	42		-		
	Total	20,044			7,105	35		

Institutions

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting	External Rating Equivalent Range	External Rating Equivalent Average PD
	%	£m	%	%	£m	%		
1	0.000 to 0.037	6,320	0.032	45	1,457	23	AAA to A+	A+
4	0.045 to 0.058	2,756	0.056	45	1,002	36	A	A
6	0.076 to 1.000	1,715	0.095	46	910	53	A to A-	A-
8	0.134 to 0.211	136	0.159	46	82	60	A- to BBB+	BBB+
9	0.211 to 0.339	44	0.267	47	29	66	BBB+ to BBB-	BBB
10	0.339 to 0.544	33	0.491	47	20	61	BBB- to BB+	BBB-
11 to 13	0.544 to 99.999	7	1.007	49	8	114	BB+ to C	BB+ to C
	In default	-	-	-	-	-		
	Total	11,011			3,508	32		

Additional Capital and Risk Management Disclosures continued

Retail mortgages

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting
	%					
1	0.000 to 0.015	1,413	0.233	7	57	4
2	0.015 to 0.030	3,447	0.199	9	125	4
3	0.030 to 0.060	9,766	0.203	9	354	4
4	0.060 to 0.120	25,556	0.24	9	1,020	4
5	0.120 to 0.250	49,618	0.708	9	4,488	9
6	0.250 to 0.500	36,308	1.533	11	6,319	17
7	0.500 to 1.000	13,507	2.683	13	3,953	29
8	1.000 to 2.000	3,933	5.399	12	1,565	40
9	2.000 to 4.000	5,763	8.162	10	2,326	40
10	4.000 to 8.000	3,069	14.952	12	1,859	61
11	8.000 to 15.000	1,182	26.132	11	730	62
12	15.000 to 30.000	1,297	43.934	12	774	60
13	30.000 to 60.000	1,039	67.903	12	440	42
14	60.000 to 99.999	568	68.047	12	249	44
	In default	2,736	100.000	16	-	-
	Total	159,202			24,259	15

Qualifying revolving retail exposures

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting
	%					
2	0.010 to 0.030	157	0.042	78	4	3
4	0.050 to 0.100	2,540	0.18	76	199	8
5	0.100 to 0.200	37	0.879	72	10	27
6	0.200 to 0.500	614	0.892	75	169	28
7	0.500 to 1.000	302	1.743	75	140	46
8	1.000 to 2.000	449	3.367	74	327	73
9	2.000 to 5.000	365	7.275	72	429	118
10	5.000 to 10.000	160	13.504	72	265	166
11	10.000 to 20.000	152	22.061	71	304	200
12	20.000 to 40.000	68	43.02	65	137	201
13	40.000 to 99.999	30	60.993	62	47	157
	In default	41	100	77	-	-
	Total	4,915			2,031	41

Other Retail

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting
	%					
4	0.050 to 0.100	4	0.235	88	2	50
5	0.100 to 0.200	23	0.318	88	12	52
6	0.200 to 0.500	125	0.547	88	88	70
7	0.500 to 1.000	503	0.796	88	450	89
8	1.000 to 2.000	763	1.587	88	869	114
9	2.000 to 5.000	558	3.542	88	753	135
10	5.000 to 10.000	125	7.604	88	182	146
11	10.000 to 20.000	25	13.718	88	44	176
12	20.000 to 40.000	11	26.507	88	26	236
13	40.000 to 99.999	16	16.378	88	35	219
	In default	26	100.000	88	-	-
	Total	2,179			2,461	113

Specialised Lending exposures

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

Category	2014 £bn	2013 £bn
Category 1 - Strong	0.1	0.3
Category 2 - Good	5.0	4.5
Category 3 - Satisfactory	0.3	0.4
Category 4 - Weak	0.2	0.3
Category 5 - In default	0.1	0.3
Total	5.7	5.8

Additional Capital and Risk Management Disclosures continued

Significant IRB models and model performance

The residential mortgage portfolio comprised £150.1bn of on balance sheet exposure at 31 December 2014 and represented 96% of all retail IRB exposures. Therefore the IRB models employed to calculate RWAs for this portfolio are considered the most significant. PD is determined by the new business application score and a bespoke default-risk scorecard for the back-book. These models produce account level, point-in-time PD estimates which are adjusted to a long-run average default rate using a variable scalar methodology employing observed and inferred default rate data back to 1989. Within each of the legacy portfolios (the former Abbey and Alliance & Leicester businesses) the scaling of the PD (grouped into 14 non-default risk grades) is performed separately across 13 risk segments determined by balance-to-value and buyer type.

LGD for residential mortgages is calculated as the proportion of the EAD expected to be written-off multiplied by the probability of a write-off occurring after a default event. The loss proportion uses a 'workout' approach, that is one minus the expected recovery proportion, plus direct and indirect recovery costs associated with the recovery process. Data on losses is taken from 2000 onwards. The probability of write-off given default is measured from observed loss rates from quarterly tranches of accounts entering default since 2007. Downturn LGD is determined by stressing the model inputs to values observed during the worst points of the last recession. For example the forced sale discount is increased from 21% in normal times to a downturn value of 28%. The downturn probability of write-off given default uses the highest observed values, typically seen from in defaults occurring during 2008. Other parameters such as time from default to sale, balance owing at sale and property value are also adjusted to be applicable for downturn conditions.

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

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

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

The model monitoring analyses the causes of significant variance between actual and predicted parameters and identifies actions required to remediate. The monitoring and actions taken to correct under-performance are reviewed by Santander UK's Model Committee and escalated to the Risk Management Committee as necessary. Should the monitoring indicate that a model is underestimating risk, a temporary capital charge is raised by management until the cause is resolved.

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

	Expected Loss		Impairment	
	31 December 2013	31 December 2014	Allowances at 31 December 2014	Charge for 2014
	£bn	£bn	£bn	£bn
Residential Mortgages	1.0	1.0	0.6	0.6
Unsecured Personal Loans	0.1	0.1	0.1	0.1
Bank Accounts	0.1	0.1	-	-
Social Housing	-	-	-	-
Corporate	0.3	0.2	0.2	0.3
Global Models	-	-	-	-
Total	1.5	1.4	0.9	1.0

	Expected Loss		Impairment	
	31 December 2012	31 December 2013	Allowances at 31 December 2013	Charge for 2013
	£bn	£bn	£bn	£bn
Residential Mortgages	1.1	1.0	0.6	0.1
Unsecured Personal Loans	0.1	0.1	0.1	-
Bank Accounts	0.2	0.1	-	0.1
Social Housing	-	-	-	-
Corporate	0.3	0.3	0.3	(0.1)
Global Models	-	-	-	-
Total	1.7	1.5	1.0	0.1

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

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

The IRB model expected loss is not regarded as an indicator of expected losses in accordance with accounting standard IFRS 9 due to the level of regulatory floors and prudence built into the IRB models.

Additional Capital and Risk Management Disclosures continued

Credit risk mitigation

The following table outlines for risk-weighted exposure amounts under the Standardised Approach or IRB approaches excluding AIRB, the exposure value that is covered by eligible financial collateral and other eligible collateral, by exposure class.

Exposure Class	2014 £bn	2013 £bn
Central governments or central banks	0.1	0.1
International organisations	0.1	0.1
Institutions	0.1	0.3
Corporates	0.3	0.2
Securitisation Positions	0.3	0.1
Total	0.9	0.8

The exposure value covered by guarantees or credit derivatives for risk-weighted exposure amounts under the Standardised Approach or IRB approaches excluding AIRB is not significant.

Market risk

Movements in RWAs during 2014 and 2013 were as follows:

Market risk	2014 £bn	2013 £bn
RWAs at 1 January	4.8	4.1
Movement in risk levels ⁽¹⁾	(0.2)	(0.1)
Model updates ⁽²⁾	(0.3)	(0.4)
Methodology and policy ⁽³⁾	-	1.2
RWAs at 31 December	4.3	4.8

(1) Changes in risk due to position changes and market movements.

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

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

The model updates decrease in RWAs in 2014 was caused by enhancements to VaR model market data. The 31 December 2014 RWAs of £4.3bn were composed of £3.6bn using the internal model-based approach and £0.7bn using the standardised approach (2013: £4.3bn internal model-based, £0.5bn standardised)

Market risk Own Funds Requirements

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

	2014		2013	
	RWA £bn	8% * RWA £bn	RWA £bn	8% * RWA £bn
Position risk and large exposures	3.9	0.3	4.4	0.4
Foreign exchange, settlement and commodities risk	0.4	-	0.4	-
Total	4.3	0.3	4.8	0.4

Key features of market risk models

The following table shows the key features of the Santander UK group's market risk internal models used for the assessment of RWAs, outlining the model methodology or approach, the number of years of market data used and applicable regulatory thresholds.

Component Modelled	Number of significant models and size of associated portfolio (RWAs)	Model Description and methodology	Number of years market data	Applicable regulatory thresholds for the industry
VaR	1 model	Historical simulation method with two-years of daily price history, equally weighted.	2 years	Regulatory VaR is calculated using 10 day holding period and 99% confidence interval.
SVaR	1 model	Same methodology as above except uses 1 year's daily price history.	1 year period of significant stress relevant to the banks' portfolio, reviewed quarterly	Regulatory SVaR is calculated using 10 day holding period and 99% confidence interval

Model performance

As the VaR confidence level is 99% (for both Internal VaR and Regulatory VaR) and a 1 day time horizon is used, the expectation is that on 99% of days, the following day's actual P&L outcome will either be a gain or a loss of smaller magnitude than the VaR level. Hence we would expect that for 1% of days, which is equal to 2 - 3 times a year, the actual reported P&L loss will exceed the VaR level from the previous day. For Regulatory VaR, the Capital Requirements Regulation (CRR) sets out the criteria for acceptable levels of backtesting exceptions, which is further clarified by PRA regulation. If there are 5 or more backtesting exceptions in a 250 day continuous period, points will be added to the capital requirement multiplier. A model with fewer than 5 will not have any added points. No points have been added to the firm's capital multiplier. Two such exceptions occurred during 2014. These were regarded as isolated events and no changes to the internal model were deemed necessary.

Operational risk

Santander UK calculates its operational risk capital requirement under the standardised approach in accordance with PRA rules. The standardised approach uses the average of three years' income of each business line. The average three year income is adjusted to take into account historical income of any businesses acquired during that period. The reduction of RWAs in 2014 of £0.4bn was a result of a lower average three year income.

Operational Risk Own Funds Requirements

The following table details RWA and equivalent Own Funds Requirements for Operational Risk. Own Funds Requirements are calculated as RWA multiplied by 8% and are calculated using the Standardised approach

	2014		2013	
	RWA £bn	8%* RWA £bn	RWA £bn	8%*RWA £bn
Standardised Approach	6.6	0.5	7.0	0.6
Total	6.6	0.5	7.0	0.6

CRD IV Disclosures

The following sections of this document set out disclosures required under CRD IV for Santander UK as a significant subsidiary of an EU Banking Group. These items are not disclosed in the Annual Report or in other sections of this document. All disclosures cover the 31 December 2014 position or movement over 2014.

Countercyclical Capital Buffer

The following table outlines the distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer for Santander UK. The RWA amounts are those used for assessment of the buffer, and cover credit risk, specific interest rate risk and securitisation exposures.

The level of the Countercyclical Capital Buffer for Santander UK at 31 December 2014 was 0%.

Country	RWA £bn	Countercyclical Buffer Rate
UK	64.1	0%
Other	5.1	0% or not set

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 2014 by class of exposure. Further information on impairment losses and provisions is outlined in Notes 9 and 18 to the financial statements in the Santander UK plc Annual 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 plc Annual Report.

Credit risk exposure pre- and post-CRM

	Exposure pre CRM		Exposure post CRM		Impaired Exposures	Past due Exposures	Non performing but not past due exposures	Impairment	of which specific
	31 December 2014	Average	31 December 2014	Average					
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance sheet exposures									
Central banks	22,562	24,843	22,562	24,843	-	-	-	-	-
General governments	4,163	3,952	4,163	3,952	-	-	-	-	-
Credit institutions	29,148	28,262	27,807	27,017	-	-	-	-	-
Other financial corporations	2,005	5,475	2,006	5,474	-	-	-	-	-
Non-financial corporations	34,945	33,389	34,347	32,767	859	633	225	(598)	(423)
Households	156,676	155,169	155,835	154,314	876	2,210	355	(841)	(331)
Total	249,499	251,120	246,720	248,368	1,734	2,843	580	(1,439)	(754)
Off-Balance sheet exposures									
Central banks	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	1,276	1,540	1,276	1,540	-	-	-	-	-
Non-financial corporations	15,599	14,300	15,599	14,300	-	-	-	-	-
Households	28,768	28,825	28,768	28,825	-	-	-	-	-
Total	45,643	44,664	45,643	44,664	-	-	-	-	-

Total exposures exclude trading assets and other balance sheet items which do not generate credit risk. Off-balance sheet exposures do not include regulatory credit conversion factors and do not include derivative notional amounts. For geographical areas of past due and impaired exposures, 99% are to the UK.

Additional Capital and Risk Management Disclosures continued

Credit risk exposures by country

The following table provides analysis of the geographic distribution of exposures, providing details for class of exposure together with exposure and instrument type.

	FRANCE 31 December 2014	GERMANY 31 December 2014	JERSEY 31 December 2014	SPAIN 31 December 2014	UK 31 December 2014	US 31 December 2014	Other 31 December 2014	Total 31 December 2014
	£m	£m	£m	£m	£m	£m	£m	£m
On balance sheet exposures⁽²⁾								
Cash at Central Bank	-	-	-	-	17,176	5,386	-	22,562
Trading Asset Repurchases with credit institutions and central clearers	587	-	-	-	1,822	576	-	2,985
Derivatives with credit institutions	1,028	1,323	3	2,266	11,002	3,082	623	19,327
Derivatives with other financial corporations	2	-	2	-	1,511	23	90	1,628
Derivatives with other counterparties	0	21	416	-	1,533	2	94	2,066
Debt Securities ⁽¹⁾ with General governments	-	-	-	-	4,163	-	-	4,163
Debt Securities ⁽¹⁾ with Credit institutions	1,003	436	-	2	1,802	533	1,003	4,779
Debt Securities ⁽¹⁾ with Other financial corporations	55	-	63	72	-	13	174	377
Debt Securities ⁽¹⁾ with Non-financial corporations	-	10	-	-	181	-	31	222
Loans and advances with Credit institutions	-	35	-	7	1,311	644	60	2,057
Loans and advances with Households	-	-	-	-	3,053	-	-	3,053
Loans and advances with Households Loans collateralized by residential immovable property (including Social Housing)	26	18	5	15	149,982	82	312	150,440
Loans and advances Households with Credit for consumption	-	-	0	0	3,184	-	-	3,183
Loans and advances Non-financial corporations	61	64	-	18	9,919	54	340	10,456
Loans and advances with Small and Medium-sized Enterprises	-	-	168	4	11,822	62	547	12,603
Loans and advances with Commercial immovable property	-	-	-	-	9,479	-	119	9,598
	2,762	1,907	658	2,384	227,940	10,457	3,393	249,499
Off balance sheet exposures								
Financial guarantees given	-	-	-	211	1,399	-	414	2,024
Loan commitments given	1	6	118	-	31,365	37	1,307	32,833
Other Commitments given	-	-	-	-	-	-	-	-
Retail mortgage offers and undrawn flexible mortgages	-	-	-	-	10,915	-	-	10,915
	1	6	118	211	43,679	37	1,721	45,772

(1) Debt securities exclude instruments held for trading
(2) Exposures are pre CRM

Residual maturity of credit exposures

Residual maturity information is available in the Santander UK plc Annual Report in the Maturities of financial assets, liabilities and off-balance sheet commitments table in Note 44 j) to the Financial Statements, with maturity analysis of loans and advances to banks and corporates included in the balance sheet review on pages 210 and 211.

Own Funds disclosure – balance sheet reconciliation

The scope of consolidation and method for consolidation of the Santander UK plc group 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 plc group 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 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 plc group is included in the table below. This outlines the impact of the difference in scope of consolidation outlined above.

Additional Capital and Risk Management Disclosures continued

	Own Funds Type		
	CET1 £m	Additional Tier 1 £m	Tier 2 £m
Santander UK Balance Sheet elements			
Shareholder's equity	13,054	1,139	-
Subordinated Liabilities	-	727	3,275
Less 8.963% Subordinated notes 2030 (US\$1,000m)		(182)	
Add US\$1,000m Non-Cumulative Trust Preferred Securities		182	
CRD IV Adjustments			
Additional value adjustments	(101)	-	-
Intangible Assets (net of related tax liability)	(2,174)	-	-
Fair value reserves related to gains or losses on cash flow hedges	(262)	-	-
Negative amounts resulting from the calculation of regulatory expected loss amounts	(484)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(17)	-	-
Deferred tax assets arising from temporary differences	(11)	-	-
Defined benefit pension fund assets	(249)	-	-
Amount excluded from Tier 2 due to transitional recognition cap	-	-	(162)
Total	9,756	1,866	3,072

Own Funds disclosure – Transitional Own Funds disclosure template

The following table provides disclosure of Santander UK's own funds items. The CRD IV end point position can be derived as the sum of the 31 December 2014 result and the associated end point adjustment.

	31 December 2014 £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	8,725	-
of which: Instrument type 1		
of which: Instrument type 2		
of which: Instrument type 3		
2 Retained Earnings	4,056	-
3 Accumulated other comprehensive income (and other reserves)	273	-
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	13,054	-
Common Equity Tier 1 (CET1) Capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(101)	-
8 Intangible assets (net of related tax liability) (negative amount)	(2,174)	-
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	(262)	-
12 Negative amounts resulting from the calculation of expected loss amounts	(484)	-
13 Any increase in equity that results from securitised assets (negative amount)		
14 Gains of losses on liabilities valued at fair value resulting from changes in own credit standing	(17)	-
15 Defined-benefit pension fund assets (negative amount)	(249)	-
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
17 Direct, indirect and synthetic holdings of the CET 1 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)	(11)	-
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)		
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	(3,298)	-
29 Common Equity Tier 1 (CET1) capital	9,756	-

Additional Capital and Risk Management Disclosures continued

Additional Tier 1 (AT1) capital: instruments

30	Capital instruments and the related share premium accounts	800	-
31	of which: classified as equity under applicable accounting standards	800	-
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 AT1	1,066	(1,066)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35	of which: instruments issued by subsidiaries subject to phase out		
36	Additional Tier 1 (AT1) capital before regulatory adjustments	1,866	(1,066)

Additional Tier 1 (AT1) capital: regulatory adjustments

37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 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 AT1 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 AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)		
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	1,866	(1,066)
45	Tier 1 capital (T1 = CET1 + AT1)	11,622	(1,066)

Tier 2 (T2) capital: instruments and provisions

46	Capital instruments and the related share premium accounts	1,819	580
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	1,253	(1,253)
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		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	Tier 2 (T2) capital before regulatory adjustments	3,072	(673)

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)		
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)		
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	Tier 2 (T2) capital	3,072	(673)
59	Total Capital (TC = T1 + T2)	14,694	(1,739)
60	Total risk weighted assets	82,309	-

Capital ratio and buffers

61	Common Equity Tier (as a percentage of total risk exposure amount)	11.9%
62	Tier 1 (as a percentage of total risk exposure amount)	14.1%
63	Total capital (as a percentage of total risk exposure amount)	17.9%
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)	
65	of which: capital conservation buffer requirement	
66	of which: countercyclical buffer requirement	
67	of which: systemic risk buffer requirement	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.9%

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)	234
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	319
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	266

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	1,297
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	1,253
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	162

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. Further details are included Santander UK plc annual report in Notes 33 and 38 to the financial statements.

1	Issuer	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK
2	ISIN	XS0051579097	XS0060837068	XS0053134499	XS0071938822	XS011792967	XS0117972702	XS0117973262	XS0117973429	XS0103012893
3	Governing law(s) of the instrument	English	English	English	English	English	English	English	English	English
Regulatory treatment										
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Ineligible	Tier 2	Ineligible	Ineligible	Ineligible	Tier 2	Ineligible	Ineligible	Tier 2
6	Eligible at solo/group/group&solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
8	Amount recognised in regulatory capital (€m)	28	205	83	29	449	330	212	375	41
9	Par value of instrument (€m)	27	200	81	27	422	322	165	270	29
9a	Issue Price of instrument	100%	100.432%	100%	100%	325m @ 98.446% 100m @ 107.872%	98.83%	99.277%	175m @ 97.712% 100m @ 109.744%	99.561%
9b	Redemption Price of instrument	100% (call)	n/a	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	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	Liability-amortised cost	Liability-amortised cost
11	Original date of issuance	16/02/1995	23/10/1995	29/09/1994	24/12/1996	28/09/2000	28/09/2000	28/09/2000	28/09/2000	21/10/1999
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated
13	Original maturity date	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21/10/2030
14	Issuer call subject to prior supervisory approval	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates and redemption amount	27/06/2015	n/a	31/01/2015	27/12/2016	28/09/2015	28/09/2010	28/09/2020	28/09/2030	n/a
16	Subsequent call dates, if applicable	5 years	n/a	5 years	Quarterly	5 years	5 years	5 years	5 years	n/a
Coupons / dividends										
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed
18	Coupon rate and any related index	5.5%	10.0625%	5.56%	4%	7.5%	4.8138%	7.375%	7.125%	6.5%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Mandatory
21	Existence of step up or other incentive to redeem	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	n/a	No	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	Fully or Partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	at the option of the issuer	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	Additional Tier 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	Santander UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	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	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	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	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	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	Tier 2	Tier 2	Tier 2	Tier 2	Senior
36	Non-compliant transitioned features	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No
37	If yes, specify non-compliant features	Incentive to Redeem: Step Up		Incentive to Redeem: Step Up	Incentive to Redeem: Step Up	Incentive to Redeem: Step Up		Incentive to Redeem: Step Up	Incentive to Redeem: Step Up	

Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK
2	ISIN	US002920AC09	XS0041864512	XS0041864512	XS0989359756	XS0133956168	XS0361244311	XS0164078791	GB000064393	GB000044221
3	Governing law(s) of the instrument	New York	English	English	English	English	English	English	English	English
Regulatory treatment										
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Tier 2	Tier 2	Ineligible	Tier 2	Tier 2	Ineligible	Ineligible	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	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Preferred	Preferred
8	Amount recognised in regulatory capital (£m)	252	68	96	953	10	144	0	211	132
9	Par value of instrument (£m)	167	52	71	963	11	122	0	200	125
9a	Issue Price of Instrument	99.626%	101.715%	101.365%	99.681%	98.878%	99.313%	99.873%	100m @ 101.52% 100m @ 108.935%	101.55%
9b	Redemption Price of Instrument	100%	100%	100%	100%	100%	100%	100%	n/a	n/a
10	Accounting classification	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost
11	Original date of issuance	26/10/1999	30/12/1991	4/02/1993	31/10/2013	14/08/2001	30/04/2008	6/03/2003	23/10/1995	9/06/1997
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Perpetual	Perpetual
13	Original maturity date	26/10/2029	4/01/2017	4/01/2023	11/07/2023	14/08/2031	30/10/2023	6/03/2023	n/a	n/a
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	No	n/a	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	n/a	30/12/1996	4/01/2018	n/a	n/a	30/10/2018	6/03/2018	n/a	n/a
16	Subsequent call dates, if applicable	n/a	At any time	n/a	n/a	n/a	Quarterly	5 years	n/a	n/a
Coupons / dividends										
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed to Floating	Fixed to Floating	Fixed	Fixed
18	Coupon rate and any related index	7.55%	11.5%	10.125%	5%	5.875%	9.625%	5.25%	10.375%	8.625%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	Yes	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	Yes	No	No	Yes	Yes	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Nor Convertible	Non Convertible
24	If convertible, conversion trigger (s)	n/a	n/a	n/a	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	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	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	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	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	n/a	n/a	n/a
30	Write-down feature	No	No	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	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	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	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	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior	Senior	Senior	Senior	Senior	Tier 2	Tier 2
36	Non-compliant transitioned features	No	No	Yes	No	No	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features			Incentive to Redeem: Step Up			Incentive to Redeem: Step Up	Incentive to Redeem: Step Up	No CET1 conversion or write down trigger Dividend Stopper	No CET1 conversion or write down trigger Dividend Stopper

Own Funds disclosure – capital instruments main features

1	Issuer	Abbey National Capital Trust I	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK
2	ISIN	US002927AA95	XS0124569566	XS0124569566	XS0188550114	XS0502105454	n/a	n/a	n/a
3	Governing law(s) of the instrument	Delaware	English	English	English	English	English	English	English
Regulatory treatment									
4	Transitional Basel III rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1
5	Post-transitional Basel III rules	Ineligible	Ineligible	Tier 2	Ineligible	Tier 2	Additional Tier 1	Additional Tier 1	Common Equity Tier 1
6	Eligible at solo/group/group&solo	Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Preferred	Preferred	Preferred	Preferred	Preferred	Preferred	Additional Tier 1	Equity
8	Amount recognised in regulatory capital (£m)	182	297	201	7	35	500	300	3,105
9	Par value of instrument (£m)	117	297	175	7	35	500	300	3,105
9a	Issue Price of instrument	100%	100%	100%	100%	100%	100%	100%	100%
9b	Redemption Price of instrument	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	n/a
10	Accounting classification	Liability-amortised cost	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	7/02/2000	14/02/2001	9/08/2002	22/03/2004	24/05/2006	24/06/2014	2/12/2014	12/11/2004
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates and redemption amount	30/06/2030	14/02/2026	9/02/2018	22/03/2016	24/05/2019	24/06/2019	24/12/2019	n/a
16	Subsequent call dates, if applicable	Quarterly	Annually	Semi-annually	Annually	Annually	Quarterly	Quarterly	n/a
Coupons / dividends									
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed to Floating	fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Variable
18	Coupon rate and any related index	8.963%	7.037%	6.984%	5.827%	6.222%	6.475%	7.6%	n/a
19	Existence of a dividend stopper	Yes	Yes	Yes	Yes	Yes	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary
21	Existence of step up or other incentive to redeem	Yes	Yes	No	Yes	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	San UK Total Capital Ratio < minimum requirement	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	Fully	n/a	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	n/a
27	If convertible, mandatory or optional conversion	mandatory	n/a	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	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	n/a
30	Write-down feature	No	No	No	No	No	Yes	Yes	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	1) Santander UK Group Holdings Ltd Group CET1 Capital Ratio < 7% if Santander UK wholly owned subsidiary 2) CET1 Capital Ratio of the issuer < 7%	1) Santander UK Group Holdings Ltd Group CET1 Capital Ratio < 7% if Santander UK wholly owned subsidiary 2) CET1 Capital Ratio of the issuer < 7%	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	Full	Full	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	Permanent	Permanent	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	No	No	No
37	If yes, specify non-compliant features	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	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			