
Santander UK Group Holdings plc

**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 year ended 31 December 2015 should be read in conjunction with our 2015 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 SA, under CRD IV¹ Santander UK Group Holdings plc is only required to produce and publish a specified set of Pillar 3 elements for the consolidated group it heads, rather than a complete set of Pillar 3 disclosures. However the additional capital and risk management disclosures set out in this document also cover certain disclosures recommended by the Enhanced Disclosure Task Force (EDTF) to the extent that they are not already included in the Annual Report.

Own Funds and Capital Ratios

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 December 2015 and 31 December 2014 together with the previously disclosed quarter end information at 30 September 2015 and 30 June 2015. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	31 December 2015 £m	30 September 2015 £m	30 June 2015 £m	31 December 2014 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	13,861	14,085	13,399	13,054
Common Equity Tier 1 (CET1) capital regulatory adjustments	(3,870)	(4,076)	(3,423)	(3,298)
Common Equity Tier 1 (CET1) capital	9,991	10,009	9,976	9,756
Additional Tier 1 (AT1) capital before regulatory adjustments	2,088	2,096	2,083	1,749
Additional Tier 1 (AT1) capital regulatory adjustments	-	-	-	-
Additional Tier 1 (AT1) capital	2,088	2,096	2,083	1,749
Tier 1 capital	12,079	12,105	12,059	11,505
Tier 2 (T2) capital before regulatory adjustments	2,849	2,832	2,268	2,750
Tier 2 (T2) capital regulatory adjustments	-	-	-	-
Tier 2 (T2) capital	2,849	2,832	2,268	2,750
Total Capital	14,928	14,937	14,327	14,255
Risk Weighted Assets	85,826	85,905	85,177	82,309
Common Equity Tier 1 ratio	11.6%	11.7%	11.7%	11.9%
Tier 1 ratio	14.1%	14.1%	14.2%	14.0%
Total Capital ratio	17.4%	17.4%	16.8%	17.3%

The capital ratios have not changed significantly from 30 September 2015 to 31 December 2015. The decrease in CET 1 ratio from 31 December 2014 to 31 December 2015 has been principally caused by RWA growth from the commencement of the PSA cooperation, and the impact of PPI provision charges. Issuance of AT1 and T2 capital instruments in 2015 has offset the adverse impact of CRD IV transitional recognition restrictions and CET 1 ratio reduction on the Tier 1 and Total Capital Ratios.

Leverage Ratio

The following table summarises the Company's consolidated group end point CRD IV Tier 1 Leverage Ratio at 31 December 2015 and 31 December 2014 together with the previously disclosed quarter end information at 30 September 2015 and 30 June 2015. 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 2015 £m	30 September 2015 £m	30 June 2015 £m	31 December 2014 £m
Common Equity Tier 1 (CET1) capital	9,991	10,009	9,976	9,756
End point Additional Tier 1 (AT1) capital	1,545	1,545	1,545	800
End point Tier 1 capital	11,536	11,554	11,521	10,556
Leverage Exposure (£bn)	285.0	284.2	279.3	276.3
End point Tier 1 Leverage Ratio	4.0%	4.1%	4.1%	3.8%

The increase in the End point Tier 1 Leverage ratio from 31 December 2014 to December 2015 has been principally driven by 2015 retained profits and AT1 issuance.

The company manages the risks related to Leverage under its capital risk management processes and monitors the end point Tier 1 Leverage Ratio against UK minimum required levels.

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

Use of Internal Model-based approaches for determination of capital requirements

In accordance with CRD IV rules, and with approval of the PRA and the Banco de España (the Bank of Spain) / European Central Bank (ECB), 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 two model-based approaches are used, which are collectively termed the Internal Ratings-Based (IRB) approach. The less advanced approach 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) and for specialised lending risk weight and expected loss. The more sophisticated 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. 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 ²	FIRB	Standardised
Retail	Residential Mortgages Unsecured Personal Loans Bank Accounts	-	Credit Cards Consumer Finance Other
Non Retail	Banks Insurers Large Corporates Social Housing	Corporate	Sovereigns Other

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

2015	Balance sheet amount £bn	Regulatory exposure			Risk-weighting			RWAs		
		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	152.8	0.1	162.7	162.8	83.6	15.5	15.6	0.1	25.3	25.4
- Unsecured lending	12.0	9.4	7.9	17.3	79.1	56.8	68.9	7.4	4.5	11.9
- Operational risk	-	-	-	-	-	-	-	5.1	-	5.1
Commercial Banking										
- Customer assets	20.9	10.6	12.9	23.5	111.7	63.8	85.4	11.8	8.2	20.0
- Operational risk	-	-	-	-	-	-	-	0.9	-	0.9
Global Corporate Banking										
- Credit risk	5.5	5.1	4.9	10.0	96.1	53.1	75.0	4.9	2.6	7.5
- Counterparty risk	26.3	3.9	5.6	9.5	41.0	50.0	46.3	1.6	2.8	4.4
- Market risk ⁽¹⁾	-	-	-	-	-	-	-	2.7	-	2.7
- Operational risk	-	-	-	-	-	-	-	0.8	-	0.8
Corporate Centre										
- Customer assets ⁽²⁾	7.4	1.2	7.5	8.7	66.1	8.0	16.3	0.8	0.6	1.4
- Counterparty Risk	2.3	-	0.6	0.6	-	-	-	-	0.5	0.5
- Eligible liquid assets ⁽³⁾	34.2	22.4	-	22.4	-	-	-	-	-	-
- Market Risk ⁽¹⁾	-	-	-	-	-	-	-	0.1	-	0.1
- Operational Risk	-	-	-	-	-	-	-	0.1	-	0.1
Intangible assets	2.2	-	-	-	-	-	-	-	-	-
Other assets⁽⁴⁾	17.8	10.2	2.8	13.0	45.3	14.1	38.6	4.6	0.4	5.0
	281.4	62.9	204.9	267.8				40.9	44.9	85.8

(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 Group Holdings 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 balance sheet amounts of other assets have not been allocated segmentally, although the RWAs have been allocated to Corporate Centre. The RWAs cover credit risk, market risk and operational risk.

² Includes the Retail IRB approach

Additional Capital and Risk Management Disclosures continued

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.

Credit risk

Counterparty Risk is included in this section where indicated. Movements in RWAs during 2015 were as follows:

	2015 £bn
Credit risk	
RWAs at 1 January	66.3
Book size ⁽¹⁾	4.6
Book quality ⁽²⁾	0.1
Model updates ⁽³⁾	-
RWAs at 31 December	71.0
Counterparty risk	
RWAs at 1 January	5.1
Book size ⁽¹⁾	-
Book quality ⁽²⁾	-
Model updates ⁽³⁾	-
RWAs at 31 December	5.1

(1) Book size relates to organic changes in book size and composition (including new business and maturing loans).

(2) Quality of book changes caused by experience such as underlying customer behaviour or demographics, including changes through model calibrations/realignments.

(3) Model implementation, change in model scope or any change to address other model issues.

Significant movements in book size during the period were a consequence of balance sheet and off balance sheet growth. For credit risk, the 31 December 2015 RWAs of £71.0bn comprised £42.6bn using the IRB approach and £28.4bn using the standardised approach. For counterparty risk, the December 2015 RWAs of £5.1bn comprised £2.3bn using the IRB approach and £2.8bn using the standardised approach. Counterparty risk includes Credit Valuation Adjustment (CVA) capital requirements determined using the standardised approach.

Credit risk by risk class

The following table details RWA and equivalent Own Funds Requirements per risk class. Own Funds Requirements are calculated as RWA multiplied by 8%. Counterparty Risk, incorporating CVA capital requirements, is included in the table.

	2015		2014	
	RWA £bn	8%*RWA £bn	RWA £bn	8%*RWA £bn
Standardised Approach credit risk				
Institutions	0.5	-	0.4	-
Corporates	16.9	1.4	15.8	1.3
Standardised Retail	7.8	0.6	4.9	0.4
Secured by Mortgages on Immovable Property	0.8	0.1	0.9	0.1
Exposures in Default	0.3	-	0.5	-
Covered Bonds	0.3	-	0.2	-
Equity	0.4	-	-	-
Other	4.2	0.3	3.9	0.3
Total	31.2	2.4	26.6	2.1
IRB Approach credit risk				
Institutions	1.6	0.1	2.0	0.2
Corporates	13.2	1.1	12.9	1.0
IRB Retail Mortgages	25.3	2.0	24.3	1.9
IRB Qualifying Revolving Retail Exposures	2.1	0.2	2.0	0.2
Other Retail	2.4	0.2	2.5	0.2
Securitisation Positions	0.1	-	0.7	0.1
IRB Equity Exposures – 370% Risk Weight	0.2	-	0.4	-
Total	44.9	3.6	44.8	3.6

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 at 31 December 2015 are also shown. This table does not include portfolios covered by the IRB approach for securitisations (£0.1bn RWAs) and IRB approach for equity exposures (£0.2bn RWAs), where estimates of RWAs and expected loss are not performed using model-based approaches.

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 (£25.3bn)	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 (£2.4bn)	Statistical scorecard produces a PD that is scaled to a long-run average	<3 years	Other Retail	PD floor of 0.03%
	Bank Accounts	One Model (£2.1bn)	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 (£0.9bn)	Expert judgement rating model	Low default portfolio	Corporates	PD floor of 0.03%
	Corporate	Five Models (£9.3bn)	Statistical rating model for Corporates and slotting model ⁽¹⁾ for Specialised Lending	>10 years	Corporates	PD floor of 0.03%
	Global Models	Three Models (£4.6bn)	Combination of statistical and expert judgement models for Global Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	PD floor of 0.03%
LGD	Residential Mortgages	One Model (£25.3bn)	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 (£2.4bn)	Regression based estimates of loss and propensity to write-off, with expert judgement where appropriate	<3 years	Other Retail	NA
	Bank Accounts	One Model (£2.1bn)	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 (£0.9bn)	Data driven estimate of realisable value of collateral	Low default portfolio	Corporates	NA
	Corporate	Five Models (£9.3bn)	Foundation IRB	NA	Corporates	NA
	Global Models	Three Models (£4.6bn)	Combination of statistical and expert judgement models for Global Banks, Insurers and Large Corporates	Low default portfolios	Corporates & Institutions	NA
EAD	Residential Mortgages	One Model (£25.3bn)	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 (£2.4bn)	Regression based model	<3 years	Other Retail	EAD must be at least equivalent to current balance utilisation at account level
	Bank Accounts	One Model (£2.1bn)	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 (£0.9bn)	Data driven estimate	Low default portfolio	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Corporate	Five Models (£9.3bn)	Foundation IRB	NA	Corporates	EAD must be at least equivalent to current balance utilisation at account level
	Global Models	Three Models (£4.6bn)	Combination of statistical and expert judgement models for Global 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

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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 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 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	12,179	0.064	20	1,798	15	AAA to A-	A
2	0.160 to 0.290	1,539	0.191	35	693	45	A- to BBB	BBB+
3	0.290 to 0.530	3,675	0.396	42	2,292	62	BBB to BBB-	BBB-
4	0.530 to 0.920	1,193	0.780	40	847	71	BBB- to BB+	BB+
5	0.920 to 1.560	1,228	1.225	42	1,072	87	BB+ to BB	BB
6	1.560 to 2.700	524	2.455	40	536	102	BB to BB-	BB-
7	2.700 to 35.000	126	12.094	42	130	103	BB- to C	B-
	In default	196	100.000	42	-	-		
	Total	20,660			7,368	36		

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	4,486	0.033	47	855	19	AAA to A+	A+
4	0.045 to 0.058	1,516	0.056	45	464	31	A	A
6	0.076 to 0.100	521	0.084	46	211	40	A to A-	A-
8	0.134 to 0.211	24	0.159	47	-	-	A- to BBB+	BBB+
9	0.211 to 0.339	52	0.267	47	12	22	BBB+ to BBB-	BBB
10	0.339 to 0.544	3	0.448	48	31	995	BBB- to BB+	BBB-
11 to 13	0.544 to 99.999	1	0.752	48	2	282	BB+ to C	BB+ to C
	In default	-	-	0	-	-		
	Total	6,603			1,575	24		

Retail mortgages

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting
	%	£m	%	%	£m	%
1	0.000 to 0.015	1,093	0.284	8	50	5
2	0.015 to 0.030	5,542	0.261	9	253	5
3	0.030 to 0.060	13,901	0.265	9	655	5
4	0.060 to 0.120	30,185	0.301	9	1,497	5
5	0.120 to 0.250	50,645	0.883	9	5,547	11
6	0.250 to 0.500	32,549	1.851	11	6,548	20
7	0.500 to 1.000	12,114	3.238	13	3,841	32
8	1.000 to 2.000	3,578	6.684	12	1,562	44
9	2.000 to 4.000	4,982	9.880	10	2,191	44
10	4.000 to 8.000	2,434	17.467	12	1,509	62
11	8.000 to 15.000	933	30.454	11	575	62
12	15.000 to 30.000	1,085	48.469	11	612	56
13	30.000 to 60.000	791	73.092	11	285	36
14	60.000 to 99.999	463	72.953	12	172	37
	In default	2,408	100.000	15	-	-
	Total	162,703			25,297	16

Qualifying revolving retail exposures

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting
	%	£m	%	%	£m	%
2	0.010 to 0.030	276	0.047	72	7	2
3	0.030 to 0.050	3,040	0.180	76	241	8
4	0.050 to 0.100	93	0.403	73	13	14
5	0.100 to 0.200	48	1.059	74	13	27
6	0.200 to 0.500	693	0.955	74	199	29
7	0.500 to 1.000	461	2.224	74	246	53
8	1.000 to 2.000	383	4.092	76	326	85
9	2.000 to 5.000	384	8.350	72	485	126
10	5.000 to 10.000	139	17.250	71	253	182
11	10.000 to 20.000	104	25.804	68	204	196
12	20.000 to 40.000	60	41.976	63	115	192
13	40.000 to 99.999	28	58.716	60	45	164
	In default	31	100.000	78	-	-
	Total	5,740			2,147	37

Other Retail

PD Band	PD Range	Exposure at default estimate	Average PD	Average LGD	RWAs	Average Risk Weighting
	%	£m	%	%	£m	%
4	0.050 to 0.100	5	0.235	88	2	41
5	0.100 to 0.200	21	0.318	88	11	51
6	0.200 to 0.500	113	0.547	88	79	71
7	0.500 to 1.000	574	0.796	88	491	86
8	1.000 to 2.000	787	1.587	88	886	113
9	2.000 to 5.000	513	3.542	88	682	133
10	5.000 to 10.000	111	7.604	88	162	146
11	10.000 to 20.000	20	13.718	88	36	177
12	20.000 to 40.000	9	26.507	88	21	237
13	40.000 to 99.999	14	61.378	88	30	216
	In default	18	100.000	88	-	-
	Total	2,185			2,400	110

Specialised Lending exposures

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

Category	2015 £bn
Category 1 - Strong	-
Category 2 - Good	5.2
Category 3 - Satisfactory	0.2
Category 4 - Weak	0.1
Category 5 – In default	0.1
Total	5.6

Significant IRB models and model performance

The residential mortgage portfolio comprised £153.3bn of on balance sheet exposure at 31 December 2015 and represented 95% of all retail IRB exposures. 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. Data on losses is taken from 2000 onwards. 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 21% in normal times to a downturn value of 28%. 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 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
- 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 by Santander UK's Model Committee and escalated to the Risk Management Committee as necessary. 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 2014	31 December 2015	Allowances at 31 December 2015	Charge for 2015
	£bn	£bn	£bn	£bn
Residential Mortgages	1.0	0.9	0.4	0.1
Unsecured Personal Loans	0.1	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	1.4	1.3	0.6	(0.1)

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
- 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 standard IFRS 9 due to the level of regulatory floors and prudence built into the IRB models.

Credit risk mitigation

The following table outlines for risk-weighted exposure amounts under the Standardised Approach or IRB approaches excluding AIRB, the exposure value that is covered by eligible financial collateral and other eligible collateral, by exposure class.

Exposure Class	2015 £bn
Central governments or central banks	-
International organisations	-
Institutions	-
Corporates	0.5
Securitisation Positions	0.1
Total	0.6

The exposure value covered by guarantees or credit derivatives for risk-weighted exposure amounts under the Standardised Approach or IRB approaches excluding AIRB is not significant.

Market risk

Movements in RWAs during 2015 were as follows:

Market risk	2015 £bn
RWAs at 1 January	4.3
Movement in risk levels ⁽¹⁾	(0.9)
Model updates ⁽²⁾	-
Methodology and policy ⁽³⁾	(0.6)
RWAs at 31 December	2.8

(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 principal RWA reductions were caused by reductions in risk exposure across 2015. The 31 December 2015 RWAs of £2.8bn were composed of £2.4bn using the internal model-based approach and £0.4bn using the standardised approach.

Market risk Own Funds Requirements

The following table details RWA and equivalent Own Funds Requirements for market risk which includes trading book risks. Own Funds Requirements are calculated as RWA multiplied by 8%.

	2015		2014	
	RWA £bn	8%* RWA £bn	RWA £bn	8%* RWA £bn
Position risk and large exposures	2.4	0.2	3.9	0.3
Foreign exchange, settlement and commodities risk	0.4	-	0.4	-
Total	2.8	0.2	4.3	0.3

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 and size of associated portfolio (RWAs)	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. One such exception occurred during 2015. This was regarded as an isolated event 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 2015 of £0.3bn was a result of a higher average three year income.

Operational Risk Own Funds Requirements

The following table details RWA and equivalent Own Funds Requirements for Operational Risk. Own Funds Requirements are calculated as RWA multiplied by 8% and are calculated using the Standardised approach

	2015		2014	
	RWA £bn	8%* RWA £bn	RWA £bn	8%* RWA £bn
Standardised Approach	6.9	0.6	6.6	0.5
Total	6.9	0.6	6.6	0.5

CRD IV Disclosures

The following sections of this document set out disclosures required under CRD IV for Santander UK Group Holdings plc Consolidated Group as a significant subsidiary of an EU Banking Group. These items are not disclosed in the Annual Report or in other sections of this document. All disclosures cover the 31 December 2015 position or movement over 2015.

Countercyclical Capital Buffer

The following table outlines the distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer for Santander UK. The RWA amounts are those used for assessment of the buffer, and cover credit risk, specific interest rate risk and securitisation exposures.

The level of the Countercyclical Capital Buffer for Santander UK at 31 December 2015 was 0.0%.

Country	RWA £bn	Countercyclical Buffer Rate
UK	71.1	0%
Norway	0.1	1%
Sweden	0.1	1%
Other	3.6	0% or not set

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 2015 by class of exposure. Further information on impairment losses and provisions is outlined in Notes 8 and 16 to the financial statements in the 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 risk exposure

Exposure			Impaired Exposures	Past due Exposures	Non performing but not past due exposures	Impairment	of which specific
	31 December 2015 £m	Average £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m
Balance sheet exposures	267,404	266,519	1,526	2,237	819	1,157	531
Central governments or central banks	22,121	22,854	-	-	-	-	-
Public sector entities	32	29	-	-	-	-	-
Multilateral Development Banks	900	740	-	-	-	-	-
Institutions	10,323	10,316	-	-	-	-	-
Corporates	43,580	44,051	690	287	404	459	289
Covered Bond	2,506	2,539	-	-	-	-	-
Other Assets	4,816	4,587	-	-	-	-	-
Securitisations	954	920	-	-	-	-	-
Equity	100	84	-	-	-	-	-
Retail	182,071	180,400	836	1,950	415	698	242
Of which secured on residential real estate	162,701	161,656	740	1,868	380	423	158

The Exposure Measure used in the above table is Exposure at Default. For geographical areas of past due and impaired exposures, 99% are to the UK.

Residual maturity of credit exposures

The following table outlines the credit risk exposure by maturity and class of exposure.

	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m
	< 3 months	< 1 year	1-3 years	3-5 years	> 5 years
Central governments or central banks	18,729	686	282	2,421	3
Public sector entities	3	3	9	10	7
Multilateral Development Banks	0	0	42	309	549
Institutions	3,594	477	1,471	1,010	3,762
Corporations	8,427	4,339	12,104	8,405	11,504
Retail	11,350	4,617	9,709	6,085	149,062
Of which secured on residential real estate	6,079	837	2,993	3,812	148,981

Credit risk exposure by country

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

	UK	Germany	France	US	Spain	Other Eurozone	Other
	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m	31 December 2015 £m
Agriculture, Forestry & Fishing	154	-	-	-	-	-	-
Construction	2,568	-	-	-	-	-	63
Financial Industry (bank and non-bank)	32,226	694	945	4,358	280	2,096	3,193
Real Estate (commercial)	20,362	10	-	71	32	376	439
Manufacturing	1,763	6	-	13	-	250	273
Mining & Quarrying	1,005	-	-	-	-	166	104
Wholesale and Retail Trade	2,352	-	-	4	-	12	41
Business Services and Other	5,011	3	-	29	-	164	29
Transport, Utilities & Storage	1,998	-	27	21	-	120	368
Retail	180,824	-	-	-	-	-	-
Other Sectors	5,255	19	-	3	15	7	-
Of which corporate SME	3,234	-	-	-	-	20	-

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 31 December 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	281.4
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0.7
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)	3.4
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	13.3
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	(1.6)
8 Total Leverage Ratio exposure	285.0

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)	252.9
2 (Asset amounts deducted in determining Tier 1 capital)	(3.3)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	249.6
<i>Derivative exposures</i>	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	3.7
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	5.0
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)	8.7
<i>Securities financing transaction exposures</i>	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	9.1
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(1.5)
14 Counterparty credit risk exposure for SFT assets	3.4
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)	11.0
<i>Other off-balance sheet exposures</i>	
17 Off-balance sheet exposures at gross notional amount	42.5
18 (Adjustments for conversion to credit equivalent amounts)	(29.2)
19 Other off-balance sheet exposures (sum of lines 17 to 18)	13.3
<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))	-
Capital and total exposures	
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)	285.0
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 impacting regulatory own funds 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 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. 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			
Shareholder's equity and Non-controlling interests	13,861	1,801	-
Subordinated liabilities	-	452	3,433
Less 8.963% Subordinated notes 2030 (US\$1,000m)	-	(107)	-
Add US\$1,000m Non-Cumulative Trust Preferred Securities	-	107	-
CRD IV Adjustments			
Additional value adjustments	(98)	-	-
Intangible assets (net of related tax liability)	(2,199)	-	-
Fair value reserves related to gains or losses on cash flow hedges	(254)	-	-
Negative amounts resulting from the calculation of regulatory expected loss amounts	(670)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(72)	-	-
Deferred tax assets arising from temporary differences	(8)	-	-
Defined benefit pension fund assets	(416)	-	-
Foreseeable dividends	(18)	-	-
Other deductions including minority interests	(135)	(165)	(584)
Total	9,991	2,088	2,849

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 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.

	31 December 2015 £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	6,334	-
3 Accumulated other comprehensive income (and other reserves)	314	-
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	13,708	-
Common Equity Tier 1 (CET1) Capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(98)	-
8 Intangible assets (net of related tax liability) (negative amount)	(2,199)	-
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	(254)	-
12 Negative amounts resulting from the calculation of expected loss amounts	(670)	-
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	(72)	-
15 Defined-benefit pension fund assets (negative amount)	(416)	-
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)	-	-

Additional Capital and Risk Management Disclosures continued

		31 December 2015	CRD IV end point adjustments
		£m	£m
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)	(8)	-
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)	(3,717)	-
29	Common Equity Tier 1 (CET1) capital	9,991	-
30	Capital instruments and the related share premium accounts	1,545	-
31	of which: classified as equity under applicable accounting standards	1,545	-
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	543	(543)
35	of which: instruments issued by subsidiaries subject to phase out	543	(543)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	2,088	(543)
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	-	-
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	2,088	(543)
45	Tier 1 capital (T1 = CET1 + AT1)	12,079	(543)
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1,016	-
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	1,833	(934)
49	of which: instruments issued by subsidiaries subject to phase out	646	(646)
50	Credit risk adjustments	-	-
51	Tier 2 (T2) capital before regulatory adjustments	2,849	(934)
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)	-	-

		31 December 2015 £m	CRD IV end point adjustments £m
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 CET 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	2,849	(934)
59	Total Capital (TC = T1 + T2)	14,928	(1,477)
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	85,826	-
Capital ratio and buffers			
61	CET 1 (as a percentage of total risk exposure amount)	11.6%	
62	Tier 1 (as a percentage of total risk exposure amount)	14.1%	
63	Total capital (as a percentage of total risk exposure amount)	17.4%	
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)	11.6%	
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)	210	
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	369	
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	270	
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	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)	-	

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 annual report in Notes 31, 36 and 45 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	XS0117973262	XS0117973429	XS0103012893	US002920AC09	XS0034981661	XS0041864512	XS0989359756
3	Governing law(s) of the instrument	English	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	Tier 2
5	Post-transitional Basel III rules	Tier 2	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Ineligible	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	29	205	370	41	262	13	90	1,002
9	Par value of instrument (€m)	200	28	165	270	29	176	52	71	1,011
9a	Issue Price of Instrument	100.432%	100%	99.277%	175m @ 97.712% 100m @ 109.744%	99.561%	99.626%	101.715%	101.365%	99.681%
9b	Redemption Price of Instrument	n/a	100% (call)	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	Liability-amortised cost
11	Original date of issuance	23/10/1995	24/12/1996	28/09/2000	28/09/2000	21/10/1999	26/10/1999	30/12/1991	4/02/1993	31/10/2013
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	n/a	n/a	n/a	21/10/2030	26/10/2029	4/01/2017	4/01/2023	11/07/2023
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	No	No	Yes	Yes	No
15	Optional call date, contingent call dates and redemption amount	n/a	27/12/2016	28/09/2020	28/09/2030	n/a	n/a	30/12/1996	4/01/2018	n/a
16	Subsequent call dates, if applicable	n/a	Quarterly	5 years	5 years	n/a	n/a	At any time	n/a	n/a
Coupons / dividends										
17	Fixed or floating dividend/coupon	Fixed	Fixed to Floating	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.0625%	4%	7.375%	7.125%	6.5%	7.95%	11.5%	10.125%	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	Mandatory	Partially discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	Yes	Yes	No	No	No	Yes	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	Senior	Senior	Senior	Senior	Senior
36	Non-compliant transitioned features	No	Yes	Yes	Yes	No	No	No	Yes	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 Group Holdings	Santander UK Group Holdings	Santander UK	Santander UK	Abbey National Capital Trust I	Santander UK
2	ISIN	XS0133956168	XS0361244311	XS0164078791	US80281LAA35 XS1291333760	US80281LAB18 XS1291352711	GB0000064393	GB0000044221	US002927AA95	XS0152838586
3	Governing law(s) of the instrument	English	English	English	English	English	English	English	Delaware	English
Regulatory treatment										
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	Tier 2	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Ineligible	Tier 2
6	Eligible at solo/group/group&solo	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Consolidated	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)	9	139	0	678	338	212	132	107	2
9	Par value of instrument (€m)	11	122	0	674	337	200	125	70	2
9a	Issue Price of Instrument	98.878%	99.313%	99.873%	99.724%	99.412%	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	14/08/2001	30/04/2008	06/03/2003	15/09/2015	15/09/2015	23/10/1995	09/06/1997	07/02/2000	09/08/2002
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	14/08/2031	30/10/2023	06/03/2023	15/09/2025	15/09/2045	n/a	n/a	n/a	n/a
14	Issuer call subject to prior supervisory approval	n/a	No	No	No	No	No	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	30/10/2018	06/03/2018	n/a	n/a	n/a	n/a	30/06/2030	09/02/2018
16	Subsequent call dates, if applicable	n/a	Quarterly	5 years	n/a	n/a	n/a	n/a	Quarterly	Semi-annually
Coupons / dividends										
17	Fixed or floating dividend/coupon	Fixed	Fixed to Floating	Fixed to Floating	Fixed	Fixed	Fixed	Fixed	Fixed to Floating	Fixed to Floating
18	Coupon rate and any related index	5.875%	9.625%	5.25%	4.75%	5.625%	10.375%	8.625%	8.963%	6.984%
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	No	Yes	Yes	No	No	No	No	Yes	No
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	No	Yes	Yes	No	No	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

Additional Capital and Risk Management Disclosures continued

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	XS0124569566	XS0188550114	XS0502105454	n/a	n/a	XS1244538523	n/a
3	Governing law(s) of the instrument	English	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	Additional Tier 1	Additional Tier 1	Common Equity Tier 1
5	Post-transitional Basel III rules	Ineligible	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)	235	7	14	500	300	745	7,060
9	Par value of instrument (£m)	235	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	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity
11	Original date of issuance	14/02/2001	22/03/2004	24/05/2006	24/06/2014	02/12/2014	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	14/02/2026	22/03/2016	24/05/2019	24/06/2019	24/12/2019	24/06/2022	n/a
16	Subsequent call dates, if applicable	Annually	Annually	Annually	Quarterly	Quarterly	5 years	n/a

Coupons / dividends

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	7.037%	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	Yes	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	No	No	No	No
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 Incentive to Redeem: Step Up	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				