

Santander UK Group Holdings plc and Santander UK plc

September 2021 Additional Capital and Risk Management Disclosures

Introduction

As a wholly-owned large subsidiary of Banco Santander, S.A., under the retained EU law version of Capital Requirements Regulation (UK CRR) Santander UK Group Holdings plc (the Company) is required to produce and publish annually a specified number of Pillar 3 disclosures. In accordance with the European Banking Authority (EBA) guidelines on disclosure frequency¹, the Company has assessed the need to publish capital-related disclosures more frequently than annually and the disclosures deemed appropriate for more frequent publication have been included in the additional capital disclosures set out in this document. All disclosures within Part 1 of this document on pages 3 to 8 cover the consolidated Santander UK Group Holdings plc group position.

The Company is the immediate parent company of Santander UK plc, a Ring Fenced Bank (RFB), and associated controlled entities and is the head of the Santander UK group for regulatory capital and leverage purposes. Part 2 of this document on pages 9-12 includes a specified number of Pillar 3 disclosures in accordance with the EBA guidelines on disclosure frequency for the Santander UK plc group, which are similar to those for the Company.

The regulatory and supervisory measures to alleviate the financial stability impact of the Coronavirus pandemic (Covid-19) and maintain the safety and soundness of authorised firms have been reflected in the Santander UK Group Holdings plc group and Santander UK plc group capital results. These measures are aimed at ensuring the Santander UK Group Holdings plc group and the Santander UK plc group are able to continue to lend to households and businesses, support the real economy, and provide robust and consistent market disclosures.

¹ 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 for Santander UK Group Holdings plc group

Key metrics (KM1)

The following table summarises the Company's Own Funds and key risk-based capital ratios at 30 September 2021 together with the previously disclosed quarter end information at 30 June 2021, 31 March 2021, 31 December 2020 and 30 September 2020. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	30 September 2021 £m	30 June 2021 £m	31 March 2021 £m	31 December 2020 £m	30 September 2020 £m
Available Capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	11,450	11,292	11,111	11,059	10,683
2 Fully loaded ¹ Expected Credit Loss (ECL) accounting model CET1	11,441	11,287	11,111	10,986	10,670
3 Tier 1 capital	13,751	13,600	13,420	13,531	13,165
4 Fully loaded ECL accounting model Tier 1	13,742	13,595	13,420	13,458	13,152
5 Total capital	15,336	15,298	15,154	15,388	15,533
6 Fully loaded ECL accounting model total capital	15,327	15,293	15,154	15,315	15,520
Risk-weighted assets (amounts)					
7 Total risk-weighted assets (RWA)	68,813	72,763	72,561	72,922	74,154
8 Fully loaded ECL accounting model total RWA	68,787	72,633	72,453	72,794	74,072
Risk-based capital ratios as a percentage of RWA					
9 Common Equity Tier 1 ratio	16.6%	15.5%	15.3%	15.2%	14.4%
10 Fully loaded ECL accounting model Common Equity Tier 1 (%)	16.6%	15.5%	15.3%	15.1%	14.4%
11 Tier 1 ratio	20.0%	18.7%	18.5%	18.6%	17.8%
12 Fully loaded ECL accounting model Tier 1 ratio (%)	20.0%	18.7%	18.5%	18.5%	17.8%
13 Total capital ratio	22.3%	21.0%	20.9%	21.1%	20.9%
14 Fully loaded ECL accounting model total capital ratio (%)	22.3%	21.1%	20.9%	21.0%	21.0%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	-	-	-	-	-
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%	2.5%	2.5%
CET1 available after meeting the banks minimum capital requirements (%)	9.64%	8.52%	8.31%	8.16%	7.41%
UK CRR leverage ratio					
15 Total UK CRR leverage ratio exposure measure (£bn)	294.8	299.7	301.7	306.6	303.3
16 UK CRR leverage ratio	4.6%	4.5%	4.4%	4.3%	4.3%
17 Fully loaded ECL accounting model Leverage Ratio	4.6%	4.5%	4.4%	4.3%	4.2%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	44,284	46,802	50,112	51,232	47,116
Total net cash outflow	30,536	32,508	36,462	34,104	30,995
Liquidity coverage ratio (LCR)	145.0%	144.0%	137.4%	150.2%	152.0%

Key Movements

Compared to 31 December 2020, RWAs were £ 4.1 bn lower, largely due to asset sales and transfers including the sale by the Company of its shareholding in PSA Finance UK, the sale of a retail mortgage portfolio and the progression of the transfer of the CIB business by way of a Part VII business transfer scheme. The CET1 capital ratio increased 140bps to 16.6%, largely as a result of lower RWAs. The CET1 capital ratio includes a benefit of c30bps and the UK leverage ratio c8bps from the change in treatment of software assets outlined in the EBA technical standard on the prudential treatment of software assets. The PRA have outlined in Policy Statement PS17/21 on the Implementation of Basel Standards that this treatment will fall away at the start of 2022 and software assets will instead be fully deducted from CET1 capital from that date. The total capital ratio increased by 120bps to 22.3%, reflecting RWA management, the reduction in AT1 securities in issue and the increased effect from January 2021 of the CRD IV Grandfathering Cap rules that reduce the recognition of grandfathered capital instruments issued by Santander UK plc.

¹ Fully loaded excludes the impact of transitional arrangements.

Key metrics – Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements (KM2)

The following table summarises key metrics about Own Funds and Eligible Liabilities available, and MREL requirements applied, for the Santander UK Group Holdings plc group.

	30 September 2021 £m	31 June 2021 £m	31 March 2021 £m	31 December 2020 £m	30 September 2020 £m
1 Total Own Funds and Eligible Liabilities available	25,767	24,946	24,015	22,961	23,282
1a Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	25,758	24,940	24,014	22,889	23,269
2 Total RWA at the level of the resolution group	68,813	72,763	72,561	72,922	74,154
3 Total Own Funds and Eligible Liabilities as a percentage of RWA	37.4%	34.3%	33.1%	31.5%	31.4%
3a Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	37.4%	34.4%	33.1%	31.4%	31.4%
4 UK CRR Leverage exposure measure at the level of the resolution group	294,828	299,665	301,652	306,581	303,267
5 Total Own Funds and Eligible Liabilities as a percentage of UK CRR leverage exposure	8.7%	8.3%	8.0%	7.5%	7.7%
5a Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model UK CRR leverage ratio exposure measure	8.7%	8.3%	8.0%	7.5%	7.7%
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No	No
6c If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as Own Funds and Eligible Liabilities, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as Own Funds and Eligible Liabilities if no cap applied	n/a	n/a	n/a	n/a	n/a

The MREL requirement for the Santander UK Group Holdings plc group, excluding capital buffers, is the higher of:

- 16% of consolidated RWAs or 6% of the CRR Leverage exposure.

IFRS 9 Transitional Arrangements (IFRS9-FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2021 over the full allowable period.

	2021	2022	2023	2024
IFRS9 Transitional Factor	50%	25%		
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	100%	75%	50%	25%
Available Capital (amounts)				
1 Common Equity Tier 1 (CET1) capital	11,450	11,445	11,441	11,441
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,441	11,441	11,441	11,441
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	11,450	11,445	11,441	11,441
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	11,441	11,441	11,441	11,441
3 Tier 1 Capital	13,751	13,746	13,742	13,742
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,742	13,742	13,742	13,742
5 Total Capital	15,336	15,331	15,327	15,327
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,327	15,327	15,327	15,327
Risk-weighted assets (amounts)				
7 Total risk-weighted assets (RWA)	68,813	68,844	68,802	68,794
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	68,868	68,872	68,802	68,794
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	68,732	68,759	68,787	68,787
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	68,787	68,787	68,787	68,787
Capital Ratios				
9 Common Equity Tier 1 ratio	16.6%	16.6%	16.6%	16.6%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	16.6%	16.6%	16.6%	16.6%
11 Tier 1 ratio	20.0%	20.0%	20.0%	20.0%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	20.0%	20.0%	20.0%	20.0%
13 Total capital ratio	22.3%	22.3%	22.3%	22.3%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	22.3%	22.3%	22.3%	22.3%
UK CRR leverage ratio				
15 Leverage Ratio Total Exposure Measure	294,837	294,837	294,837	294,837
16 Leverage Ratio	4.6%	4.6%	4.6%	4.6%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.6%	4.6%	4.6%	4.6%

The Company is applying the IFRS 9 capital transitional arrangements set out in EU Regulation 2017/2395 and EU Regulation 2020/873 that amend the Capital Requirements Regulation. Under the transitional arrangements, the Company is entitled to mitigate the effect to capital of Expected Credit Loss-based provisioning following the implementation of IFRS 9. The transitional arrangements last for a five-year period beginning on the 1 of January 2018 with the amount of capital relief available reduced each year by the transitional factor, with an extended transitional period used for capital relief against provision movements from 1 January 2020. The transitional factor is 50 percent in 2021, declining to 25 percent in 2022, and for post 1 January 2020 provision movements is 100 percent in 2021, 75 percent in 2022, 50 percent in 2023 and 25 percent in 2024.

The capital relief affects both the capital base and RWAs reported by the Company. The adjustment to CET1 capital is comprised of a static element and a dynamic element. The static element is based on the CET1 capital impact of the change in provision levels upon implementation of IFRS 9 (on 1 January 2018). The capital adjustments from this static element will only change over the five-year transition period due to the phased reduction of the transitional factor. The dynamic element is based on the capital impact of the change in provision levels for non-credit impaired exposures from the first day of the implementation of IFRS 9. The dynamic element will change over the transition period and is also subject to progressive reduction over the five-year transitional period and the extended period for provision movements post 1 January 2020 due to the transitional factor. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk, deferred tax assets created upon adoption of IFRS 9 ECL-based provisioning and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Rating Based approach.

Leverage Ratio

The following table summarises the Company's end point UK CRR and UK Leverage Ratio at 30 September 2021 together with the previously disclosed quarter end information at 30 June 2021, 31 March 2021, 31 December 2020 and 30 September 2020. The UK Leverage Ratio 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.

	30 September 2021	30 June 2021	31 March 2021	31 December 2020	30 September 2020
Common Equity Tier 1 (CET1) capital (£m)	11,450	11,292	11,111	11,059	10,683
End point Additional Tier 1 (AT1) capital (£m)	2,034	2,070	2,069	2,105	2,140
End point Tier 1 capital (£m)	13,484	13,362	13,180	13,164	12,823
Leverage Exposure UK CRR (£bn)	294.8	299.7	301.7	306.6	303.3
Leverage Exposure UK ¹ (£bn)	250.3	254.7	254.7	259.0	263.3
End point Tier 1 Leverage Ratio UK CRR	4.6%	4.5%	4.4%	4.3%	4.3%
End point Tier 1 Leverage Ratio UK ¹	5.4%	5.2%	5.2%	5.1%	4.9%
Average Tier 1 Leverage Ratio UK ¹	5.4%	5.3%	5.1%	5.0%	4.8%

The UK Leverage ratio improved by 30bps from year end, 180bps above regulatory minimum, largely due to asset sales and transfers including the sale by the Company of its shareholding in PSA Finance UK, the sale of a retail mortgage portfolio and the progression of the transfer of the CIB business by way of a Part VII business transfer scheme.

Liquidity Coverage Ratio (LCR)

The values presented below are the simple average of the preceding monthly periods ending on the reporting date as specified in the table.

	Average unweighted value		Average weighted value	
	30 September 2021 £m	30 June 2021 £m	30 September 2021 £m	30 June 2021 £m
1 Total high-quality liquid assets (HQLA)	48,341	48,723	48,110	48,459
CASH-OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which:	147,483	144,969	8,786	8,561
3 Stable deposits	126,398	125,219	6,320	6,261
4 Less stable deposits	21,085	19,750	2,466	2,300
5 Unsecured wholesale funding	28,478	28,952	15,689	15,982
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	138		27	
7 Non-operational deposits (all counterparties)	26,290	26,874	13,612	13,904
8 Unsecured debt	2,050	2,078	2,050	2,078
9 Secured wholesale funding	16,552	16,354	285	317
10 Additional requirements	18,956	20,327	8,013	8,584
11 Outflows related to derivative exposures and other collateral requirements	5,843	6,396	5,843	6,396
12 Outflows related to loss of funding on debt products	598	467	598	467
13 Credit and liquidity facilities	12,515	13,464	1,572	1,721
14 Other contractual funding obligations	81	77	-	-
15 Other contingent funding obligations	27,508	26,878	2,323	2,215
16 TOTAL CASH OUTFLOWS	239,058	237,557	35,096	35,659
CASH-INFLOWS				
17 Secured lending (e.g reverse repos)	9,675	8,922	20	30
18 Inflows from fully performing exposures	1,563	1,501	1,013	972
19 Other cash inflows	1,701	1,888	513	718
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are				
19a denominated in non-convertible currencies)				
19b (Excess inflows from a related specialised credit institution)				
20 TOTAL CASH INFLOWS	12,939	12,311	1,546	1,720
20a Fully exempt inflows				
20b Inflows Subject to 90% Cap				
20c Inflows Subject to 75% Cap	10,259	9,539	1,546	1,720
21 LIQUIDITY BUFFER			48,110	48,459
22 TOTAL NET CASH OUTFLOWS			33,853	34,016
23 LIQUIDITY COVERAGE RATIO (%)			142.12	142.46
Number of data points used in calculation of averages	12	12	12	12

Key Movements

The average weighted LCR of 142.12% remains significantly above regulatory requirements.

¹ Includes the impact of AT1 cap on end point AT1 capital and deductions permitted under the recommendation from the Financial Policy Committee on 25th July 2016.

RWA and Capital Requirements

Overview of RWA (OV1)

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

		RWA		Minimum capital requirements
		30 September 2021 £bn	30 June 2021 £bn	30 September 2021 £bn ¹
1	Credit risk (excluding counterparty credit risk) ¹	60.2	63.9	4.8
2	- Of which: standardised approach (SA)	16.1	18.4	1.3
3	- Of which: foundation internal rating-based approach (FIRB) approach	4.7	4.9	0.4
4	- Of which: advanced internal rating-based approach (AIRB) approach	38.9	40.0	3.1
5	- Of which: equity positions under the simple risk weight approach and the internal model method	0.5	0.6	-
6	Counterparty credit risk (CCR) ¹	0.7	0.8	0.1
9	- Of which: standardised approach for counterparty credit risk	0.3	0.4	-
10	- Of which: IMM	0.4	0.4	-
	- Of which: other CCR	-	-	-
12	Credit Valuation Adjustment (CVA)	0.3	0.3	-
13	Settlement risk	-	-	-
14	Securitisation exposures in banking book (after cap) ²	0.6	0.8	-
	- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.1	-
	- Of which: securitisation external ratings-based approach (SEC-ERBA), including external assessment approach (IAA)	0.2	0.5	-
	- Of which: securitisation standardised approach (SEC-SA)	0.3	0.2	-
19	Market risk ¹	0.2	0.2	-
20	- Of which: standardised approach	0.2	0.2	-
21	- Of which: internal model approach (IMA)	-	-	-
	Capital charge for switch between trading book and banking book	-	-	-
23	Operational risk ¹	6.8	6.8	0.5
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
	Aggregate capital floor applied	-	-	-
28	Floor adjustment (before application of transitional cap)	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-
29	Total ¹	68.8	72.8	5.4

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised³ (CR8)

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
1 RWAs at 30 June	46.0	3.7
2 Asset size	0.4	-
3 Asset quality	(0.2)	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	(1.6)	(0.1)
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 30 September	44.6	3.6

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
1 RWAs at 30 June	19.5	1.6
2 Asset size	0.3	-
3 Asset quality	(0.7)	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	(2.2)	(0.2)
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 30 September	16.9	1.4

¹ Includes balances which are not visible due to rounding have been included in the total.

² Includes 3 Significant Risk Transfer transactions which are subject to re-characterisation risk.

³ Table excludes CVA.

Total RWA reduction of £ 3.8bn in both standardised and IRB approach under Acquisitions and disposals item is due to asset sales and transfers including the sale of shareholding in PSA Finance UK, the sale of a retail mortgage portfolio and the progression of the CIB Part VII business transfer scheme.

Credit Risk and Counterparty Risk by Risk Class

The following table details RWA per risk class. Counterparty Risk and Credit Valuation Adjustment Risk are included in the table.

Standardised Approach credit risk	30 September 2021 £bn	30 June 2021 £bn	31 March 2021 £bn	31 December 2020 £bn	30 September 2020 £bn
Institutions	0.2	0.2	0.2	0.1	0.2
Corporates	5.5	6.3	6.5	6.4	6.1
Standardised Retail	6.9	8.0	7.6	7.8	7.7
Secured by Mortgages on Immovable Property	0.3	0.2	0.2	0.2	0.2
Exposures in Default	0.2	0.2	0.2	0.3	0.2
Higher-risk Categories	-	-	0.1	0.1	0.1
Covered Bonds	0.1	0.1	0.1	0.1	0.1
Equity	-	-	-	-	-
Securitisation Positions	0.5	0.7	0.7	0.8	0.8
Other	3.2	3.8	3.7	3.8	3.5
Total	16.9	19.5	19.3	19.6	18.9

IRB Approach credit risk	30 September 2021 £bn	30 June 2021 £bn	31 March 2021 £bn	31 December 2020 £bn	30 September 2020 £bn
Institutions	0.2	0.3	0.2	0.3	0.4
Corporates	8.4	9.9	10.8	11.2	12.1
IRB Retail Mortgages	32.1	31.9	31.1	30.5	30.9
IRB Qualifying Revolving Retail Exposures	1.7	1.6	1.6	1.7	1.6
Other Retail	1.6	1.6	1.6	1.7	1.7
Securitisation Positions	0.1	0.1	0.1	0.1	0.2
IRB Equity Exposures – 370% Risk Weight	0.5	0.6	0.5	0.5	0.4
Total	44.6	46.0	45.9	46.0	47.3
CVA	0.3	0.3	0.3	0.3	0.3

Part 2

September 2021 Additional Capital and Risk Management Disclosures for Santander UK plc Group

Introduction

As a wholly-owned large subsidiary under UK CRR, Santander UK plc (the RFB) is required to produce and publish annually a specified number of Pillar 3 disclosures rather than a complete set of Pillar 3 disclosures. In accordance with the EBA guidelines on disclosure frequency¹, the RFB has assessed the need to publish capital-related disclosures more frequently than annually, and the disclosures deemed appropriate for more frequent publication have been included in the additional capital disclosures set out in this document. All disclosures cover the consolidated RFB Group position.

Key metrics (KM1)

The following table summarises the RFB Group's Own Funds and key risk-based capital ratios at 30 September 2021, together with the previously disclosed quarter end information at 30 June 2021, 31 March 2021, 31 December 2020 and 30 September 2020. Further detail on Risk Weighted Assets is included in the subsequent sections of this document.

	30 September 2021 £m	30 June 2021 £m	30 March 2021 £m	31 December 2020 £m	30 September 2020 £m
Available Capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	11,446	11,289	11,108	11,057	10,703
2 Fully loaded ² Expected Credit Loss (ECL) accounting model CET1	11,437	11,284	11,108	10,984	10,690
3 Tier 1 capital	13,565	13,407	13,226	13,338	12,983
4 Fully loaded ECL accounting model Tier 1	13,556	13,402	13,226	13,265	12,970
5 Total capital	15,027	15,026	14,900	15,247	15,456
6 Fully loaded ECL accounting model total capital	15,018	15,021	14,900	15,174	15,443
Risk-weighted assets (amounts)					
7 Total risk-weighted assets (RWA)	67,637	71,673	71,502	71,860	73,586
8 Fully loaded ECL accounting model total RWA	67,611	71,543	71,394	71,732	73,504
Risk-based capital ratios as a percentage of RWA					
9 Common Equity Tier 1 ratio	16.9%	15.8%	15.5%	15.4%	14.5%
10 Fully loaded ECL accounting model Common Equity Tier 1 (%)	16.9%	15.8%	15.6%	15.3%	14.5%
11 Tier 1 ratio	20.1%	18.7%	18.5%	18.6%	17.6%
12 Fully loaded ECL accounting model Tier 1 ratio (%)	20.1%	18.7%	18.5%	18.5%	17.6%
13 Total capital ratio	22.2%	21.0%	20.8%	21.2%	21.0%
14 Fully loaded ECL accounting model total capital ratio (%)	22.2%	21.0%	20.9%	21.2%	21.0%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	-	-	-	-	-
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Other Systemically Important Institution Buffer (%)	1.00%	1.00%	1.00%	1.00%	-
Systemic Risk Buffer requirement (%)	-	-	-	-	1.00%
Total of bank CET1 specific buffer requirements (%)	3.50%	3.50%	3.50%	3.50%	3.50%
CET1 available after meeting the banks minimum capital requirements (%)	8.92%	7.75%	7.53%	7.39%	6.54%
UK CRR leverage ratio					
15 Total UK CRR leverage ratio exposure measure (£bn)	288.6	293.5	295.4	299.9	296.4
16 UK CRR leverage ratio	4.6%	4.5%	4.4%	4.3%	4.3%
17 Fully loaded ECL accounting model Leverage Ratio	4.6%	4.5%	4.4%	4.3%	4.3%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	44,284	46,802	50,112	51,232	47,116
Total net cash outflow	30,112	32,113	36,249	33,766	30,605
Liquidity coverage ratio (LCR)	147.1%	145.7%	138.2%	151.7%	154.0%

Key Movements

Compared to 31 December 2020, RWAs were £ 4.3 bn lower, largely due to asset sales and transfers including the sale by the Company of its shareholding in PSA Finance UK, the sale of a retail mortgage portfolio and the progression of the transfer of the CIB business by way of a Part VII business transfer scheme. The CET1 capital ratio increased 150bps to 16.9%, largely as a result of lower RWAs. The CET1 capital ratio includes a benefit of c30bps and the UK leverage ratio c8bps from the change in treatment of software assets outlined in the EBA technical standard on the prudential treatment of software assets. The PRA have outlined in Policy Statement PS17/21 on the Implementation of Basel Standards that this treatment will fall away at the start of 2022 and software assets will instead be fully deducted from CET1 capital from that date. The total capital ratio increased by 110bps to 22.3%, reflecting RWA management, the reduction in AT1 securities in issue and the increased effect from January 2021 of the CRD IV Grandfathering Cap rules that reduce the recognition of grandfathered capital instruments issued by Santander UK plc.

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

² Fully loaded excludes the impact of transitional arrangements.

IFRS 9 Transitional Arrangements (IFRS9 – FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2021 over the full allowable period.

	2021	2022	2023	2024
IFRS9 Transitional Factor	50%	25%		
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	100%	75%	50%	25%
Available Capital (amounts)				
1 Common Equity Tier 1 (CET1) capital	11,446	11,441	11,437	11,437
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,437	11,437	11,437	11,437
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	11,446	11,441	11,437	11,437
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	11,437	11,437	11,437	11,437
3 Tier 1 Capital	13,565	13,560	13,556	13,556
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,556	13,556	13,556	13,556
5 Total Capital	15,027	15,095	15,091	15,091
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,018	15,091	15,091	15,091
Risk-weighted assets (amounts)				
7 Total risk-weighted assets (RWA)	67,637	67,643	67,626	67,618
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	67,692	67,671	67,626	67,618
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	67,556	67,583	67,611	67,611
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	67,611	67,611	67,611	67,611
Capital Ratios				
9 Common Equity Tier 1 ratio	16.9%	16.9%	16.9%	16.9%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	16.9%	16.9%	16.9%	16.9%
11 Tier 1 ratio	20.1%	20.1%	20.1%	20.1%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	20.1%	20.1%	20.1%	20.1%
13 Total capital ratio	22.2%	22.3%	22.3%	22.3%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	22.2%	22.3%	22.3%	22.3%
UK CRR leverage ratio				
15 Leverage Ratio Total Exposure Measure	288,554	288,554	288,554	288,554
16 Leverage Ratio	4.6%	4.6%	4.6%	4.6%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.6%	4.6%	4.6%	4.6%

The RFB group is applying the IFRS 9 capital transitional arrangements set out in EU Regulation 2017/2395 and EU Regulation 2020/873 that amend the Capital Requirements Regulation. Under the transitional arrangements, the RFB group is entitled to mitigate the effect to capital of ECL-based provisioning following the implementation of IFRS 9. The transitional arrangements last for a five-year period beginning on the 1 January 2018 with the amount of capital relief available reduced each year by the transitional factor, with an extended transitional period used for capital relief against provision movements from 1 January 2020. The transitional factor is 50 percent in 2021, declining to 25 percent in 2022, and for post 1 January 2020 provision movements is 100 percent in 2021, 75 percent in 2022, 50 percent in 2023 and 25 percent in 2024.

The capital relief affects both the capital base and RWAs reported by RFB group. The adjustment to CET1 capital is comprised of a static element and a dynamic element. The static element is based on the CET1 capital impact of the change in provision levels upon implementation of IFRS 9 (on 1st January 2018). The capital adjustments from this static element will only change over the five-year transition period due to the phased reduction of the transitional factor. The dynamic element is based on the capital impact of the change in provision levels for non-credit impaired exposures from the first day of the implementation of IFRS 9. The dynamic element will change over the transition period and is also subject to progressive reduction over the five-year transitional period and the extended period for provision movements post 1 January 2020 due to the transitional factor. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk, deferred tax assets created upon adoption of IFRS 9 ECL-based provisioning and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Rating Based approach.

Leverage Ratio

The following table summarises the RFB group's end point UK CRR and UK PRA Tier 1 Leverage ratio at 30 September 2021 together with the previously disclosed quarter end information at 30 June 2021, 31 March 2021, 31 December 2020 and 30 September 2020. 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.

	30 September 2021	30 June 2021	31 March 2021	31 December 2020	30 September 2020
Common Equity Tier 1 (CET1) capital (£m)	11,446	11,289	11,108	11,057	10,703
End point Additional Tier 1 (AT1) capital (£m)	1,957	1,956	1,956	1,957	1,956
End point Tier 1 capital (£m)	13,403	13,245	13,064	13,014	12,659
Leverage Exposure UK CRR (£bn)	288.6	293.5	295.4	299.9	296.4
Leverage Exposure UK ¹ (£bn)	246.1	250.5	250.5	254.6	261.9
End point Tier 1 Leverage Ratio UK CRR	4.6%	4.5%	4.4%	4.3%	4.3%
End point Tier 1 Leverage Ratio UK ¹	5.4%	5.3%	5.2%	5.1%	4.8%
Average Tier 1 Leverage Ratio UK ¹	5.4%	5.3%	5.1%	5.0%	4.8%

The UK Leverage ratio improved by 30bps from year end, 180bps above regulatory minimum, largely due to asset sales and transfers including the sale by the Company of its shareholding in PSA Finance UK, the sale of a retail mortgage portfolio and the progression of the transfer of the CIB business by way of a Part VII business transfer scheme.

Liquidity Coverage Ratio (LIQ1)

The values presented below are the simple average of the preceding monthly periods ending on the reporting date as specified in the table:

	Average unweighted value		Average weighted value	
	30 September 2021 £m	30 June 2021 £m	30 September 2021 £m	30 June 2021 £m
1 Total high-quality liquid assets (HQLA)	48,341	48,723	48,110	48,459
CASH-OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which:	147,483	144,969	8,786	8,561
3 Stable deposits	126,398	125,219	6,320	6,261
4 Less stable deposits	21,085	19,750	2,466	2,300
5 Unsecured wholesale funding	28,242	28,743	15,464	15,785
Operational deposits (all counterparties) and deposits in networks of cooperative banks	138		27	
7 Non-operational deposits (all counterparties)	26,054	26,665	13,387	13,707
8 Unsecured debt	2,050	2,078	2,050	2,078
9 Secured wholesale funding	16,552	16,354	285	317
10 Additional requirements	18,830	20,168	7,941	8,487
11 Outflows related to derivative exposures and other collateral requirements	5,843	6,395	5,843	6,395
12 Outflows related to loss of funding on debt products	609	475	609	475
13 Credit and liquidity facilities	12,378	13,298	1,489	1,617
14 Other contractual funding obligations	81	77	-	-
15 Other contingent funding obligations	27,510	26,880	2,323	2,215
16 TOTAL CASH OUTFLOWS	238,698	237,191	34,799	35,365
CASH-INFLOWS				
17 Secured lending (e.g reverse repos)	9,675	8,922	20	30
18 Inflows from fully performing exposures	1,827	1,768	1,145	1,106
19 Other cash inflows	1,784	1,973	529	735
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
19a				
19b (Excess inflows from a related specialised credit institution)				
20 TOTAL CASH INFLOWS	13,286	12,663	1,694	1,871
20a Fully exempt inflows				
20b Inflows Subject to 90% Cap				
20c Inflows Subject to 75% Cap	10,605	9,891	1,694	1,871
21 LIQUIDITY BUFFER		-	48,110	48,459
22 TOTAL NET CASH OUTFLOWS		-	33,408	33,572
23 LIQUIDITY COVERAGE RATIO (%)		-	144.01	144.34
Number of data points used in calculation of averages	12	12	12	12

Key Movements

The average weighted LCR of 144.01% remains significantly above regulatory requirements.

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

RWA and Capital Requirements

Overview of RWA (OV1)

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

		RWA		Minimum capital requirements
		30 September 2021 £bn	30 June 2021 £bn	30 September 2021 £bn ¹
1	Credit risk (excluding counterparty credit risk) ¹	59.0	62.8	4.8
2	- Of which: standardised approach (SA)	15.9	18.3	1.3
3	- Of which: foundation internal rating-based approach (FIRB) approach	4.7	4.9	0.4
4	- Of which: advanced internal rating-based approach (AIRB) approach	38.3	39.5	3.1
5	- Of which: equity positions under the simple risk weight approach and the internal model method	0.1	0.1	-
6	Counterparty credit risk (CCR) ¹	0.7	0.8	0.1
9	- Of which: standardised approach for counterparty credit risk	0.3	0.4	-
10	- Of which: IMM	0.4	0.4	-
	- Of which: other CCR	-	-	-
12	Credit Valuation Adjustment (CVA)	0.3	0.3	-
13	Settlement risk	-	-	-
14	Securitisation exposures in banking book (after cap) ²	0.6	0.8	-
	- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.1	-
	- Of which: securitisation external ratings-based approach (SEC-ERBA), including external assessment approach (IAA)	0.2	0.5	-
	- Of which: securitisation standardised approach (SEC-SA)	0.3	0.2	-
19	Market risk ¹	0.2	0.2	-
20	- Of which: standardised approach	0.2	0.2	-
21	- Of which: internal model approach (IMA)	-	-	-
	Capital charge for switch between trading book and banking book	-	-	-
23	Operational risk ¹	6.8	6.8	0.5
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
	Aggregate capital floor applied	-	-	-
28	Floor adjustment (before application of transitional cap)	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-
29	Total ¹	67.6	71.7	5.4

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised³ (CR8)

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
1 RWAs at 30 June	45.0	3.6
2 Asset size	0.4	-
3 Asset quality	(0.2)	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	(1.6)	(0.1)
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 30 September	43.6	3.5

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
1 RWAs at 30 June	19.4	1.6
2 Asset size	0.2	-
3 Asset quality	(0.7)	(0.1)
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	(2.2)	(0.2)
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 30 September	16.7	1.3

Total RWA reduction of £ 3.8bn in both standardised and IRB approach under Acquisitions and disposals item is due to asset sales and transfers including the sale of shareholding in PSA Finance UK, the sale of a retail mortgage portfolio and the progression of the CIB Part VII business transfer scheme.

¹ Includes balances which are not visible due to rounding have been included in the total.

² Includes 3 Significant Risk Transfer transactions which are subject to re-characterisation risk.

³ Table excludes CVA.