

Santander UK Group Holdings plc

**2016 Additional Capital and Risk Management
Disclosures**

Introduction

Santander UK Group Holdings plc's Additional Capital and Risk Management Disclosures for the year ended 31 December 2016 should be read in conjunction with our 2016 Annual 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 Annual Report or in other sections of this document. All disclosures cover the 31 December 2016 position or movement over 2016.

Own Funds and Capital Ratios

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 December 2016 and 31 December 2015 together with the previously disclosed quarter end information at 30 September 2016, 30 June 2016 and 31 March 2016. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	31 December 2016 £m	30 September 2016 £m	30 June 2016 £m	31 March 2016 £m	31 December 2015 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,290	14,456	14,350	14,423	13,861
Common Equity Tier 1 (CET1) capital regulatory adjustments	(4,084)	(4,565)	(4,455)	(4,409)	(3,870)
Common Equity Tier 1 (CET1) capital	10,206	9,891	9,895	10,014	9,991
Additional Tier 1 (AT1) capital before regulatory adjustments	2,033	2,052	2,043	2,035	2,088
Additional Tier 1 (AT1) capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 (AT1) capital	2,033	2,052	2,043	2,035	2,088
Tier 1 capital	12,239	11,943	11,938	12,049	12,079
Tier 2 (T2) capital before regulatory adjustments	2,955	2,918	2,892	2,707	2,849
Tier 2 (T2) capital regulatory adjustments	-	-	-	-	-
Tier 2 (T2) capital	2,955	2,918	2,892	2,707	2,849
Total Capital	15,194	14,861	14,830	14,756	14,928
Risk Weighted Assessment	87,632	89,135	88,376	86,543	85,826
Common Equity Tier 1 ratio	11.6%	11.1%	11.2%	11.6%	11.6%
Tier 1 ratio	14.0%	13.4%	13.5%	13.9%	14.1%
Total Capital ratio	17.3%	16.7%	16.8%	17.1%	17.4%

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

Leverage Ratio

The following table summarises the Company's end point CRD IV Tier 1 Leverage Ratio and UK Leverage Ratio at 31 December 2016 and 31 December 2015 together with the previously disclosed quarter end information at 30 September 2016, 30 June 2016 and 31 March 2016. The end point CRD IV Tier 1 Leverage Ratio is consistent with the Leverage Ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage Ratio for periods prior to 30 September 2016, with the UK Leverage Ratio being applied for the disclosed periods from 30 September 2016. For the UK Leverage Ratio, deductions are made to the exposure measure for assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity. The Average Leverage Exposure and Leverage Ratios included below represent the monthly averages for the 3 month periods ending on the specified date.

	31 December 2016 £m	30 September 2016 £m	30 June 2016 £m	31 March 2016 £m	31 December 2015 £m
Common Equity Tier 1 (CET1) capital	10,206	9,891	9,895	10,014	9,991
End point Additional Tier 1 (AT1) capital	1,545	1,545	1,545	1,545	1,545
End point Tier 1 capital	11,751	11,436	11,440	11,559	11,536
Leverage Exposure CRD IV (£bn)	306.8	301.9	296.9	290.0	285.0
Leverage Exposure UK Leverage Ratio (£bn)	289.7	288.1	-	-	-
Average Leverage Exposure CRD IV (£bn)	313.3	307.1	296.2	295.5	287.7
Average Leverage Exposure UK Leverage Ratio (£bn)	291.3	294.9	-	-	-
End point Tier 1 Leverage Ratio CRD IV	3.8%	3.8%	3.9%	4.0%	4.0%
End point Tier 1 Leverage Ratio UK Leverage Ratio	4.1%	4.0%	-	-	-
Average Tier 1 Leverage Ratio CRD IV	3.7%	3.7%	3.9%	3.9%	4.0%
Average Tier 1 Leverage Ratio UK Leverage Ratio	4.0%	3.8%	-	-	-

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

In accordance with CRD IV rules, and with approval of the Single Supervisory Mechanism (SSM) comprising of the European Central Bank (ECB) and national supervisory authorities of the participating countries, 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 three model-based approaches are used, which are collectively termed the Internal Ratings-Based ('IRB') approach. The first of these approaches 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'). The second approach is the advanced IRB ('AIRB') approach (this includes the Retail IRB approach) under which a bank can calculate capital requirements using internal assessments for PD, EAD and LGD. The third approach is 'slotting', used for specialised lending exposures. For these types of exposures, a set of supervisory risk weights are used, which have to be assigned on the basis of a classification in five categories, depending on the underlying credit risk, as well as the remaining maturity.

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:

	AIRB ¹	FIRB	Slotting	Standardised
Retail	Residential Mortgages Unsecured Personal Loans Bank Accounts	-	-	Credit Cards Consumer Finance Other
Non Retail	Banks Insurers Large Corporates Social Housing	Corporate	Specialised Lending	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 Includes the Retail IRB approach

Risk-weighted assets by business division

2016	Regulatory exposure				Risk-weighting			RWAs		
	Balance sheet amount £bn	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	154.3	-	163.4	163.4	-	15.6	15.6	-	25.5	25.5
- Unsecured lending	14.3	10.7	8.5	19.2	72.8	56.6	65.6	7.8	4.8	12.6
- Operational risk	-	-	-	-	-	-	-	5.5	-	5.5
Commercial Banking										
- Customer assets ⁽⁵⁾	19.4	9.7	13.0	22.7	118.4	61.7	86.0	11.5	8.0	19.5
- Operational risk	-	-	-	-	-	-	-	0.9	-	0.9
Corporate & Institutional Banking										
- Credit risk	5.7	5.1	5.0	10.1	74.5	60.0	67.3	3.8	3.0	6.8
- Counterparty risk	36.2	4.4	5.7	10.1	75.0	43.9	57.4	3.3	2.5	5.8
- Market risk ⁽¹⁾	-	-	-	-	-	-	-	3.4	-	3.4
- Operational risk	-	-	-	-	-	-	-	0.9	-	0.9
Corporate Centre										
- Customer assets ⁽²⁾	6.5	1.2	6.0	7.2	61.5	12.6	20.6	0.7	0.8	1.5
- Counterparty Risk	2.9	-	3.7	3.7	-	8.3	8.3	-	0.3	0.3
- Eligible liquid assets ⁽³⁾	36.0	29.3	-	29.3	-	-	-	-	-	-
- Market Risk ⁽¹⁾	-	-	-	-	-	-	-	0.1	-	0.1
- Operational Risk	-	-	-	-	-	-	-	0.1	-	0.1
Intangible assets	2.3	-	-	-	-	-	-	-	-	-
Other assets⁽⁴⁾	25.5	11.1	3.2	14.3	38.4	18.5	33.9	4.2	0.5	4.7
	303.1	71.5	208.5	280.0				42.2	45.4	87.6

(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.

(5) Includes credit and counterparty credit risk.

Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

	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
	31 December 2016 £bn	31 December 2016 £bn	31 December 2016 £bn	31 December 2016 £bn	31 December 2016 £bn	31 December 2016
Central government of central banks	30.3	-	30.5	-	-	0%
Regional government or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral Development Banks	1.4	-	1.4	-	-	0%
Intentional Organisations	-	-	-	-	-	-
Institutions	3.0	0.2	4.0	0.1	0.5	13%
Corporates	12.8	5.9	12.7	2.8	17.1	110%
Retail	9.4	9.0	9.4	-	7.2	76%
Secured by mortgages on immovable property	1.1	-	1.1	-	0.7	63%
Exposures in default	0.3	-	0.3	-	0.4	124%
Higher-risk categories	-	-	-	-	-	-
Covered bonds	3.0	-	3.0	-	0.3	10%
Institutions and corporations with a short term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	-	-	0.1	-	0.3	251%
Other items	5.0	-	5.0	-	2.5	49%
Total	66.3	15.1	67.5	2.9	29.0	41%

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
	31 December 2016 £bn	30 September 2016 £bn	31 December 2016 £bn
Credit risk (excluding counterparty credit risk) (CCR)	69.2	72.3	5.5
- Of which standardised approach (SA)	27.1	28.5	2.2
- Of which foundation internal rating-based approach	8.0	8.3	0.6
- Of which advanced internal rating-based approach	34.1	35.5	2.7
- Of which equity IRB under the Simple risk-weight or the internal models approach	0.1	-	-
Counterparty credit risk	6.7	6.7	0.5
- Of which marked to market	4.6	4.8	0.4
- Of which original exposure	-	-	-
- Of which standardised approach for counterparty credit risk	-	-	-
- Of which internal model method (IMM)	-	-	-
- Of which risk exposure amount for contributions to the default fund of a CCP	0.2	0.2	0.0
- Of which CVA	1.9	1.7	0.2
Settlement risk	-	-	-
Securitisation exposures in banking book (after cap)	0.9	0.2	0.1
- Of which IRB ratings-based approach (RBA)	0.4	0.2	0.0
- Of which IRB supervisory formula approach (SFA)	-	-	-
- Of which internal assessment approach (IAA)	-	-	-
- Of which standardised approach (SA)	0.5	-	0.0
Market risk	3.5	3.0	0.3
- Of which standardised approach (SA)	0.4	0.2	0.0
- Of which internal model approach (IM)	3.1	2.8	0.2
Operational Risk	7.3	6.9	0.6
- Of which basic indicator approach	-	-	-
- Of which standardised approach	7.3	6.9	0.6
- Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustments	-	-	-
Total	87.6	89.1	7.0

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

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

	RWA £bn	Capital requirements
RWAs at 1 January	44.9	3.6
Asset size	0.5	0.0
Asset quality	0.9	0.1
Model updates	(0.9)	(0.1)
Methodology and policy	(0.3)	0.0
Acquisitions and disposals	0.0	0.0
Foreign exchange movements	0.3	0.0
Other	0.0	0.0
RWAs at 31 December	45.4	3.6

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 1 January	29.5	2.4
Asset size	0.7	0.1
Asset quality	0.8	0.1
Model updates	(0.6)	(0.0)
Methodology and policy	(1.2)	(0.1)
Acquisitions and disposals	0.0	0.0
Foreign exchange movements	0.2	0.0
Other	0.0	0.0
RWAs at 31 December	29.4	2.4

£1.5bn in methodology and policy relates to three significant risk transfer (SRT) transactions during 2016. SRT transactions are subject to re-characterisation risk.

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 2016 are also shown. This table does not include portfolios covered by the IRB approach for securitisations (£0.4bn RWAs) and IRB approach for equity exposures (£0.1bn RWAs).

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 (£25.5bn)	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 (£2.4bn)	Statistical scorecard produces a PD that is scaled to a long-run average	c.3 years	Other Retail	PD floor of 0.03%
	Bank Accounts	One Model (£1.9bn)	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 (£0.8bn)	Expert judgement rating model	Low default portfolio	Corporates	PD floor of 0.03%
	Corporate	Five Models (£9.6bn)	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 Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	PD floor of 0.03%
LGD	Residential Mortgages	One Model (£25.5bn)	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 (£2.4bn)	Regression based estimates of loss and propensity to write-off, with expert judgement where appropriate	c.3 years	Other Retail	NA
	Bank Accounts	One Model (£1.9bn)	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 (£0.8bn)	Data driven estimate of realisable value of collateral	Low default portfolio	Corporates	NA
	Corporate	Five Models (£9.6bn)	Foundation IRB	NA	Corporates	NA
	Global Models	Three Models (£4.8bn)	Combination of statistical and expert judgement models for Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	NA
EAD	Residential Mortgages	One Model (£25.5bn)	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 (£2.4bn)	Regression based model	c.3 years	Other Retail	EAD must be at least equivalent to current balance utilisation at account level
	Bank Accounts	One Model (£1.9bn)	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 (£0.8bn)	Data driven estimate	Low default portfolio	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Corporate	Five Models (£9.6bn)	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 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

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 2016

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	12,575	0.033	29	1,749	14	AAA to A-	A
2	0.160 to 0.290	1,775	0.180	41	891	50	A- to BBB	BBB+
3	0.290 to 0.530	3,444	0.424	45	2,341	68	BBB to BBB-	BBB-
4	0.530 to 0.920	1,024	0.390	20	700	68	BBB- to BB+	BB+
5	0.920 to 1.560	1,283	1.090	45	1,112	87	BB+ to BB	BB
6	1.560 to 2.700	384	1.275	20	338	88	BB to BB-	BB-
7	2.700 to 35.000	200	2.844	21	243	122	BB- to C	B-
	In default	226	-	-	15	6		
	Total	20,911			7,389	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	2,330	0.0325	45	626	27	AAA to A+	A+
4	0.045 to 0.058	1,675	0.056	46	548	32	A	A
6	0.076 to 1.000	271	0.0905	47	144	53	A to A-	A-
8	0.134 to 0.211	260	0.159	46	190	73	A- to BBB+	BBB+
9	0.211 to 0.339	24	0.267	46	12	51	BBB+ to BBB-	BBB
10	0.339 to 0.544	9	0.448	48	8	86	BBB- to BB+	BBB-
11 to 13	0.544 to 99.999	17	0.752	49	20	112	BB+ to C	BB+ to C
	In default	-	-	-	-	-		
	Total	4,586			1,548	34		

Retail mortgages

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
1	0.000 to 0.015	741	0.301	9	36	5
2	0.015 to 0.030	5,109	0.290	9	257	5
3	0.030 to 0.060	14,730	0.302	9	771	5
4	0.060 to 0.120	32,767	0.338	9	1,826	6
5	0.120 to 0.250	54,007	0.977	10	6,469	12
6	0.250 to 0.500	29,798	1.979	11	6,311	21
7	0.500 to 1.000	11,731	3.576	12	3,801	32
8	1.000 to 2.000	3,340	7.322	12	1,485	44
9	2.000 to 4.000	4,220	10.842	10	1,927	46
10	4.000 to 8.000	2,017	19.256	12	1,227	61
11	8.000 to 15.000	842	33.354	11	507	60
12	15.000 to 30.000	986	50.997	11	533	54
13	30.000 to 60.000	640	75.193	11	208	32
14	60.000 to 99.999	342	75.214	11	113	33
	In default	2,088	100.00	14	-	-
	Total	163,358			25,471	16

Qualifying revolving retail exposures

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
2	0.010 to 0.030	176	0.030	66	3	2
4	0.050 to 0.100	3,228	0.225	70	226	9
5	0.100 to 0.200	182	1.357	63	55	30
6	0.200 to 0.500	652	1.174	68	191	29
7	0.500 to 1.000	475	2.841	67	260	55
8	1.000 to 2.000	411	4.633	69	333	81
9	2.000 to 5.000	293	9.656	68	374	128
10	5.000 to 10.000	153	19.736	64	269	175
11	10.000 to 20.000	81	35.376	60	150	186
12	20.000 to 40.000	24	52.459	57	40	168
13	40.000 to 99.999	12	67.123	57	16	135
	In default	26	100.00	75	-	-
	Total	5,713			1,917	34

Other Retail

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
4	0.050 to 0.100	5	0.235	88	2	41
5	0.100 to 0.200	25	0.318	88	13	51
6	0.200 to 0.500	124	0.547	88	87	71
7	0.500 to 1.000	647	0.796	88	554	86
8	1.000 to 2.000	771	1.587	88	869	113
9	2.000 to 5.000	477	3.452	88	635	133
10	5.000 to 10.000	109	7.604	88	158	146
11	10.000 to 20.000	19	13.718	88	33	177
12	20.000 to 40.000	8	26.507	88	19	236
13	40.000 to 99.999	12	61.378	88	27	216
	In default	18	100.00	88	-	-
	Total	2,215			2,397	108

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		Risk weight	RWAs	Expected losses
		On-balance sheet amount £m	Off-balance sheet amount £m			
1	Less than 2.5 years	14	2	50	8	0
	Equal to or more than 2.5 years	800	299	70	623	4
2	Less than 2.5 years	1,888	132	70	1,516	9
	Equal to or more than 2.5 years	3,730	293	90	3,557	32
3	Less than 2.5 years	64	0	115	72	2
	Equal to or more than 2.5 years	130	1	115	146	4
4	Less than 2.5 years	18	0	250	43	2
	Equal to or more than 2.5 years	69	1	250	169	6
5	Less than 2.5 years	66	1	-	0	33
	Equal to or more than 2.5 years	85	0	-	0	43
Total	Less than 2.5 years	2,050	135	-	1,639	44
	Equal to or more than 2.5 years	4,814	594	-	4,495	89

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	17	-	370	65	5	
Total	17	-		65	5	

Significant IRB models and model performance

The residential mortgage portfolio comprised £163.4bn of balance sheet EAD at 31 December 2016 and represented 95.4% of all retail IRB EAD. 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. 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 19% in normal times to a downturn value of 27%. 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 2015 £bn	31 December 2016 £bn	Allowances at 31 December 2016 £bn	Charge for 2016 £bn
Residential Mortgages	0.9	0.8	0.3	(0.1)
Unsecured Personal Loans	0.1	0.1	0.1	0.0
Bank Accounts	0.1	0.1	0.0	0.1
Social Housing	-	-	-	-
Corporate	0.2	0.2	0.1	0.1
Global Models	-	-	-	-

Total	1.3	1.2	0.5	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.

Market risk

Movements in RWAs during 2016 were as follows:

Market risk	2016 £bn
RWAs at 1 January	2.8
Movement in risk levels ⁽¹⁾	0.6
Model updates ⁽²⁾	0.1
Methodology and policy ⁽³⁾	0
RWAs at 31 December	3.5

(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 majority of the increase in RWAs in 2016 was caused by positional changes and market movements throughout 2016. The model updates were notified to the PRA in the appropriate manner. The 31 December 2016 RWAs of £3.5bn were composed of £3.1bn using the internal model-based approach and £0.4bn using the standardised approach.

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. Four such exceptions occurred during 2016. 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 increase of RWAs in 2016 of £0.4bn was a result of a higher average three year income.

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 31 December 2016.

Country	General credit exposure		Trading book exposure		Securitisation exposure		Own funds requirement			Total	Own funds requirement weight	Counter-cyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value IRB	Of which: general credit exposures	Of which: trading book exposures	Of which: securitisation exposures			
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn		
UK	24.2	195.5	0.0	0.0	2.0	2.7	5.0	0.0	0.1	5.1	0.92	0%
Crown	1.5	1.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.2	0.04	0%
Dependencies												
United States	2.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.01	0%
Spain	0.6	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Australia	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Luxembourg	0.7	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.01	0%
Canada	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Netherlands	0.3	0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.00	0%
Ireland	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Norway	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	1.5%
Sweden	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.01	1.5%
France	0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.00	0%
Belgium	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Austria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
British Virgin Islands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Czech Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Germany	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Hong Kong	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0.625%
Iceland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Saudi Arabia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Slovakia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00	0%
Other	0.0	0.6	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.01	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.

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

	£bn
Total risk exposure	87.6
Institution specific countercyclical capital buffer rate	0.0
Institution specific countercyclical capital buffer requirement	0.0

The level of the Countercyclical Capital Buffer for Santander UK at 31 December 2016 was 0%.

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 2016 by class of exposure. 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 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 Group Holdings plc Annual Report.

Credit risk exposure

Exposure	Average		Impaired Exposures	Past due Exposures	Non performing but not past due exposures	Impairment	of which specific
	31 December 2016 £m	£m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m
Balance sheet exposures	261,339	250,791	1,452	2,273	720	989	503
Central governments or central banks	30,486	19,735	-	-	-	-	-
Public sector entities	15	13	-	-	-	-	-
Multilateral Development Banks	1,428	990	-	-	-	-	-
Institutions	8,644	8,687	-	-	-	-	-
Corporates	43,954	41,232	643	582	181	430	295
Of which Specialised Lending	7,517	7,670	-	-	-	-	-
Retail	181,812	180,134	809	1,691	539	559	208
Of which secured on residential real estate	163,359	163,658	704	1,612	497	277	158

The Exposure Measure used in the above table is Exposure at Default. For geographical areas of past due and impaired exposures, over 99% are to the UK.

Residual maturity of credit exposures

The following table outlines the credit risk exposure by maturity and class of exposure.

	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m
	< 3 months	< 1 year	1-3 years	3-5 years	> 5 years
Central governments or central banks	15,023	85	854	842	13,681
Public sector entities	-	-	151	589	688
Multilateral Development Banks	0	3	1	9	1
Institutions	3,166	399	2,236	2,277	581
Corporations	13,734	4,242	7,345	10,226	8,770
Of which specialised Lending	828	796	1,487	1,952	2,453
Retail	14,962	6,539	12,474	8,603	139,352
Of which secured on residential real estate	9,062	2,520	5,623	5,217	138,185

Credit risk exposure by country

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

	UK	Germany	France	US	Spain	Other Eurozone	Other
	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m	31 December 2016 £m
Agriculture, Forestry & Fishing	179	-	-	-	-	-	-
Construction	2,537	-	-	-	16	60	14
Financial Industry (bank and non-bank)	41,711	1,382	918	6,819	228	2,004	2,983
Real Estate (commercial)	20,584	-	-	55	11	394	101
Manufacturing	1,510	-	-	-	0	109	133
Mining & Quarrying	605	-	-	-	-	13	99
Wholesale and Retail Trade	2,171	9	-	0	0	58	97
Business Services and Other	15,190	-	-	79	2	241	13
Transport, Utilities & Storage	4,342	18	140	27	26	258	381
Retail	170,096	-	-	-	-	-	-
Other Sectors	4,016	28	0	15	16	82	169

CRR Leverage Ratio – Disclosure Template

The table below provides a reconciliation of accounting assets to Leverage Ratio exposure, and information on the composition of the principal exposure elements as at 31 December 2016. 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

	£bn
1 Total assets as per published financial statements	303,141
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	599
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')	(3,267)
4 Adjustments for derivative financial instruments	(14,666)
5 Adjustments for securities financing transactions 'SFTs'	4,356
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	15,076
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)	0
EU-6b (Adjustment for exposures excluded from the Leverage Ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7 Other adjustments	1,550
8 Total Leverage Ratio exposure	306,789

Leverage Ratio common disclosure

	Exposure £bn
<i>On-balance sheet exposures (excluding derivatives and SFTs)</i>	
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	264,941
2 (Asset amounts deducted in determining Tier 1 capital)	(3,267)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	261,674
<i>Derivative exposures</i>	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5,904
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	4,900
EU-5a Exposure determined under Original Exposure Method	0
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8 (Exempted CCP leg of client-cleared trade exposures)	0
9 Adjusted effective notional amount of written credit derivatives	0
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11 Total derivative exposures (sum of lines 4 to 10)	10,804
<i>Securities financing transaction exposures</i>	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	14,624
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,895)
14 Counterparty credit risk exposure for SFT assets	4,356
EU-14a Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15 Agent transaction exposures	0
EU-15a (Exempted CCP leg of client-cleared SFT exposure)	0
16 Total securities financing transaction exposures (sum of lines 12 to 15a)	17,085
<i>Other off-balance sheet exposures</i>	
17 Off-balance sheet exposures at gross notional amount	43,007
18 (Adjustments for conversion to credit equivalent amounts)	(27,931)
19 Other off-balance sheet exposures (sum of lines 17 to 18)	15,076
<i>Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)</i>	
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))	599
EU-19b (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	1,550
Capital and total exposures	
20 Tier 1 capital (CRD IV end point)	11,751
21 Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	306,789
Leverage Ratio	
22 Leverage Ratio	3.83%
Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23 Choice on transitional arrangements for the definition of the capital measure	0
EU-24 Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0

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 31 December 2016. 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	14,289	1,787	0
Subordinated Liabilities	0	479	3,824
Less 8.963% Subordinated notes 2030 (US\$1,000m)		(126)	
Add US\$1,000m Non-Cumulative Trust Preferred Securities		126	
CRD IV Adjustments			
Additional value adjustments	(105)	0	0
Intangible Assets (net of related tax liability)	(2,279)	0	0
Fair value reserves related to gains or losses on cash flow hedges	(472)	0	0
Negative amounts resulting from the calculation of regulatory expected loss amounts	(690)	0	0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(66)	0	0
Deferred tax assets arising from temporary differences	(6)	0	0
Defined benefit pension fund assets	(297)	0	0
- Dividend accrual	(17)	0	0
- Deduction for minority interests	(151)	0	0
Amount excluded from Tier 2 due to transitional recognition cap	0	(233)	(869)
Total	10,206	2,033	2,955

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 31 December 2016 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.

	31 December 2016 £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	0
2 Retained Earnings	6,531	0
3 Accumulated other comprehensive income (and other reserves)	530	0
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium account subject to phase out from CET1	0	0
5 Minority interests (amount allowed in consolidated CET1)	0	0
5a Independently reviewed interim profits net of any foreseeable charge or dividend	0	0
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,121	0
Common Equity Tier 1 (CET1) Capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(105)	0
8 Intangible assets (net of related tax liability) (negative amount)	(2,279)	0
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)	0	0
11 Fair value reserves related to gains or losses on cash flow hedges	(472)	0
12 Negative amounts resulting from the calculation of expected loss amounts	(690)	0
13 Any increase in equity that results from securitised assets (negative amount)	0	0
14 Gains of losses on liabilities valued at fair value resulting from changes in own credit standing	(66)	0
15 Defined-benefit pension fund assets (negative amount)	(297)	0
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	0
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)	0	0
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)	0	0
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities	0	0

Additional Capital and Risk Management Disclosures continued

	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	0	0
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	0
20c	of which: securitisation positions (negative amount)	0	0
20d	of which: free deliveries (negative amount)	0	0
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)	(6)	0
22	Amount exceeding the 15% threshold (negative amount)	0	0
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	0	0
25	of which: deferred tax assets arising from temporary differences	0	0
25a	Losses for the current financial year (negative amount)	0	0
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	0
26	Regulatory adjustment applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0	0
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0	0
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	0
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	0
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(3,915)	0
29	Common Equity Tier 1 (CET1) capital	10,206	0
30	Capital instruments and the related share premium accounts	1,545	-
31	of which: classified as equity under applicable accounting standards	1,545	-
32	of which: classified as liabilities under applicable accounting standards	0	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	-
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	488	(488)
35	of which: instruments issued by subsidiaries subject to phase out	488	(488)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	2,033	(488)
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	
38	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)	0	
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)	0	
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 (amount above the 10% threshold net of eligible short positions) (negative amount)	0	
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)	0	
41a	Residual amounts deducted from Additional Tier 1 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	0	
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	0	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	
44	Additional Tier 1 (AT1) capital	2,033	
45	Tier 1 capital (T1 = CET1 + AT1)	12,239	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1,222	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	-
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	1,733	(667)
49	of which: instruments issued by subsidiaries subject to phase out	531	(531)
50	Credit risk adjustments	0	-
51	Tier 2 (T2) capital before regulatory adjustments	2,955	(667)
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	-	

Additional Capital and Risk Management Disclosures continued

57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	Tier 2 (T2) capital	2,955
59	Total Capital (TC = T1 + T2)	15,194
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	87,632
Capital ratio and buffers		
61	Common Equity Tier (as a percentage of total risk exposure amount)	11.6%
62	Tier 1 (as a percentage of total risk exposure amount)	14.0%
63	Total capital (as a percentage of total risk exposure amount)	17.3%
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	0.0%
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)	11.6%
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)	5
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	361
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	272
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)	0
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)	0

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 Group Holdings plc annual report in Notes 31 and 36 to the financial statements.

1	Issuer	Santander UK plc	Santander UK plc	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	XS0034981661	XS0041864512	XS0989359756	XS0133956168
3	Governing law(s) of the instrument	English	English	English	English	New York	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	Tier 2	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	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	Subordinated	Subordinated
8	Amount recognised in regulatory capital (£m)	205	198	365	40	307	0	84	1,207	10
9	Par value of instrument (£m)	200	165	270	29	196	52	71	1,131	11
9a	Issue Price of Instrument	100.432%	99.277%	175m @ 97.712% 100m @ 109.744%	99.561%	99.626%	101.715%	101.365%	99.681%	98.878%
9b	Redemption Price of Instrument	n/a	100% (call)	100% (call)	100%	100%	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	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	30/12/1991	4/02/1993	31/10/2013	14/08/2001
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	n/a	n/a	21/10/2030	26/10/2029	4/01/2017	4/01/2023	11/07/2023	14/08/2031
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	No	No	Yes	Yes	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	30/12/1996	4/01/2018	n/a	n/a
16	Subsequent call dates, if applicable	n/a	5 years	5 years	n/a	n/a	At any time	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	Fixed	Fixed
18	Coupon rate and any related index	10.0625%	7.375%	7.125%	6.5%	7.95%	11.5%	10.125%	5%	5.875%
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	Mandatory	Partially discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	Yes	No	No
22	Noncumulative or cumulative	Cumulative	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	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	No	n/a	n/a	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	n/a	n/a
26	If convertible, conversion rate	100%	n/a	n/a	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	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	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	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	Senior	Senior	Senior	Senior	Senior	Senior
36	Non-compliant transitioned features	No	Yes	Yes	No	No	No	Yes	No	No
37	If yes, specify non-compliant features		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 plc	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	Santander UK plc
2	ISIN	XS0361244311	XS0164078791	US80281LAA35 XS1291333760	US80281LAB18 XS1291352711	GB0000064393	GB0000044221	US02927AA95	XS0152838586	XS0124569566
3	Governing law(s) of the instrument	English	English	English	English	English	English	Delaware	English	English
Regulatory treatment										
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Ineligible	Tier 2	Ineligible
6	Eligible at solo/group/group&solo	Solo and Consolidated	Solo and Consolidated	Consolidated	Consolidated	Solo and Consolidated	Solo and Consolidated	Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Preferred	Preferred	Preferred	Preferred	Preferred
8	Amount recognised in regulatory capital (£m)	134	0	816	406	215	344	126	2	235
9	Par value of instrument (£m)	122	0	754	377	200	329	78	2	235
9a	Issue Price of Instrument	99.313%	99.873%	99.724%	99.412%	100m @ 101.52% 100m @ 108.935%	101.55%	100%	100%	100%
9b	Redemption Price of Instrument	100%	100%	100%	100%	n/a	n/a	100% (call)	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	Liability-amortised cost	Liability-amortised cost	Shareholders Equity
11	Original date of issuance	30/04/2008	06/03/2003	15/09/2015	15/09/2015	23/10/1995	09/06/1997	07/02/2000	09/08/2002	14/02/2001
12	Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	30/10/2023	06/03/2023	15/09/2025	15/09/2045	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	No	No	No	No	No	No	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	30/10/2018	06/03/2018	n/a	n/a	n/a	n/a	30/06/2030	09/02/2018	14/02/2026
16	Subsequent call dates, if applicable	Quarterly	5 years	n/a	n/a	n/a	n/a	Quarterly	Semi-annually	Annually
Coupons / dividends										
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed to Floating	Fixed to Floating	Fixed to Floating
18	Coupon rate and any related index	9.625%	5.25%	4.75%	5.625%	10.375%	8.625%	8.963%	6.984%	7.037%
19	Existence of a dividend stopper	No	No	No	No	Yes	Yes	Yes	Yes	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	Yes	Yes	No	No	No	No	Yes	No	Yes
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	n/a	n/a	n/a	n/a	n/a	n/a	San UK Total Capital Ratio < minimum requirement	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	Fully	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	100%	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	mandatory	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	Additional Tier 1	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	Santander UK	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	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	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	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

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
2	ISIN	XS0502105454	n/a	n/a	XS1244538523	n/a
3	Governing law(s) of the instrument	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
5	Post-transitional Basel III rules	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1
6	Eligible at solo/group/group&solo	Solo and 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
8	Amount recognised in regulatory capital (£m)	14	500	300	745	7,060
9	Par value of instrument (£m)	14	500	300	750	7,060
9a	Issue Price of Instrument	100%	100%	100%	100%	100%
9b	Redemption Price of Instrument	100% (call)	100% (call)	100% (call)	100% (call)	n/a
10	Accounting classification	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
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates and redemption amount	24/05/2019	24/06/2019	24/12/2019	24/06/2022	n/a
16	Subsequent call dates, if applicable	Annually	Quarterly	Quarterly	5 years	n/a

Coupons / dividends

17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Variable
18	Coupon rate and any related index	6.222%	6.625%	7.6%	7.375%	n/a
19	Existence of a dividend stopper	Yes	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	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
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or 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
25	If convertible, fully or partially	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
27	If convertible, mandatory or optional conversion	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
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	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
32	If write-down, full or partial	n/a	Full	Full	Full	n/a
33	If write-down, permanent or temporary	n/a	Permanent	Permanent	Permanent	n/a
34	If temporary write-down, description of write-up mechanism	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
36	Non-compliant transitioned features	Yes	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				