Santander UK Group Holdings plc

2017 Additional Capital and Risk Management Disclosures

Introduction

Santander UK Group Holdings plc's Additional Capital and Risk Management Disclosures for the year ended 31 December 2017 should be read in conjunction with our 2017 Annual Report.

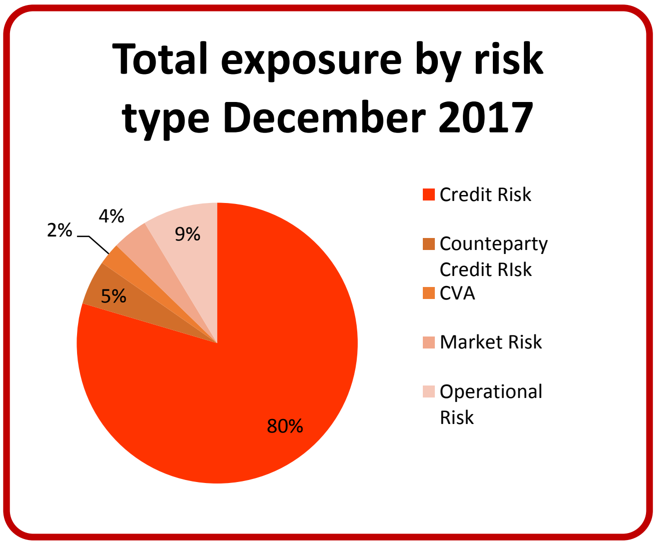
Santander UK Group Holdings plc (the 'Company') is the immediate parent company of Santander UK plc. The Company and Santander UK plc operate on the basis of a unified business strategy, albeit the principal business activities of the Santander UK group are currently carried on by the Santander UK plc group. The Company was incorporated on 23 September 2013 and on 10 January 2014 became the immediate parent company of Santander UK plc and its controlled entities. From this date, the Company became the head of the Santander UK group for regulatory capital and leverage purposes.

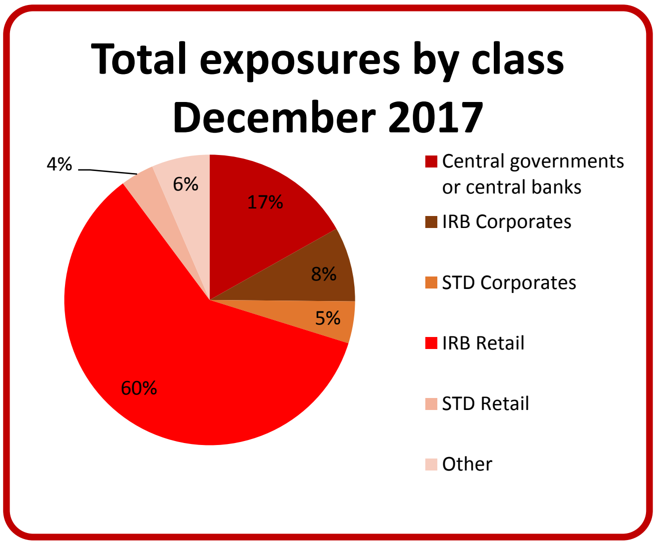
As a significant wholly-owned subsidiary of Banco Santander, S.A., under CRD IV[1] Santander UK Group Holdings plc is only required to produce and publish a specified set of Pillar 3 elements, rather than a complete set of Pillar 3 disclosures. However the additional capital and risk management disclosures set out in this document align to the European Banking Authority (EBA) templates based on the Basel Committee Phase 1 Pillar 3 requirements (published on 14th December 2016).

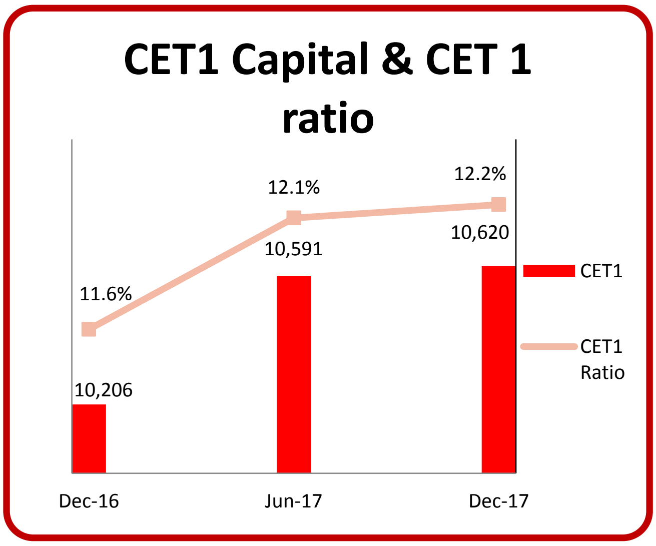
CRD IV disclosures

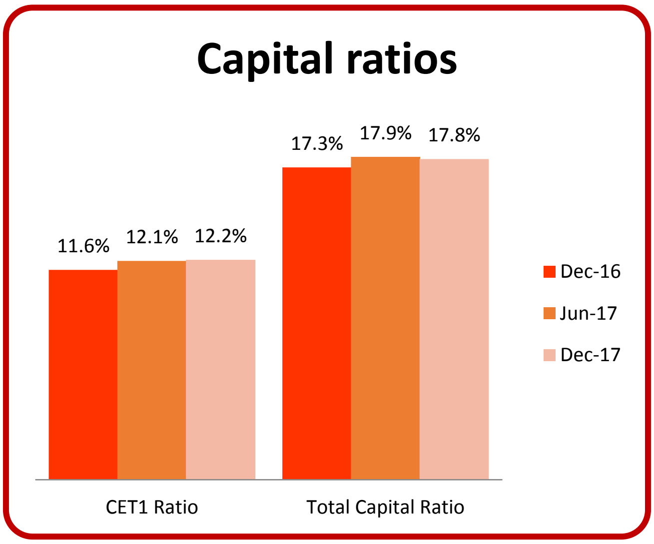
This document contains disclosures required under CRD IV and the EBA for Santander UK as a significant subsidiary of an EU Banking Group, some of which are not disclosed in the Annual Report. All disclosures cover the 31 December 2017 position or movement over 2017.

Summary









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

Key metrics

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 December 2017 and 31 December 2016 together with the previously disclosed quarter end information at 30 September 2017, 30 June 2017 and 31 March 2017. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	31 December 2017 £m	30 September 2017 £m	30 June 2017 £m	31 March 2017 £m	31 December 2016 £m
Available Capital (amounts)					
Common Equity Tier 1 (CET1) capital	**10,620**	10,699	10,591	10,442	10,206
Tier 1 capital	**13,068**	13,153	13,042	12,407	12,239
Total capital	**15,488**	15,065	15,641	15,113	15,194
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	**87,005**	88,138	87,194	87,997	87,632
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	**12.2%**	12.1%	12.1%	11.9%	11.6%
Tier 1 ratio	**15.0%**	14.9%	15.0%	14.1%	14.0%
Total capital ratio	**17.8%**	17.7%	17.9%	17.2%	17.3%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	**1%**	1%	1%	1%	1%
Countercyclical buffer requirement (%)	**0%**	0%	0%	0%	0%
Bank G-SIB and/or D-SIB additional requirements (%)	**0%**	0%	0%	0%	0%
Total of bank CET1 specific buffer requirements (%)	**1%**	1%	1%	1%	1%
CET1 available after meeting the banks minimum capital requirements (%)	**6%**	6%	6%	6%	6%
Basel III leverage ratio					
Total Basel III leverage ratio exposure measure	**317.7**	317.7	308.0	304.3	306.8
Basel III leverage ratio	**4.00%**	4.00%	4.10%	3.90%	3.80%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	**47,759**	47,049	47,877	46,975	50,100
Total net cash outflow	**37,432**	37,595	35,651	36,532	(36,000)
Liquidity coverage ratio (LCR)	**120.0%**	116.3%	124.3%	120.3%	139.0%

Key Movements

The CET1 capital ratio improved 60bps to 12.2% this year, reflecting higher CET1 capital from steady profits and lower RWAs. RWAs decreased £0.6bn, with RWA management, including securitisations.

Total capital ratio increased to 17.8%, with higher CET1 and AT1 capital, partially offset by the transitional impact of CRD IV Minority Interest that reduces recognition of grandfathered capital instruments issued by Santander UK plc.

The LCR decreased 19 percentage points, reflecting the increased requirements due to EU adoption of Regulatory Technical Standards for assessing additional collateral outflows and efficient liquidity planning.

Leverage ratio

The following table summarises the Company's end point CRD IV and UK PRA Tier 1 Leverage ratio at 31 December 2017 and 31 December 2016 together with the previously disclosed quarter end information at 30 September 2017, 30 June 2017 and 31 March 2017. 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 December 2017 £m	30 September 2017 £m	30 June 2017 £m	31 March 2017 £m	31 December 2016 £m
Common Equity Tier 1 (CET1) capital	**10,620**	10,669	10,591	10,442	10,206
End point Additional Tier 1 (AT1) capital	**2,041**	2,041	2,041	1,545	1,545
End point Tier 1 capital	**12,661**	12,740	12,632	11,987	11,751
Leverage Exposure CRD IV (£bn)	**317.7**	317.7	308.0	304.3	306.8
Leverage Exposure UK Leverage Ratio[1] (£bn)	**287.0**	317.7	317.7	291.8	289.7
End point Tier 1 Leverage Ratio CRD IV	**4.0%**	**4.0%**	**4.1%**	**3.9%**	**3.8%**
End point Tier 1 Leverage Ratio UK Leverage Ratio[1]	**4.4%**	**4.4%**	**4.4%**	**4.1%**	**4.1%**
Average Tier 1 Leverage Ratio UK Leverage Ratio[1]	**4.4%**	4.3%	4.3%	4.0%	4.0%

The Leverage Ratio increased during the three months between 31 March 2017 and 30 June 2017 principally driven by new issuance of AT1 Capital on the 10th April 2017.

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

Liquidity Coverage Ratio

Additional liquidity disclosures are published in the Annual Report. For further information please refer to the Liquidity Risk section of the Annual Report.

Scope of consolidation (solo/unconsolidated)		Total unweighted value 31 December 2017 £m	Total weighted value 31 December 2017 £m
1	Total high-quality liquid assets (HQLA)	-	47,415
Cash-Outflows			
2	Retail deposits and deposits from small business customers, of which:	136,988	8,017
3	Stable deposits	121,229	6,061
4	Less stable deposits	15,732	1,929
5	Unsecured wholesale funding	24,601	15,453
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	21,488	12,340
8	Unsecured debt	3,113	3,113
9	Secured wholesale funding	-	2,621
10	Additional requirements	25,776	10,908
11	Outflows related to derivative exposures and other collateral requirements	8,055	8,055
12	Outflows related to loss of funding on debt products	583	583
13	Credit and liquidity facilities	17,138	2,270
14	**Other contractual funding obligations**	1,400	1,302
15	Other contingent funding obligations	25,461	1,298
16	**TOTAL CASH OUTFLOWS**	**-**	**39,597**
Cash-Inflows			
17	Secured lending (eg reverse repos)	21,544	786
18	Inflows from fully performing exposures	1,827	1,218
19	Other cash inflows	2,142	790
EU-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)	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-
20	**TOTAL CASH INFLOWS**	**25,513**	**2,795**
EU-20a	Fully exempt inflows	-	-
EU-20b	Inflows Subject to 90% Cap	-	-
EU-20c	Inflows Subject to 75% Cap	12,880	2,795
21	**LIQUIDITY BUFFER**	-	47,415
22	**TOTAL NET CASH OUTFLOWS**	**-**	**36,803**
23	**LIQUIDITY COVERAGE RATIO (%)**	**-**	**128.8%**

Key Movements

Throughout 2017, we maintained robust risk management controls to monitor and manage the levels of our eligible liquidity pool and encumbrance. Our Leverage Coverage Ratio (LCR) eligible liquidity pool significantly exceeded our wholesale funding of less than one year, with a coverage ratio of 326% at 31 December 2017 (2016: 237%), and our LCR decreased to 120% at 31 December 2017 (2016: 139%).

The change in our coverage ratio and our LCR was mainly due to a decrease in our eligible liquidity pool assets to £48.5bn at 31 December 2017 (2016: £50.7bn). The coverage ratio is expected to be volatile due to the management of normal short-term business commitments. This was mainly due to our prudent liquidity planning and an increase in the collateral received for derivatives that we used to hedge our foreign currency medium term issuance after the UK decision to leave the EU. Some of the increase was also due to anticipation of the greater requirements expected when the EU adopts Regulatory Technical Standards for assessing additional collateral outflows on derivatives contracts. Under our current interpretation, the Net Stable Funding Ratio (NSFR) stayed above 100% throughout 2017 and 2016.

		Total unweighted value		Total unweighted value	
		30 September 2017	31 December 2017	30 September 2017	31 December 2017
		£m	£m	£m	£m
1	Total high-quality liquid assets (HQLA)	-	**-**	47,241	**47,415**
CASH-OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	137,278	**136,988**	8,052	**8,017**
3	Stable deposits	121,134	**121,229**	6,057	**6,061**
4	Less stable deposits	16,120	**15,732**	1,971	**1,929**
5	Unsecured wholesale funding	23,800	**24,601**	14,999	**15,453**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	**-**	-	**-**
7	Non-operational deposits (all counterparties)	20,499	**21,488**	11,698	**12,340**
8	Unsecured debt	3,302	**3,113**	3,302	**3,113**
9	Secured wholesale funding	-	**-**	2,573	**2,621**
10	Additional requirements	25,126	**25,776**	10,547	**10,908**
11	Outflows related to derivative exposures and other collateral requirements	7,796	**8,055**	7,796	**8,055**
12	Outflows related to loss of funding on debt products	657	**583**	657	**583**
13	Credit and liquidity facilities	16,673	**17,138**	2,094	**2,270**
14	Other contractual funding obligations	1,448	**1,400**	1,393	**1,302**
15	Other contingent funding obligations	25,605	**25,461**	1,242	**1,298**
16	TOTAL CASH OUTFLOWS	-	**-**	38,806	**39,597**
CASH-INFLOWS					
17	Secured lending (eg reverse repos)	20,694	**21,544**	804	**786**
18	Inflows from fully performing exposures	1,870	**1827**	1,250	**1,218**
19	Other cash inflows	1,981	**2,142**	598	**790**
EU-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)	-	**-**	-	**-**
EU-19b	(Excess inflows from a related specialised credit institution)	-	**-**	-	**-**
20	TOTAL CASH INFLOWS	24,546	**25,513**	2,652	**2,795**
EU-20a	Fully exempt inflows	-	**-**	-	**-**
EU-20b	Inflows Subject for 90% Cap	-	**-**	-	**-**
EU-20c	Inflows Subject for 75% Cap	12,315	**12,880**	2,652	**2,795**
21	LIQUIDITY BUFFER	-	**-**	47,241	**47,415**
22	TOTAL NET CASH OUTFLOWS	-	**-**	36,154	**37,802**
23	LIQUIDITY COVERAGE RATIO (%)	-	**-**	130.7%	**128.8%**

Use of internal model-based approaches for determination of capital requirements

In accordance with CRD IV rules, and with approval of the Single Supervisory Mechanism (SSM) comprised of the European Central Bank (ECB) and national supervisory authorities of the participating countries, Santander UK uses internal models to calculate regulatory capital requirements for credit risk and market risk. Further details on the internal models used are included under credit risk and market risk in the risk types section of this document.

For credit risk three model-based approaches are used, which are collectively termed the Internal Ratings-Based (IRB) approach. The first of these approaches is the foundation IRB (FIRB) approach, under which a bank can calculate capital requirements using an internal assessment of the probability of default (PD) of a counterparty, combined with supervisory formula to estimate the exposure at default (EAD) and loss given default (LGD). The second approach is the advanced IRB (AIRB) approach (this includes the Retail IRB approach) under which a bank can calculate capital requirements using internal assessments for PD, EAD and LGD. The third approach is 'slotting', used for specialised lending exposures. For these types of exposures, a set of supervisory risk weights are used, which have to be assigned on the basis of a classification in five categories, depending on the underlying credit risk, as well as the remaining maturity.

Where these model-based approaches are not used, the standardised approach is used, under which a bank will apply a risk weighting to exposures depending on the category of exposure and, where available, an external credit rating.

The Santander UK scope of the use of IRB credit risk approaches and standardised approach is detailed in the table below:

	AIRB	FIR	Slotting	Standardised
Retail	Residential mortgages	-	-	Credit Cards
	Unsecured Personal Loans			Consumer Finance
	Bank Accounts			Other
Non Retail	Banks	Corporate	Specialised Lending	Sovereigns
	Insurers			Other
	Large Corporates			Non-IRB Corporates
	Social Housing			

For market risk, a combination of a Value at Risk (VaR) model and a Stressed VaR (SVaR) model are used to calculate capital requirements for risks within the trading book. For Santander UK, such models are used to calculate the capital requirements for certain risk factors as approved by the PRA with the remainder using the standardised approach.

Risk-weighted assets by business division

	Regulatory exposure			Risk-weighting			RWAs		
2017	Standardised approach £bn	IRB Approach £bn	Total £bn	Standardised approach %	IRB Approach %	Total %	Standardised approach £bn	IRB Approach £bn	Total £bn
Retail Banking									
- Secured lending	-	163.5	163.5	-	15.8%	15.8%	-	25.8	25.8
- Unsecured lending	11.2	7.5	18.7	78.2%	50.7%	67.2%	8.8	3.8	12.6
- Operational risk	-	-	-	-	-	-	5.7	-	5.7
Commercial Banking									
- Customer assets	10.7	12.8	23.5	90.7%	63.4%	75.8%	9.7	8.1	17.8
- Counterparty risk	-	1.0	1.0	-	71.4%	71.4%	-	0.7	0.7
- Operational risk	-	-	-	-	-	-	0.9	-	0.9
Corporate & Institutional Banking									
- Credit risk	4.6	5.8	10.4	80.4%	53.4%	65.4%	3.7	3.1	6.8
- Counterparty risk	3.4	5.9	9.3	38.2%	71.2%	59.1%	1.3	4.2	5.5
- Market risk[1]	-	-	-	-	-	-	3.3	-	3.3
- Operational risk	-	-	-	-	-	–	0.9	-	0.9
Corporate Centre									
- Customer assets[2]	0.9	5.2	6.1	81.7%	9.0%	19.2%	0.7	0.5	1.2
- Counterparty Risk	-	0.4	0.4	-	86.7%	86.7%	-	0.4	0.4
- Eligible liquid assets[3]	46.1	-	46.1	0%	-	0%	-	-	-
- Market Risk[1]	-	-	-	-	-	-	0.3	-	0.3
- Operational Risk	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-
Other assets[4]	8.4	4.9	13.3	19.4%	71.1%	38.5%	1.6	3.5	5.1
Total	**85.3**	**207.0**	**292.3**	**-**	**-**	**-**	**36.9**	**50.1**	**87.0**

(1) Market Risk RWAs are determined using both internal model-based and standardised approaches. See the Market Risk section of the Risk Review in the Santander UK plc Annual Report.
(2) Customer assets in the Corporate Centre largely comprise Social Housing.
(3) Eligible liquid assets include reverse repurchase agreements collateralised by eligible sovereign securities.
(4) The RWAs for other assets have been allocated to Corporate Centre. The RWAs cover Credit risk, Market risk and Operational risk.

Credit risk exposure and Credit Risk Mitigation (CRM) effects

Standardised approach

	Exposures before CCF and CRM		Exposure post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017
Central government of central banks	44.4	1.1	44.4	1.0	-	-
Regional government or local authorities	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	20%
Multilateral Development Banks	1.1	-	1.1	-	-	-
Intentional Organisations	-	-	-	-	-	-
Institutions	2.3	-	2.3	-	0.2	10%
Corporates	12.8	6.7	12.3	3.2	15.3	98%
Retail	8.9	8.0	8.9	-	6.6	74%
Secured by mortgages on immovable property	0.9	-	0.9	-	0.6	62%
Exposures in default	0.3	-	0.3	-	0.4	126%
Higher-risk categories	0.1	-	0.1	-	0.1	147%
Covered bonds	2.6	-	2.6	-	0.4	14%
Institutions and corporations with a short term credit assessment	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-
Equity	-	-	-	-	-	100%
Other items	5.5	-	5.5	-	2.5	46%
Total	**78.9**	**15.8**	**78.4**	**4.2**	**26.1**	**32%**

IRB approach

	Exposures before CCF and CRM		Exposure post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn
Corporates – Specialised Lending	6.9	1.0	6.9	0.4	6.1	84%
Corporates – SME	2.3	0.4	2.3	0.3	2.4	94%
Corporates – Other	12.7	10.4	12.7	5.1	6.2	35%
Institutions	5.0	0.2	5.0	0.1	1.9	38%
Retail Immovable Property	155.2	12.4	155.5	8.0	25.8	16%
Retail QRR	0.6	3.7	0.6	4.7	1.9	37%
Retail Other	2.2	-	2.2	-	1.9	87%
Equity	0.1	-	0.1	-	0.3	370%
Total	**185.0**	**28.1**	**185.3**	**18.6**	**46.5**	**23%**

Credit Risk Mitigation Techniques

For more detail on the Company's approach to Credit Risk Mitigation refer to the Other Segments – Credit Risk Management section of the Annual Report.

The following table provides analysis of secured and collateralised exposures as at 31 December 2017.

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn	31 December 2017 £bn
Total loans	87,643	177,804	16,344	5	-
Total debt securities [1]	12,023	–	5,508	-	-
Total exposures	99,666	177,804	21,852	5	-
Of which defaulted	937	1,911	–	-	-

[1] Per note 18 Financial Investments in the Annual Report, excluding equity securities.

Changes in the stock of general and specific credit risk adjustments

Movement over the period 1 January 2017 to 31 December 2017 of specific and general credit risk adjustments.

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**503**	**418**
Increases due to amounts set aside for estimated loan losses during the period	556	26
Decreases due to amounts reversed for estimated loan losses during the period	(176)	(114)
Decreases due to amounts taken against accumulated credit risk adjustments	(247)	-
Transfers between credit risk adjustments	-	-
Impact of exchange rate differences	-	-
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	(27)	1
Closing balance	**609**	**331**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(90)	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Changes in the stock of defaulted and impaired loans and debt securities

Movement over the period 1 January 2017 to 31 December 2017 of carrying value of defaulted exposures.

	Gross carrying value of defaulted exposures
Opening balance	**2,994**
Loans and debt securities that have defaulted or impaired since the last reporting period	1,364
Returned to non-defaulted status	(1,386)
Amounts written off	(58)
Other changes	(66)
Closing balance	**2,848**

Overview of RWA

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

	RWA		Minimum capital requirements
	31 December 2017 £bn	30 September 2017 £bn	31 December 2017 £bn
Credit risk (excluding counterparty credit risk) (CCR)	**68.2**	70.1	**5.5**
- Of which standardised approach (SA)	**24.6**	25.8	**2.0**
- Of which foundation internal rating-based approach	**9.6**	9.9	**0.8**
- Of which advanced internal rating-based approach	**33.7**	34.3	**2.7**
- Of which equity IRB under the Simple risk-weight or the internal models approach	**0.3**	0.1	**-**
Counterparty credit risk	**6.7**	6.7	**0.5**
- Of which marked to market	**4.4**	4.4	**0.3**
- Of which original exposure	**-**	-	**-**
- Of which standardised approach for counterparty credit risk	**-**	-	**-**
- Of which internal model method (IMM)	**-**	-	**-**
- Of which risk exposure amount for contributions to the default fund of a CCP	**0.1**	0.2	**-**
- Of which CVA	**2.2**	2.1	**0.2**
Settlement risk	**-**	-	**-**
Securitisation exposures in banking book (after cap)[1]	**1.0**	0.7	**0.1**
- Of which IRB ratings-based approach (RBA)	**0.4**	0.3	**-**
- Of which IRB supervisory formula approach (SFA)	**-**	-	**-**
- Of which internal assessment approach (IAA)	**-**	-	**-**
- Of which standardised approach	**0.6**	0.4	**-**
Market risk	**3.6**	3.3	**0.3**
- Of which standardised approach	**0.4**	0.5	**0.0**
- Of which internal model approach (IM)	**3.2**	2.8	**0.3**
Operational Risk	**7.5**	7.3	**0.6**
- Of which basic indicator approach	**-**	-	**0**
- Of which standardised approach	**7.5**	7.3	**0.6**
- Of which advanced measurement approach	**-**	-	**-**
Amounts below the thresholds for deduction (subject to 250% risk weight)	**-**	-	**-**
Floor adjustments	**-**	-	**-**
Total	**87.0**	88.1	**7.0**

CRD IV Pillar 1 risk types

The following sections of this document cover credit risk (which includes counterparty risk), market risk and operational risk, which are the risk types included in CRD IV Pillar 1 that contribute to the level of RWAs.

RWA flow statements of credit risk exposures under IRB

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

	RWA £bn	Capital requirements
RWAs at 1 September	**47.4**	3.8
Asset size	**0.1**	-
Asset quality	**0.3**	0.1
Model updates	**(0.9)**	(0.1)
Methodology and policy	**-**	-
Acquisitions and disposals	**-**	-
Foreign exchange movements	**-**	-
Other	**-**	-
RWAs at 31 December	**46.9**	3.8

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 1 September	**28.0**	2.2
Asset size	**(0.8)**	(0.1)
Asset quality	**0.1**	-
Model updates	**-**	-
Methodology and policy[2]	**(0.6)**	-
Acquisitions and disposals	**-**	-
Foreign exchange movements	**-**	-
Other	**-**	-
RWAs at 31 December	**26.7**	2.1

£0.9bn in Model Updates relates to changes to the application PD model partly implemented in December to reduce over-conservatism, recalibration of Global Large Corporate model PDs and Global Insurance model PD and LGD.

[1] Includes 3 Significant Risk Transfer transactions which are subject to re-characterisation risk.

[2] Includes 1 Significant Risk Transfer transaction which is subject to re-characterisation risk.

Key features of credit risk models

The following table shows the key features of the Santander UK group's IRB models, outlining the model methodology or approach, the number of years of loss data used, the exposure class covered and applicable regulatory thresholds for each of the PD, LGD and EAD components. The RWAs as at 31 December 2017 are also shown. This table does not include portfolios covered by the IRB approach for securitisations (£0.4bn RWAs) and IRB approach for equity exposures (£0.3bn RWAs).

Component Modelled	Portfolio	Number of significant models and size of associated portfolio (RWAs)	Model Description and Methodology	Number of Years Loss Data	Exposure Classes Measured	Applicable Industry-wide regulatory thresholds
PD	Residential Mortgages	One Model (£25.8bn)	Statistical scorecard produces a PD that is scaled to a long-run cycle average	>10 years	Retail Mortgages	PD floor of 0.03%
	Unsecured Personal Loans	One Model (£1.9bn)	Statistical scorecard produces a PD that is scaled to a long-run average	c.3 years	Other Retail	PD floor of 0.03%
	Bank Accounts	One Model (£1.9bn)	Observed default rates segmented into statistical score bands, scaled to a long-run average	6-10 years	Qualifying Revolving Retail Exposures	PD floor of 0.03%
	Social Housing	One Model (£0.7bn)	Expert judgement rating model	Low default portfolio	Corporates	PD floor of 0.03%
	Corporate	Five Models (£11.6bn)	Statistical rating model for Corporates and slotting model (1) for Specialised Lending	>10 years	Corporates	PD floor of 0.03%
	Global Models	Three Models (£4.3bn)	Combination of statistical and expert judgement models for Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	PD floor of 0.03%
LGD	Residential Mortgages	One Model (£25.8bn)	Data driven estimates of loss and propensity to write-off, stressed to a downturn position	3-5 years	Retail Mortgages	LGD floor of 10% at a portfolio level
	Unsecured Personal Loans	One Model (£1.9bn)	Regression based estimates of loss and propensity to write-off, with expert judgement where appropriate	c.3 years	Other Retail	NA
	Bank Accounts	One Model (£1.9bn)	Data driven estimates of loss and propensity to write-off, using a long run average	3-5 years	Qualifying Revolving Retail Exposures	NA
	Social Housing	One Model (£0.7bn)	Data driven estimate of realisable value of collateral	Low default portfolio	Corporates	NA
	Corporate	Five Models (£11.6bn)	Foundation IRB	NA	Corporates	NA
	Global Models	Three Models (£4.3bn)	Combination of statistical and expert judgement models for Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	NA
EAD	Residential Mortgages	One Model (£25.8bn)	Long-run credit conversion factors applied to on and off balance	6-10 years	Retail Mortgages	EAD must be at least equivalent to current balance utilisation at account level
	Unsecured Personal Loans	One Model (£1.9bn)	Regression based model	c.3 years	Other Retail	EAD must be at least equivalent to current balance utilisation at account level
	Bank Accounts	One Model (£1.9bn)	Long-run credit conversion factors applied to on and off balance	6-10 years	Qualifying Revolving Retail Exposures	EAD must be at least equivalent to current balance utilisation at account level
	Social Housing	One Model (£0.7bn)	Data driven estimate	Low default portfolio	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Corporate	Five Models (£11.6bn)	Foundation IRB	NA	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Global Models	Three Models (£4.3bn)	Combination of statistical and expert judgement models for Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	EAD must be at least equivalent to current balance utilisation at account level

(1) Slotting models do not estimate a PD or LGD, but do generate an Expected Loss

Probability of Default disclosures

The following tables show the distribution by credit quality of the value of exposures, credit risk parameters and capital for the Santander UK group's IRB portfolios, by exposure class. This excludes specialised lending and securitisation portfolios where PD is not estimated for RWA calculations. The initial table below details the relationship between the IRB model portfolio and exposure class.

IRB Model Portfolio	Exposure class
Residential Mortgages	Retail Mortgages
Unsecured Personal Loans	Other Retail
Bank Accounts	Qualifying Revolving Retail Exposures
Social Housing	Corporates
Corporate	Corporates
Global Models – Banks	Institutions
Global Models – Insurers	Corporates
Global Models – Large Corporates	Corporates

Santander UK uses a single rating scale to provide a consistent approach for reporting default risk across all the credit risk portfolios. The scale is comprised of eight grades for non-defaulted exposures numbered from 9 (lowest risk) to 2 (highest risk). In the tables below, the PD bands and associated PD ranges reflect those used for PRA reporting purposes. The PD band numbering is inverted, with 1 representing the lowest risk, and the definition of default is in accordance with PRA rules.

For the corporates and institutions exposure classes, the PD bands for an individual counterparty exposure are determined by the through-the-cycle PD value assigned to the counterparty exposures. This through-the-cycle PD is also used in the calculation of average PD, RWAs and average risk weighting for these classes. For the retail mortgages, qualifying revolving retail exposures and other retail exposure classes, the PD band and PD range reflect the point-in-time PD of an individual counterparty exposure, but the PD used for average PD, RWAs and average risk weighting is cycle-adjusted and hence can be different to the point-in-time PD. This results in the average PD being outside the specified PD range for some PD bands.

For all exposure classes, the average PD and average LGD reflect exposure at default-weighted values. The analysis for corporates and institutions includes both banking book exposures and counterparty risk exposures.

At 31 December 2017

Corporates

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %	External Rating Equivalent Range	External Rating Equivalent Average PD
1	0.000 to 0.160	13,423	0.056	24	2,092	16	AAA to A-	A
2	0.160 to 0.290	834	0.236	42	552	66	A- to BBB	BBB+
3	0.290 to 0.530	543	0.400	45	373	69	BBB to BBB-	BBB-
4	0.530 to 0.920	817	0.619	43	622	76	BBB- to BB+	BB+
5	0.920 to 1.560	320	1.038	46	320	100	BB+ to BB	BB
6	1.560 to 2.700	2,832	1.069	21	2,928	103	BB to BB-	BB-
7	2.700 to 35.000	1,351	3.262	20	1,671	124	BB- to C	B-
	In default	208	-	-	-	-		
	Total	**20,328**	**-**	**-**	**8,558**	**42**		

Institutions

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %	External Rating Equivalent Range	External Rating Equivalent Average PD
1	0.000 to 0.037	1,448	0.031	45	314	22	AAA to AA+	AAA to AA+
2	0.037 to 0.039	172	0.03	44	60	35	AA to AA-	AA to AA-
3	0.039 to 0.045	51	0.031	45	12	24	A+ to A	A+
4	0.045 to 0.058	400	0.051	45	144	36	A	A
5	0.058 to 0.076	22	0.085	46	10	44	A to A-	A
6	0.076 to 0.100	2,231	0.098	46	974	44	A to A-	A-
7	0.100 to 0.134	-	-	-	-	-	A-	A-
8	0.134 to 0.211	116	0.141	46	71	61	BBB+	BBB+
9	0.211 to 0.339	644	0.233	46	308	48	BBB+ to BBB-	BBB
10	0.339 to 0.544	16	0.386	47	13	82	BBB- to BB+	BBB-
11	0.544 to 0.873	4	0.637	48	4	117	BB+ to BB-	BB+
12	0.873 to 1.402	4	1.051	49	6	158	B+ to B-	B-
	In default	-	-	-	-	-		
	Total	**5,108**	**-**	**-**	**1,916**	**38**		

Retail mortgages

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
1	0.000 to 0.015	1,404	0.305	9	71	5
2	0.015 to 0.030	6,367	0.319	9	357	6
3	0.030 to 0.060	16,450	0.331	9	948	6
4	0.060 to 0.120	34,741	0.370	9	2,089	6
5	0.120 to 0.250	53,474	1.069	10	6,874	13
6	0.250 to 0.500	27,489	2.171	11	6,246	23
7	0.500 to 1.000	10,800	4.079	12	3,774	35
8	1.000 to 2.000	3,139	8.386	12	1,481	47
9	2.000 to 4.000	3,682	12.102	10	1,761	48
10	4.000 to 8.000	1,708	21.382	11	1,064	62
11	8.000 to 15.000	760	36.092	10	444	58
12	15.000 to 30.000	810	54.394	11	409	51
13	30.000 to 60.000	535	77.975	11	153	29
14	60.000 to 99.999	290	77.954	11	85	29
	In default	1,862	100.00	14	-	-
	Total	**163,511**	**-**	**-**	**25,756**	**16**

Qualifying revolving retail exposures

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
2	0.010 to 0.030	176	0.030	66	3	2
3	0.030 to 0.050	2,670	0.171	69	184	7
4	0.050 to 0.100	106	0.234	71	10	9
5	0.100 to 0.200	223	1.072	62	58	26
6	0.200 to 0.500	660	1.251	68	201	30
7	0.500 to 1.000	489	3.101	68	288	59
8	1.000 to 2.000	400	4.894	68	336	84
9	2.000 to 5.000	285	9.919	67	369	129
10	5.000 to 10.000	157	20.132	64	276	176
11	10.000 to 20.000	83	34.988	60	155	187
12	20.000 to 40.000	26	53.484	58	43	166
13	40.000 to 99.999	13	67.075	56	17	135
	In default	24	100.000	74	-	-
	Total	**5,312**	**-**	**-**	**1,940**	**37**

Other Retail

PD Band	PD Range %	Exposure at default estimate £m	Average PD %	Average LGD %	RWAs £m	Average Risk Weighting %
2	0.010 to 0.030	-	0.078	88	-	19
3	0.030 to 0.050	7	0.100	88	2	23
4	0.050 to 0.100	111	0.154	88	35	32
5	0.100 to 0.200	337	0.216	88	134	40
6	0.200 to 0.500	642	0.497	88	429	67
7	0.500 to 1.000	461	1.163	88	465	101
8	1.000 to 2.000	308	2.861	88	398	129
9	2.000 to 5.000	190	5.895	88	266	140
10	5.000 to 10.000	51	11.444	88	84	164
11	10.000 to 20.000	14	18.491	88	27	201
12	20.000 to 40.000	9	29.553	88	21	237
13	40.000 to 99.999	11	64.913	88	23	204
	In default	19	100.00	88	-	-
	Total	**2,160**	**-**	**-**	**1,884**	**87**

IRB (specialised lending and equities)

The following table outlines the level of exposure assigned to each Specialised Lending Category and maturity.

						Specialised Lending
Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWAs £m	Expected losses £m
	Less than 2.5 years	59.8	32.5	50%	35.5	-
1	Equal to or more than 2.5 years	626.5	324.6	70%	507.0	2.9
	Less than 2.5 years	2,188.0	252.9	70%	1,592.6	9.1
2	Equal to or more than 2.5 years	3,681.3	430.7	90%	3,464.2	30.8
	Less than 2.5 years	75.2	0.6	115%	86.6	2.1
3	Equal to or more than 2.5 years	108.6	1.4	115%	124.9	3.1
	Less than 2.5 years	39.0	0.6	250%	97.7	3.1
4	Equal to or more than 2.5 years	75.3	0.8	250%	187.9	6.0
	Less than 2.5 years	32.6	0.4	-	-	16.5
5	Equal to or more than 2.5 years	28.2	-	-	-	14.1
	Less than 2.5 years	**2,394.6**	**287.0**	**-**	**1,812.4**	**30.8**
Total	**Equal to or more than 2.5 years**	**4,519.9**	**757.5**	**-**	**4,284.0**	**56.9**

					Equities under the simple risk-weight approach
	On-balance sheet amount £m	Off-balance sheet amount £m	Risk weight %	RWAs £m	Capital requirements £m
Exchange –traded equity exposures	-	-	190%	-	-
Private equity exposures	-	-	290%	-	-
Other equity exposures	78.2	-	370%	289.3	23.1
Total	**78.2**	**-**	**-**	**289.3**	**23.1**

Significant IRB models and model performance

The residential mortgage portfolio comprised £163.5bn of balance sheet EAD at 31 December 2017 and represented 96% of all retail IRB EAD, therefore the IRB models employed to calculate RWAs for this portfolio are considered the most significant. PD is determined by the new business application score and a bespoke default-risk scorecard for the back-book. These models produce account level, point-in-time PD estimates which are adjusted to a long-run average default rate using a variable scalar methodology employing observed and inferred default rate data back to 1989. Within each of the legacy portfolios (the former Abbey and Alliance & Leicester businesses) the scaling of the PD (grouped into 14 non-default risk grades) is performed separately across 13 risk segments determined by balance-to-value and buyer type.

LGD for residential mortgages is calculated as the proportion of the EAD expected to be written-off multiplied by the probability of a write-off occurring after a default event. The loss proportion uses a 'workout' approach, that is one minus the expected recovery proportion, plus direct and indirect recovery costs associated with the recovery process. The probability of write-off given default is measured from observed loss rates from quarterly tranches of accounts entering default since 2007. Downturn LGD is determined by stressing the model inputs to values observed during the worst points of the last recession. For example the forced sale discount is increased from 19% in normal times to a downturn value of 27%. The downturn probability of write-off given default uses the highest observed values, typically seen from in-defaults occurring during 2008. Other parameters such as time from default to sale, balance owing at sale and property value are also adjusted to be applicable for downturn conditions.

For Santander UK's foundation IRB models employed in Commercial Banking, PD is determined via a calibration of the rating model outputs to observed defaults.

The performance of all Santander UK's IRB models is monitored each quarter in accordance with Santander UK's model monitoring policies. The monitoring assesses the performance of the rating system with respect to the accuracy of the calibration, discrimination and stability of the component models. The retail models produce both point-in-time and regulatory values of PD, LGD and EAD. Actual values for these parameters are compared with:

– The point-in-time estimates to ensure the models remain accurate; and
– The regulatory values to ensure the margin of conservatism in regulatory capital.

The model monitoring analyses the causes of significant variance between actual and predicted parameters and identifies actions required to remediate. The monitoring and actions taken to correct under-performance are reviewed in accordance with Santander UK's internal model governance. Should the monitoring indicate that a model is underestimating risk, a temporary capital charge is raised by management until the cause is resolved.

The table below compares the IRB model expected loss with the amount of impairment allowances calculated under the IFRS rules and the impairment charge. The amount of expected loss not covered by impairment allowances contributes to deductions from regulatory capital.

	Expected Loss		Impairment	
	31 December 2016 £bn	31 December 2017 £bn	Allowances at 31 December 2017 £bn	Charge for 2017 £bn
Residential Mortgages	0.8	**0.7**	**0.2**	–
Unsecured Personal Loans	0.1	**0.1**	–	**0.1**
Bank Accounts	0.1	**0.1**	–	–
Social Housing	-	–	–	–
Corporate	0.2	**0.2**	**0.1**	**0.1**
Global Models	-	–	–	–
Total	**1.2**	**1.1**	**0.3**	**0.2**

Differences in the value of EL and provisions arise from differences in the way the two measures are calculated under the regulatory capital and accounting rules. These include, but are not limited to:

- Differences in the definition of default and impairment used for EL and provisions, respectively;
- Regulatory floors and economic cycle adjustments applied to PD and LGD values used in EL;
- Provisions recognise losses as at the balance sheet date while EL is a forward-looking measure of loss arising from defaults in the 12 months; and
- Differences in the cost of recovery and discount rates applied to EL and provisions.

The IRB model expected loss is not regarded as an indicator of expected losses in accordance with accounting standards due to the level of regulatory floors and prudence built into the IRB models.

Market risk

Movements in RWAs during 2017 were as follows:

Market risk	2017 £bn
RWAs at 1 January	**3.5**
Movement in risk levels[1]	0.1
Model updates[2]	–
Methodology and policy[3]	–
RWAs at 31 December	**3.6**

(1) Changes in risk due to position changes and market movements.
(2) Updates to the model to reflect recent experience, change in model scope.
(3) Methodology changes to the calculations driven by regulatory policy changes.

The 31 December 2017 RWAs of £3.6bn were composed of £3.2bn using the internal model-based approach and £0.4bn using the standardised approach.

Key features of market risk models

The following table shows the key features of the Santander UK group's market risk internal models used for the assessment of RWAs, outlining the model methodology or approach, the number of years of market data used and applicable regulatory thresholds.

Component modelled	Number of significant models	Model Description and methodology	Number of years market data	Applicable regulatory thresholds for the industry
VaR	1 model	Historical simulation method with two-years of daily price history, equally weighted.	2 years	Regulatory VaR is calculated using 10 day holding period and 99% confidence interval.
SVaR	1 model	Same methodology as above except uses 1 year's daily price history.	1 year period of significant stress relevant to the banks' portfolio, reviewed quarterly	Regulatory SVaR is calculated using 10 day holding period and 99% confidence interval

Model performance

As the VaR confidence level is 99% (for both Internal VaR and Regulatory VaR) and a 1 day time horizon is used, the expectation is that on 99% of days, the following day's actual P&L outcome will either be a gain or a loss of smaller magnitude than the VaR level. Hence we would expect that for 1% of days, which is equal to 2 - 3 times a year, the actual reported P&L loss will exceed the VaR level from the previous day. For Regulatory VaR, the Capital Requirements Regulation (CRR) sets out the criteria for acceptable levels of backtesting exceptions, which is further clarified by PRA regulation. If there are 5 or more backtesting exceptions in a 250 day continuous period, points will be added to the capital requirement multiplier. A model with fewer than 5 will not have any added points. No points have been added to the firm's capital multiplier. Three such exceptions occurred during 2017. These were regarded as isolated events and no changes to the internal model were deemed necessary.

Operational risk

Santander UK calculates its operational risk capital requirement under the standardised approach in accordance with PRA rules. The standardised approach uses the average of three years' income of each business line. The average three year income is adjusted to take into account historical income of any businesses acquired during that period. The increase of RWAs in 2017 of £0.2bn was a result of a higher average three year income.

Countercyclical Capital Buffer

The following table outlines the geographical distribution of credit risk exposures relevant for the calculation of the countercyclical capital buffer as at 31 December 2017.

	General credit exposure		Trading book exposure		Securitisation exposure		Own funds requirement					
Country	Exposure value for SA £bn	Exposure value IRB £bn	Sum of long and short position of trading book £bn	Value of trading book exposure for internal models £bn	Exposure value for SA £bn	Exposure value IRB £bn	Of which: general credit exposures £bn	Of which: trading book exposures £bn	Of which: securitisation exposures £bn	Total £bn	Own funds requirement weight	Counter-cyclical capital buffer rate
UK	31.2	195.2	-	-	2.5	2.9	5.3	-	0.1	5.4	0.9	0%
Crown Dependencies	0.8	0.5	-	-	-	-	0.1	-	-	0.1	-	0%
United States	0.2	0.1	-	-	-	-	-	-	-	-	-	0%
Spain	-	0.1	-	-	-	-	-	-	-	-	-	0%
Australia	-	-	-	-	-	-	-	-	-	-	-	0%
Luxembourg	0.5	-	-	-	-	-	-	-	-	-	-	0%
Canada	-	-	-	-	-	-	-	-	-	-	-	0%
Netherlands	-	0.2	-	-	-	0.1	-	-	-	-	-	0%
Ireland	0.3	1.1	-	-	-	-	-	-	-	-	-	0%
Norway	0.2	-	-	-	-	-	-	-	-	-	-	2%
Sweden	-	-	-	-	-	-	-	-	-	-	-	2%
France	0.1	0.3	-	-	-	0.1	-	-	-	-	-	0%
Belgium	-	-	-	-	-	-	-	-	-	-	-	0%
Finland	-	-	-	-	-	-	-	-	-	-	-	0%
Austria	-	-	-	-	-	-	-	-	-	-	-	0%
British Virgin Islands	0.1	0.1	-	-	-	-	-	-	-	-	-	0%
Czech Republic	-	-	-	-	-	-	-	-	-	-	-	0.5%
Germany	-	-	-	-	-	-	-	-	-	-	-	0%
Hong Kong	-	-	-	-	-	-	-	-	-	-	-	0%
Iceland	-	-	-	-	-	-	-	-	-	-	-	1.25%
Saudi Arabia	-	-	-	-	-	-	-	-	-	-	-	0%
Slovakia	-	-	-	-	-	-	-	-	-	-	-	0.5%
Other	0.2	1.0	-	-	-	-	0.1	-	-	0.1	-	0% or not set

Exposure value of relevant credit exposures defined in accordance with Article 140(4) of Directive 2013/36/EU.

Countries included in the table above were selected if total exposure was greater than £0.1bn pre-deductions based on Article 140(4) of Directive 2013/36/EU.

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

	£bn
Total risk exposure	**87.0**
Institution specific countercyclical capital buffer rate	–
Institution specific countercyclical capital buffer requirement	–

The level of the Countercyclical Capital Buffer for Santander UK at 31 December 2017 was 0%.

Credit risk adjustments

The following table outlines the credit risk exposure, the associated level of impaired and past due exposures levels and impairment levels (credit risk adjustments) for 2017 by class of exposure. Further information on impairment losses and provisions is outlined in Notes 8 and 15 to the financial statements in the 2017 Santander UK Group Holdings plc Annual Report.

Definitions of past due and impaired and the approaches and methods adopted for specific and general credit risk are included in Note 1 to the financial statements in the Santander UK Group Holdings plc Annual Report.

Credit quality of exposures by industry

Breakdown of exposures by industry class and credit quality

As at 31 December 2017	Gross carrying values of						
	Defaulted Exposure	Non-Defaulted Exposure	Specific Credit Risk	General Credit Risk	Accumulated write-offs	Credit risk adjustment charges during the period	Net value
Central Banks and Central Governments	-	32,568	-	-	-	-	**32,568**
Agriculture, forestry and fishing	17	281	(2)	(1)	-	(1)	**295**
Mining and quarrying	72	582	(3)	(3)	1	(2)	**648**
Manufacturing	36	2,343	(14)	(12)	3	(4)	**2,353**
Electricity, gas, steam and air conditioning supply	-	1,663	(10)	(9)	2	(3)	**1,644**
Water supply	-	215	(1)	(1)	-	-	**213**
Construction	73	4,209	(25)	(22)	6	190	**4,235**
Wholesale and retail trade	30	6,117	(36)	(32)	9	(14)	**6,079**
Transport and storage	43	1,367	(8)	(7)	2	(3)	**1,395**
Accommodation and food service activities	53	2,942	(17)	(15)	4	(8)	**2,963**
Information and communication	-	1,496	(9)	(8)	2	(3)	**1,479**
Real estate activities	322	11,819	(71)	(63)	17	(26)	**12,007**
Professional, scientific and technical activities	32	1,053	(6)	(5)	2	(2)	**1,074**
Administrative and support service activities	4	1,780	(10)	(9)	3	(3)	**1,765**
Public administration and defence, compulsory social security	-	6	-	-	-	-	**6**
Education	10	1,100	(6)	(6)	2	(2)	**1,098**
Human health services and social work activities	168	2,827	(17)	(15)	4	(7)	**2,963**
Arts, entertainment and recreation	1	566	(3)	(3)	1	(1)	**561**
Other services	-	59	-	-	-	-	**59**
Retail	1,987	189,644	(371)	(120)	195	(92)	**191,140**
Financial Institutions and Other Financial Corporates	-	19,159,	-	-		-	**19,159**
Total	**2,848**	**281,796**	**(609)**	**(331)**	**253**	**19**	**283,704**

Credit risk exposure by country

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

As at 31 December 2017	Gross carrying values of						
	Defaulted Exposure	Non-Defaulted Exposure	Specific Credit Risk	General Credit Risk	Accumulated write-offs	Credit risk adjustment charges during the period	Net value
UK	2,825	263,807	(592)	(331)	253	18	**265,709**
US	-	6,315	-	-	-	-	**6,315**
Japan	-	1,959	-	-	-	-	**1,959**
Ireland	-	837	-	-	-	-	**837**
Luxembourg	-	448	-	-	-	-	**448**
Jersey	7	1,844	(2)	-	-	-	**1,849**
Germany	-	924	-	-	-	-	**924**
Canada	-	58	-	-	-	-	**58**
France	-	709	-	-	-	-	**709**
Isle Of Man	-	745	-	-	-	-	**745**
Netherlands	-	633	-	-	-	-	**633**
Italy	-	228	-	-	-	-	**228**
Norway	-	394	-	-	-	-	**394**
Denmark	-	468	-	-	-	-	**468**
Australia	-	99	-	-	-	-	**99**
Other	16	2,329	(15)	-	-	1	**2,330**
Total	**2,848**	**281,797**	**(609)**	**(331)**	**253**	**19**	**283,705**

For geographical areas of past due and impaired exposures, over 99% are to the UK.

Credit risk exposure

Credit risk exposure class by credit quality, including total and average net amount of exposures.

As at 31 December 2017	Gross carrying values of								
	Defaulted Exposure	Non-Defaulted Exposure	Net value of exposures at the end of the period	Average net exposures over the period	Specific Credit Risk	General Credit Risk	Accumulated write-offs	Credit risk adjustment charges during the period	Net value
Central Banks and Central Governments	-	32,568	32,568	28,641	-	-	-	-	**32,568**
Financial Institutions and Other Financial Corporates	-	33,878	33,878	14,129	-	-	-	-	**33,878**
Corporate Exposures	861	40,425	41,286	42,224	(238)	(211)	58	111	**40,837**
Of which Specialised lending	61	7,904	7,965	7,621	(37)	-	-	-	**7,928**
Retail	1,987	189,644	191,631	189,599	(371)	(120)	195	(92)	**191,140**
Of which: IRB residential immovable property	1,868	167,609	169,477	166,929	(105)	(120)	-	-	**169,252**
Total	**2,848**	**296,515**	**299,363**	**274,593**	**(609)**	**(331)**	**253**	**19**	**298,423**

Credit risk exposures at default

The following tables all use CRDIV exposure at default values

Credit risk exposure by industry

Breakdown of credit risk exposure by industry type

As at 31 December 2017	Agriculture, Forestry & Fishing	Construction	Financial Industry (bank and non-bank)	Real Estate (commercial)	Manufacturing	Mining & Quarrying	Wholesale and Retail Trade	Business Services and Other	Transport, Utilities & Storage	Retail	Other Sectors
Central governments or central banks	-	-	45,449	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	19
Multilateral Development Banks	-	-	1,148	-	-	-	-	-	-	-	-
Institutions	-	-	10,099	-	-	-	-	-	-	-	4
Corporations	42	862	2,462	19,382	2,036	623	2,343	946	4,326	2,173	8,344
Of which specialised Lending	-	171	151	4,357	8	-	114	61	1,677	-	565
Securitisations	-	-	5,626	-	-	-	-	-	-	-	-
Retail	23	3	106	416	9	1	158	19,760	12	160,314	75
Of which secured on residential real estate	22	-	24	343	1	-	141	11,037	4	160,301	28

Residual maturity of credit exposures

The following table outlines the CRDIV credit risk exposure by maturity.

As at 31 December 2017	< 3 months	< 1 year	1-3 years	3-5 years	> 5 years
Central governments or central banks	28,763	618	6,284	1,280	8,504
Public sector entities	1	1	9	3	5
Multilateral Development Banks	-	61	271	397	419
Institutions	3,073	1,405	2,046	2,084	1,494
Corporations	14,624	2,290	9,278	11,690	5,656
Of which specialised Lending	864	507	2,357	2,119	1,437
Securitisations	32	9	505	136	4,944
Retail	15,982	6,147	12,008	8,816	137,924
Of which secured on residential real estate	14,021	4,356	8,713	6,966	137,847

Residual maturity of credit exposures

The following table outlines the CRDIV credit risk exposure by geography.

As at 31 December 2017	UK	Germany	France	US	Spain	Other Eurozone	Other
Central governments or central banks	37,255	900	50	6,210	-	437	597
Public sector entities	19	-	-	-	-	-	-
Multilateral Development Banks	158	-	-	568	-	422	-
Institutions	3,673	376	1,434	904	1,033	488	2,193
Corporations	40,713	19	48	423	49	1,265	1,022
Of which specialised Lending	6,944	9	-	16	-	91	223
Securitisations	5,333	17	139	-	-	135	2
Retail	180,874	-	-	-	1	-	1
Of which secured on residential real estate	171,901	-	-	-	1	-	1

Prudential valuation adjustments (PVA)
PVA for all assets measured at fair value (mark to market or marked to model) and for which PVA are required. Assets can be non-derivative or derivative instruments.

As at 31 December 2017	Equity	Interest rates	FX	Credit	Commodities	Total trading book	Total banking book	Total
Closeout uncertainty, of which:								
- Mid-market value	-	-	-	-	-	-	-	-
- Closeout cost	-	1.2	-	-	-	1.2	1.3	2.5
- Concentration	-	-	-	-	-	-	12.4	12.4
Early termination	-	-	-	-	-	-	-	-
Model risk	-	0.7	-	-	-	0.7	0.3	1.0
Operational risk	-	0.9	-	0.4	-	1.3	2.0	3.3
Investing and funding costs	-	-	-	11.2	-	11.2	-	11.2
Unearned credit spreads	-	-	-	7.0	-	7.0	0.3	7.3
Future administrative costs	0.4	2.3	-	-	-	2.7	1.0	3.7
Other	0.1	7.5	-	3.1	-	10.7	18.4	29.1
Total adjustment	**0.5**	**12.6**	**-**	**21.7**	**-**	**34.8**	**35.7**	**70.5**

Key Movements
The PVA decreased by £35.2m during 2017, mainly due to the tightening in spreads used to perform the calculations, along with an overall reduction in derivative exposures.

Remuneration
Per the Basel Committee on Banking Supervision's Pillar 3 disclosure requirements – consolidated and enhanced framework directive, Santander UK Group Holdings plc is fulfilling its obligation to disclose remuneration notes in the Directors' Remuneration Report section of the Annual Report.

IFRS9
The day 1 impact on the CET1 ratio of Santander UK Group Holdings plc due to IFRS 9 adoption from 1 January 2018 can be found in the Transition to IFRS9 document.

CRR Leverage ratio – disclosure template

The table below provides a reconciliation of accounting assets to the UK Leverage ratio exposure, and information on the composition of the principal exposure elements as at 31 December 2017. A CRD IV end point Tier 1 capital measure is used for this disclosure and Leverage Ratio calculation, consistent with the UK framework for large banks.

Summary reconciliation of accounting assets and Leverage Ratio exposures

		£bn
1	Total assets as per published financial statements	**314,760**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	**698**
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the Leverage Ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 CRR)	**(2,783)**
4	Adjustments for derivative financial instruments	**(12,377)**
5	Adjustments for securities financing transactions (SFTs)	**1,247**
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**14,614**
EU-6a	(Adjustment for intragroup exposures excluded from the Leverage Ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the Leverage Ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	**1,500**
8	**Total Leverage Ratio exposure**	**317,659**

Leverage Ratio common disclosure

		Exposure £bn
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**280,784**
2	(Asset amounts deducted in determining Tier 1 capital)	**(2,783)**
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**278,001**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**5,170**
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	**4,945**
EU-5a	Exposure determined under Original Exposure Method	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
8	(Exempted CCP leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	Total derivative exposures (sum of lines 4 to 10)	**10,115**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**17,838**
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(6,354)**
14	Counterparty credit risk exposure for SFT assets	**1,247**
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	–
15	Agent transaction exposures	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	**12,731**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	**43,557**
18	(Adjustments for conversion to credit equivalent amounts)	**(28,943)**
19	Other off-balance sheet exposures (sum of lines 17 to 18)	**14,614**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	**698**
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	**1,500**
Capital and total exposures		
20	Tier 1 capital (CRD IV end point)	**12,661**
21	Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**317,659**
Leverage Ratio		
22	Leverage Ratio	**4.0%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	–
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	–

Own Funds disclosure – balance sheet reconciliation

The scope of consolidation and method for consolidation of the Santander UK Group Holdings plc balance sheet is substantially the same as that used for regulatory purposes.

The sole difference is the consolidation for regulatory purposes of trust preferred entities, which were set up by Santander UK solely for the issuance of trust preferred securities to third parties and to lend the funds raised on to Santander UK plc. These securities are recognised as liabilities for Regulatory purposes and are classified as "US$1,000m Non-Cumulative Trust Preferred Securities". For the Santander UK Group Holdings plc balance sheet, following the adoption of IFRS 10 with effect from 1 January 2012, the trust preferred entities were no longer consolidated. Instead the subordinated liabilities issued by Santander UK Group Holdings plc to the trust preferred entities, which are for the same amount and terms as the notes issued to third parties from the trust preferred entities, are recognised as liabilities of the Santander UK group and classified as subordinated liabilities. These are classified as "8.963% Subordinated notes 2030 (US$1,000m)".

A reconciliation of regulatory own funds to the relevant balance sheet items for Santander UK Group Holdings plc is included in the table below as at 31 December 2017. This outlines the impact of the difference in scope of consolidation outlined above.

	Own Funds Type		
	CET1 £m	Additional Tier 1 £m	Tier 2 £m
Santander UK Balance Sheet elements	13,912	2,290	-
Shareholder's equity and Non-controlling interests	-	458	3,335
Subordinated Liabilities	-	(113)	-
Less 8.963% Subordinated notes 2030 (US$1,000m)	-	113	-
Add US$1,000m Non-Cumulative Trust Preferred Securities	-	-	-
CRD IV Adjustments			
Additional value adjustments	(70)	-	-
Intangible Assets (net of related tax liability)	(1,703)	-	-
Fair value reserves related to gains or losses on cash flow hedges	(229)	-	-
Negative amounts resulting from the calculation of regulatory expected loss amounts	(748)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(13)	-	-
Deferred tax assets arising from temporary differences	(25)	-	-
Defined benefit pension fund assets	(333)	-	-
- Dividend accrual	(19)	-	-
- Deduction for minority interests	(152)	-	-
Amount excluded from Tier 2 due to transitional recognition cap	-	(301)	(914)
Total	**10,620**	**2,447**	**2,421**

Own Funds disclosure – Transitional Own Funds disclosure template

The following table provides disclosure of Santander UK Group Holdings plc's own funds items. The CRD IV end point position can be derived as the sum of the 31 December 2017 result and the associated end point adjustment. The Common Equity Tier 1 (CET1) Capital before regulatory adjustments below differs from other disclosures in this document as this template requires an alternative treatment of CET1 Minority Interests and foreseeable dividends.

		31 December 2017 £m	CRD IV end point adjustments £m
Common Equity Tier 1 (CET1) Capital: instruments and reserves			
1	Capital Instruments and the related share premium accounts	**7,060**	-
2	Retained Earnings	**6,380**	-
3	Accumulated other comprehensive income (and other reserves)	**301**	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium account subject to phase out from CET1	-	-
5	Minority interests (amount allowed in consolidated CET1)	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**13,741**	-
Common Equity Tier 1 (CET1) Capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	**(70)**	-
8	Intangible assets (net of related tax liability) (negative amount)	**(1,703)**	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-
11	Fair value reserves related to gains or losses on cash flow hedges	**(229)**	-
12	Negative amounts resulting from the calculation of expected loss amounts	**(748)**	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains of losses on liabilities valued at fair value resulting from changes in own credit standing	**(13)**	-
15	Defined-benefit pension fund assets (negative amount)	**(333)**	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-
20c	of which: securitisation positions (negative amount)	-	-
20d	of which: free deliveries (negative amount)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	**(25)**	-
22	Amount exceeding the 15% threshold (negative amount)	-	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
25a	Losses for the current financial year (negative amount)	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-
26	Regulatory adjustment applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(3,121)**	-
29	**Common Equity Tier 1 (CET1) capital**	**10,620**	-
30	Capital instruments and the related share premium accounts	**2,041**	-
31	of which: classified as equity under applicable accounting standards	**2,041**	-
32	of which: classified as liabilities under applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	**406**	**(406)**
35	of which: instruments issued by subsidiaries subject to phase out	**406**	**(406)**
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**2,447**	**(406)**
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-	-
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transition period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article of Regulation (EU) No 575/2013	-	-

		31 December 2017 £m	CRD IV end point adjustments £m
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
44	**Additional Tier 1 (AT1) capital**	**2,447**	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**13,067**	-
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	**1,117**	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties	**1,304**	**(228)**
49	of which: instruments issued by subsidiaries subject to phase out	**345**	**(345)**
50	Credit risk adjustments	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**2,421**	**(288)**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
54a	Of which new holdings not subject to transitional arrangements	-	-
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) 575/2013 (i.e. CRR residual amounts)	-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	-
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	Tier 2 (T2) capital	**2,421**	-
59	Total Capital (TC = T1 + T2)	**15,488**	-
59a	Risk weighted assets in respect of amounts subject to pre CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) 575/2013 (i.e. CRR residual amounts)	-	-
60	Total risk weighted assets	**87,005**	
Capital ratio and buffers			
61	Common Equity Tier (as a percentage of total risk exposure amount)	**12.2%**	-
62	Tier 1 (as a percentage of total risk exposure amount)	**15.0%**	-
63	Total capital (as a percentage of total risk exposure amount)	**17.8%**	-
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	-	-
65	of which: capital conservation buffer requirement	-	-
66	of which: countercyclical buffer requirement	**0.0%**	-
67	of which: systemic risk buffer requirement	-	-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	**12.2%**	-
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	**163**	-
73	Direct and indirect holdings by the institutions of the CET1 instruments of financial sector entities where the institution has a significant in those entities (amount below 10% threshold and net of eligible short positions)	-	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion if credit risk adjustment in T2 under standardised approach	**326**	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap for inclusion of credit risk adjustment in T2 under internal ratings-based approach	**281**	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

Own Funds disclosure – capital instruments main features

The following table outlines the main features of Santander UK's Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments. Further details are included in the 2017 Santander UK Group Holdings plc Annual Report in Notes 31 and 36 to the financial statements.

1	Issuer	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc	Santander UK plc
2	ISIN	XS0060837068	XS0117973262	XS0117973429	XS0103012893	US002920AC09	XS0041864512	XS0989359756 US80283LAA17	XS0133956168
3	Governing law(s) of the instrument	English	English	English	English	New York	English	English	English
	Regulatory treatment								
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Ineligible	Ineligible	Tier 2	Tier 2	Ineligible	Tier 2	Tier 2
6	Eligible at solo/group/group&solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
8	Amount recognised in regulatory capital (£m)	205	17	363	40	275	71	1,103	9
9	Par value of instrument (£m)	200	14	270	29	193	71	1,109	11
9a	Issue Price of Instrument	100.432%	99.277%	175m @ 97.712% 100m @ 109.744%	99.561%	99.626%	101.365%	99.681%	98.878%
9b	Redemption Price of Instrument	n/a	100% (call)	100% (call)	100%	100%	100%	100%	100%
10	Accounting classification	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost
11	Original date of issuance	23/10/1995	28/09/2000	28/09/2000	21/10/1999	26/10/1999	4/02/1993	07/11/2013	14/08/2001
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	n/a	n/a	21/10/2030	26/10/2029	4/01/2023	07/11/2023	14/08/2031
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	No	No	Yes	No	n/a
15	Optional call date, contingent call dates and redemption amount	n/a	28/09/2020	28/09/2030	n/a	n/a	4/01/2018	n/a	n/a
16	Subsequent call dates, if applicable	n/a	5 years	5 years	n/a	n/a	n/a	n/a	n/a
	Coupons / dividends								
17	Fixed or floating dividend/coupon	Fixed	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.0625%	7.375%	7.125%	6.5%	7.95%	10.125%	5%	5.875%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Mandatory	Partially discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	Yes	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	No	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	Fully or Partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	at the option of the issuer	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	Additional Tier 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	Santander UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Senior	Senior	Senior	Senior	Senior
36	Non-compliant transitioned features	No	Yes	Yes	No	No	Yes	No	No
37	If yes, specify non-compliant features		Incentive to Redeem: Step Up	Incentive to Redeem: Step Up			Incentive to Redeem: Step Up		

Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK plc	Santander UK plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK plc	Santander UK plc	Abbey National Capital Trust I	Santander UK plc	Santander UK plc
2	ISIN	XS0361244311	XS0164078791	US80281LAA35 XS1291333760	US80281LAB18 XS1291352711	GB0000064393	GB0000044221	US002927AA95	XS0152838586	XS0124569566
3	Governing law(s) of the instrument	English	English	English	English	English	English	Delaware	English	English
	Regulatory treatment									
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Ineligible	Tier 2	Ineligible
6	Eligible at solo/group/ group&solo	Solo and Consolidated	Solo and Consolidated	Consolidated	Consolidated	Solo and Consolidated	Solo and Consolidated	Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Preferred	Preferred	Preferred	Preferred	Preferred
8	Amount recognised in regulatory capital (£m)	129	0	743	373	215	125	113	2	235
9	Par value of instrument (£m)	122	0	740	370	200	125	77	2	238
9a	Issue Price of Instrument	99.313%	99.873%	99.724%	99.412%	100m @ 101.52% 100m @ 108.935%	101.55%	100%	100%	100%
9b	Redemption Price of Instrument	100%	100%	100%	100%	n/a	n/a	100% (call)	100% (call)	100% (call)
10	Accounting classification	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Shareholders Equity
11	Original date of issuance	30/04/2008	06/03/2003	15/09/2015	15/09/2015	23/10/1995	09/06/1997	07/02/2000	09/08/2002	14/02/2001
12	Perpetual or dated	Dated	Dated	Dated	Dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	30/10/2023	06/03/2023	15/09/2025	15/09/2045	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	Yes	No	No	No	No	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	30/10/2018	06/03/2018	n/a	n/a	n/a	n/a	30/06/2030	09/02/2018	14/02/2026
16	Subsequent call dates, if applicable	Quarterly	Annually	n/a	n/a	n/a	n/a	Quarterly	Semi-annually	Annually
	Coupons / dividends									
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed to Floating	Fixed to Floating	Fixed to Floating
18	Coupon rate and any related index	9.625%	5.25%	4.75%	5.625%	10.375%	8.625%	8.963%	6.984%	7.037%
19	Existence of a dividend stopper	No	No	No	No	Yes	Yes	Yes	Yes	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	Yes	Yes	No	No	No	No	Yes	No	Yes
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	San UK Total Capital Ratio < minimum requirement	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	Fully	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	100%	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	mandatory	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	Additional Tier 1	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	Santander UK	n/a	n/a
30	Write-down feature	No	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior	Senior	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	Incentive to Redeem: Step Up	Incentive to Redeem: Step Up			No CET1 conversion or write down trigger Dividend Stopper	No CET1 conversion or write down trigger Dividend Stopper	No CET1 conversion or write down trigger Dividend Stopper Incentive to Redeem: Step Up	No CET1 conversion or write down trigger Dividend Stopper	No CET1 conversion or write down trigger Dividend Stopper Incentive to Redeem: Step Up

Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc	Santander UK Group Holdings plc
2	ISIN	XS0502105454	n/a	n/a	XS1244538523	n/a	XS1592884123
3	Governing law(s) of the instrument	English	English	English	English	English	English
	Regulatory treatment						
4	Transitional Basel III rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/group/group&solo	Solo and Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Preferred	Additional Tier 1	Additional Tier 1	Additional Tier 1	Equity	Additional Tier 1
8	Amount recognised in regulatory capital (£m)	14	500	300	745	7,060	500
9	Par value of instrument (£m)	14	500	300	750	7,060	500
9a	Issue Price of Instrument	100%	100%	100%	100%	100%	100%
9b	Redemption Price of Instrument	100% (call)	100% (call)	100% (call)	100% (call)	n/a	100% (call)
10	Accounting classification	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity
11	Original date of issuance	24/05/2006	24/06/2014	02/12/2014	10/06/2015	10/01/2014	10/04/2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	No	Yes
15	Optional call date, contingent call dates and redemption amount	24/05/2019	24/06/2019	24/12/2019	24/06/2022	n/a	24/06/2024
16	Subsequent call dates, if applicable	Quarterly	Quarterly	Quarterly	5 years	n/a	5 years
	Coupons / dividends						
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Variable	Fixed to Floating
18	Coupon rate and any related index	6.222%	6.625%	7.6%	7.375%	n/a	6.75%
19	Existence of a dividend stopper	Yes	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger (s)	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	CET1 Capital Ratio of the Group < 7%	CET1 Capital Ratio of the Group < 7%	CET1 Capital Ratio of the Group < 7%	n/a	CET1 Capital Ratio of the Group < 7%
32	If write-down, full or partial	n/a	Full	Full	Full	n/a	Full
33	If write-down, permanent or temporary	n/a	Permanent	Permanent	Permanent	n/a	Permanent
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Tier 2
36	Non-compliant transitioned features	Yes	No	No	No	No	No
37	If yes, specify non-compliant features	No CET1 conversion or write down trigger Dividend Stopper Incentive to Redeem: Step Up					

Glossary

Advanced Internal Ratings Based Approach (AIRB)	A method of calculation using internal estimates for all risk components.
Basel III	In December 2010, the Basel Committee on Banking Supervision issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The standards were implemented in the EU in January 2014.
Capital Conservation Buffer	A capital buffer required under Basel III to ensure banks build up capital buffers outside of periods of stress.
Common Equity Tier 1 (CET1) capital	The called-up share capital and eligible reserves less deductions calculated in accordance with the CRD IV implementation rules as per the PRA Policy Statement PS7/13. CET1 capital ratio is CET1 capital as a percentage of risk-weighted assets.
Common Equity Tier 1 ratio	CET1 capital as a percentage of risk weighted assets.
Countercyclical capital buffer (CCyB)	A capital buffer required under Basel III to ensure that capital requirements take account of the macro-financial environment in which banks operate.
Counterparty credit risk	A subset of credit risk and is the risk that a counterparty defaults.
CRD IV	An EU legislative package covering prudential rules for banks, building societies and investment firms.
Credit Conversion Factor (CCF)	An estimate of the amount Santander expects a customer to have drawn further on a facility limit at the point of default.
Credit Risk	The risk that a counterparty will default and will be unable to fulfil the obligations of their contract.
Credit Valuation Adjustment (CVA)	Adjustments to the fair values of derivative assets to reflect the creditworthiness of the counterparty.
Expected Loss (EL)	The Santander UK group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Santander UK group-modelled view of anticipated loss based on Probability of Default, Loss Given Default and Exposure at Default, with a one-year time horizon.
Exposure	The maximum loss that a financial institution might suffer if a borrower, counterparty or group fails to meet their obligations or assets and off-balance sheet positions have to be realised.
Exposure at Default (EAD)	The estimation of the extent to which the Santander UK group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
Fair Value	The value of an asset or liability when the transaction is on an arm's length basis.
Financial Policy Committee	An independent committee at the Bank of England with the objective of overseeing and taking action to remove or reduce systemic risks to protect and enhance the resilience of the UK financial system.
Foundation Internal Ratings Based Approach (FIRB)	A method of calculation for credit risk capital requirements using internal estimate of PD with supervisory estimates for LGD and supervisory calculations for EAD.
Global Systematically Important Bank (G-SIB)	G-SIBs are subject to higher capital buffer requirements, total loss-absorbing capacity requirements, resolvability requirements and higher supervisory expectations and have been phased in from 1 January 2016.
Institution	An investment firm or credit institution.
Internal Models Approach (IMA)	Approved by the PRA this model is used to calculate market risk capital and RWA.
Internal Ratings-Based Approach (IRB)	The Santander UK group's method, under the CRD IV framework, for calculating credit risk capital requirements using the Santander UK group's internal Probability of Default models but with supervisory estimates of Loss Given Default and conversion factors for the calculation of Exposure at Default.
Leverage Ratio	CRD IV end-point Tier 1 capital divided by exposures as defined by the European Commission Delegated Regulation 2015/62 of October 2014. In July 2016, the definition was amended to exclude from the calculation for total exposure those assets held against central banks that are matched by deposits in the same currency and of equal or longer maturity.
Loss Given Default (LGD)	The fraction of Exposure at Default that will not be recovered following default. LGD comprises the actual loss (the part that is not recovered), together with the economic costs associated with the recovery process.
Mark-to-Market Approach	An approach available to banks to calculate the exposure value associated with derivative transactions.
Market Risk	The risk of loss of earnings or economic value due to adverse changes in the financial market.
Maturity or Residual Maturity (for RWAs)	Remaining time until a transaction expires.
Minimum Capital Requirement	Minimum capital required for credit, market and operational risk.
Multilateral Development Banks	An institution created by a group of countries to provide financing for the purpose of development.
Operational Risk	The risk of loss due to the failure of people, process or technology.
Pillar 1	The first pillar of the Basel III approach which provides the approach to the calculation of the minimum capital requirements. This is 8% of the banks risk-weighted assets.
Pillar 3	The part of the CRD IV Accord which sets out the disclosure requirements for firms to publish details of their risks, capital and risk management. The aims are greater transparency and strengthening market discipline.
Probability of Default (PD)	The degree of likelihood that the counterparty fails to meet their financial obligation, within a period of one year.
Prudential Regulation Authority (PRA)	The UK financial services regulator formed as one of the successors to the FSA. The PRA is part of the Bank of England and is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm.
Prudential Valuation Adjustment (PVA)	These are adjustments to the tier 1 capital where the prudent value of the position in the trading book is seen by the bank as being below the fair value recognised in the financial statements.

Regulatory Capital	The amount of capital that the Santander UK group holds, determined in accordance with rules established by the UK PRA for the consolidated Santander UK group and by local regulators for individual Santander UK group companies.
Repurchase Agreement (repo)/Reverse Repurchase Agreement (reverse repo)	In a sale and repurchase agreement one party, the seller, sells a financial asset to another party, the buyer, under commitments to reacquire the asset at a later date. The buyer at the same time agrees to resell the asset at the same later date. From the seller's perspective such agreements are securities sold under repurchase agreements (repos) and from the buyer's securities purchased under commitments to resell (reverse repos).
Retail Internal Ratings Based Approach (Retail IRB)	The Santander UK group's internal method of calculating credit risk capital requirements for its key retail portfolios. The FSA approved the Santander UK group's application of the Retail IRB approach to the Santander UK group's credit portfolios with effect from 1 January 2008.
Risk-Weighted Assets (RWAs)	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the PRA.
RWA Density	The risk-weighted asset divided by exposure at default.
Securities Financing Transactions (SFT)	Transactions involving repurchase agreements and reverse repurchase agreements, stock borrow lending and other securities.
Securitisation Positions	The position assumed by the bank following the purchase of securities.
Specialised Lending	An exposure to an entity which was created specifically to finance and/or operate physical assets, where the contractual arrangements given the lender a substantial degree of control over the assets and the income that they generate and the primary source of repayment of the obligation is the income generated by the assets being financed.
Standardised Approach	In relation to credit risk, a method for calculating credit risk capital requirements under CRD IV, using External Credit Assessment Institutions ratings and supervisory risk weights. The Standardised approach is less risk-sensitive than IRB (see 'IRB' above). In relation to operational risk, a method of calculating the operational capital requirement under CRD IV, by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Tier 1 Capital	A measure of a bank's financial strength defined by the PRA. It captures Core Tier 1 capital plus other Tier 1 securities in issue, but is subject to a deduction in respect of material holdings in financial companies.
Tier 1 Capital ratio	The ratio expresses Tier 1 capital as a percentage of risk weighted assets.
Tier 2 Capital	Defined by the PRA. Broadly, it includes qualifying subordinated debt and other Tier 2 securities in issue, eligible collective impairment allowances, unrealised available for sale equity gains and revaluation reserves. It is subject to deductions relating to the excess of expected loss over regulatory impairment allowance, securitisation positions and material holdings in financial companies.
Trading Book	Positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book, which must be free of restrictive covenants on their tradability or ability to be hedged.
Value at Risk (VaR)	An estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level.