

Santander UK Group Holdings plc and Santander UK plc

September 2019 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 is the immediate parent company of Santander UK plc. 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.

Pages 2-7 cover Santander UK Holdings plc and pages 8-11 cover Santander UK plc.

Key metrics

The following table summarises the company's Own Funds and key risk-based capital ratios at 30 September 2019, 30 June 2019, 31 March 2019, 31 December 2018 and 30 September 2018. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	30 September 2019 £m	30 June 2019 £m	31 March 2019 £m	31 December 2018 £m	30 September 2018 £m
Available Capital (amounts)					
Common Equity Tier 1 (CET1) capital	10,327	10,415	10,363	10,401	10,327
Fully loaded ³ Expected Credit Loss (ECL) accounting model CET1	10,311	10,395	10,345	10,380	10,305
Tier 1 capital	12,981	12,849	12,810	12,767	12,696
Fully loaded ECL accounting model Tier 1	12,966	12,829	12,792	12,746	12,674
Total capital	15,943	15,713	15,730	15,038	14,901
Fully loaded ECL accounting model total capital	15,927	15,693	15,712	15,017	14,879
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	74,516	75,293	77,847	78,780	78,792
Fully loaded ECL accounting model total RWA	74,547	75,333	77,885	78,836	78,849
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	13.9%	13.8%	13.3%	13.2%	13.1%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	13.8%	13.8%	13.3%	13.2%	13.1%
Tier 1 ratio	17.4%	17.1%	16.5%	16.2%	16.1%
Fully loaded ECL accounting model Tier 1 ratio (%)	17.4%	17.0%	16.4%	16.2%	16.1%
Total capital ratio	21.4%	20.9%	20.2%	19.1%	18.9%
Fully loaded ECL accounting model total capital ratio (%)	21.4%	20.8%	20.2%	19.0%	18.9%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	1.88%	1.88%
Countercyclical buffer requirement (%)	0.98%	0.95%	0.95%	0.96%	0.48%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Total of bank CET1 specific buffer requirements (%)	3.48%	3.45%	3.45%	2.84%	2.36%
CET1 available after meeting the banks minimum capital requirements (%)	5.88%	5.88%	5.36%	5.87%	6.25%
CRD IV Leverage ratio					
Total CRD IV leverage ratio exposure measure	293.6	301.8	297.4	300.3	306.2
CRD IV leverage ratio	4.3%	4.1%	4.2%	4.1%	4.0%
Fully loaded ECL accounting model Leverage Ratio	4.3%	4.1%	4.2%	4.1%	4.0%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	44,363	47,707	43,196	52,982	50,404
Total net cash outflow	29,927	30,702	30,958	32,391	34,539
Liquidity coverage ratio (LCR)	148.2%	155.4%	141.9%	163.6%	145.9%

Key Movements

CET1 capital ratio increased by 60bps to 13.9%; reaching our end-state capital position through capital accretion and active RWA management.

Prudent liquidity and funding position has been maintained with an LCR of 148%.

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.

	30 September 2019 £m	30 June 2019 £m
Total Own Funds and Eligible Liabilities available	25,416	25,173
Total RWA at the level of the resolution group	74,516	75,293
Total Own Funds and Eligible Liabilities as a percentage of RWA	34.1%	33.4%
CRD IV Leverage exposure measure at the level of the resolution group	293,591	302,975
Total Own Funds and Eligible Liabilities as a percentage of CRD IV leverage exposure measure	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 30 September 2019 over the full allowable period.

	85%	70%	50%	25%
	2019	2020	2021	2022
Available Capital (amounts)				
Common Equity Tier 1 (CET1) capital	10,327	10,323	10,320	10,316
CET1 capital as if IFRS 9 STATIC transitional arrangements were not applied	10,310	10,310	10,311	10,311
CET1 capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,328	10,324	10,320	10,316
CET1 capital as if ALL IFRS 9 transitional arrangements were not applied	10,311	10,311	10,311	10,311
Tier 1 capital	12,981	12,978	12,975	12,970
Tier 1 capital as if ALL IFRS 9 transitional arrangements were not applied	12,966	12,966	12,966	12,966
Total capital	15,943	15,940	15,936	15,932
Total capital as if ALL IFRS 9 transitional arrangements were not applied	15,927	15,927	15,927	15,927
Risk-weighted assets (amounts)				
Total risk-weighted assets (RWA)	74,516	74,516	74,524	74,536
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	74,639	74,616	74,596	74,572
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	74,424	74,447	74,475	74,511
Total RWA as if ALL IFRS 9 transitional arrangements were not applied	74,547	74,547	74,547	74,547
Capital Ratios				
Common Equity Tier 1 ratio	13.9%	13.9%	13.9%	13.8%
Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	13.8%	13.8%	13.8%	13.8%
Tier 1 ratio	17.4%	17.4%	17.4%	17.4%
Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	17.4%	17.4%	17.4%	17.4%
Total capital ratio	21.4%	21.4%	21.4%	21.4%
Total capital as if ALL IFRS 9 transitional arrangements were not applied	21.4%	21.4%	21.4%	21.4%
CRD IV leverage ratio				
Leverage ratio total exposure measure	293,591	293,591	293,591	293,591
Leverage ratio	4.3%	4.3%	4.3%	4.3%
Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.3%	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 85 percent in 2019, declining to 70 percent in 2020, 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 30 September 2019 together with the previously disclosed quarter end information at 30 June 2019, 31 March 2019, 31 December 2018, and 30 September 2018. 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 2019 £m	30 June 2019 £m	31 March 2019 £m	31 December 2018 £m	30 September 2018 £m
Common Equity Tier 1 (CET1) capital	10,327	10,415	10,363	10,401	10,327
End Point Additional Tier 1 (AT1) capital	2,241	2,041	2,041	2,041	2,041
End Point Tier 1 capital	12,568	12,456	12,404	12,442	12,368
Leverage Exposure CRD IV (£bn)	293.6	301.8	297.4	300.3	306.2
Leverage Exposure UK Leverage Ratio ¹ (£bn)	273.5	275.7	274.5	275.6	279.0
End Point Tier 1 Leverage Ratio CRD IV	4.3%	4.1%	4.2%	4.1%	4.0%
End Point Tier 1 Leverage Ratio UK Leverage Ratio ¹	4.6%	4.5%	4.5%	4.5%	4.4%
Average Tier 1 Leverage Ratio UK Leverage Ratio ¹	4.5%	4.5%	4.5%	4.4%	4.3%

UK Leverage ratio increased by 10 bps to 4.6% due to a decrease in Leverage exposure.

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	
	30 September 2019 £m	30 June 2019 £m	30 September 2019 £m	30 June 2019 £m
Total high-quality liquid assets (HQLA)	48,618	49,686	47,473	48,001
CASH-OUTFLOWS				
Retail deposits and deposits from small business customers, of which:	133,562	133,846	7,823	7,861
Stable deposits	116,784	116,767	5,839	5,838
Less stable deposits	16,778	17,079	1,984	2,023
Unsecured wholesale funding	24,393	24,539	14,308	14,650
Operational deposits (all counterparties) and deposits in networks of cooperative banks				
Non-operational deposits (all counterparties)	22,339	22,379	12,254	12,490
Unsecured debt	2,054	2,160	2,054	2,160
Secured wholesale funding	11,802	13,178	667	708
Additional requirements	21,412	22,096	8485	8,649
Outflows related to derivative exposures and other collateral requirements	5,937	6,048	5937	6,048
Outflows related to loss of funding on debt products	330	242	330	242
Credit and liquidity facilities	15,145	15,806	2,218	2,359
Other contractual funding obligations	131	307	71	247
Other contingent funding obligations	25,463	25,006	1,909	1,886
TOTAL CASH OUTFLOWS	216,763	218,972	33,263	34,001
CASH-INFLOWS				
Secured lending (e.g. reverse repos)	12,508	13,039	381	400
Inflows from fully performing exposures	1,879	1,905	1,109	1,135
Other cash inflows	1,737	1,670	548	499
(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	16,124	16,614	2,038	2,034
Fully exempt inflows				
Inflows Subject to 90% Cap				
Inflows Subject to 75% Cap	10,064	10,735	2,038	2,034
LIQUIDITY BUFFER	-	-	47,473	48,001
TOTAL NET CASH OUTFLOWS	-	-	31,227	31,972
LIQUIDITY COVERAGE RATIO (%)	-	-	152.03%	150.13%
Number of data points used in calculation of averages	12	12	12	12

Key Movements

We continue to maintain high levels of liquidity to ensure we are well prepared for potential Brexit uncertainty.

The RFB DoLSub LCR and LCR eligible liquidity pool both decreased following the transfer of our Isle of Man and Jersey businesses (Crown Dependencies) into SFS as part of ring-fencing implementation.

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 percent.

	RWA		Minimum capital requirements
	30 September 2019	30 June 2019	30 September 2019
	£bn	£bn	£bn ¹
Credit risk (excluding counterparty credit risk) ¹	63.1	63.7	5.0
- Of which: standardised approach (SA)	20.4	20.9	1.6
- Of which: foundation internal rating-based (FIRB) approach	4.7	5.1	0.4
- Of which: advanced internal rating-based (AIRB) approach	38.0	37.7	3.0
Counterparty credit risk (CCR) ¹	1.3	1.3	0.1
- Of which: standardised approach for counterparty credit risk	1.3	1.3	0.1
- Of which: IMM	-	-	-
- Of which: other CCR	-	-	-
Credit Valuation Adjustment (CVA)	0.5	0.5	-
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	1.2	1.4	0.1
- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.1	-
- Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	0.7	0.9	0.1
- Of which: securitisation standardised approach (SEC-SA)	0.4	0.4	-
Market risk ¹	0.3	0.3	-
- Of which: standardised approach	0.3	0.3	-
- Of which: internal model approach (IMA)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
Operational Risk ¹	7.6	7.6	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	74.5	75.3	6.0

RWA Flow Statements of Credit Risk Exposures under IRB and RWA Flow Statements of Credit Risk Exposures under Standardised³

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
RWAs at 1 July 2019	45.1	3.6
Asset size	0.3	-
Asset quality	(0.2)	-
Model updates	-	-
Methodology and policy	(0.2)	-
Foreign exchange movements	-	-
RWAs at 30 September 2019	45.0	3.6

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 1 July 2019	21.8	1.7
Asset size	(0.1)	-
Asset quality	-	-
Model updates	-	-
Methodology and policy	(0.5)	-
Foreign exchange movements	-	-
RWAs at 30 September 2019	21.2	1.7

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

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

³ Table excludes CVA

Credit Risk 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.

	30 September 2019 £m	30 June 2019 £m	31 March 2019 £bn	31 December 2018 £bn	30 September 2018 £bn
Standardised Approach credit risk					
Institutions	0.2	0.2	0.2	0.2	0.5
Corporates	7.6	8.3	11.1	11.2	11.0
Standardised Retail	8.3	8.2	8.1	7.3	7.3
Secured by Mortgages on Immovable Property	0.2	0.2	0.2	0.6	0.6
Exposures in Default	0.2	0.1	0.2	0.2	0.2
Higher-risk Categories	0.3	0.4	0.2	0.2	0.2
Covered Bonds	0.4	0.4	0.4	0.4	0.4
Equity	0.1	0.1	0.1	0.1	0.1
Securitisation Positions	-	-	-	-	0.1
Other	3.6	3.5	3.8	4.1	2.9
Total	20.9	21.4	24.3	24.3	23.3

	30 September 2019 £m	30 June 2019 £m	31 March 2019 £bn	31 December 2018 £bn	30 September 2018 £bn
IRB Approach credit risk					
Institutions	0.5	0.6	0.7	0.9	1.2
Corporates	11.7	12.2	13.2	13.4	13.9
IRB Retail Mortgages	27.7	27.1	26.4	25.8	25.9
IRB Qualifying Revolving Retail Exposures	1.9	1.8	1.9	1.9	1.8
Other Retail	1.8	1.9	1.9	1.9	1.9
Securitisation Positions	0.4	0.5	0.5	0.6	0.4
IRB Equity Exposures – 370% Risk Weight	0.5	0.5	0.4	0.4	0.4
Total	44.5	44.6	45.0	44.9	45.5
CVA	0.5	0.5	0.6	1.0	1.3

Appendix 1:

September 2019 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 30 September 2019, together with the previously disclosed quarter end 30 June 2019 and 31 March 2019. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	30 September 2019 £m	30 June 2019 £m	31 March 2019 £m
Available Capital (amounts)			
Common Equity Tier 1 (CET1) capital	10,316	10,394	10,357
Fully loaded ³ Expected Credit Loss (ECL) accounting model CET1	10,300	10,374	10,338
Tier 1 capital	12,759	12,637	12,600
Fully loaded ECL accounting model Tier 1	12,743	12,617	12,581
Total capital	15,947	15,788	15,736
Fully loaded ECL accounting model total capital	15,931	15,768	15,718
Risk-weighted assets (amounts)			
Total risk-weighted assets (RWA)	73,927	74,742	77,168
Fully loaded ECL accounting model total RWA	73,959	74,782	77,206
Risk-based capital ratios as a percentage of RWA			
Common Equity Tier 1 ratio	14.0%	13.9%	13.4%
Fully loaded ECL accounting model Common Equity Tier 1 (%)	13.9%	13.9%	13.4%
Tier 1 ratio	17.3%	16.9%	16.3%
Fully loaded ECL accounting model Tier 1 ratio (%)	17.2%	16.9%	16.3%
Total capital ratio	21.6%	21.1%	20.4%
Fully loaded ECL accounting model total capital ratio (%)	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%
Countercyclical buffer requirement (%)	0.99%	0.96%	0.97%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-
Systemic Risk Buffer requirement (%)	1.0%	-	-
Total of bank CET1 specific buffer requirements (%)	4.49%	3.46%	3.47%
CET1 available after meeting the banks minimum capital requirements (%)	4.97%	5.94%	5.45%
Basel III leverage ratio			
Total Basel III leverage ratio exposure measure	287.2	295.9	291.7
Basel III leverage ratio	4.3%	4.1%	4.2%
Fully loaded ECL accounting model Leverage Ratio	4.3%	4.1%	4.1%
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA)	44,363	47,707	43,916
Total net cash outflow	29,560	30,258	30,030
Liquidity coverage ratio (LCR)	150.1%	157.7%	146.2%

Key Movements

The RFB Group's CET1 ratio is higher than that of the Holdco Group (14.0% vs. 13.9%) due to lower total RWAs.

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.

IFRS 9 Transitional Arrangements

The following table summarises the impact of IFRS 9 transitional arrangements on 30 September 2019 over the full allowable period.

	85%	70%	50%	25%
	2019	2020	2021	2022
Available Capital (amounts)				
Common Equity Tier 1 (CET1) capital	10,316	10,312	10,310	10,305
CET1 capital as if IFRS 9 STATIC transitional arrangements were not applied	10,300	10,299	10,300	10,300
CET1 capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,316	10,313	10,310	10,305
CET1 capital as if ALL IFRS 9 transitional arrangements were not applied	10,300	10,300	10,300	10,300
Tier 1 capital	12,759	12,756	12,752	12,748
Tier 1 capital as if ALL IFRS 9 transitional arrangements were not applied	12,743	12,743	12,743	12,743
Total capital	15,947	15,944	15,940	15,936
Total capital as if ALL IFRS 9 transitional arrangements were not applied	15,931	15,931	15,931	15,931
Risk-weighted assets (amounts)				
Total risk-weighted assets (RWA)	73,927	73,928	73,936	73,948
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	74,050	74,028	74,008	73,984
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	73,836	73,859	73,887	73,923
Total RWA as if ALL IFRS 9 transitional arrangements were not applied	73,959	73,959	73,959	73,959
Capital Ratios				
Common Equity Tier 1 ratio	14.0%	14.0%	13.9%	13.9%
Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	13.9%	13.9%	13.9%	13.9%
Tier 1 ratio	17.3%	17.3%	17.3%	17.2%
Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	17.2%	17.2%	17.2%	17.2%
Total capital ratio	21.6%	21.6%	21.6%	21.6%
Total capital as if ALL IFRS 9 transitional arrangements were not applied	21.5%	21.5%	21.5%	21.5%
CRD IV leverage ratio				
Leverage ratio total exposure measure	287,170	287,170	287,170	287,170
Leverage ratio	4.3%	4.3%	4.3%	4.3%
Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.3%	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 85 percent in 2019, declining to 70 percent in 2020, 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 30 June 2019 together with the previously disclosed quarter end 30 September 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.

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

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	
	30 September 2019 £m	30 June 2019 £m	30 September 2019 £m	30 June 2019 £m
Total high-quality liquid assets (HQLA)	47,723	46,714	46,654	45,614
CASH-OUTFLOWS				
Retail deposits and deposits from small business customers, of which:	135,136	132,925	7,887	7,753
Stable deposits	118,509	116,624	5,925	5,831
Less stable deposits	16,627	16,301	1,962	1,922
Unsecured wholesale funding	24,713	24,364	14,434	14,332
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
Non-operational deposits (all counterparties)	22,517	22,102	12,238	12,070
Unsecured debt	2,196	2,262	2,196	2,262
Secured wholesale funding	12,185	12,403	626	613
Additional requirements	21,100	20,987	8,317	8,169
Outflows related to derivative exposures and other collateral requirements	5,914	5,683	5,914	5,683
Outflows related to loss of funding on debt products	382	369	382	369
Credit and liquidity facilities	14,804	14,935	2,021	2,117
Other contractual funding obligations	62	61	6	-
Other contingent funding obligations	26,077	25,076	1,947	1,828
TOTAL CASH OUTFLOWS	219,273	215,816	33,217	32,695
CASH-INFLOWS				
Secured lending (e.g. reverse repos)	12,421	12,188	367	299
Inflows from fully performing exposures	2,264	2,261	1,304	1,282
Other cash inflows	1,793	1,757	562	538
(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	16,478	16,206	2,233	2,119
Fully exempt inflows	-	-	-	-
Inflows Subject to 90% Cap	-	-	-	-
Inflows Subject to 75% Cap	10,382	10,193	2,233	2,119
LIQUIDITY BUFFER	-	-	46,654	45,615
TOTAL NET CASH OUTFLOWS	-	-	30,983	30,577
LIQUIDITY COVERAGE RATIO (%)	-	-	150.58%	149.18%
Number of data points used in calculation of averages	9	6	9	6

Key Movements

We continue to maintain high levels of liquidity to ensure we are well prepared for potential Brexit uncertainty.

The RFB DoLSub LCR and LCR eligible liquidity pool both decreased following the transfer of our Isle of Man and Jersey businesses (Crown Dependencies) into SFS as part of ring-fencing implementation.

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 percent

	RWA		Minimum capital requirements
	30 September 2019 £bn	30 June 2019 £bn	30 September 2019 £bn ¹
Credit risk (excluding counterparty credit risk) ¹	63.0	63.6	5.0
- Of which: standardised approach (SA)	20.4	20.9	1.6
- Of which: foundation internal rating-based (FIRB) approach	4.7	5.1	0.4
- Of which: advanced internal rating-based (AIRB) approach	37.9	37.6	3.0
Counterparty credit risk (CCR) ¹	1.2	1.2	0.1
- Of which: standardised approach for counterparty credit risk	1.2	1.2	0.1
- Of which: IMM	-	-	-
- Of which: other CCR	-	-	-
Credit Valuation Adjustment (CVA)	0.5	0.5	-
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	1.2	1.4	0.1
- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.1	-
- Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	0.7	0.9	0.1
- Of which: securitisation standardised approach (SEC-SA)	0.4	0.4	-
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	7.6	7.6	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	73.9	74.7	6.0

RWA Flow Statements of Credit Risk Exposures under IRB and RWA Flow Statements of Credit Risk Exposures under Standardised³

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
RWAs at 1 July 2019	44.7	3.6
Asset size	0.2	-
Asset quality	(0.2)	-
Model updates	-	-
Methodology and policy	(0.2)	-
Foreign exchange movements	-	-
RWAs at 30 September 2019	44.5	3.6

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 1 July 2019	21.6	1.7
Asset size	-	-
Asset quality	-	-
Model updates	-	-
Methodology and policy	(0.5)	-
Foreign exchange movements	-	-
RWAs at 30 September 2019	21.1	1.7

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

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

³ Table excludes CVA