

# **Santander UK Group Holdings plc**

## **June 2015 Additional Capital and Risk Management Disclosures**

## Additional Capital and Risk Management Disclosures continued

### Introduction

Santander UK Group Holdings plc's Additional Capital and Risk Management Disclosures for the six months ended 30 June 2015 should be read in conjunction with our 2015 Half Yearly Financial 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<sup>1</sup> Santander UK Group Holdings plc is only required to produce and publish a specified number of Pillar 3 disclosures rather than a complete set of Pillar 3 disclosures. In accordance with the EBA guidelines on disclosure frequency<sup>2</sup>, the Company has assessed the need to publish capital-related disclosures more frequently than annually, and the disclosures deemed appropriate for more frequent publication have been included in the additional capital and risk management disclosures set out in this document. All disclosures cover the consolidated Santander UK Group Holdings plc group position.

### Own Funds and Capital Ratios

The following table summarises the Company's Own Funds at 30 June 2015 and 31 December 2014, and details the key risk-based capital ratios. Further detail on Risk Weighted Assets is included in the subsequent RWA and Capital Requirements section of this document.

	30 June 2015 £m	31 December 2014 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	13,399	13,054
Common Equity Tier 1 (CET1) capital regulatory adjustments	(3,423)	(3,298)
<b>Common Equity Tier 1 (CET1) capital</b>	<b>9,976</b>	<b>9,756</b>
Additional Tier 1 (AT1) capital before regulatory adjustments	2,083	1,749
Additional Tier 1 (AT1) capital regulatory adjustments	-	-
<b>Additional Tier 1 (AT1) capital</b>	<b>2,083</b>	<b>1,749</b>
<b>Tier 1 capital</b>	<b>12,059</b>	<b>11,505</b>
Tier 2 (T2) capital before regulatory adjustments	2,268	2,750
Tier 2 (T2) capital regulatory adjustments	-	-
<b>Tier 2 (T2) capital</b>	<b>2,268</b>	<b>2,750</b>
<b>Total Capital</b>	<b>14,327</b>	<b>14,255</b>
Risk Weighted Assets	85,177	82,309
<b>Common Equity Tier 1 ratio</b>	<b>11.7%</b>	<b>11.9%</b>
<b>Tier 1 ratio</b>	<b>14.2%</b>	<b>14.0%</b>
<b>Total Capital ratio</b>	<b>16.8%</b>	<b>17.3%</b>

Common Equity Tier 1 ratio decreased from 11.9% to 11.7% at 30 June 2015 primarily driven by the increase in Risk Weighted Assets during the first half of 2015 following the commencement of the PSA cooperation<sup>3</sup> and growth in mortgages.

### Leverage Ratio

The following table summarises the Company's end point CRD IV Tier 1 Leverage Ratio at 30 June 2015 and 31 December 2014, which is consistent with the Leverage Ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage Ratio. Further detail on the 30 June 2015 Leverage exposure is included in the EBA-defined Disclosures section of this document.

	30 June 2015 £m	31 December 2014 £m
Common Equity Tier 1 (CET1) capital	9,976	9,756
End point Additional Tier 1 (AT1) capital	1,545	800
<b>End point Tier 1 capital</b>	<b>11,521</b>	<b>10,556</b>
Leverage Exposure (£bn)	279.3	276.3
<b>End point Tier 1 Leverage Ratio</b>	<b>4.1%</b>	<b>3.8%</b>

The Leverage Ratio increased during the six months ended 30 June 2015 principally due to the issuance of £750m AT1 securities, increasing the level of end point Tier 1 capital. Santander UK Group Holdings plc exceeded the proposed minimum 3% Leverage Ratio at 30 June 2015 and 31 December 2014.

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

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

<sup>3</sup> PSA Finance UK Limited, a cooperation (accounted for as a subsidiary) between Santander Consumer (UK) plc and Banque PSA Finance, S.A.

## Additional Capital and Risk Management Disclosures continued

### RWA and Capital Requirements

#### By Risk Type

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

	30 June 2015		31 December 2014	
	RWA £bn	8% * RWA £bn	RWA £bn	8% * RWA £bn
Credit Risk	69.9	5.6	66.3	5.3
Counterparty Risk	3.4	0.3	3.7	0.3
Credit Valuation Adjustment Risk – Standardised method	1.8	0.1	1.4	0.1
Market Risk	3.5	0.3	4.3	0.3
Operational Risk – Standardised approach	6.6	0.5	6.6	0.5
<b>Total</b>	<b>85.2</b>	<b>6.8</b>	<b>82.3</b>	<b>6.5</b>

#### Credit risk and Counterparty risk by risk class

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

	30 June 2015		31 December 2014	
	RWA £bn	8% * RWA £bn	RWA £bn	8% * RWA £bn
<b>Standardised Approach credit risk</b>				
Institutions	0.5	-	0.4	-
Corporates	15.5	1.3	15.8	1.3
Standardised Retail	7.5	0.6	4.9	0.4
Secured by Mortgages on Immovable Property	0.9	0.1	0.9	0.1
Exposures in Default	0.4	-	0.5	-
Covered Bonds	0.2	-	0.2	-
Other	4.3	0.3	3.9	0.3
<b>Total</b>	<b>29.3</b>	<b>2.3</b>	<b>26.6</b>	<b>2.1</b>
<b>IRB Approach credit risk</b>				
Institutions	2.1	0.2	2.0	0.2
Corporates	13.1	1.0	12.9	1.0
IRB Retail Mortgages	25.5	2.0	24.3	1.9
IRB Qualifying Revolving Retail Exposures	2.0	0.2	2.0	0.2
Other Retail	2.5	0.2	2.5	0.2
Securitisation Positions	0.5	0.1	0.7	0.1
IRB Equity Exposures – 370% Risk Weight	0.1	-	0.4	-
<b>Total</b>	<b>45.8</b>	<b>3.7</b>	<b>44.8</b>	<b>3.6</b>

#### Market risk by risk class

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

	30 June 2015		31 December 2014	
	RWA £bn	8% * RWA £bn	RWA £bn	8% * RWA £bn
Position risk and large exposures	2.9	0.2	3.9	0.3
Foreign exchange, settlement and commodities risk	0.6	0.1	0.4	-
<b>Total</b>	<b>3.5</b>	<b>0.3</b>	<b>4.3</b>	<b>0.3</b>

## Additional Capital and Risk Management Disclosures continued

### Probability of Default ('PD') disclosures

The following tables show the distribution by credit quality of the value of exposures, credit risk parameters and capital for the Company's IRB portfolios, by exposure class. This excludes specialised lending, equity exposures and securitisation portfolios where PD is not estimated for RWA calculations – at 30 June 2015, the RWA for such portfolios was £6.2bn. 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

The Company 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 30 June 2015

#### Corporates

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting	External Rating Equivalent Range	External Rating Equivalent Average PD
	%	£m	%	%	£m	%		
1	0.000 to 0.160	10,637	0.072	30	1,523	14	AAA to A-	A
2	0.160 to 0.290	3,046	0.170	33	1,038	34	A- to BBB	BBB+
3	0.290 to 0.530	3,279	0.370	44	1,806	55	BBB to BBB-	BBB-
4	0.530 to 0.920	1,762	0.709	42	1,328	75	BBB- to BB+	BB+
5	0.920 to 1.560	1,011	1.128	44	854	85	BB+ to BB	BB
6	1.560 to 2.700	728	2.230	42	787	108	BB to BB-	BB-
7	2.700 to 35.000	153	4.887	40	166	108	BB- to C	B-
	In default	151	100.00	41	-	-		
	Total	20,767			7,502	36		
	Total 31 December 2014	20,044			7,105	35		

#### Institutions

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting	External Rating Equivalent Range	External Rating Equivalent Average PD
	%	£m	%	%	£m	%		
1	0.000 to 0.037	4,797	0.032	46	1,074	22	AAA to A+	A+
4	0.045 to 0.058	1,326	0.056	45	419	32	A	A
6	0.076 to 1.000	549	0.095	46	217	40	A to A-	A-
8	0.134 to 0.211	22	0.159	46	11	50	A- to BBB+	BBB+
9	0.211 to 0.339	485	0.267	48	415	86	BBB+ to BBB-	BBB
10	0.339 to 0.544	2	0.448	48	1	50	BBB- to BB+	BBB-
11 to 13	0.544 to 99.999	4	1.007	49	3	75	BB+ to C	BB+ to C
	In default	-	-	-	-	-		
	Total	7,185			2,140	30		
	Total 31 December 2014	6,513			1,986	30		

## Additional Capital and Risk Management Disclosures continued

### 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	815	0.257	8	34	4
2	0.015 to 0.030	4,231	0.234	9	171	4
3	0.030 to 0.060	11,629	0.238	9	478	4
4	0.060 to 0.120	27,936	0.275	9	1,241	4
5	0.120 to 0.250	50,624	0.799	9	5,065	10
6	0.250 to 0.500	34,943	1.717	11	6,737	19
7	0.500 to 1.000	13,118	3.052	13	4,148	32
8	1.000 to 2.000	3,824	6.151	12	1,639	43
9	2.000 to 4.000	5,396	9.089	10	2,304	43
10	4.000 to 8.000	2,782	16.587	12	1,732	62
11	8.000 to 15.000	1,072	28.572	11	667	62
12	15.000 to 30.000	1,227	46.661	11	712	58
13	30.000 to 60.000	904	71.306	11	340	38
14	60.000 to 99.999	500	71.209	12	202	40
	In default	2,558	100.000	16	-	-
	Total	161,559			25,470	16
	Total 31 December 2014	159,202			24,259	15

### 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	159	0.042	78	4	3
3	0.030 to 0.050	55	0.262	77	6	11
4	0.050 to 0.100	2,899	0.186	76	233	8
5	0.100 to 0.200	34	0.999	77	9	26
6	0.200 to 0.500	636	0.934	75	180	28
7	0.500 to 1.000	402	1.945	76	203	50
8	1.000 to 2.000	391	3.964	74	315	81
9	2.000 to 5.000	353	7.370	73	421	119
10	5.000 to 10.000	144	14.494	72	245	170
11	10.000 to 20.000	130	23.071	70	260	200
12	20.000 to 40.000	46	44.878	65	90	296
13	40.000 to 99.999	31	54.826	60	53	171
	In default	34	100.000	78	-	-
	Total	5,314			2,019	38
	Total 31 December 2014	4,915			2,031	41

### Other Retail

PD Band	PD Range	Exposure at default estimate £m	Average PD	Average LGD	RWAs £m	Average Risk Weighting
	%		%	%		%
4	0.050 to 0.100	6	0.235	88	2	33
5	0.100 to 0.200	26	0.318	88	13	50
6	0.200 to 0.500	130	0.547	88	92	71
7	0.500 to 1.000	552	0.796	88	472	86
8	1.000 to 2.000	793	1.587	88	894	113
9	2.000 to 5.000	545	3.542	88	725	133
10	5.000 to 10.000	118	7.604	88	172	146
11	10.000 to 20.000	24	13.718	88	42	175
12	20.000 to 40.000	10	26.507	88	23	230
13	40.000 to 99.999	14	61.378	88	30	214
	In default	21	100.000	88	-	-
	Total	2,239			2,465	110
	Total 31 December 2014	2,179			2,461	113

## Additional Capital and Risk Management Disclosures continued

### EBA-defined Disclosures

The following sections of this document set out disclosures required under CRD IV for the Company defined by EBA implementing technical standards on the disclosure of Own Funds and the Leverage Ratio. These items are presented in the defined EBA template format, with the exception of the balance sheet reconciliation (where no format is prescribed). All disclosures cover the 30 June 2015 position.

### CRR Leverage Ratio – Disclosure Template

The table below provides a reconciliation of accounting assets to Leverage Ratio exposure, and information on the composition of the principal exposure elements. 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	277.2
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0.5
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')	-
4 Adjustments for derivative financial instruments	(12.2)
5 Adjustments for securities financing transactions 'SFTs'	2.7
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	12.2
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	(1.1)
8 Total Leverage Ratio exposure	279.3

#### Leverage Ratio common disclosure

	Exposure £bn
<i>On-balance sheet exposures (excluding derivatives and SFTs)</i>	
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	252.3
2 (Asset amounts deducted in determining Tier 1 capital)	(3.0)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	249.3
<i>Derivative exposures</i>	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	3.6
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	4.8
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)	8.4
<i>Securities financing transaction exposures</i>	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	8.4
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(1.7)
14 Counterparty credit risk exposure for SFT assets	2.7
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)	9.4
<i>Other off-balance sheet exposures</i>	
17 Off-balance sheet exposures at gross notional amount	39.8
18 (Adjustments for conversion to credit equivalent amounts)	(27.6)
19 Other off-balance sheet exposures (sum of lines 17 to 18)	12.2
<i>Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)</i>	
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))	-
EU-19b (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
<b>Capital and total exposures</b>	
20 Tier 1 capital (CRD IV end point)	11.5
21 Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	279.3
<b>Leverage Ratio</b>	
22 Leverage Ratio	4.1%
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>	
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	-

## Additional Capital and Risk Management Disclosures continued

### 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, under IFRS 10, the trust preferred entities are not consolidated. Instead the subordinated liabilities issued by Santander UK 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 holding plc 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. 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
<b><i>Santander UK Balance Sheet elements</i></b>			
Shareholder's equity and Non-controlling interests	13,399	1,801	-
Subordinated Liabilities	-	445	3,156
Less: 8.963% Subordinated notes 2030 (US\$1,000m)	-	(100)	-
Add: US\$1,000m Non-Cumulative Trust Preferred Securities	-	100	-
<b><i>CRD IV Adjustments and Deductions</i></b>			
Additional value adjustments	(96)	-	-
Intangible Assets (net of related tax liability)	(2,187)	-	-
Fair value reserves related to gains or losses on cash flow hedges	(131)	-	-
Negative amounts resulting from the calculation of regulatory expected loss amounts	(535)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(41)	-	-
Deferred tax assets arising from temporary differences	(10)	-	-
Defined benefit pension fund assets	(273)	-	-
Foreseeable Dividends	(27)	-	-
Other Deductions, including Minority Interests	(123)	(163)	(888)
<b>Total</b>	<b>9,976</b>	<b>2,083</b>	<b>2,268</b>

## Additional Capital and Risk Management Disclosures continued

### 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 30 June 2015 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.

	30 June 2015 £m	CRD IV end point adjustments £m
<b>Common Equity Tier 1 (CET1) Capital: instruments and reserves</b>		
1	7,060	-
2	5,439	-
3	270	-
4	-	-
5	123	-
5a	357	-
6	<b>13,249</b>	<b>-</b>
<b>Common Equity Tier 1 (CET1) Capital: regulatory adjustments</b>		
7	(96)	-
8	(2,187)	-
10	-	-
11	(131)	-
12	(535)	-
13	-	-
14	(41)	-
15	(273)	-
16	-	-
17	-	-
18	-	-
19	-	-
20a	-	-
20b	-	-
20c	-	-
20d	-	-
21	(10)	-
22	-	-
23	-	-
25	-	-
25a	-	-
25b	-	-
26	-	-
26a	-	-
26b	-	-
27	-	-
28	(3,273)	-
29	<b>9,976</b>	<b>-</b>
30	1,545	-
31	1,545	-
32	-	-
33	-	-
34	538	(538)
35	538	(538)
36	<b>2,083</b>	<b>(538)</b>
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
37	-	-
38	-	-
39	-	-
40	-	-
41	-	-
41a	-	-



## Additional Capital and Risk Management Disclosures continued

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	-	-
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	<b>2,083</b>	<b>(538)</b>
45	Tier 1 capital (T1 = CET1 + AT1)	<b>12,059</b>	<b>(538)</b>
<b>Tier 2 (T2) capital: instruments and provisions</b>			
46	Capital instruments and the related share premium accounts	-	-
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	2,268	(1,862)
49	of which: instruments issued by subsidiaries subject to phase out	859	(859)
50	Credit risk adjustments	-	-
51	Tier 2 (T2) capital before regulatory adjustments	<b>2,268</b>	<b>(1,862)</b>
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
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	<b>2,268</b>	<b>(1,862)</b>
59	Total Capital (TC = T1 + T2)	<b>14,327</b>	<b>(2,400)</b>
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	<b>85,177</b>	-
<b>Capital ratio and buffers</b>			
61	Common Equity Tier (as a percentage of total risk exposure amount)	<b>11.7%</b>	
62	Tier 1 (as a percentage of total risk exposure amount)	<b>14.2%</b>	
63	Total capital (as a percentage of total risk exposure amount)	<b>16.8%</b>	
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)	<b>4.5%</b>	
65	of which: capital conservation buffer requirement	-	
66	of which: countercyclical buffer requirement	-	
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)	<b>7.2%</b>	
<b>Amounts below the threshold for deduction (before risk weighting)</b>			
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)	209	
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)	-	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
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	339	
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	276	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>			
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	1,135	
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	1,096	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	216	

## 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 Santander UK Group Holdings plc 2015 Half Yearly Financial Report in Notes 23, 27 and 33 to the financial statements.

1	Issuer	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK
2	ISIN	XS0060837068	XS0071938822	XS0117972967	XS0117972702	XS0117973262	XS0117973429	XS0103012893	US002920AC09	XS0034981661
3	Governing law(s) of the instrument	English	English	English	English	English	English	English	New York	English
<b>Regulatory treatment</b>										
4	Transitional Basel III rules	Tier 2	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	Ineligible	Ineligible	Ineligible	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	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
8	Amount recognised in regulatory capital (€m)	205	27	452	335	215	382	42	243	19
9	Par value of instrument (€m)	200	26	422	322	165	270	29	166	52
9a	Issue Price of Instrument	100.432%	100%	325m @ 98.446% 100m @ 107.872%	98.83%	99.277%	175m @ 97.712% 100m @ 109.744%	99.561%	99.626%	101.715%
9b	Redemption Price of Instrument	n/a	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	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	Liability-amortised cost
11	Original date of issuance	23/10/1995	24/12/1996	28/09/2000	28/09/2000	28/09/2000	28/09/2000	21/10/1999	26/10/1999	30/12/1991
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated
13	Original maturity date	n/a	n/a	n/a	n/a	n/a	n/a	21/10/2030	26/10/2029	4/01/2017
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	27/12/2016	28/09/2015	28/09/2010	28/09/2020	28/09/2030	n/a	n/a	30/12/1996
16	Subsequent call dates, if applicable	n/a	Quarterly	5 years	5 years	5 years	5 years	n/a	n/a	At any time
<b>Coupons / dividends</b>										
17	Fixed or floating dividend/coupon	Fixed	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.0625%	4%	7.5%	4.8138%	7.375%	7.125%	6.5%	7.95%	11.5%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Mandatory	Partially discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	Yes	Yes	No	No	No
22	Noncumulative or cumulative	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	Non Convertible
24	If convertible, conversion trigger (s)	No	n/a	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	n/a
26	If convertible, conversion rate	100%	n/a	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	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	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	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)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Senior	Senior	Senior
36	Non-compliant transitioned features	No	Yes	Yes	No	Yes	Yes	No	No	No
37	If yes, specify non-compliant features		Incentive to Redeem: Step Up	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	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Santander UK	Abbey National Capital Trust 1	Santander UK
2	ISIN	XS0041864512	XS0989359756	XS0133956168	XS0361244311	XS0164078791	GB0000064393	GB0000044221	US002927AA95	XS0124569566
3	Governing law(s) of the instrument	English	English	English	English	English	English	English	Delaware	English
<b>Regulatory treatment</b>										
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Ineligible	Tier 2	Tier 2	Ineligible	Ineligible	Tier 2	Tier 2	Ineligible	Ineligible
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	Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Preferred	Preferred	Preferred	Preferred
8	Amount recognised in regulatory capital (€m)	89	945	10	147	0	211	132	100	235
9	Par value of Instrument (€m)	71	954	11	122	0	200	125	66	235
9a	Issue Price of Instrument	101.365%	99.681%	98.878%	99.313%	99.873%	100m @ 101.52% 100m @ 108.935%	101.55%	100%	100%
9b	Redemption Price of Instrument	100%	100%	100%	100%	100%	n/a	n/a	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	Liability-amortised cost
11	Original date of issuance	4/02/1993	31/10/2013	14/08/2001	30/04/2008	6/03/2003	23/10/1995	9/06/1997	7/02/2000	14/02/2001
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	4/01/2023	11/07/2023	14/08/2031	30/10/2023	6/03/2023	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	No	n/a	No	No	No	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	4/01/2018	n/a	n/a	30/10/2018	6/03/2018	n/a	n/a	30/06/2030	14/02/2026
16	Subsequent call dates, if applicable	n/a	n/a	n/a	Quarterly	5 years	n/a	n/a	Quarterly	Annually
<b>Coupons / dividends</b>										
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed to Floating	Fixed to Floating
18	Coupon rate and any related index	10.125%	5%	5.875%	9.625%	5.25%	10.375%	8.625%	8.963%	7.037%
19	Existence of a dividend stopper	No	No	No	No	No	Yes	Yes	Yes	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	Yes	No	No	Yes	Yes	No	No	Yes	Yes
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Non Convertible	Convertible	Non Convertible
24	If convertible, conversion trigger (s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	San UK Total Capital Ratio < minimum requirement	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fully	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100%	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	mandatory	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Additional Tier 1	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Santander UK	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	Senior	Tier 2	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	Incentive to Redeem: Step Up			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 Incentive to Redeem: Step Up

Own Funds disclosure – capital instruments main features

1	Issuer	Santander UK	Santander UK	Santander UK	Santander UK Group Holdings	Santander UK Group Holdings	Santander UK Group Holdings	Santander UK Group Holdings
2	ISIN	XS0152838586	XS0188550114	XS0502105454	n/a	n/a	XS1244538523	n/a
3	Governing law(s) of the instrument	English	English	English	English	English	English	English
<b>Regulatory treatment</b>								
4	Transitional Basel III rules	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1
5	Post-transitional Basel III rules	Tier 2	Ineligible	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1
6	Eligible at solo/group/group&solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Preferred	Preferred	Preferred	Additional Tier 1	Additional Tier 1	Additional Tier 1	Equity
8	Amount recognised in regulatory capital (£m)	2	7	14	500	300	745	7,060
9	Par value of instrument (£m)	2	7	14	500	300	750	7,060
9a	Issue Price of Instrument	100%	100%	100%	100%	100%	100%	100%
9b	Redemption Price of Instrument	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	n/a
10	Accounting classification	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	9/08/2002	22/03/2004	24/05/2006	24/06/2014	2/12/2014	10/06/2015	10/01/2014
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	n/a	n/a	n/a	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates and redemption amount	9/02/2018	22/03/2016	24/05/2019	24/06/2019	24/12/2019	24/06/2022	n/a
16	Subsequent call dates, if applicable	Semi-annually	Annually	Annually	Quarterly	Quarterly	5 years	n/a
<b>Coupons / dividends</b>								
17	Fixed or floating dividend/coupon	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed to Floating	Variable
18	Coupon rate and any related index	6.984%	5.827%	6.222%	6.625%	7.6%	7.375%	n/a
19	Existence of a dividend stopper	Yes	Yes	Yes	No	No	No	No
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary
21	Existence of step up or other incentive to redeem	No	Yes	No	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	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	n/a
25	If convertible, fully or partially	n/a	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	n/a
27	If convertible, mandatory or optional conversion	n/a	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	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	No	Yes	Yes	Yes	n/a
31	If write-down, write-down trigger(s)	n/a	n/a	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
32	If write-down, full or partial	n/a	n/a	n/a	Full	Full	Full	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	Permanent	Permanent	Permanent	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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1
36	Non-compliant transitioned features	Yes	Yes	Yes	No	No	No	No
37	If yes, specify non-compliant features	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				