

**Santander UK Group Holdings plc**

**September 2016 Additional Capital Disclosures**

### Introduction

As a significant wholly-owned subsidiary of Banco Santander, S.A., under CRD IV<sup>1</sup> Santander UK Group Holdings plc (the 'Company') is only 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<sup>2</sup>, 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 and Santander UK plc operate on the basis of a unified business strategy, albeit the principal business activities are currently carried out by the Santander UK plc group. The Company was incorporated on 23 September 2013 and on 10 January 2014 became the immediate parent company of Santander UK plc and its controlled entities. From this date, the Company became the head of the Santander UK group for regulatory capital and leverage purposes.

### Own Funds and Capital Ratios

The following table summarises the Company's Own Funds at 30 September 2016 and the previously disclosed information for the three preceding quarter ends, and details the key risk-based capital ratios. Further detail on Risk Weighted Assets is included in the subsequent RWA and Capital Requirements section of this document.

	30 September 2016 £m	30 June 2016 £m	31 March 2016 £m	31 December 2015 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,456	14,350	14,423	13,861
Common Equity Tier 1 (CET1) capital regulatory adjustments	(4,565)	(4,455)	(4,409)	(3,870)
Common Equity Tier 1 (CET1) capital	9,891	9,895	10,014	9,991
Additional Tier 1 (AT1) capital before regulatory adjustments	2,052	2,043	2,034	2,088
Additional Tier 1 (AT1) capital regulatory adjustments	-	-	-	-
Additional Tier 1 (AT1) capital	2,052	2,043	2,034	2,088
Tier 1 capital	11,943	11,938	12,048	12,079
Tier 2 (T2) capital before regulatory adjustments	2,917	2,892	2,707	2,849
Tier 2 (T2) capital regulatory adjustments	-	-	-	-
Tier 2 (T2) capital	2,917	2,892	2,707	2,849
Total Capital	14,860	14,830	14,755	14,928
Risk Weighted Assets	89,135	88,376	86,543	85,826
<b>Common Equity Tier 1 ratio</b>	<b>11.1 %</b>	11.2%	11.6 %	<b>11.6 %</b>
<b>Tier 1 ratio</b>	<b>13.4 %</b>	13.5%	13.9 %	<b>14.1 %</b>
<b>Total Capital ratio</b>	<b>16.7 %</b>	16.8%	17.1 %	<b>17.4 %</b>

Common Equity Tier 1 (CET1) ratio at 30 September 2016 was 11.1% and 31 December 2015 was 11.6%. The decrease is principally driven by Risk Weighted Asset growth and decreases to CET1.

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

<sup>2</sup> 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

**Leverage Ratio**

The following table summarises the Company's end point Tier 1 Leverage Ratio at 30 September 2016, 31 December 2015 and the monthly average for three months ended 30 September 2016, which 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. Exposures include deductions for assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity.

	Monthly Average Q3 2016 £m	30 September 2016 £m	31 December 2015 £m
Common Equity Tier 1 (CET1) capital	9,760	9,891	9,991
End point Additional Tier 1 (AT1) capital	1,545	1,545	1,545
End point Tier 1 capital	11,305	11,436	11,536
Leverage Exposure (£bn)	294.9	288.1	285.0
<b>End point Tier 1 Leverage Ratio<sup>1</sup></b>	<b>3.8%</b>	<b>4.0%</b>	4.0%

The Leverage Ratio remained flat when comparing 30 September 2016 to 31 December 2015 principally driven by deductions permitted under the modification of the leverage ratio in response to a Recommendation from the Financial Policy Committee on the 25<sup>th</sup> July 2016.

<sup>1</sup> The end point CRD IV Tier 1 Leverage Ratio at 30 September 2016 would be 3.8% and the monthly average for three months ended 30 September 2016 would be 3.7% if the deductions permitted under the Recommendation from the Financial Policy Committee on the 25<sup>th</sup> July 2016 were excluded.

**RWA and Capital Requirements**

**By Risk Type**

The following table summarises RWA and equivalent Own Funds Requirements (RWA multiplied by 8%) for each risk type.

**RWA**

	30 September 2016 RWA £bn	30 June 2016 RWA £bn	31 March 2016 RWA £bn	31 December 2015 RWA £bn
Credit Risk	73.1	72.6	71.9	71
Counterparty Risk	4.4	4.0	3.3	3.6
Credit Valuation Adjustment Risk – Standardised method	1.7	1.7	1.5	1.5
Market Risk	3.0	3.2	2.9	2.8
Operational Risk – Standardised approach	6.9	6.9	6.9	6.9
<b>Total</b>	<b>89.1</b>	<b>88.4</b>	<b>86.5</b>	<b>85.8</b>

**Own Funds Requirements**

	30 September 2016 8%* RWA £bn	30 June 2016 8%* RWA £bn	31 March 2016 8%* RWA £bn	31 December 2015 8%* RWA £bn
Credit Risk	5.8	5.8	5.8	5.7
Counterparty Risk	0.4	0.3	0.3	0.3
Credit Valuation Adjustment Risk – Standardised method	0.1	0.1	0.1	0.1
Market Risk	0.2	0.3	0.2	0.2
Operational Risk – Standardised approach	0.6	0.6	0.6	0.6
<b>Total</b>	<b>7.1</b>	<b>7.1</b>	<b>7.0</b>	<b>6.9</b>

**Credit risk and Counterparty risk by risk class**

The following table details RWA and equivalent Own Funds Requirements (RWA multiplied by 8%) per risk class. Counterparty Risk and Credit Valuation Adjustment Risk are included in the table.

**RWA**

	30 September 2016 RWA £bn	30 June 2016 RWA £bn	31 March 2016 RWA £bn	31 December 2015 RWA £bn
<b>Standardised Approach credit risk</b>				
Institutions	0.5	0.5	0.4	0.5
Corporates	17.5	16.6	16.2	16.9
Standardised Retail	8.0	8.0	7.7	7.8
Secured by Mortgages on Immovable Property	0.7	0.7	0.7	0.8
Exposures in Default	0.4	0.4	0.4	0.3
Covered Bonds	0.3	0.3	0.3	0.3
Equity	0.3	0.1	0.4	0.4
Other	2.7	2.7	2.8	2.6
<b>Total</b>	<b>30.4</b>	<b>29.3</b>	<b>28.9</b>	<b>29.6</b>
<b>IRB Approach credit risk</b>				
Institutions	3.5	3.5	3.1	3.2
Corporates	14.3	14.8	14.2	13.2
IRB Retail Mortgages	25.9	25.8	25.6	25.3
IRB Qualifying Revolving Retail Exposures	2.2	2.1	2.1	2.1
Other Retail	2.4	2.4	2.4	2.4
Securitisation Positions	0.2	0.2	0.2	0.1
IRB Equity Exposures – 370% Risk Weight	0.3	0.2	0.2	0.2
<b>Total</b>	<b>48.8</b>	<b>49.0</b>	<b>47.8</b>	<b>46.5</b>

## Additional Capital Disclosures continued

### Own Funds Requirements

	30 September 2016 8%* RWA £bn	30 June 2016 8%* RWA £bn	31 March 2016 8%* RWA £bn	31 December 2015 8%* RWA £bn
<b>Standardised Approach credit risk</b>				
Institutions	-	-	-	-
Corporates	1.4	1.3	1.3	1.4
Standardised Retail	0.6	0.6	0.6	0.6
Secured by Mortgages on Immovable Property	0.1	0.1	0.1	0.1
Exposures in Default	-	-	-	-
Covered Bonds	-	-	-	-
Equity	-	-	-	-
Other	0.2	0.2	0.2	0.2
<b>Total<sup>1</sup></b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>

<b>IRB Approach credit risk</b>				
Institutions	0.3	0.3	0.3	0.3
Corporates	1.1	1.2	1.1	1.1
IRB Retail Mortgages	2.1	2.1	2.0	2.0
IRB Qualifying Revolving Retail Exposures	0.2	0.2	0.2	0.2
Other Retail	0.2	0.2	0.2	0.2
Securitisation Positions	-	-	-	-
IRB Equity Exposures – 370% Risk Weight	-	-	-	-
<b>Total<sup>1</sup></b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>	<b>3.7</b>

### Market risk by risk class

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

	30 September 2016 RWA £bn	30 June 2016 RWA £bn	31 March 2016 RWA £bn	31 December 2015 RWA £bn
Position risk and large exposures	2.8	2.8	2.5	2.4
Foreign exchange, settlement and commodities risk	0.2	0.4	0.4	0.4
<b>Total</b>	<b>3.0</b>	<b>3.2</b>	<b>2.9</b>	<b>2.8</b>

	30 September 2016 8%* RWA £bn	30 June 2016 8%* RWA £bn	31 March 2016 RWA £bn	31 December 2015 RWA £bn
Position risk and large exposures	0.2	0.2	0.2	0.2
Foreign exchange, settlement and commodities risk	-	-	-	-
<b>Total</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

<sup>1</sup> Total includes balances which are not visible in the table due to rounding.