

Santander UK Group Holdings plc and Santander UK plc

March 2020 Additional Capital and Risk Management Disclosures

Introduction

As a significant wholly-owned subsidiary of Banco Santander, S.A., under CRD IV¹ Santander UK Group Holdings plc (the 'Company') is required to produce and publish annually a specified number of Pillar 3 disclosures rather than a complete set of Pillar 3 disclosures. In accordance with the EBA guidelines on disclosure frequency², the Company has assessed the need to publish capital-related disclosures more frequently than annually and the disclosures deemed appropriate for more frequent publication have been included in the additional capital disclosures set out in this document. All disclosures cover the consolidated Santander UK Group Holdings plc Group position.

The Company 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. This document also includes a specified number of Pillar 3 disclosures in accordance with the EBA guidelines on disclosure frequency for the Santander UK plc Group in Appendix 1, which are substantially the same as Santander UK Group Holdings plc.

The regulatory and supervisory measures to alleviate the financial stability impact of Coronavirus (Covid-19) and maintain the safety and soundness of authorised firms have been taken into account for the Santander UK Group Holdings plc capital figures. These measures are aimed to ensure the Company is able to continue to lend to households and businesses, support the real economy, and provide robust and consistent market disclosures. While activity is disrupted, substantial and substantive Government and Central Bank measures have been put in place in the UK and internationally to support businesses and households. These measures, which have been evolving rapidly and could evolve further, are expected to remain in place through the period of disruption.

Pages 2-7 cover Santander UK Holdings plc and pages 8-12 cover Santander UK plc.

Key metrics

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 March 2020 together with the previously disclosed quarter end information at 31 December 2019, 30 September 2019, 30 June 2019 and 31 March 2019. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	31 March 2020 £m	31 December 2019 £m	30 September 2019 £m	30 June 2019 £m	31 March 2019 £m
Available Capital (amounts)					
Common Equity Tier 1 (CET1) capital	10,659	10,438	10,327	10,415	10,363
Fully loaded ³ Expected Credit Loss (ECL) accounting model CET1	10,612	10,422	10,311	10,395	10,345
Tier 1 capital	13,143	13,083	12,981	12,849	12,810
Fully loaded ECL accounting model Tier 1	13,096	13,066	12,966	12,829	12,792
Total capital	15,632	15,778	15,943	15,713	15,730
Fully loaded ECL accounting model total capital	15,585	15,761	15,927	15,693	15,712
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	74,014	73,202	74,516	75,293	77,847
Fully loaded ECL accounting model total RWA	73,979	73,232	74,547	75,333	77,885
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	14.4%	14.3%	13.9%	13.8%	13.3%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	14.3%	14.2%	13.8%	13.8%	13.3%
Tier 1 ratio	17.8%	17.9%	17.4%	17.1%	16.5%
Fully loaded ECL accounting model Tier 1 ratio (%)	17.7%	17.8%	17.4%	17.0%	16.4%
Total capital ratio	21.1%	21.6%	21.4%	20.9%	20.2%
Fully loaded ECL accounting model total capital ratio (%)	21.1%	21.5%	21.4%	20.8%	20.2%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	0.02%	0.98%	0.98%	0.95%	0.95%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Total of bank CET1 specific buffer requirements (%)	2.52%	3.48%	3.48%	3.45%	3.45%
CET1 available after meeting the banks minimum capital requirements	7.38%	6.28%	5.88%	5.88%	5.36%
CRD IV leverage ratio					
Total CRD IV leverage ratio exposure measure (£bn)	298.0	295.6	293.6	301.8	297.4
CRD IV leverage ratio	4.3%	4.3%	4.3%	4.1%	4.2%
Fully loaded ECL accounting model leverage Ratio	4.3%	4.3%	4.3%	4.1%	4.2%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	42,900	41,604	44,363	47,707	43,196
Total net cash outflow	31,186	29,266	29,927	30,702	30,958
Liquidity coverage ratio (LCR)	137.6%	142.2%	148.2%	155.4%	141.9%

Key Movements

CET1 capital increased to £ 10.7bn, with favourable market-driven accounting impacts on defined benefit pension schemes and ongoing capital accretion thorough retained profits. CET1 capital ratio increased 10 bps to 14.4%.

LCR at 137.6% remains significantly above regulatory requirements.

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

² EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(20) and 433 of Regulation (EU) No 575/2013.

³ Fully loaded excludes the impact of transitional arrangements.

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

The following table summarises key metrics about Own Funds and Eligible Liabilities available, and MREL requirements applied, for the Santander UK Group Holdings plc consolidated group, the UK resolution group.

	31 March 2020 £m	31 December 2019 £m	30 September 2019 £m	30 June 2019 £m
Total Own Funds and Eligible Liabilities available	23,829	23,787	25,427	25,022
Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	23,782	23,771	25,411	25,002
Total RWA at the level of the resolution group	74,014	73,202	74,516	75,293
Total Own Funds and Eligible Liabilities as a percentage of RWA	32.2%	32.5%	34.1%	33.2%
Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	32.3%	32.5%	34.1%	33.2%
CRD IV Leverage exposure measure at the level of the resolution group	298,015	295,562	293,591	301,834
Total Own Funds and Eligible Liabilities as a percentage of CRD IV leverage exposure	8.0%	8.0%	8.7%	8.3%
Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model Basel III leverage ratio exposure measure	8.0%	8.0%	8.7%	8.3%

The TLAC requirement for Santander UK Group Holdings plc excluding capital buffers is the higher of:

- 16% of the Group's consolidated RWAs;
- 6% of the CRR leverage exposure

IFRS 9 Transitional Arrangements

The following table summarises the impact of IFRS 9 transitional arrangements on 31 March 2020 over the full allowable period.

	70%	50%	25%
	2020	2021	2022
Available Capital (amounts)			
Common Equity Tier 1 (CET1) capital	10,659	10,645	10,629
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	10,646	10,636	10,624
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,625	10,621	10,617
CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,612	10,612	10,612
Tier 1 Capital	13,143	13,130	13,113
Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,096	13,096	13,096
Total Capital	15,632	15,619	15,601
Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,585	15,585	15,585
Risk-weighted assets (amounts)			
Total risk-weighted assets (RWA)	74,014	73,956	73,968
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	74,091	74,028	74,004
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	73,902	73,907	73,943
Total RWA as if ALL IFRS 9 transitional arrangements were not applied	73,979	73,979	73,979
Capital Ratios			
Common Equity Tier 1 ratio	14.4%	14.4%	14.4%
Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	14.3%	14.3%	14.3%
Tier 1 ratio	17.8%	17.8%	17.7%
Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	17.7%	17.7%	17.7%
Total capital ratio	21.1%	21.1%	21.1%
Total Capital as if ALL IFRS 9 transitional arrangements were not applied	21.1%	21.1%	21.1%
CRD IV leverage ratio			
Leverage Ratio Total Exposure Measure	298,015	298,015	298,015
Leverage Ratio	4.3%	4.3%	4.3%
Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.3%	4.3%	4.3%

The Company is applying the IFRS 9 capital transitional arrangements set out in EU Regulation 2017/2395 that amend the Capital Requirements Regulation, including the application of paragraph 4 of the revised article 473a. Under the transitional arrangements, the Company is entitled to mitigate the effect to capital of excepted credit loss-based provisioning following the implementation of IFRS 9. The transitional arrangements last for a five year period beginning on the 1st of January 2018 with the amount capital relief available reduced each year by the transitional factor. The transitional factor is 70 percent in 2020, declining to 50 percent in 2021 and 25 percent in 2022.

The capital relief affects both the capital base and RWAs reported by the Company. The adjustment to CET1 capital is comprised of a static element and a dynamic element. The static element is based on the CET1 capital impact of the change in provision levels upon implementation of IFRS 9 (on 1st January 2018). The capital adjustments from this static element will only change over the five year transition period due to the phased reduction of the transitional factor. The dynamic element is based on the capital impact of the change in provision levels for non-credit impaired exposures from the first day of the implementation of IFRS 9. The dynamic element will change over the five year transition period and is also subject to progressive reduction over the 5 year transitional period due to the transitional factor. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk, Deferred Tax assets created upon adoption of IFRS 9 ECL-based provisioning and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Rating Based approach.

Leverage ratio

The following table summarises the Company's end point CRD IV and UK Leverage ratio at 31 March 2020 together with the previously disclosed quarter end information at 31 December 2019, 30 September 2019, 30 June 2019 and 31 March 2019. The UK Leverage ratio is consistent with the Leverage ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage ratio.

	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Common Equity Tier 1 (CET1) capital (£m)	10,659	10,438	10,327	10,415	10,363
End point Additional Tier 1 (AT1) capital (£m)	2,209	2,187	2,222	2,041	2,041
End point Tier 1 capital (£m)	12,868	12,625	12,549	12,456	12,404
Leverage Exposure CRD IV (£bn)	298.0	295.6	293.6	301.8	297.4
Leverage Exposure UK ¹ (£bn)	271.9	269.2	273.5	275.7	274.5
End point Tier 1 Leverage Ratio CRD IV	4.3%	4.3%	4.3%	4.1%	4.2%
End point Tier 1 Leverage Ratio UK ¹	4.7%	4.7%	4.6%	4.5%	4.5%
Average Tier 1 Leverage Ratio UK ¹	4.7%	4.6%	4.5%	4.5%	4.5%

UK Leverage Ratio is flat at 4.7%.

¹ Includes the impact of AT1 cap on end point AT1 capital and deductions permitted under the recommendation from the Financial Policy Committee on 25th July 2016.

Liquidity Coverage Ratio

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

	Average unweighted value		Average weighted value	
	31 March 2020 £m	31 December 2019 £m	31 March 2020 £m	31 December 2019 £m
Total high-quality liquid assets (HQLA)	45,764	46,263	45,027	45,342
CASH-OUTFLOWS				
Retail deposits and deposits from small business customers, of which:	134,186	133,649	7,865	7,820
Stable deposits	117,314	116,999	5,866	5,850
Less stable deposits	16,872	16,650	1,999	1,970
Unsecured wholesale funding	24,514	24,415	14,036	14,149
Operational deposits (all counterparties) and deposits in networks of cooperative banks				
Non-operational deposits (all counterparties)	22,702	22,449	12,224	12,183
Unsecured debt	1,812	1,966	1,812	1,966
Secured wholesale funding	12,479	12,400	412	511
Additional requirements	19,950	20,548	7,938	8,101
Outflows related to derivative exposures and other collateral requirements	5,828	5,749	5,828	5,749
Outflows related to loss of funding on debt products	168	280	168	281
Credit and liquidity facilities	13,954	14,519	1,942	2,071
Other contractual funding obligations	60	62	6	5
Other contingent funding obligations	26,480	26,022	2,073	1,974
TOTAL CASH OUTFLOWS	217,669	217,096	32,330	32,560
CASH-INFLOWS				
Secured lending (eg reverse repos)	10,221	10,826	216	278
Inflows from fully performing exposures	1,879	1,811	1,113	1,042
Other cash inflows	1,710	1,693	464	504
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) (Excess inflows from a related specialised credit institution)				
TOTAL CASH INFLOWS	13,810	14,330	1,793	1,824
Fully exempt inflows				
Inflows Subject to 90% Cap				
Inflows Subject to 75% Cap	9,705	9,297	1,793	1,824
LIQUIDITY BUFFER	-	-	45,027	45,342
TOTAL NET CASH OUTFLOWS	-	-	30,537	30,736
LIQUIDITY COVERAGE RATIO (%)	-	-	147.45	147.52
Number of data points used in calculation of averages	12	12	12	12

Key Movements

The average LCR of 147% was significantly above regulatory requirements.

RWA and Capital Requirements

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 March 2020 £bn	31 December 2019 £bn	31 March 2020 £bn ¹
Credit risk (excluding counterparty credit risk) ¹	63.3	62.3	5.1
- Of which: standardised approach (SA)	18.6	18.3	1.5
- Of which: foundation internal rating-based approach (FIRB) approach	5.6	5.4	0.4
- Of which: advanced internal rating-based approach (AIRB) approach	39.1	38.6	3.1
Counterparty credit risk (CCR) ¹	1.1	1.2	0.1
- Of which: standardised approach for counterparty credit risk	1.1	1.2	0.1
- Of which: IMM	-	-	-
- Of which: other CCR	-	-	-
Credit Valuation Adjustment (CVA)	0.4	0.3	-
Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	0.5	0.5	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book (after cap) ²	1.1	1.3	0.1
- Of which: securitisation IRB approach (SEC-IRBA)	0.2	0.3	-
- Of which: securitisation external ratings-based approach (SEC-ERBA), including external assessment approach (IAA)	0.4	0.4	-
- Of which: securitisation standardised approach (SEC-SA)	0.5	0.6	-
Market risk ¹	0.3	0.3	-
- Of which: standardised approach	0.3	0.3	-
- Of which: internal model approach (IM)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
Operational risk ¹	7.3	7.3	0.6
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Aggregate capital floor applied	-	-	-
Floor adjustment (before application of transitional cap)	-	-	-
Floor adjustment (after application of transitional cap)	-	-	-
Total ¹	74.0	73.2	5.9

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised³

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
RWAs at 31 December	46.2	3.7
Asset size	0.4	-
Asset quality	(0.3)	-
Model updates	-	-
Methodology and policy	(0.1)	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
RWAs at 31 March	46.2	3.7

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 31 December	19.1	1.5
Asset size	0.1	-
Asset quality	0.2	0.1
Model updates	-	-
Methodology and policy	0.4	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
RWAs at 31 March	19.8	1.6

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

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

³ Table excludes CVA

Credit Risk and Counterparty Risk by Risk Class

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

Standardised Approach credit risk	31 March 2020 £bn	31 December 2019 £bn	30 September 2019 £bn	30 June 2019 £bn	31 March 2019 £bn
Institutions	0.2	0.2	0.2	0.2	0.2
Corporates	7.0	6.6	7.6	8.3	11.1
Standardised Retail	7.7	7.7	8.3	8.2	8.1
Secured by Mortgages on Immovable Property	0.2	0.2	0.2	0.2	0.2
Exposures in Default	0.1	0.2	0.2	0.1	0.2
Higher-risk Categories	0.2	0.2	0.3	0.4	0.2
Covered Bonds	0.1	0.1	0.4	0.4	0.4
Equity	-	-	0.1	0.1	0.1
Securitisation Positions	0.9	1.0	-	-	-
Other	3.4	3.6	3.6	3.5	3.8
Total	19.8	19.8	20.9	21.4	24.3

IRB Approach credit risk	31 March 2020 £bn	31 December 2019 £bn	30 September 2019 £bn	30 June 2019 £bn	31 March 2019 £bn
Institutions	0.5	0.4	0.5	0.6	0.7
Corporates	12.8	12.2	11.7	12.2	13.2
IRB Retail Mortgages	28.4	28.4	27.7	27.1	26.4
IRB Qualifying Revolving Retail Exposures	1.8	1.9	1.9	1.8	1.9
Other Retail	1.9	1.9	1.8	1.9	1.9
Securitisation Positions	0.2	0.3	0.4	0.5	0.5
IRB Equity Exposures – 370% Risk Weight	0.5	0.5	0.5	0.5	0.4
Total	46.1	45.6	44.5	44.6	45.0
CVA	0.4	0.3	0.5	0.5	0.6

Appendix 1

March 2020 Additional Capital and Risk Management Disclosures for Santander UK plc Group

Introduction

As a significant wholly-owned subsidiary under CRD IV¹, Santander UK plc (RFB) is required to produce and publish annually a specified number of Pillar 3 disclosures rather than a complete set of Pillar 3 disclosures. In accordance with the EBA guidelines on disclosure frequency², the RFB has assessed the need to publish capital-related disclosures more frequently than annually, and the disclosures deemed appropriate for more frequent publication have been included in the additional capital disclosures set out in this document. All disclosures cover the consolidated RFB Group position.

The RFB Group is the consolidated Group of Santander UK plc.

Key metrics

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 March 2020, together with the previously disclosed quarter end 31 December 2019, 30 September 2019, 30 June 2019 and 31 March 2019. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	31 March 2020 £m	31 December 2019 £m	30 September 2019 £m	30 June 2019 £m	31 March 2019 £m
Available Capital (amounts)					
Common Equity Tier 1 (CET1) capital	10,657	10,419	10,316	10,394	10,357
Fully loaded ³ Expected Credit Loss (ECL) accounting model CET1	10,610	10,403	10,300	10,374	10,338
Tier 1 capital	12,937	12,862	12,759	12,637	12,600
Fully loaded ECL accounting model Tier 1	12,890	12,845	12,743	12,617	12,581
Total capital	15,566	15,787	15,947	15,788	15,736
Fully loaded ECL accounting model total capital	15,518	15,771	15,931	15,768	15,718
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	73,458	72,614	73,927	74,742	77,168
Fully loaded ECL accounting model total RWA	73,423	72,645	73,959	74,782	77,206
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	14.5%	14.3%	14.0%	13.9%	13.4%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	14.5%	14.3%	13.9%	13.9%	13.4%
Tier 1 ratio	17.6%	17.7%	17.3%	16.9%	16.3%
Fully loaded ECL accounting model Tier 1 ratio (%)	17.6%	17.7%	17.2%	16.9%	16.3%
Total capital ratio	21.2%	21.7%	21.6%	21.1%	20.4%
Fully loaded ECL accounting model total capital ratio (%)	21.1%	21.7%	21.5%	21.1%	20.4%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	0.02%	0.99%	0.99%	0.96%	0.97%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Systemic Risk Buffer requirement (%)	1.00%	1.0%	1.0%	-	-
Total of bank CET1 specific buffer requirements (%)	3.52%	4.49%	4.49%	3.46%	3.47%
CET1 available after meeting the banks minimum capital requirements (%)	6.49%	5.36%	4.97%	5.94%	5.45%
Basel III leverage ratio					
Total Basel III leverage ratio exposure measure (£bn)	290.3	288.7	287.2	295.9	291.7
Basel III leverage ratio	4.3%	4.3%	4.3%	4.1%	4.2%
Fully loaded ECL accounting model Leverage Ratio	4.3%	4.3%	4.3%	4.1%	4.1%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	42,900	41,604	44,363	47,707	43,916
Total net cash outflow	30,315	28,601	29,560	30,258	30,030
Liquidity coverage ratio (LCR)	141.5%	145.5%	150.1%	157.7%	146.2%

Key Movements

CET1 capital increased to £ 10.7bn, with favourable market-driven accounting impacts on defined benefit pension schemes and ongoing capital accretion through retained profits. CET1 capital ratio increased 20 bps to 14.5%.

LCR at 141.5% remains significantly above regulatory requirements.

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

² EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013

³ Fully loaded excludes the impact of transitional arrangements.

IFRS 9 Transitional Arrangements

The following table summarises the impact of IFRS 9 transitional arrangements on 31 March 2020 over the full allowable period.

	70%	50%	25%
	2020	2021	2022
Available Capital (amounts)			
Common Equity Tier 1 (CET1) capital	10,657	10,644	10,627
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	10,644	10,634	10,622
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,623	10,620	10,615
CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,610	10,610	10,610
Tier 1 Capital	12,937	12,924	12,907
Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	12,890	12,890	12,890
Total Capital	15,566	15,552	15,535
Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,518	15,518	15,518
Risk-weighted assets (amounts)			
Total risk-weighted assets (RWA)	73,458	73,400	73,412
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	73,535	73,472	73,448
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	73,346	73,351	73,387
Total RWA as if ALL IFRS 9 transitional arrangements were not applied	73,423	73,423	73,423
Capital Ratios			
Common Equity Tier 1 ratio	14.5%	14.5%	14.5%
Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	14.5%	14.5%	14.5%
Tier 1 ratio	17.6%	17.6%	17.6%
Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	17.6%	17.6%	17.6%
Total capital ratio	21.2%	21.2%	21.2%
Total Capital as if ALL IFRS 9 transitional arrangements were not applied	21.1%	21.1%	21.1%
CRD IV leverage ratio			
Leverage Ratio Total Exposure Measure	290,339	290,339	290,339
Leverage Ratio	4.3%	4.3%	4.3%
Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.3%	4.3%	4.3%

The RFB Group is applying the IFRS 9 capital transitional arrangements set out in EU Regulation 2017/2395 that amend the Capital Requirements Regulation, including the application of paragraph 4 of the revised article 473a. Under the transitional arrangements, the RFB Group is entitled to mitigate the effect to capital of ECL -based provisioning following the implementation of IFRS 9. The transitional arrangements last for a five year period beginning on the 1st of January 2018 with the amount of capital relief available reduced each year by the transitional factor. The transitional factor is 70 percent in 2020, declining to 50 percent in 2021 and 25 percent in 2022.

The capital relief affects both the capital base and RWAs reported by RFB Group. The adjustment to CET1 capital is comprised of a static element and a dynamic element. The static element is based on the CET1 capital impact of the change in provision levels upon implementation of IFRS 9 (on 1st January 2018). The capital adjustments from this static element will only change over the five year transition period due to the phased reduction of the transitional factor. The dynamic element is based on the capital impact of the change in provision levels for non-credit impaired exposures from the first day of the implementation of IFRS 9. The dynamic element will change over the five year transition period and is also subject to progressive reduction over the five-year transitional period due to the transitional factor. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk, Deferred Tax assets created upon adoption of IFRS 9 ECL-based provisioning and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Rating Based approach.

Leverage Ratio

The following table summarises the RFB Group's end point CRD IV and UK PRA Tier 1 Leverage ratio at 31 March 2020 together with the previously disclosed quarter end 31 December 2019, 30 September 2019, 30 June 2019 and 31 March 2019. This is consistent with the Leverage ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage ratio.

	31 March 2020	30 December 2019	30 September 2019	30 June 2019	31 March 2019
Common Equity Tier 1 (CET1) capital (£m)	10,657	10,419	10,316	10,394	10,357
End point Additional Tier 1 (AT1) capital (£m)	1,956	1,956	1,956	1,756	1,756
End point Tier 1 capital (£m)	12,613	12,375	12,272	12,150	12,113
Leverage Exposure CRD IV (£bn)	290.3	288.7	287.2	295.9	291.7
Leverage Exposure UK ¹ (£bn)	269.8	267.5	271.8	274.0	272.8
End point Tier 1 Leverage Ratio CRD IV	4.3%	4.3%	4.3%	4.1%	4.2%
End point Tier 1 Leverage Ratio UK ¹	4.7%	4.6%	4.5%	4.4%	4.4%
Average Tier 1 Leverage Ratio UK ¹	4.6%	4.6%	4.4%	4.4%	4.4%

UK Leverage Ratio increased by 10 bps to 4.7% mainly driven by the increase in Tier 1 capital through favourable market-driven accounting impacts on defined benefit pension schemes and ongoing capital accretion through retained profits.

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

Liquidity Coverage Ratio

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

	Average unweighted value		Average weighted value	
	31 March 2020 £m	31 December 2019 £m	31 March 2020 £m	31 December 2019 £m
Total high-quality liquid assets (HQLA)	46,250	46,749	45,504	45,819
CASH-OUTFLOWS				
Retail deposits and deposits from small business customers, of which:	135,628	135,092	7,949	7,904
Stable deposits	118,575	118,260	5,929	5,913
Less stable deposits	17,053	16,832	2,020	1,991
Unsecured wholesale funding	24,634	24,534	14,055	14,184
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
Non-operational deposits (all counterparties)	22,803	22,548	12,224	12,198
Unsecured debt	1,831	1,986	1,831	1,986
Secured wholesale funding	12,586	12,507	420	519
Additional requirements	19,673	20,568	7,811	8,050
Outflows related to derivative exposures and other collateral requirements	5,899	5,820	5,899	5,820
Outflows related to loss of funding on debt products	194	302	194	302
Credit and liquidity facilities	13,580	14,446	1,718	1,928
Other contractual funding obligations	60	63	6	5
Other contingent funding obligations	26,796	26,338	2,101	2,003
TOTAL CASH OUTFLOWS	219,377	219,102	32,342	32,665
CASH-INFLOWS				
Secured lending (e.g. reverse repos)	10,347	10,951	221	283
Inflows from fully performing exposures	2,308	2,213	1,354	1,266
Other cash inflows	1,793	1,775	481	521
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
(Excess inflows from a related specialised credit institution)	-	-	-	-
TOTAL CASH INFLOWS	14,448	14,939	2,056	2,070
Fully exempt inflows	-	-	-	-
Inflows Subject to 90% Cap	-	-	-	-
Inflows Subject to 75% Cap	10,277	9,841	2,056	2,070
LIQUIDITY BUFFER	-	-	45,504	45,819
TOTAL NET CASH OUTFLOWS	-	-	30,286	30,595
LIQUIDITY COVERAGE RATIO (%)	-	-	150.25	149.76
Number of data points used in calculation of averages	12	12	12	12

Key Movements

The average LCR of 150% was significantly above regulatory requirements.

RWA and Capital Requirements

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 March 2020 £bn	31 December 2019 £bn	31 March 2020 ¹ £bn
Credit risk (excluding counterparty credit risk) ¹	63.3	62.1	5.1
- Of which: standardised approach (SA)	18.6	18.2	1.5
- Of which: foundation internal rating-based (FIRB) approach	5.6	5.4	0.4
- Of which advanced internal rating-based (AIRB) approach	39.1	38.5	3.1
Counterparty credit risk (CCR) ¹	1.0	1.2	0.1
- Of which: standardised approach for counterparty credit risk	1.0	1.2	0.1
- Of which: IMM	-	-	-
- Of which: other CCR	-	-	-
Credit Valuation Adjustment (CVA)	0.4	0.3	-
Equity positions under the simple risk-weight approach and the internal model method during the five-year linear phase-in period	0.1	0.1	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book (after cap) ²	1.1	1.3	0.1
- Of which: securitisation IRB approach (SEC-IRBA)	0.2	0.3	-
- Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	0.4	0.4	-
- Of which: securitisation standardised approach (SEC-SA)	0.5	0.6	-
Market risk ¹	0.3	0.3	-
- Of which: standardised approach (SA)	0.3	0.3	-
- Of which: internal model approach (IMA)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
Operational risk ¹	7.3	7.3	0.6
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Aggregate capital floor applied	-	-	-
Floor adjustment (before application of transitional cap)	-	-	-
Floor adjustment (after application of transitional cap)	-	-	-
Total ¹	73.5	72.6	5.9

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised³

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
RWAs at 31 December	45.7	3.7
Asset size	0.4	-
Asset quality	(0.3)	-
Model updates	-	-
Methodology and policy	(0.1)	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
RWAs at 31 March	45.7	3.7

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 31 December	19.0	1.5
Asset size	0.1	-
Asset quality	0.3	0.1
Model updates	-	-
Methodology and policy	0.4	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
RWAs at 31 March	19.8	1.6

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

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

³ Table excludes CVA