

Santander UK Group Holdings plc

**June 2016 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 2016 should be read in conjunction with our 2016 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 IV¹ 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 frequency², the Company has assessed the need to publish capital-related disclosures more frequently than annually, and the disclosures deemed appropriate for more frequent publication have been included in the additional capital 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 2016 and 31 December 2015, and details the key risk-based capital ratios. Further detail on Risk Weighted Assets (RWA) is included in the subsequent RWA and Capital Requirements section of this document.

	30 June 2016 £m	31 December 2015 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,350	13,861
Common Equity Tier 1 (CET1) capital regulatory adjustments	(4,455)	(3,870)
Common Equity Tier 1 (CET1) capital	9,895	9,991
Additional Tier 1 (AT1) capital before regulatory adjustments	2,043	2,088
Additional Tier 1 (AT1) capital regulatory adjustments	-	-
Additional Tier 1 (AT1) capital	2,043	2,088
Tier 1 capital	11,938	12,079
Tier 2 (T2) capital before regulatory adjustments	2,892	2,849
Tier 2 (T2) capital regulatory adjustments	-	-
Tier 2 (T2) capital	2,892	2,849
Total Capital	14,830	14,928
Risk Weighted Assets	88,376	85,826
Common Equity Tier 1 ratio	11.2%	11.6%
Tier 1 ratio	13.5%	14.1%
Total Capital ratio	16.8%	17.4%

Common Equity Tier 1 ratio decreased from 11.6% to 11.2% at 30 June 2016 primarily driven by the increase in Risk Weighted Assets (credit risk £1.6bn, counterparty credit risk £0.3bn, CVA, £0.3bn and Market Risk £0.4bn) and in the Common Equity Tier 1 (CET1) capital regulatory adjustments which were adversely impacted by market volatility and rates in the last few weeks of June.

Leverage Ratio

The following table summarises the Company's end point CRD IV Tier 1 Leverage Ratio at 30 June 2016, 31 December 2015 and the monthly average for three months ended 30 June 2016, which is consistent with the Leverage Ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage Ratio. Further detail on the 30 June 2016 Leverage exposure is included in the EBA-defined Disclosures section of this document.

	Average Q2 2016 £m	30 June 2016 £m	31 December 2015 £m
Common Equity Tier 1 (CET1) capital	9,926	9,895	9,991
End point Additional Tier 1 (AT1) capital	1,545	1,545	1,545
End point Tier 1 capital	11,471	11,440	11,536
Leverage Exposure (£bn)	296.3	296.9	285.0
End point Tier 1 Leverage Ratio	3.9%	3.9%	4.0%

The Leverage Ratio decreased slightly during the six months ended 30 June 2016 principally driven by increased exposures and a reduction in the End Point Tier 1 Capital.

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

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

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 2016		31 December 2015	
	RWA	8%* RWA	RWA	8%* RWA
	£bn	£bn	£bn	£bn
Credit Risk	72.6	5.8	71.0	5.7
Counterparty Risk	4.0	0.3	3.7	0.3
Credit Valuation Adjustment Risk – Standardised method	1.7	0.1	1.4	0.1
Market Risk	3.2	0.3	2.8	0.2
Operational Risk – Standardised approach	6.9	0.6	6.9	0.6
Total	88.4	7.1	85.8	6.9

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 2016		31 December 2015	
	RWA	8%* RWA	RWA	8%* RWA
	£bn	£bn	£bn	£bn
Standardised Approach credit risk				
Institutions	0.5	-	0.5	-
Corporates	16.6	1.3	16.9	1.4
Standardised Retail	8.0	0.6	7.8	0.6
Secured by Mortgages on Immovable Property	0.7	0.1	0.8	0.1
Exposures in Default	0.4	-	0.4	-
Covered Bonds	0.3	-	0.3	-
Equity	0.1	-	0.4	-
Other	2.7	0.2	2.6	0.2
Total	29.3	2.2	29.7	2.3
IRB Approach credit risk				
Institutions	3.5	0.3	3.0	0.2
Corporates	14.8	1.2	13.2	1.1
Retail Mortgages	25.8	2.1	25.3	2.0
Qualifying Revolving Retail Exposures	2.1	0.2	2.2	0.2
Other Retail	2.4	0.2	2.4	0.2
Securitisation Positions	0.2	-	0.1	-
Equity Exposures – 370% Risk Weight	0.2	-	0.2	-
Total	49.0	4.0	46.4	3.6

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 2016		31 December 2015	
	RWA	8%* RWA	RWA	8%* RWA
	£bn	£bn	£bn	£bn
Position risk and large exposures	2.8	0.2	2.4	0.2
Foreign exchange, settlement and commodities risk	0.4	-	0.4	-
Total	3.2	0.2	2.8	0.1

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 CVA and specialised lending, equity exposures and securitisation portfolios where PD is not estimated for RWA calculations – at 30 June 2016, the RWA for such portfolios was £8.8bn. 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 2016

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	12,777	0.077	20	1,843	14	AAA to A-	A
2	0.160 to 0.290	1,378	0.267	41	727	53	A- to BBB	BBB+
3	0.290 to 0.530	4,096	0.431	44	2,769	68	BBB to BBB-	BBB-
4	0.530 to 0.920	1,198	0.780	40	847	71	BBB- to BB+	BB+
5	0.920 to 1.560	1,275	1.246	42	1,140	89	BB+ to BB	BB
6	1.560 to 2.700	678	1.662	48	622	92	BB to BB-	BB-
7	2.700 to 35.000	144	5.542	39	161	112	BB- to C	B-
	In default	287	-	-	-	0		
	Total	21,833			8,109	37		

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	2,904	0.033	45	690	24	AAA to AA+	AA+
2	0.037 to 0.039	145	0.038	44	53	37	AA+ to AA	AA
3	0.039 to 0.045	122	0.040	45	44	36	AA to AA-	AA-
4	0.045 to 0.058	1,431	0.056	45	485	34	AA- to +A	A+
6	0.076 to 0.100	498	0.084	46	261	52	A to A-	A-
8	0.134 to 0.211	436	0.159	47	-	0	BBB	BBB
9	0.211 to 0.339	71	0.267	47	170	239	BBB to BBB-	BBB-
10	0.339 to 0.544	21	0.448	48	43	207	BBB- to BB+	BB+
11 to 13	0.544 to 99.999	1	0.752	48	18	1308	BB+ to C	BB+ to C
	In default	-	0	0	-	-		
	Total	5,629			1,764	31		

Additional Capital and Risk Management Disclosures continued

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	888	0.301	9	43	5
2	0.015 to 0.030	5,319	0.284	9	258	5
3	0.030 to 0.060	14,254	0.291	9	711	5
4	0.060 to 0.120	31,782	0.326	9	1,683	5
5	0.120 to 0.250	52,064	0.948	9	6,033	12
6	0.250 to 0.500	32,174	1.957	11	6,739	21
7	0.500 to 1.000	11,932	3.455	12	3,875	32
8	1.000 to 2.000	3,475	7.124	12	1,553	45
9	2.000 to 4.000	4,548	10.506	10	2,060	45
10	4.000 to 8.000	2,232	18.467	12	1,373	62
11	8.000 to 15.000	886	31.889	11	539	61
12	15.000 to 30.000	986	50.018	11	545	55
13	30.000 to 60.000	713	74.348	11	237	33
14	60.000 to 99.999	390	73.973	11	139	36
	In default	2,297	100.000	15	-	-
Total		163,940			25,788	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	217	0.042	72	5	2
3	0.030 to 0.050	3,125	0.178	76	245	8
4	0.050 to 0.100	150	0.467	74	23	16
5	0.100 to 0.200	51	1.928	74	20	39
6	0.200 to 0.500	687	0.956	74	197	29
7	0.500 to 1.000	482	2.139	74	248	52
8	1.000 to 2.000	477	4.519	74	418	88
9	2.000 to 5.000	278	8.976	74	379	136
10	5.000 to 10.000	144	17.814	71	269	187
11	10.000 to 20.000	100	27.551	67	194	194
12	20.000 to 40.000	39	41.530	63	74	188
13	40.000 to 99.999	30	54.266	60	51	170
	In default	28	100.000	78	-	-
Total		5,808			2,123	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	7	0.235	88	3	41
5	0.100 to 0.200	30	0.318	88	15	51
6	0.200 to 0.500	137	0.547	88	97	71
7	0.500 to 1.000	620	0.796	88	531	86
8	1.000 to 2.000	775	1.587	88	873	113
9	2.000 to 5.000	485	3.542	88	646	133
10	5.000 to 10.000	105	7.604	88	152	146
11	10.000 to 20.000	19	13.718	88	34	177
12	20.000 to 40.000	8	26.507	88	20	237
13	40.000 to 99.999	13	61.378	88	28	216
	In default	18	100.000	88	-	-
Total		2,217			2,399	108

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 2016 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	299.0
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0.6
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	(19.0)
5 Adjustments for securities financing transactions 'SFTs'	3.5
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	14.4
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	296.9

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)	264.3
2 (Asset amounts deducted in determining Tier 1 capital)	(3.7)
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	260.6
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5.8
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	5.1
EU-5a Exposure determined under Original Exposure Method	-
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8 (Exempted CCP leg of client-cleared trade exposures)	-
9 Adjusted effective notional amount of written credit derivatives	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11 Total derivative exposures (sum of lines 4 to 10)	10.9
<i>Securities financing transaction exposures</i>	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	8.2
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(0.6)
14 Counterparty credit risk exposure for SFT assets	3.5
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)	11.1
<i>Other off-balance sheet exposures</i>	
17 Off-balance sheet exposures at gross notional amount	46.2
18 (Adjustments for conversion to credit equivalent amounts)	(31.9)
19 Other off-balance sheet exposures (sum of lines 17 to 18)	14.3
<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)	11.4
21 Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	296.9
Leverage Ratio	
22 Leverage Ratio	3.9%
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	-

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 onto 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
Santander UK Balance Sheet elements			
Shareholder's equity and Non-controlling interests	14,350	1,795	-
Subordinated Liabilities		475	3,739
Less: 8.963% Subordinated notes 2030 (US\$1,000m)		(131)	
Add: US\$1,000m Non-Cumulative Trust Preferred Securities		131	
CRD IV Adjustments and Deductions			
Additional value adjustments	(139)		
Intangible Assets (net of related tax liability)	(2,233)		
Fair value reserves related to gains or losses on cash flow hedges	(816)		
Negative amounts resulting from the calculation of regulatory expected loss amounts	(653)		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(123)		
Deferred tax assets arising from temporary differences	(7)		
Defined benefit pension fund assets	(302)		
Foreseeable Dividends	(36)		
Other Deductions, including Minority Interests	(146)		
Amount excluded from Tier 2 due to transitional recognition cap or minority interest		(229)	(847)
Total	9,895	2,043	2,892

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 2016 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 2016 £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	5,953	-
3 Accumulated other comprehensive income (and other reserves)	771	-
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	384	-
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,168	-
Common Equity Tier 1 (CET1) Capital: regulatory adjustments		
7 Additional value adjustments (negative amount)	(139)	-
8 Intangible assets (net of related tax liability) (negative amount)	(2,233)	-
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)	0	-
11 Fair value reserves related to gains or losses on cash flow hedges	(816)	-
12 Negative amounts resulting from the calculation of expected loss amounts	(653)	-
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	(123)	-
15 Defined-benefit pension fund assets (negative amount)	(302)	-
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
17 Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19 Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
20b of which: qualifying holdings outside the financial sector (negative amount)	-	-
20c of which: securitisation positions (negative amount)	-	-
20d of which: free deliveries (negative amount)	-	-
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(7)	-
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)	(4,273)	-
29 Common Equity Tier 1 (CET1) capital	9,895	-
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	498	(498)
35 of which: instruments issued by subsidiaries subject to phase out	498	(498)
36 Additional Tier 1 (AT1) capital before regulatory adjustments	2,043	(498)
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	-	-

Additional Capital and Risk Management Disclosures continued

	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	2043	(498)
45	Tier 1 capital (T1 = CET1 + AT1)	11,938	(498)
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	1137	
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	1755	(682)
49	of which: instruments issued by subsidiaries subject to phase out	585	(585)
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	2,892	(682)
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
54a	Of which new holdings not subject to transitional arrangements		
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) 575/2013 (i.e. CRR residual amounts)	-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	-
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	Tier 2 (T2) capital	2,892	(682)
59	Total Capital (TC = T1 + T2)	14,830	(1180)
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	88,376	-
Capital ratio and buffers			
61	Common Equity Tier (as a percentage of total risk exposure amount)	11.2%	
62	Tier 1 (as a percentage of total risk exposure amount)	13.5%	
63	Total capital (as a percentage of total risk exposure amount)	16.8%	
64	Institution specific buffer requirement (CET 1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	0.625%	
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)	11.2%	
Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	105	
73	Direct and indirect holdings by the institutions of the CET1 instruments of financial sector entities where the institution has a significant investment 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	366	
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	283	
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	973	
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	940	
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 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	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	37	207	377	41	317	6	84	1,122
9	Par value of instrument (£m)	200	37	165	270	29	196	52	71	1,131
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	

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	Abbey National Capital Trust I	Santander UK
2	ISIN	XS0133956168	XS0361244311	XS0164078791	US80281LAA35 XS1291333760	US80281LAB18 XS1291352711	GB0000044221	US002927AA95	XS0152838586
3	Governing law(s) of the instrument	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
5	Post-transitional Basel III rules	Tier 2	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	Consolidated	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
8	Amount recognised in regulatory capital (€m)	10	143	0	759	378	344	131	2
9	Par value of instrument (€m)	11	122	0	754	377	329	78	2
9a	Issue Price of Instrument	98.878%	99.313%	99.873%	99.724%	99.412%	101.55%	100%	100%
9b	Redemption Price of Instrument	100%	100%	100%	100%	100%	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
11	Original date of issuance	14/08/2001	30/04/2008	06/03/2003	15/09/2015	15/09/2015	09/06/1997	07/02/2000	09/08/2002
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	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
14	Issuer call subject to prior supervisory approval	n/a	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	30/06/2030	09/02/2018
16	Subsequent call dates, if applicable	n/a	Quarterly	5 years	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 to Floating	Fixed to Floating
18	Coupon rate and any related index	5.875%	9.625%	5.25%	4.75%	5.625%	8.625%	8.963%	6.984%
19	Existence of a dividend stopper	No	No	No	No	No	Yes	Yes	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	Yes	Yes	No	No	No	Yes	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Noncumulative	Noncumulative	Cumulative
23	Convertible or 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	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	Fully	n/a
26	If convertible, conversion rate	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	mandatory	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	Additional Tier 1	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	Santander UK	n/a
30	Write-down feature	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior	Senior	Senior	Tier 2	Tier 2	Tier 2
36	Non-compliant transitioned features	No	Yes	Yes	No	No	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 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 Group Holdings	Santander UK Group Holdings	Santander UK Group Holdings	Santander UK Group Holdings	Santander UK
2	ISIN	XS0124569566	XS0502105454	n/a	n/a	XS1244538523	n/a	GB0000064393
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	Common Equity Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Ineligible	Tier 2	Additional Tier 1	Additional Tier 1	Additional Tier 1	Common Equity Tier 1	Tier 2
6	Eligible at solo/group/group&solo	Solo and Consolidated	Solo and Consolidated	Consolidated	Consolidated	Consolidated	Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Preferred	Preferred	Additional Tier 1	Additional Tier 1	Additional Tier 1	Equity	Preferred
8	Amount recognised in regulatory capital (£m)	235	14	500	300	745	7,060	212
9	Par value of instrument (£m)	235	14	500	300	750	7,060	200
9a	Issue Price of Instrument	100%	100%	100%	100%	100%	100%	100m @ 101.52% 100m @ 108.935%
9b	Redemption Price of Instrument	100% (call)	100% (call)	100% (call)	100% (call)	100% (call)	n/a	n/a
10	Accounting classification	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Shareholders Equity	Liability-amortised cost
11	Original date of issuance	14/02/2001	24/05/2006	24/06/2014	02/12/2014	10/06/2015	10/01/2014	23/10/1995
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	No	No
15	Optional call date, contingent call dates and redemption amount	14/02/2026	24/05/2019	24/06/2019	24/12/2019	24/06/2022	n/a	n/a
16	Subsequent call dates, if applicable	Annually	Annually	Quarterly	Quarterly	5 years	n/a	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	Variable	Fixed
18	Coupon rate and any related index	7.037%	6.222%	6.625%	7.6%	7.375%	n/a	10.375%
19	Existence of a dividend stopper	Yes	Yes	No	No	No	No	Yes
20a & b	Fully discretionary, partially discretionary or mandatory	Partially discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Fully Discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	Yes	No	No	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Noncumulative	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	CET1 Capital Ratio of the Group < 7%	CET1 Capital Ratio of the Group < 7%	CET1 Capital Ratio of the Group < 7%	n/a	n/a
32	If write-down, full or partial	n/a	n/a	Full	Full	Full	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	Permanent	Permanent	Permanent	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
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Additional Tier 1	Tier 2
36	Non-compliant transitioned features	Yes	Yes	No	No	No	No	Yes
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