

Santander UK Group Holdings plc and Santander UK plc

September 2022 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 frequency^[1], 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 11 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 12-19 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. While activity is disrupted, substantial and substantive Government and Central Bank measures have been put in place in the UK and internationally to support businesses and households.

^[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 2022 together with the previously disclosed quarter end information at 30 June 2022, 31 March 2022, 31 December 2021 and 30 September 2021. Further detail on Risk Weighted Assets is included in the subsequent sections of this document:

	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	
	£m	£m	£m	£m	£m	
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	11,039	10,927	10,731	10,848	11,450
2	Tier 1 capital	13,235	13,123	12,922	13,154	13,751
3	Total capital	14,753	14,615	14,408	14,727	15,336
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	71,433	70,367	69,350	68,144	68,813
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.45%	15.53%	15.47%	15.90%	16.60%
6	Tier 1 ratio (%)	18.53%	18.65%	18.63%	19.30%	20.00%
7	Total capital ratio (%)	20.65%	20.77%	20.78%	21.60%	22.30%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	2.94%	2.95%	2.97%	2.98%	2.82%
UK 7b	Additional AT1 SREP requirements (%)	0.98%	0.98%	0.99%	0.99%	0.94%
UK 7c	Additional T2 SREP requirements (%)	1.31%	1.31%	1.32%	1.33%	1.26%
UK 7d	Total SREP own funds requirements (%)	5.22%	5.25%	5.27%	5.30%	5.02%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical buffer (%)	-	-	-	-	-
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 11a	Overall capital requirements (%)	15.72%	15.75%	15.77%	15.80%	15.52%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.93%	5.02%	5.00%	5.80%	6.78%
Leverage ratio						
13	Total exposure measuring excluding claims on central banks	248.4	248.6	248.1	246.3	250.3
14	Leverage ratio excluding claims on central banks (%)	5.3%	5.2%	5.1%	5.2%	5.4%
Additional leverage ratio disclosure requirements						
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.3%	5.2%	5.1%	5.3%	5.4%
14b	Leverage ratio including claims on central banks (%)	4.4%	4.4%	4.3%	4.3%	4.6%
14c	Average leverage ratio excluding claims on central banks (%)	5.2%	5.2%	5.1%	5.5%	5.4%
14d	Average leverage ratio including claims on central banks (%)	4.3%	4.3%	4.3%	4.5%	4.6%
14e	Countercyclical leverage ratio buffer (%)	0%	0%	0%	0%	0%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value-average)[1]	51,345	49,177	50,485	51,266	44,284
UK 16a	Cash outflows – Total weighted value ¹	32,511	30,608	32,049	32,204	32,075
UK 16b	Cash inflows – Total weighted value ¹	1,908	1,983	3,662	1,313	1,539
16	Total net cash outflows (adjusted value) ¹	30,603	28,625	28,387	30,891	30,536
17	Liquidity coverage ratio (%) ¹	167.76%	171.79%	177.85%	166.00%	145.00%
Net Stable Funding Ratio						
18	Total available stable funding ¹	239,127	239,747	237,117	232,056	219,607
19	Total required stable funding ¹	180,849	180,220	175,536	172,308	165,841
20	NSFR ratio (%) ¹	132.22%	133.03%	135.08%	134.68%	132.42%

Key Movements

The CET1 capital ratio decreased 40bps to 15.5%, largely due to the higher RWAs and the one-off regulatory changes that took effect on 1 January 2022 and were partially offset by higher retained profit. RWAs increased to £71.4bn with growth in mortgage lending (Dec-21: £68.1bn). The business remains strongly capitalised with significant headroom to minimum requirements and MDA. The UK leverage ratio increased 10 bps to 5.3% as the retained profit was partially offset by the change in treatment of software assets on 1 January 2022. UK leverage exposure remained broadly stable. Total capital ratio decreased by 90bps to 20.7%, largely due to growth in mortgage lending, the one-off regulatory changes that took effect on 1 January 2022 and the reduction in Additional Tier 1 and Tier 2 capital securities recognised following the end of the CRR Grandfathering period on 1 January 2022. Total qualifying regulatory capital of £14.8bn was broadly stable (Dec-21: £14.7bn).

[1] Liquidity metrics is now reported for Santander UK, our Holding Company, from 1 January 2022 following adoption of CRR2 regulation. Metrics presented prior to 2022 is the Dolsub Group.

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 2022 £m	30 June 2022 £m	31 March 2022 £m	31 December 2021 £m	30 September 2021 £m
1 Total Own Funds and Eligible Liabilities available	25,703	25,106	24,690	24,319	25,767
1a Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	25,653	25,047	24,669	24,298	25,758
2 Total RWA at the level of the resolution group	71,433	70,367	69,350	68,144	68,813
3 Total Own Funds and Eligible Liabilities as a percentage of RWA	36.00%	35.70%	35.60%	35.70%	37.40%
3a Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	36.00%	35.60%	35.60%	35.70%	37.40%
4 UK Leverage exposure measure at the level of the resolution group ^[1]	248,430	248,565	248,140	300,399	294,828
5 Total Own Funds and Eligible Liabilities as a percentage of UK leverage exposure measure	10.30%	10.10%	10.00%	8.10%	8.70%
5a Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model UK leverage ratio exposure measure	10.30%	10.10%	9.90%	8.10%	8.70%
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?	n/a	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 was applied (%)	n/a	n/a	n/a	n/a	n/a

^[1] The UK leverage exposure as disclosed at 31 March 2022 excludes claims on central banks. Periods prior to the 1 Jan 2022 are based on CRR Leverage exposure including claims on central banks, reflecting the rules in force at that time. The MREL requirement for Santander UK Group Holdings plc, excluding capital buffers, is 26.5% of RWAs (2*^[P1+P2A]).

IFRS 9 Transitional Arrangements (IFRS9-FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2022 over the full allowable period:

	2022	2023	2024
IFRS9 Transitional Factor	25%		
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	75%	50%	25%
Available Capital (amounts)			
1 Common Equity Tier 1 (CET1) capital	11,039	11,019	11,004
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,035	11,019	11,004
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,993	10,989	11,004
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,989	10,989	10,989
3 Tier 1 Capital	13,235	13,215	13,200
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,185	13,185	13,185
5 Total Capital	14,753	14,733	14,718
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	14,703	14,703	14,703
Risk-weighted assets (amounts)			
7 Total risk-weighted assets (RWA)	71,433	71,404	71,377
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	71,461	71,404	71,377
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	71,322	71,350	71,350
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	71,350	71,350	71,350
Capital Ratios			
9 Common Equity Tier 1 ratio	15.45%	15.43%	15.42%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.40%	15.40%	15.40%
11 Tier 1 ratio	18.53%	18.51%	18.49%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.48%	18.48%	18.48%
13 Total capital ratio	20.65%	20.63%	20.62%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	20.61%	20.61%	20.61%
UK leverage ratio including claims on central banks			
15 Leverage Ratio Total Exposure Measure	296,783	296,783	296,783
16 Leverage Ratio	4.4%	4.4%	4.4%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.4%	4.4%	4.4%

The Company is applying the IFRS 9 capital transitional arrangements set out in the onshored versions of 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 extended transitional arrangements last for a five-year period ending on 31st December 2024 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 25 percent in 2022, and for post 1 January 2020 provision movements is 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 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 Company's end point Tier 1 UK Leverage ratio at 30 September 2022 together with the previously disclosed quarter end information at 30 June 2022, 31 March 2022, 31 December 2021 and 30 September 2021. 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 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Common Equity Tier 1 (CET1) capital (£m)	11,039	10,932	10,731	10,848	11,450
End point Additional Tier 1 (AT1) capital (£m)	2,018	2,019	2,016	2,001	2,034
End point Tier 1 capital (£m)	13,057	12,951	12,747	12,849	13,484
Leverage Exposure UK (£bn) (including claims on central banks)	299.2	296.8	298.4	300.4	294.8
Leverage Exposure UK1 (£bn) (excluding claims on central banks)	248.4	248.6	248.1	246.3	250.3
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.4%	4.4%	4.3%	4.3%	4.6%
End point Tier 1 Leverage Ratio UK ^[1] (excl. claims on central banks)	5.3%	5.2%	5.1%	5.2%	5.4%
Average Tier 1 Leverage Ratio UK1 (excl. claims on central banks)	5.2%	5.2%	5.1%	5.5%	5.4%

The UK leverage ratio increased 10 bps to 5.3% as the retained profit was partially offset by the change in treatment of software assets on 1 January 2022. UK leverage exposure remained broadly stable.

^[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.

Liquidity Coverage Ratio (LIQ1)

This table shows Santander UK Group Holding Plc's 12-month average LCR for the period ending 30 September 2022, for the previous quarters average LCR has been reported as per RFB as the Company's 12-month average LCR is not available. The values presented below are the simple average of the preceding monthly periods ending on the reporting date as specified in the table:

UK 1a	Quarter ending on	Total unweighted value (average)				Total weighted value (average)			
		30 September	30 June	31 March	31 December	30 September	30 June	31 March	31 December
		2022	2022	2022	2021	2022	2022	2022	2021
		£m	£m	£m	£m	£m	£m	£m	£m
UK-1b	Number of data points used in the calculation of averages	9	12	12	12	9	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)				49,412	50,143	48,955	48,706	49,203
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	150,036	149,153	149,460	149,033	9,335	9,062	9,034	8,953
3	Stable deposits	124,221	125,775	126,630	126,909	6,211	6,289	6,331	6,346
4	Less stable deposits	25,815	23,378	22,830	22,124	3,124	2,773	2,703	2,607
5	Unsecured wholesale funding	26,349	26,339	27,167	25,836	13,538	13,816	14,561	14,368
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2,079	1,566	1,015	534	392	297	192	103
7	Non-operational deposits (all counterparties)	22,747	23,097	24,268	23,236	11,623	11,843	12,485	12,199
8	Unsecured debt	1,523	1,676	1,884	2,066	1,523	1,676	1,884	2,066
9	Secured wholesale funding				14,610	86	131	144	184
10	Additional requirements	13,260	13,243	14,545	16,528	5,986	5,796	6,273	7,067
11	Outflows related to derivative exposures and other collateral requirements	4,991	4,650	4,956	5,313	4,991	4,650	4,957	5,313
12	Outflows related to loss of funding on debt products	137	241	258	498	137	241	257	498
13	Credit and liquidity facilities	8,132	8352	9,331	10,717	858	905	1,059	1,256
14	Other contractual funding obligations	222	228	175	75	185	179	115	-
15	Other contingent funding obligations	29,449	29,178	28,607	27,908	2,534	2,565	2,481	2,399
16	TOTAL CASH OUTFLOWS				233,990	31,664	31,549	32,608	32,971
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	3,096	4,208	5,423	8,806	4	13	12	22
18	Inflows from fully performing exposures	2,291	2,156	1,955	1,848	1,465	1,340	1,220	1,157
19	Other cash inflows	2,471	2,170	1,889	1,769	967	777	574	492
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	7,858	8,534	9,267	12,423	2,436	2,130	1,806	1,671
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	7,858	8,534	9,267	9,999	2,436	2,130	1,806	1,671
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					50,143	48,955	48,706	49,203
22	TOTAL NET CASH OUTFLOWS					29,228	29,419	30,802	32,265
23	LIQUIDITY COVERAGE RATIO (%)					171.55	166.41	158.13%	152.49

[Qualitative information on LCR (LIQB)]

<p>Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time</p>	<p>The LCR requirement (weighted) is broadly consistent over time, driven mainly by deposits. Corporate deposits contribute a greater requirement despite Retail deposits being significantly larger in number, as a result of the standardised LCR weightings. HQLA has increased as a result of deposit growth and TFSME drawdowns (which have a significantly smaller impact on the requirement). The LCR maintains a significant surplus to both internal and regulatory requirements.</p>
<p>Explanations on the changes in the LCR over time</p>	<p>The average LCR of 171.6% reflects our strong liquidity position, the increase over time is largely due to our 2021 drawings under the BOEs TFSME</p>
<p>Explanations on the actual concentration of funding sources</p>	<p>Santander UK is largely funded through Customer Deposits, with the significant proportion being Retail. Additionally we raise Wholesale Funding including both secured and unsecured term funding, and utilise TFSME funding.</p>
<p>High-level description of the composition of the institution's liquidity buffer.</p>	<p>The liquidity buffer is largely comprised (>95%) of Level 1 assets, primarily cash held in our Bank of England Reserve Account.</p>
<p>Derivative exposures and potential collateral calls</p>	<p>The main drivers of derivative exposures / potential collateral calls are the Historic Look Back Approach (HLBA) to calculating collateral requirements in the LCR and collateral outflows due to counterparties in the event of a deterioration of our own credit quality. As secured issuance volumes have been reduced as a result of our participation in the TFSME, this has in turn reduced these amounts. Market movements in Q3 resulted in Cash Collateral received, this is primarily offset by an increase in our LCR requirement for HLBA and Downgrades.</p>
<p>Currency mismatch in the LCR</p>	<p>We have no material mismatch in our currency LCRs, with most of the funding raised in currency swapped back to GBP and the remainder being used to fund structural currency assets.</p>
<p>Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile</p>	<p>n/a</p>

RWA and Capital Requirements

Overview of risk weighted exposure amounts (OV1)

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

		Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
		30 September	30 June	30 September
		2022	2022	2022
		£bn	£bn	£bn[1]
1	Credit risk (excluding CRR) ¹	63.5	62.2	5.1
2	Of which the standardised approach	18.2	17.7	1.5
3	Of which the foundation IRB (FIRB) approach	1.9	2.1	0.2
4	Of which slotting approach	3.2	2.9	0.2
UK 4a	Of which equities under the simple risk weighted approach	0.1	0.2	-
5	Of which the advanced IRB (AIRB) approach	40.1	39.3	3.2
6	Counterparty credit risk - CCR ¹	0.5	0.6	-
7	Of which the standardised approach	0.3	0.4	-
8	Of which internal model method (IMM)	0.2	0.2	-
UK 8a	Of which exposures to a CCP	-	-	-
UK 8b	Of which credit valuation adjustment - CVA	0.2	0.2	-
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap) [2]	0.2	0.4	-
17	Of which SEC-IRBA approach	-	0.1	-
18	Of which SEC-ERBA (including IAA)	0.2	0.2	-
19	Of which SEC-SA approach	-	0.1	-
UK 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk) ¹	0.3	0.3	-
21	Of which the standardised approach	0.3	0.3	-
22	Of which IMA	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk ¹	6.7	6.7	0.5
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	6.7	6.7	0.5
UK 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
29	Total ¹	71.4	70.4	5.6

[1] Balances which are not visible due to rounding have been included in the total.

[1] Includes 4 Significant Risk Transfer transactions which are subject to re-characterisation risk.

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised¹ (CR8)

RWA flow statements of credit risk exposures under IRB

	RWA	Capital
	£bn	requirements
1 Risk weighted exposure amount as at 30 June	44.8	3.6
2 Asset size	0.4	-
3 Asset quality	0.3	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 30 September	45.5	3.6

RWA flow statements of credit risk exposures under standardised approach

	RWA	Capital
	£bn	requirements
1 Risk weighted exposure amount as at 30 June	18.3	1.4
2 Asset size	0.2	0.1
3 Asset quality	-	-
4 Model updates	-	-
5 Methodology and policy	0.2	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at September	18.7	1.5

RWA increase of £0.7bn in the IRB table is primarily due to strong mortgage growth. RWA increases under the Standardised approach are driven by growth in Santander Consumer Finance and Institutions.

¹ Table excludes CVA

Credit Risk and Counterparty Risk by Risk Class

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

Standardised Approach credit risk	30 September	30 June	31 March	31 December	30 September
	2022	2022	2022	2021	2021
	£bn	£bn	£bn	£bn	£bn
Institutions	0.2	0.2	0.4	0.2	0.2
Corporates	6	5.9	5.7	5.7	5.5
Standardised Retail	7.5	7.1	6.8	6.6	6.9
Secured by Mortgages on Immovable Property	0.4	0.4	0.4	0.4	0.3
Exposures in Default	0.2	0.3	0.3	0.2	0.2
Higher-risk Categories	-	-	-	-	-
Covered Bonds	0.2	0.2	0.1	0.1	0.1
Equity	-	-	-	-	-
Securitisation Positions	0.2	0.3	0.4	0.7	0.5
Other	4	3.8	3.6	3.1	3.2
Total	18.7	18.2	17.7	17	16.9

IRB Approach credit risk	30 September	30 June	31 March	31 December	30 September
	2022	2022	2022	2021	2021
	£bn	£bn	£bn	£bn	£bn
Institutions	0.2	0.2	0.2	0.3	0.2
Corporates	8	7.5	7.3	7.5	8.4
IRB Retail Mortgages	33.6	33.4	33.2	32.4	32.1
IRB Qualifying Revolving Retail Exposures	1.8	1.8	1.8	1.8	1.7
Other Retail	1.8	1.7	1.7	1.6	1.6
Securitisation Positions	-	0.1	-	-	0.1
IRB Equity Exposures – 370% Risk Weight	0.1	0.2	0.2	0.2	0.5
Total	45.5	44.9	44.4	43.8	44.6
CVA	0.2	0.2	0.2	0.4	0.3

Part 2

September 2022 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.

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.

Key metrics (KM1)

The following table summarises the RFB Group's Own Funds and key risk-based capital ratios at 30 June 2022, together with the previously disclosed quarter end information at 30 June 2022, 31 March 2022, 31 December 2021 and 30 September 2021. Further detail on Risk Weighted Assets is included in the subsequent sections of this document:

	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021	
	£m	£m	£m	£m	£m	
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	11,006	10,908	10,698	10,820	11,446
2	Tier 1 capital	12,962	12,865	12,654	12,939	13,565
3	Total capital	14,661	14,541	14,332	14,755	15,027
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	70,291	69,212	68,234	67,148	67,637
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.66%	15.76%	15.68%	16.10%	16.90%
6	Tier 1 ratio (%)	18.44%	18.59%	18.55%	19.20%	20.10%
7	Total capital ratio (%)	20.86%	21.01%	21.00%	21.90%	22.20%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK	Additional CET1 SREP requirements (%)	2.90%	2.91%	2.92%	2.94%	2.81%
UK	Additional AT1 SREP requirements (%)	0.97%	0.97%	0.97%	0.98%	0.94%
UK	Additional T2 SREP requirements (%)	1.29%	1.29%	1.30%	1.31%	1.25%
UK	Total SREP own funds requirements (%)	5.15%	5.18%	5.20%	5.23%	5.00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical buffer (%)	-	-	-	-	-
UK	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK	Other Systemically Important Institution buffer	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	3.50%	3.50%	3.50%	3.50%	3.50%
UK	Overall capital requirements (%)	16.65%	16.68%	16.70%	16.73%	16.50%
11a	CET1 available after meeting the total SREP own funds requirements (%)	4.21%	4.33%	4.30%	5.17%	5.70%
Leverage ratio						
13	Total exposure measuring excluding claims on central banks	243.8	243.8	243.6	242.1	246.1
14	Leverage ratio excluding claims on central banks (%)	5.3%	5.3%	5.2%	5.3%	5.4%
Additional leverage ratio disclosure requirements						
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.3%	5.3%	5.2%	5.3%	5.4%
14b	Leverage ratio including claims on central banks (%)	4.4%	4.4%	4.3%	4.3%	4.6%
14c	Average leverage ratio excluding claims on central banks (%)	5.2%	5.2%	5.2%	5.5%	5.4%
14d	Average leverage ratio including claims on central banks (%)	4.3%	4.3%	4.3%	4.5%	4.6%
14e	Countercyclical leverage ratio buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	48,751	47,039	48,359	51,266	44,284
UK	Cash outflows – Total weighted value	31,206	29,405	30,787	31,893	31,787
UK	Cash inflows – Total weighted value	1,886	1,962	3,330	1,454	1,675
16	Total net cash outflows (adjusted value)	29,320	27,443	27,457	30,439	30,112
17	Liquidity coverage ratio (%)	166.28%	171.40%	176.12%	168.40%	147.10%
Net Stable Funding Ratio						
18	Total available stable funding	234,204	235,019	232,598	232,469	219,969
19	Total required stable funding	177,128	175,458	173,738	171,059	164,161
20	NSFR ratio (%)	132.22%	133.13%	133.88%	135.90%	134.00%

Key Movements

The CET1 capital ratio decreased 40bps to 15.7%, largely due to the higher RWAs and the one-off regulatory changes that took effect on 1 January 2022 and were partially offset by higher retained profit. RWAs increased to £70.3bn with growth in mortgage lending (Dec-21: £67.1bn). The business remains strongly capitalised with significant headroom to minimum requirements and MDA. The UK leverage ratio was unchanged as the impact of the change in treatment of software assets on 1 January 2022 was offset by retained profit; UK leverage exposure remained broadly stable. UK leverage exposure remained broadly stable. Total capital ratio decreased by 100bps to 20.9%, largely due to growth in mortgage lending, the one-off regulatory changes that took effect on 1 January 2022 and the reduction in Additional Tier 1 and Tier 2 capital securities recognised following the end of the CRR Grandfathering period on 1 January 2022. Total qualifying regulatory capital of £14.8bn was broadly stable (Dec-21: £14.7bn).

IFRS 9 Transitional Arrangements (IFRS9 – FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2022 over the full allowable period:

	2022	2023	2024	
IFRS9 Transitional Factor	25%			
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	75%	50%	25%	
Available Capital (amounts)				
1	Common Equity Tier 1 (CET1) capital	11,006	10,987	10,972
	CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,002	10,987	10,972
	CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,961	10,957	10,957
2	CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,957	10,957	10,957
3	Tier 1 Capital	12,962	12,943	12,928
4	Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	12,913	12,913	12,913
5	Total Capital	14,661	14,642	14,627
6	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	14,612	14,612	14,612
Risk-weighted assets (amounts)				
7	Total risk-weighted assets (RWA)	70,291	70,262	70,235
	Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	70,319	70,262	70,235
	Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	70,180	70,208	70,208
8	Total RWA as if ALL IFRS 9 transitional arrangements were not applied	70,208	70,208	70,208
Capital Ratios				
9	Common Equity Tier 1 ratio	15.66%	15.64%	15.62%
10	Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.61%	15.61%	15.61%
11	Tier 1 ratio	18.44%	18.42%	18.41%
12	Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.39%	18.39%	18.39%
13	Total capital ratio	20.86%	20.84%	20.83%
14	Total Capital as if ALL IFRS 9 transitional arrangements were not applied	20.81%	20.81%	20.81%
UK leverage ratio including claims on central banks				
15	Leverage Ratio Total Exposure Measure	290,213	296,783	296,783
16	Leverage Ratio	4.4%	4.4%	4.4%
17	Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.4%	4.4%	4.4%

The RFB group is applying the IFRS 9 capital transitional arrangements set out in the onshored versions of 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 extended transitional arrangements last for a five-year period ending on 31st December 2024 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 25 percent in 2021, and for post 1 January 2020 provision movements is 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 Tier 1 UK Leverage ratio at 31 March 2022 together with the previously disclosed quarter end information at 30 June 2022, 31 March 2022, 31 December 2021 and 30 September 2021. 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 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Common Equity Tier 1 (CET1) capital (£m)	11,006	10,908	10,698	10,820	11,446
End point Additional Tier 1 (AT1) capital (£m)	1,956	1,957	1,956	1,957	1,957
End point Tier 1 capital (£m)	12,962	12,865	12,654	12,777	13,403
Leverage Exposure UK (£bn) (including claims on central banks)	292.2	290.2	292.1	293.8	288.6
Leverage Exposure UK ₁ (£bn) (excluding claims on central banks)	243.8	243.8	243.6	242.1	246.1
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.4%	4.4%	4.3%	4.3%	4.6%
End point Tier 1 Leverage Ratio UK ^[1] (excl. claims on central banks)	5.3%	5.3%	5.2%	5.3%	5.4%
Average Tier 1 Leverage Ratio UK ₁ (excl. claims on central banks)	5.2%	5.2%	5.2%	5.5%	5.4%

The UK leverage ratio was unchanged as the impact of the change in treatment of software assets on 1 January 2022 was offset by retained profit; UK leverage exposure remained broadly stable.

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

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:

UK 1a	Quarter ending on	Total unweighted value (average)				Total weighted value (average)			
		30 September 2022 £m	30 June 2022 £m	31 March 2022 £m	31 December 2021 £m	30 September 2022 £m	30 June 2022 £m	31 March 2022 £m	31 December 2021 £m
UK-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)				49,412	49,265	48,955	48,706	49,203
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	148,523	149,153	149,460	149,033	9,064	9,062	9,034	8,953
3	Stable deposits	124,761	125,775	126,630	126,909	6,238	6,289	6,331	6,346
4	Less stable deposits	23,762	23,378	22,830	22,124	2,826	2,773	2,703	2,607
5	Unsecured wholesale funding	25,705	26,339	27,167	25,836	13,300	13,816	14,561	14,368
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,955	1,566	1,015	534	370	297	192	103
7	Non-operational deposits (all counterparties)	22,152	23,097	24,268	23,236	11,332	11,843	12,485	12,199
8	Unsecured debt	1,598	1,676	1,884	2,066	1,598	1,676	1,884	2,066
9	Secured wholesale funding				14,610	111	131	144	184
10	Additional requirements	12,664	13,243	14,545	16,528	5,546	5,796	6,273	7,067
11	Outflows related to derivative exposures and other collateral requirements	4,606	4,650	4,956	5,313	4,606	4,650	4,957	5,313
12	Outflows related to loss of funding on debt products	103	241	258	498	103	241	257	498
13	Credit and liquidity facilities	7,955	8,352	9,331	10,717	837	905	1,059	1,256
14	Other contractual funding obligations	187	228	175	75	139	179	115	-
15	Other contingent funding obligations	29,387	29,178	28,607	27,908	2,569	2,565	2,481	2,399
16	TOTAL CASH OUTFLOWS				233,990	30,729	31,549	32,608	32,971
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	3,112	4,208	5,423	8,806	7	13	12	22
18	Inflows from fully performing exposures	2,168	2,156	1,955	1,848	1,357	1,340	1,220	1,157
19	Other cash inflows	2,274	2,170	1,889	1,769	811	777	574	492
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	7,554	8,534	9,267	12,423	2,175	2,130	1,806	1,671
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	7,554	8,534	9,267	9,999	2,175	2,130	1,806	1,671
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					49,265	48,955	48,706	49,203
22	TOTAL NET CASH OUTFLOWS					28,554	29,419	30,802	32,265
23	LIQUIDITY COVERAGE RATIO (%)					172.53	166.41	158.13%	152.49

[Qualitative information on LCR (LIQB)]

<p>Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time</p>	<p>The LCR requirement (weighted) is broadly consistent over time, driven mainly by deposits. Corporate deposits contribute a greater requirement despite Retail deposits being significantly larger in number, as a result of the standardised LCR weightings. HQLA has increased as a result of deposit growth and TFSME drawdowns (which have a significantly smaller impact on the requirement). The LCR maintains a significant surplus to both internal and regulatory requirements.</p>
<p>Explanations on the changes in the LCR over time</p>	<p>The average LCR of 172.5% reflects our strong liquidity position, the increase over time is largely due to our 2021 drawings under the BOEs TFSME</p>
<p>Explanations on the actual concentration of funding sources</p>	<p>Santander UK is largely funded through Customer Deposits, with the significant proportion being Retail. Additionally we raise Wholesale Funding including both secured and unsecured term funding, and utilise TFSME funding.</p>
<p>High-level description of the composition of the institution's liquidity buffer.</p>	<p>The liquidity buffer is largely comprised (>95%) of Level 1 assets, primarily cash held in our Bank of England Reserve Account.</p>
<p>Derivative exposures and potential collateral calls</p>	<p>The main drivers of derivative exposures / potential collateral calls are the Historic Look Back Approach (HLBA) to calculating collateral requirements in the LCR and collateral outflows due to counterparties in the event of a deterioration of our own credit quality. As secured issuance volumes have been reduced as a result of our participation in the TFSME, this has in turn reduced these amounts. Market movements in Q3 resulted in Cash Collateral received, this is primarily offset by an increase in our LCR requirement for HLBA and Downgrades.</p>
<p>Currency mismatch in the LCR</p>	<p>We have no material mismatch in our currency LCRs, with most of the funding raised in currency swapped back to GBP and the remainder being used to fund structural currency assets.</p>
<p>Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile</p>	<p>n/a</p>

RWA and Capital Requirements

Overview of risk weighted exposure amounts (OV1)

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

		Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
		30 September 2022	30 June 2022	30 September 2022
		£bn	£bn	£bn[1]
1	Credit risk (excluding CRR) ¹	62.4	61.1	5
2	Of which the standardised approach	17.8	17.3	1.4
3	Of which the foundation IRB (FIRB) approach	5.1	5	0.4
4	Of which slotting approach	-	-	-
UK 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	39.5	38.8	3.2
6	Counterparty credit risk - CCR ¹	0.5	0.5	-
7	Of which the standardised approach	0.3	0.3	-
8	Of which internal model method (IMM)	0.2	0.2	-
UK 8a	Of which exposures to a CCP	-	-	-
UK 8b	Of which credit valuation adjustment - CVA	0.2	0.2	-
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap) [2]	0.2	0.4	-
17	Of which SEC-IRBA approach	-	0.1	-
18	Of which SEC-ERBA (including IAA)	0.2	0.2	-
19	Of which SEC-SA approach	-	0.1	-
UK 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk) ¹	0.3	0.3	-
21	Of which the standardised approach	0.3	0.3	-
22	Of which IMA	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk ¹	6.7	6.7	0.5
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	6.7	6.7	0.5
UK 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
29	Total ¹	70.3	69.2	5.5

[1] Balances which are not visible due to rounding have been included in the total.

[2] Includes 4 Significant Risk Transfer transactions which are subject to re-characterisation risk.

flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised¹ (CR8)**RWA flow statements of credit risk exposures under IRB**

	RWA £bn	Capital requirements
1 Risk weighted exposure amount as at 30 June	44.1	3.5
2 Asset size	0.4	0.1
3 Asset quality	0.3	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 30 September	44.8	3.6

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
1 Risk weighted exposure amount as at 30 June	17.9	1.4
2 Asset size	0.2	0.1
3 Asset quality	-	-
4 Model updates	-	-
5 Methodology and policy	0.2	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at September	18.3	1.5

RWA increase of £0.7bn in the IRB table is primarily due to strong mortgage growth. RWA increases under the Standardised approach are driven by growth in Santander Consumer Finance and Institutions.

¹ Table excludes CVA.