Santander UK Group Holdings plc and Santander UK plc

September 2023 Additional Capital and Risk Management Disclosures

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Introduction

As a wholly-owned large subsidiary of Banco Santander, S.A., under the retained EU law version of Capital Requirements Regulation (UK CRR) Santander UK Group Holdings plc (the Company) is required to produce and publish annually a specified number of Pillar 3 disclosures. In accordance with the European Banking Authority (EBA) guidelines on disclosure frequency[1], 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 within Part 1 of this document on pages 4 to 12 cover the consolidated Santander UK Group Holdings plc group position.

The Company is the immediate parent company of Santander UK plc, a Ring Fenced Bank (RFB), and associated controlled entities and is the head of the Santander UK group for regulatory capital and leverage purposes. Part 2 of this document on pages 13-20 includes a specified number of Pillar 3 disclosures in accordance with the EBA guidelines on disclosure frequency for the Santander UK plc group, which are similar to those for the Company.

EXECUTIVE SUMMARY METRICS

£70.1bn RWA	**16.0%** CET 1 Ratio
£15.5bn Total Capital	**22.2%** Total Capital Ratio
£50.7bn HQLA	**155%** LCR Ratio

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

Part 1
Additional Capital and Risk Management Disclosures for Santander UK Group Holdings plc group

Key metrics (KM1)

The following table summarises the Company's Own Funds and key risk-based capital ratios at 30 September 2023 together with the previously disclosed quarter end information at 30 June 2023, 31 March 2023, 31 December 2022 and 30 September 2022. Further details on Risk Weighted Assets are included in the subsequent sections of this document:

		30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	11,243	11,070	10,955	10,843	11,039
2	Tier 1 capital	13,439	13,267	13,152	13,039	13,235
3	Total capital	15,545	14,634	14,618	14,500	14,753
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	70,137	71,975	71,290	71,166	71,433
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.03%	15.38%	15.37%	15.24%	15.45%
6	Tier 1 ratio (%)	19.16%	18.43%	18.45%	18.32%	18.53%
7	Total capital ratio (%)	22.16%	20.33%	20.50%	20.37%	20.65%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	3.22%	3.22%	3.22%	3.22%	2.94%
UK 7b	Additional AT1 SREP requirements (%)	1.07%	1.07%	1.07%	1.07%	0.98%
UK 7c	Additional T2 SREP requirements (%)	1.43%	1.43%	1.43%	1.43%	1.31%
UK 7d	Total SREP own funds requirements (%)	5.73%	5.72%	5.72%	5.72%	5.22%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	1.96%	0.98%	0.99%	1.00%	-
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	4.46%	3.48%	3.49%	3.50%	2.50%
UK 11a	Overall capital requirements (%)	18.19%	17.20%	17.21%	17.22%	15.72%
12	CET1 available after meeting the total SREP own funds requirements (%)	3.98%	3.13%	3.29%	3.16%	4.93%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	249.2	245.7	249.1	248.6	248.4
14	Leverage ratio excluding claims on central banks (%)	5.3%	5.3%	5.2%	5.2%	5.3%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.3%	5.3%	5.2%	5.2%	5.3%
14b	Leverage ratio including claims on central banks (%)	4.6%	4.6%	4.4%	4.4%	4.4%
14c	Average leverage ratio excluding claims on central banks (%)	5.3%	5.3%	5.3%	5.2%	5.2%
14d	Average leverage ratio including claims on central banks (%)	4.6%	4.5%	4.5%	4.4%	4.3%
14e	Countercyclical leverage ratio buffer (%)	0.3%	0.3%	0.3%	0.3%	0.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)1	50,733	49,707	49,465	48,895	51,345
UK 16a	Cash outflows – Total weighted value1	**34,402**	**33,059**	**32,009**	**31,950**	**32,511**
UK 16b	Cash inflows – Total weighted value1	1,763	1,932	1,857	1,913	1,908
16	Total net cash outflows (adjusted value) 1	32,639	31,127	30,152	30,037	30,603
17	Liquidity coverage ratio (%)1	155.44%	159.69%	164.05%	162.78%	167.76%
	Net Stable Funding Ratio					
18	Total available stable funding1	225,701	225,598	233,255	238,471	239,127
19	Total required stable funding1	168,006	166,955	172,371	174,283	180,849
20	NSFR ratio (%)1	134.34%	135.13%	135.32%	136.83%	132.22%

Key Movements

The CET1 capital ratio increased 80bps to 16.0% from December 2022. This was largely due to higher profit and RWA management. We remain strongly capitalised with significant headroom to minimum requirements. RWAs decreased with lower mortgage lending and active balance sheet management. The Overall capital requirements of 18.19% does not include the company specific Pillar 2B charge. UK leverage ratio remained broadly stable at 5.3% (2022: 5.2%). UK leverage exposure remained stable at £249.2bn (2022: £248.6bn). Total capital ratio increased to 22.2% as a result of Tier 2 issuances (2022: 20.4%).

1] Liquidity metrics is now reported for Santander UK, our Holding Company, from 1 January 2022 following adoption of CRR2 regulation.

Key metrics – Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements (KM2)

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

		30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m
1	Total Own Funds and Eligible Liabilities available	27,140	26,174	26,336	26,136	25,703
1a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	27,094	26,165	26,329	26,116	25,653
2	Total RWA at the level of the resolution group	70,137	71,975	71,290	71,166	71,433
3	Total Own Funds and Eligible Liabilities as a percentage of RWA	38.7%	36.4%	36.9%	36.7%	36.0%
3a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	38.7%	36.4%	37.0%	36.7%	36.0%
4	UK Leverage exposure measure at the level of the resolution group	249,197	245,725	249,083	248,602	248,430
5	Total Own Funds and Eligible Liabilities as a percentage of UK leverage exposure measure [1]	10.9%	10.7%	10.6%	10.5%	10.3%
5a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure [1]	10.9%	10.6%	10.6%	10.5%	10.3%
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	n/a
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as Own Funds and Eligible Liabilities, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as Own Funds and Eligible Liabilities if no cap was applied (%)	n/a	n/a	n/a	n/a	n/a

[1] The MREL requirement for Santander UK Group Holdings plc, excluding capital buffers, is 27.5% of RWAs (2*[P1+P2A]).

IFRS 9 Transitional Arrangements (IFRS9-FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2023 over the full allowable period:

		2023	2024
	IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	50%	25%
	Available Capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	11,243	11,219
	CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,243	11,219
	CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	11,196	11,196
2	CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	11,196	11,196
3	Tier 1 Capital	13,439	13,415
4	Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,392	13,392
5	Total Capital	15,545	15,521
6	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,498	15,498
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets (RWA)	70,137	70,100
	Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	70,137	70,100
	Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	70,062	70,062
8	Total RWA as if ALL IFRS 9 transitional arrangements were not applied	70,062	70,062
	Capital Ratios		
9	Common Equity Tier 1 ratio	16.03%	16.00%
10	Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.98%	15.98%
11	Tier 1 ratio	19.16%	19.14%
12	Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	19.11%	19.11%
13	Total capital ratio	22.16%	22.14%
14	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	22.12%	22.12%
	UK leverage ratio including claims on central banks		
15	Leverage Ratio Total Exposure Measure	293,052	293,052
16	Leverage Ratio	4.6%	4.6%
17	Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.6%	4.6%

The Company is applying the IFRS 9 capital transitional arrangements set out in the onshored versions of EU Regulation 2017/2395 and EU Regulation 2020/873 that amend the Capital Requirements Regulation. Under the transitional arrangements, the Company is entitled to mitigate the effect to capital of Expected Credit Loss-based provisioning following the implementation of IFRS 9. The transitional arrangements will end on 31st December 2024 with the amount of capital relief available having reduced each year by a transitional factor. The transitional factor for 2024 is 25 percent which applies to post 1 January 2020 provision movements.

The capital relief affects both the capital base and RWAs reported by the Company. The adjustment to CET1 capital is now comprised of a dynamic element only, having previously been comprised of a static element and a dynamic element. The dynamic element is based on the capital impact of the change in provision levels post 1 January 2020. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Ratings-Based approach.

Leverage Ratio

The following table summarises the Company's end point Tier 1 UK Leverage ratio as at 30 September 2023 together with the previously disclosed quarter end information at 30 June 2023, 31 March 2023, 31 December 2022 and 30 September 2022. 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.

	30 September 2023	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Common Equity Tier 1 (CET1) capital (£m)	11,243	11,070	10,955	10,843	11,039
End point Additional Tier 1 (AT1) capital (£m)	2,024	1,997	2,024	2,020	2,018
End point Tier 1 capital (£m)	13,267	13,067	12,979	12,863	13,057
Leverage Exposure UK (£bn) (including claims on central banks)	293.1	290.4	297.2	297.8	299.2
Leverage Exposure UK[1] (£bn) (excluding claims on central banks)	249.2	245.7	249.1	248.6	248.4
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.6%	4.6%	4.4%	4.4%	4.4%
End point Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.3%	5.3%	5.2%	5.2%	5.3%
Average Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.3%	5.3%	5.3%	5.2%	5.2%

The UK leverage ratio remained broadly stable at 5.3%. UK leverage exposure remained stable at £249.2bn (2022: £248.6bn).

[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 (LIQ1)

This table shows HoldCo Group's 12-month average LCR. The values presented below are the simple average of the preceding monthly periods ending on the reporting date as specified in the table:

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m
UK-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					50,224	50,633	50,549	50,846
	CASH-OUTFLOWS								
2	**Retail deposits and deposits from small business customers, of which:**	**149,966**	**150,488**	**150,720**	**150,733**	**9,305**	**9,363**	**9,394**	**9,408**
3	Stable deposits	123,469	123,933	124,211	124,267	6,173	6,197	6,211	6,213
4	Less stable deposits	26,497	26,555	26,509	26,466	3,132	3,166	3,183	3,195
5	**Unsecured wholesale funding**	**26,506**	**26,531**	**26,574**	**26,484**	**14,564**	**14,291**	**14,048**	**13,734**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,962	2,030	2,105	2,151	365	381	398	409
7	Non-operational deposits (all counterparties)	22,797	22,762	22,775	22,862	12,452	12,171	11,956	11,854
8	Unsecured debt	1,747	1,739	1,694	1,471	1,747	1,739	1,694	1,471
9	**Secured wholesale funding**					**204**	**154**	**119**	**111**
10	**Additional requirements**	**13,862**	**13,694**	**13,487**	**13,391**	**7,199**	**6,788**	**6,397**	**6,221**
11	Outflows related to derivative exposures and other collateral requirements	5,924	5,718	5,357	5,245	5,925	5,718	5,357	5,245
12	Outflows related to loss of funding on debt products	269	200	201	131	269	200	201	131
13	Credit and liquidity facilities	7,669	7,776	7,929	8,015	1,005	870	839	845
14	**Other contractual funding obligations**	**178**	**186**	**248**	**322**	**155**	**152**	**214**	**285**
15	**Other contingent funding obligations**	**23,833**	**24,761**	**26,421**	**28,183**	**1,499**	**1,679**	**1,991**	**2,318**
16	**TOTAL CASH OUTFLOWS**					**32,926**	**32,427**	**32,163**	**32,077**
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	5,845	4,809	3,918	3,452	3	6	6	4
18	Inflows from fully performing exposures	2,394	2,409	2,397	2,375	1,573	1,568	1,548	1,543
19	Other cash inflows	2,114	2,165	2,316	2,383	513	552	730	820
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
UK-19b	(Excess inflows from a related specialised credit institution)								
20	**TOTAL CASH INFLOWS**	**10,353**	**9,383**	**8,631**	**8,210**	**2,089**	**2,126**	**2,284**	**2,367**
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	10,353	9,383	8,631	8,210	2,089	2,126	2,284	2,367
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					50,224	50,633	50,549	50,846
22	TOTAL NET CASH OUTFLOWS					30,837	30,301	29,879	29,710
23	**LIQUIDITY COVERAGE RATIO**					**162.87**	**167.10**	**169.18**	**171.14**

Qualitative information on LCR (LIQB)

Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time The LCR requirement (weighted) is broadly consistent over time, driven mainly by deposits. Corporate deposits contribute a greater requirement despite Retail deposits being significantly larger in number, as a result of the standardised LCR weightings. The 12 month average HQLA has reduced slightly in Q3 as a result of lower customer deposits and TFSME repayments . The LCR maintains a significant surplus to both internal and regulatory requirements.
Explanations on the changes in the LCR over time The 12 month average LCR of 163% reflects our strong liquidity position.
Explanations on the actual concentration of funding sources Santander UK is largely funded through customer deposits (£191bn), with the significant proportion being Retail. We also have c£59bn of wholesale funding which includes secured, unsecured term funding as well as c£19bn of TFSME Funding.
High-level description of the composition of the institution`s liquidity buffer. The liquidity buffer is largely compromised (>96%) of Level 1 assets, primarily cash held in our Bank of England Reserve Account.
Derivative exposures and potential collateral calls The main drivers of derivative exposures / potential collateral calls are the Historic Look Back Approach (HLBA) to calculating collateral requirements in the LCR and collateral outflows due to counterparties in the event of a deterioration of our own credit quality. As secured issuance volumes have been reduced as a result of our participation in the TFSME, this has in turn reduced these amounts.
Currency mismatch in the LCR We have no material mismatch in our currency LCRs, with most of the funding raised in currency swapped back to GBP and the remainder being used to fund structural currency assets.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile n/a

Overview of risk weighted exposure amounts (OV1)

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

		Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
		30 September 2023 £bn	30 June 2023 £bn	30 September 2023 £bn[1]
1	Credit risk (excluding CCR)[1]	61.3	63.6	4.9
2	Of which the standardised approach	20.5	18.9	1.6
3	Of which the foundation IRB (FIRB) approach	0.8	2.8	0.1
4	Of which slotting approach	2.9	3.6	0.2
UK 4a	Of which equities under the simple risk weighted approach	0.1	0.3	-
5	Of which the advanced IRB (AIRB) approach	37	38	3.0
6	Counterparty credit risk - CCR[1]	0.6	0.6	-
7	Of which the standardised approach	0.3	0.3	-
8	Of which internal model method (IMM)	0.2	0.2	-
UK 8a	Of which exposures to a CCP			-
UK 8b	Of which credit valuation adjustment - CVA	0.1	0.1	-
9	Of which other CCR			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)[2]	0.7	0.2	0.1
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	0.3	0.2	0.1
19	Of which SEC-SA approach	0.4		-
UK 19a	Of which 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk)[1]	0.3	0.3	0.0
21	Of which the standardised approach	0.3	0.3	0.0
22	Of which IMA			
UK 22a	Large exposures			
23	Operational risk[1]	7.2	7.2	0.6
UK 23a	Of which basic indicator approach			
UK 23b	Of which standardised approach	7.2	7.2	0.6
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	Total[1]	70.1	71.9	5.6

[1] Balances which are not visible due to rounding have been included in the total.
[2] Includes 4 Significant Risk Transfer transactions which are subject to re-characterisation risk.

RWEA flow statements of credit risk exposures under the IRB approach (CR8) and RWEA flow statements of credit risk exposures under the standardised approach[1]

RWEA flow statements of credit risk exposures under IRB approach (CR8)

		RWEA £bn	Capital requirements
1	Risk weighted exposure amount as at 30 June	44.9	3.6
2	Asset size	(2.1)	(0.2)
3	Asset quality	(1.1)	(0.1)
4	Model updates	-	-
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	(0.7)	(0.1)
9	Risk weighted exposure amount as at 30 September	41.0	3.2

RWEA flow statements of credit risk exposures under standardised approach

		RWEA £bn	Capital requirements
1	Risk weighted exposure amount as at 30 June	19.4	1.6
2	Asset size	1.2	0.1
3	Asset quality	0.1	-
4	Model updates	-	-
5	Methodology and policy	0.3	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	0.5	-
9	Risk weighted exposure amount as at 30 September	21.5	1.7

Movements in asset size are driven by reclassification of two corporate models from IRB to Standardised, lower mortgage lending and active balance sheet management. Asset quality is primarily driven by reductions in average mortgage transformation ratios. The methodology and policy value in the Standardised flow statement represents a capital charge to ensure reclassification of models remained capital neutral. The other item relates to optimisation of the portfolio through securitisation activity.

1 Table excludes CVA

Credit Risk and Counterparty Risk by Risk Class

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

Standardised Approach credit risk	30 September 2023 £bn	30 June 2023 £bn	31 March 2023 £bn	31 December 2022 £bn	30 September 2022 £bn
Institutions	0.2	0.2	0.2	0.2	0.2
Corporates	6.6	6.0	5.9	5.8	6.0
Standardised Retail	7.8	7.6	7.3	7.1	7.5
Secured by Mortgages on Immovable Property	0.5	0.5	0.5	0.5	0.4
Exposures in Default	0.3	0.2	0.2	0.3	0.2
Higher-risk Categories	-	-	-	-	-
Covered Bonds	0.3	0.3	0.2	0.2	0.2
Equity	-	-	-	-	-
Securitisation Positions	0.7	0.2	0.3	0.3	0.2
Other	5.1	4.4	4.5	4.5	4.0
Total	21.5	19.4	19.1	18.9	18.7

IRB Approach credit risk	30 September 2023 £bn	30 June 2023 £bn	31 March 2023 £bn	31 December 2022 £bn	30 September 2022 £bn
Institutions	0.2	0.0	0.2	0.2	0.2
Corporates	5.4	8.3	8.0	7.9	8.0
IRB Retail Mortgages	31.7	32.7	32.8	32.9	33.6
IRB Qualifying Revolving Retail Exposures	1.8	1.8	1.8	1.8	1.8
Other Retail	1.8	1.7	1.7	1.7	1.8
Securitisation Positions	-	0.1	-	0.1	-
IRB Equity Exposures – 370% Risk Weight	0.1	0.3	0.1	-	0.1
Total	41.0	44.9	44.6	44.6	45.5
CVA	0.1	0.1	0.1	0.2	0.2

Part 2

September 2023 Additional Capital and Risk Management Disclosures for Santander UK plc Group

Introduction

As a wholly-owned large subsidiary under UK CRR, Santander UK plc (the 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 frequency[1], 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.

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

Key metrics (KM1)

The following table summarises the RFB Group's Own Funds and key risk-based capital ratios at 30 September 2023, together with the previously disclosed quarter end information at 30 June 2023, 31 March 2023, 31 December 2022 and 30 September 2022. Further detail on Risk Weighted Assets are included in the subsequent sections of this document:

		30 September 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	11,164	10,992	10,906	10,799	11,006
2	Tier 1 capital	13,120	12,948	12,863	12,755	12,962
3	Total capital	15,312	14,395	14,402	14,303	14,661
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	69,041	70,682	70,173	70,089	70,291
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.17%	15.55%	15.54%	15.41%	15.66%
6	Tier 1 ratio (%)	19.00%	18.32%	18.33%	18.20%	18.44%
7	Total capital ratio (%)	22.18%	20.37%	20.52%	20.41%	20.86%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	3.20%	3.19%	3.19%	3.19%	2.90%
UK 7b	Additional AT1 SREP requirements (%)	1.07%	1.06%	1.06%	1.06%	0.97%
UK 7c	Additional T2 SREP requirements (%)	1.42%	1.42%	1.42%	1.42%	1.29%
UK 7d	Total SREP own funds requirements (%)	5.68%	5.67%	5.68%	5.68%	5.15%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	1.97%	0.99%	0.99%	1.00%	-
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	1.37%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	5.84%	4.49%	4.49%	4.50%	3.50%
UK 11a	Overall capital requirements (%)	19.53%	18.16%	18.17%	18.17%	16.65%
12	CET1 available after meeting the total SREP own funds requirements (%)	2.65%	2.20%	2.35%	2.23%	4.21%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	244.9	241.2	244.5	244	243.8
14	Leverage ratio excluding claims on central banks (%)	5.4%	5.4%	5.3%	5.2%	5.3%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.4%	5.4%	5.3%	5.2%	5.3%
14b	Leverage ratio including claims on central banks (%)	4.6%	4.6%	4.4%	4.4%	4.4%
14c	Average leverage ratio excluding claims on central banks (%)	5.4%	5.3%	5.4%	5.3%	5.2%
14d	Average leverage ratio including claims on central banks (%)	4.7%	4.5%	4.5%	4.4%	4.3%
14e	Countercyclical leverage ratio buffer (%)	0.3%	0.3%	0.3%	0.3%	0.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	48,605	46,525	46,453	46,160	48,751
UK 16a	Cash outflows – Total weighted value	**33,638**	**32,208**	**31,613**	**31,345**	**31,206**
UK 16b	Cash inflows – Total weighted value	1,786	1,916	1,841	1,897	1,886
16	Total net cash outflows (adjusted value)	31,852	30,292	29,772	29,448	29,320
17	Liquidity coverage ratio (%)	152.60%	153.59%	156.03%	156.75%	166.28%
	Net Stable Funding Ratio					
18	Total available stable funding	221,866	221,377	228,202	233,408	234,204
19	Total required stable funding	165,205	163,799	168,786	170,615	177,128
20	NSFR ratio (%)	134.30%	135.15%	135.20%	136.80%	132.22%

Key Movements

The CET1 capital ratio increased 80bps to 16.2% from December 2022. This was largely due to higher profit and RWA management. We remain strongly capitalised with significant headroom to minimum requirements. RWAs decreased with lower mortgage lending and active balance sheet management. UK leverage ratio remained broadly stable at 5.4% (2022: 5.2%). UK leverage exposure remained stable at £244.9bn (2022: £244.0bn). Total capital ratio increased to 22.2% as a result of Tier 2 issuances (2022: 20.4%).

IFRS 9 Transitional Arrangements (IFRS9 – FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2023 over the full allowable period:

		2023	2024
	IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	50%	25%
	Available Capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	11,164	11,141
	CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,164	11,141
	CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	11,118	11,118
2	CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	11,118	11,118
3	Tier 1 Capital	13,120	13,097
4	Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,074	13,074
5	Total Capital	15,312	15,289
6	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,266	15,266
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets (RWA)	69,041	69,004
	Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	69,041	69,004
	Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	68,966	68,966
8	Total RWA as if ALL IFRS 9 transitional arrangements were not applied	68,966	68,966
	Capital Ratios		
9	Common Equity Tier 1 ratio	16.17%	16.15%
10	Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	16.12%	16.12%
11	Tier 1 ratio	19.00%	18.98%
12	Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.96%	18.96%
13	Total capital ratio	22.18%	22.16%
14	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	22.14%	22.14%
	UK leverage ratio including claims on central banks		
15	Leverage Ratio Total Exposure Measure	286,875	286,875
16	Leverage Ratio	4.6%	4.6%
17	Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.6%	4.6%

The RFB group is applying the IFRS 9 capital transitional arrangements set out in the onshored versions of EU 2017/2395 and EU Regulation 2020/873 that amend the Capital Requirements Regulation. Under the transitional arrangements, the Company is entitled to mitigate the effect to capital of Expected Credit Loss-based provisioning following the implementation of IFRS 9. The transitional arrangements will end on 31st December 2024 with the amount of capital relief available having reduced each year by a transitional factor. The transitional factor for 2024 is 25 percent which applies to post 1 January 2020 provision movements.

The capital relief affects both the capital base and RWAs reported by RFB group. The adjustment to CET1 capital is now comprised of a dynamic element only, having previously been comprised of a static element and a dynamic element. The dynamic element is based on the capital impact of the change in provision levels post 1 January 2020. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Ratings-Based approach.

Leverage Ratio

The following table summarises the RFB group's end point Tier 1 UK Leverage ratio at 30 September 2023 together with the previously disclosed quarter end information at 30 June 2023, 31 March 2023, 31 December 2022 and 30 September 2022. This is consistent with the Leverage ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage ratio:

	30 September 2023	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Common Equity Tier 1 (CET1) capital (£m)	11,164	10,992	10,906	10,799	11,006
End point Additional Tier 1 (AT1) capital (£m)	1,957	1,956	1,957	1,957	1,956
End point Tier 1 capital (£m)	13,121	12,948	12,863	12,756	12,962
Leverage Exposure UK (£bn) (including claims on central banks)	286.9	283.0	289.9	290.8	292.2
Leverage Exposure UK[1] (£bn) (excluding claims on central banks)	244.9	241.2	244.5	244.0	243.8
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.6%	4.6%	4.4%	4.4%	4.4%
End point Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.4%	5.4%	5.3%	5.2%	5.3%
Average Tier 1 Leverage Ratio UK[1] (excl. claims on central banks)	5.4%	5.3%	5.4%	5.3%	5.2%

UK leverage ratio remained broadly stable at 5.4% (2022: 5.2%). UK leverage exposure remained stable at £244.9bn (2022: £244.0bn).

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

Liquidity Coverage Ratio (LIQ1)

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

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	30 Septmber 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 Septmber 2023 £m	30 June 2023 £m	31 March 2023 £m	31 December 2022 £m
UK-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					47,252	47,648	47,793	48,243
	CASH-OUTFLOWS								
2	**Retail deposits and deposits from small business customers, of which:**	**149,020**	**149,409**	**149,505**	**149,428**	**9,131**	**9,168**	**9,180**	**9,159**
3	Stable deposits	123,741	124,205	124,482	124,849	6,187	6,210	6,224	6,243
4	Less stable deposits	25,279	25,204	25,023	24,579	2,944	2,958	2,956	2,916
5	**Unsecured wholesale funding**	**25,974**	**25,915**	**25,884**	**25,617**	**14,262**	**13,903**	13,603	**13,171**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,968	2,035	2,110	2,099	366	382	399	397
7	Non-operational deposits (all counterparties)	22,322	22,157	22,131	21,999	12,212	11,798	11,561	11,255
8	Unsecured debt	1,684	1,723	1,643	1,519	1,684	1,723	1,643	1,519
9	**Secured wholesale funding**					**200**	**150**	**116**	**100**
10	**Additional requirements**	**13,762**	**13,575**	**13,238**	**12,985**	**7,085**	**6,655**	**6,135**	**5,827**
11	Outflows related to derivative exposures and other collateral requirements	5,465	5,240	4,850	4,706	5,465	5,240	4,850	4,706
12	Outflows related to loss of funding on debt products	269	200	200	185	269	200	200	185
13	Credit and liquidity facilities	8,028	8,135	8,188	8,094	1,351	1,215	1,085	936
14	**Other contractual funding obligations**	**183**	**190**	**253**	**252**	**156**	**153**	**215**	**215**
15	**Other contingent funding obligations**	**23,321**	**24,449**	**25,278**	**28,063**	**1,405**	**1,585**	**1,897**	**2,280**
16	**TOTAL CASH OUTFLOWS**					**32,239**	**31,614**	**31,146**	**30,752**
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	5,823	4,787	3,897	3,357	3	6	6	3
18	Inflows from fully performing exposures	2,376	2,390	2,381	2,302	1,563	1,556	1,537	1,479
19	Other cash inflows	2,113	2,160	2,308	2,366	510	545	720	842
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
UK-19b	(Excess inflows from a related specialised credit institution)								
20	**TOTAL CASH INFLOWS**	**10,312**	**9,337**	**8,586**	**8,025**	**2,076**	**2,107**	**2,263**	**2,324**
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	10,312	9,337	8,586	8,025	2,076	2,107	2,263	2,324
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					47,252	47,648	47,793	48,243
22	TOTAL NET CASH OUTFLOWS					30,163	29,507	28,883	28,428
23	**LIQUIDITY COVERAGE RATIO**					**156.66**	**161.48**	**165.47**	**169.7**

Qualitative information on LCR (LIQB)

Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time The LCR requirement (weighted) is broadly consistent over time, driven mainly by deposits. Corporate deposits contribute a greater requirement despite Retail deposits being significantly larger in number, as a result of the standardised LCR weightings. The 12 month average HQLA has reduced slightly in Q3 as a result of lower customer deposits and TFSME repayments. The LCR maintains a significant surplus to both internal and regulatory requirements.
Explanations on the changes in the LCR over time The 12 month average LCR of 157% reflects our strong liquidity position.
Explanations on the actual concentration of funding sources Santander UK is largely funded through customer deposits (£185bn), with the significant proportion being Retail. We also have c£59bn of wholesale funding which includes secured, unsecured term funding as well as c£19bn of TFSME Funding.
High-level description of the composition of the institution`s liquidity buffer. The liquidity buffer is largely compromised (>96%) of Level 1 assets, primarily cash held in our Bank of England Reserve Account.
Derivative exposures and potential collateral calls The main drivers of derivative exposures / potential collateral calls are the Historic Look Back Approach (HLBA) to calculating collateral requirements in the LCR and collateral outflows due to counterparties in the event of a deterioration of our own credit quality. As secured issuance volumes have been reduced as a result of our participation in the TFSME, this has in turn reduced these amounts.
Currency mismatch in the LCR We have no material mismatch in our currency LCRs, with most of the funding raised in currency swapped back to GBP and the remainder being used to fund structural currency assets.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile n/a

RWA and Capital Requirements

Overview of risk weighted exposure amounts (OV1)

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

		Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
		30 September 2023 £bn	30 June 2023 £bn	30 September 2023 £bn[1]
1	Credit risk (excluding CCR) [1]	60.4	62.4	4.9
2	Of which the standardised approach	20.1	18.4	1.7
3	Of which the foundation IRB (FIRB) approach	0.8	2.8	0.1
4	Of which slotting approach	2.9	3.7	0.2
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach	36.6	37.5	2.9
6	Counterparty credit risk - CCR [1]	0.5	0.6	-
7	Of which the standardised approach	0.2	0.3	-
8	Of which internal model method (IMM)	0.2	0.2	-
UK 8a	Of which exposures to a CCP	-	-	-
UK 8b	Of which credit valuation adjustment - CVA	0.1	0.1	-
9	Of which other CCR			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap) [2]	0.7	0.2	0.1
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	0.3	0.2	0.1
19	Of which SEC-SA approach	0.4		-
UK 19a	Of which 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk) [1]	0.3	0.3	0.0
21	Of which the standardised approach	0.3	0.3	-
22	Of which IMA			
UK 22a	Large exposures			
23	Operational risk [1]	7.1	7.1	0.6
UK 23a	Of which basic indicator approach			
UK 23b	Of which standardised approach	7.1	7.1	0.6
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	Total[1]	69.0	70.6	5.5

[1] Balances which are not visible due to rounding have been included in the total.
[2] Includes 4 Significant Risk Transfer transactions which are subject to re-characterisation risk.

RWEA flow statements of credit risk exposures under the IRB approach (CR8) and RWEA flow statements of credit risk exposures under the standardised approach [1]

RWEA flow statements of credit risk exposures under IRB approach (CR8)

		RWEA £bn	Capital requirements
1	Risk weighted exposure amount as at 30 June	44.2	3.5
2	Asset size	(1.9)	(0.1)
3	Asset quality	(1.1)	(0.1)
4	Model updates	-	-
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	(0.7)	(0.1)
9	Risk weighted exposure amount as at 30 September	40.5	3.2

RWEA flow statements of credit risk exposures under standardised approach

		RWEA £bn	Capital requirements
1	Risk weighted exposure amount as at 30 June	18.9	1.5
2	Asset size	1.2	0.1
3	Asset quality	0.1	-
4	Model updates	-	-
5	Methodology and policy	0.3	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	-	-
8	Other	0.5	-
9	Risk weighted exposure amount as at 30 September	21.0	1.6

Movements in asset size are driven by reclassification of two corporate models from IRB to Standardised, lower mortgage lending and active balance sheet management. Asset quality is primarily driven by reductions in average mortgage transformation ratios. The methodology and policy value in the Standardised flow statement represents a capital charge to ensure reclassification of models remained capital neutral. The other item relates to optimisation of the portfolio through securitisation activity.

1 Table excludes CVA.