

Santander UK Group Holdings plc and Santander UK plc

March 2023 Additional Capital and Risk Management Disclosures

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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.

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

Part 1

Additional Capital and Risk Management Disclosures for Santander UK

Key metrics (KM1)

The following table summarises the Company's Own Funds and key risk-based capital ratios at 31 March 2023, together with the previously disclosed quarter end information at 31 December 2022, 30 September 2022, 30 June 2022 and 31 March 2022. Further details on Risk Weighted Assets are included in the subsequent sections of this document.

		31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	10,955	10,843	11,039	10,927	10,731
2	Tier 1 capital	13,152	13,039	13,235	13,123	12,922
3	Total capital	14,618	14,500	14,753	14,615	14,408
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	71,290	71,166	71,433	70,367	69,350
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.37%	15.24%	15.45%	15.53%	15.47%
6	Tier 1 ratio (%)	18.45%	18.32%	18.53%	18.65%	18.63%
7	Total capital ratio (%)	20.50%	20.37%	20.65%	20.77%	20.78%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	3.22%	3.22%	2.94%	2.95%	2.97%
UK 7b	Additional AT1 SREP requirements (%)	1.07%	1.07%	0.98%	0.98%	0.99%
UK 7c	Additional T2 SREP requirements (%)	1.43%	1.43%	1.31%	1.31%	1.32%
UK 7d	Total SREP own funds requirements (%)	5.72%	5.72%	5.22%	5.25%	5.27%
	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 capital buffer (%)	0.99%	1.00%	-	-	-
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	3.49%	3.50%	2.50%	2.50%	2.50%
UK 11a	Overall capital requirements (%)	17.21%	17.22%	15.72%	15.75%	15.77%
12	CET1 available after meeting the total SREP own funds requirements (%)	3.29%	3.16%	4.93%	5.02%	5.00%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	249.1	248.6	248.4	248.6	248.1
14	Leverage ratio excluding claims on central banks (%)	5.2%	5.2%	5.3%	5.2%	5.1%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.2%	5.2%	5.3%	5.2%	5.1%
14b	Leverage ratio including claims on central banks (%)	4.4%	4.4%	4.4%	4.4%	4.3%
14c	Average leverage ratio excluding claims on central banks (%)	5.3%	5.2%	5.2%	5.2%	5.1%
14d	Average leverage ratio including claims on central banks (%)	4.5%	4.4%	4.3%	4.3%	4.3%
14e	Countercyclical leverage ratio buffer (%)	0.3%	0.3%	0.0%	0.0%	0.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)[1]	49,465	48,895	51,345	49,177	50,485
UK 16a	Cash outflows – Total weighted value 1	32,009	31,950	32,511	30,608	32,049
UK 16b	Cash inflows – Total weighted value 1	1,857	1,913	1,908	1,983	3,662
16	Total net cash outflows (adjusted value) 1	30,152	30,037	30,603	28,625	28,387
17	Liquidity coverage ratio (%) 1	164.05%	162.78%	167.76%	171.79%	177.85%
	Net Stable Funding Ratio					
18	Total available stable funding 1	233,255	238,471	239,127	239,747	237,117
19	Total required stable funding 1	172,371	174,283	180,849	180,220	175,536
20	NSFR ratio (%) 1	135.32%	136.83%	132.22%	133.03%	135.08%

Key Movements

The CET1 capital ratio increased 20bps to 15.4%. This was largely due to higher profit. We remain strongly capitalised with significant headroom to minimum requirements and MDA. The UK leverage ratio remained stable at 5.2%. UK leverage exposure remained broadly stable at £249.1bn (2022: £248.6bn). Total capital ratio remained broadly stable at 20.5% (2022: 20.4%).

[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:

		31 March	31 December	30 September	30 June	31 March
		2023	2022	2022	2022	2022
		£m	£m	£m	£m	£m
1	Total Own Funds and Eligible Liabilities available	26,336	26,136	25,703	25,106	24,690
1a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	26,329	26,116	25,653	25,047	24,669
2	Total RWA at the level of the resolution group	71,290	71,166	71,433	70,367	69,350
3	Total Own Funds and Eligible Liabilities as a percentage of RWA	36.94%	36.72%	36.00%	35.70%	35.60%
3a	Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	36.95%	36.73%	36.00%	35.60%	35.60%
4	UK Leverage exposure measure at the level of the resolution group ^[1]	249,083	248,602	248,430	248,565	248,140
5	Total Own Funds and Eligible Liabilities as a percentage of UK leverage exposure measure ^[2]	10.60%	10.50%	10.30%	10.10%	10.00%
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 ^[2]	10.60%	10.50%	10.30%	10.10%	9.90%
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	n/a	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 December 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.

^[2] 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 31 March 2023 over the full allowable period:

	2023	2024
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	50%	25%
Available Capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	10,955	10,952
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	10,955	10,952
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,949	10,949
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,949	10,949
3 Tier 1 Capital	13,152	13,149
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,146	13,146
5 Total Capital	14,618	14,615
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	14,612	14,612
Risk-weighted assets (amounts)		
7 Total risk-weighted assets (RWA)	71,290	71,270
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	71,290	71,270
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	71,250	71,250
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	71,250	71,250
Capital Ratios		
9 Common Equity Tier 1 ratio	15.37%	15.37%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.37%	15.37%
11 Tier 1 ratio	18.45%	18.45%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.45%	18.45%
13 Total capital ratio	20.50%	20.51%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	20.51%	20.51%
UK leverage ratio including claims on central banks		
15 Leverage Ratio Total Exposure Measure	297,163	297,163
16 Leverage Ratio	4.4%	4.4%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	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 for post 1 January 2020 provision movements are 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 Ratings-Based approach.

Leverage Ratio

The following table summarises the Company's end point Tier 1 UK Leverage ratio as at 31 March 2023 together with the previously disclosed quarterend information at 31 December 2022, 30 September 2022, 30 June 2022 and 31 March 2022. 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.

	31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Common Equity Tier 1 (CET1) capital (£m)	10,955	10,843	11,039	10,932	10,731
End point Additional Tier 1 (AT1) capital (£m)	2,024	2,020	2,018	2,019	2,016
End point Tier 1 capital (£m)	12,979	12,863	13,057	12,951	12,747
Leverage Exposure UK (£bn) (including claims on central banks)	297.2	297.8	299.2	296.8	298.4
Leverage Exposure UK ₁ (£bn) (excluding claims on central banks)	249.1	248.6	248.4	248.6	248.1
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.4%	4.4%	4.4%	4.4%	4.3%
End point Tier 1 Leverage Ratio UK ^[1] (excl. claims on central banks)	5.2%	5.2%	5.3%	5.2%	5.1%
Average Tier 1 Leverage Ratio UK ₁ (excl. claims on central banks)	5.3%	5.2%	5.2%	5.2%	5.1%

The UK leverage ratio remained stable at 5.2%. UK leverage exposure remained broadly stable at £249.1bn (2022: £248.6bn)

[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 HoldCo Group's 12-month average LCR. As HoldCo Company's 12-month average LCR was not available prior to December 2022, September 2022's numbers are based off of a 9 month average and the RFB group 12-month average LCR has been applied for June 2022. 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)			
		31 March	31 December	30 September	30 June	31 March	31 December	30 September	30 June
		2023	2022	2022	2022	2023	2022	2022	2022
		£m	£m	£m	£m	£m	£m	£m	£m
UK-1b	Number of data points used in the calculation of averages	12	12	9	12	12	12	9	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					50,549	50,846	50,143	48,955
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	150,720	150,733	150,036	149,153	9,394	9,408	9,335	9,062
3	Stable deposits	124,211	124,267	124,221	125,775	6,211	6,213	6,211	6,289
4	Less stable deposits	26,509	26,466	25,815	23,378	3,183	3,195	3,124	2,773
5	Unsecured wholesale funding	26,574	26,484	26,349	26,339	14,048	13,734	13,538	13,816
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2,105	2,151	2,079	1,566	398	409	392	297
7	Non-operational deposits (all counterparties)	22,775	22,862	22,747	23,097	11,956	11,854	11,623	11,843
8	Unsecured debt	1,694	1,471	1,523	1,676	1,694	1,471	1,523	1,676
9	Secured wholesale funding					119	111	86	131
10	Additional requirements	13,487	13,391	13,260	13,243	6,397	6,221	5,986	5,796
11	Outflows related to derivative exposures and other collateral requirements	5,357	5,245	4,991	4,650	5,357	5,245	4,991	4,650
12	Outflows related to loss of funding on debt products	201	131	137	241	201	131	137	241
13	Credit and liquidity facilities	7,929	8015	8,132	8,352	839	845	858	905
14	Other contractual funding obligations	248	322	222	228	214	285	185	179
15	Other contingent funding obligations	26,421	28,183	29,449	29,178	1,991	2,318	2,534	2,565
16	TOTAL CASH OUTFLOWS					32,163	32,077	31,664	31,549
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	3,918	3,452	3,096	4,208	6	4	4	13
18	Inflows from fully performing exposures	2,397	2,375	2,291	2,156	1,548	1,543	1,465	1,340
19	Other cash inflows	2,316	2,383	2,471	2,170	730	820	967	777
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	8,631	8,210	7,858	8,534	2,284	2,367	2,436	2,130
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	8,631	8,210	7,858	8,534	2,284	2,367	2,436	2,130
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					50,549	50,846	50,143	48,955
22	TOTAL NET CASH OUTFLOWS					29,879	29,710	29,228	29,419
23	LIQUIDITY COVERAGE RATIO					169.18	171.14	171.55	166.41

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. The 12 month average HQLA has reduced slightly in Q1 as a result of lower customer deposits and the Q4 TFSME repayment. 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 12 month average LCR of 169% reflects our strong liquidity position</p>
<p>Explanations on the actual concentration of funding sources</p> <p>Santander UK is largely funded through customer deposits (£191bn), with the significant proportion being Retail. We also have c£64bn of wholesale funding which includes secured, unsecured term funding as well as c£25bn of 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.</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>

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
		31 March	31 December	31 March
		2023	2022	2023
		£bn	£bn	£bn ¹
1	Credit risk (excluding CCR) ¹	62.9	62.7	5.0
2	Of which the standardised approach	18.5	18.3	1.5
3	Of which the foundation IRB (FIRB) approach	1.8	1.9	0.1
4	Of which slotting approach	3.1	3	0.2
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach	39.5	39.5	3.2
6	Counterparty credit risk - CCR ¹	0.6	0.6	
7	Of which the standardised approach	0.3	0.2	
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	0.1	0.2	
9	Of which other CCR			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap) ²	0.3	0.4	
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	0.3	0.3	
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	7.2	7.2	0.7
UK 23a	Of which basic indicator approach			
UK 23b	Of which standardised approach	7.2	7.2	0.7
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	Total ¹	71.3	71.2	5.7

[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.

RWA flow statements of credit risk exposures under the IRB approach (CR8) and RWA flow statements of credit risk exposures under the standardised approach¹**RWA flow statements of credit risk exposures under IRB approach (CR8)**

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 31 December	44.6	3.5
2 Asset size	(0.7)	(0.1)
3 Asset quality	0.7	0.1
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 31 March	44.6	3.5

RWA flow statements of credit risk exposures under standardised approach

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 31 December	18.9	1.5
2 Asset size	0.1	-
3 Asset quality	0.1	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 31 March	19.1	1.5

RWA decrease of £0.7bn in the asset size section of the IRB table is driven by lower customer mortgage lending, offset by an increase in RWA transformation ratio for IRB retail mortgages.

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	31 March 2023 £bn	31 December 2022 £bn	30 September 2022 £bn	30 June 2022 £bn	31 March 2022 £bn
Institutions	0.2	0.2	0.2	0.2	0.4
Corporates	5.9	5.8	6	5.9	5.7
Standardised Retail	7.3	7.1	7.5	7.1	6.8
Secured by Mortgages on Immovable Property	0.5	0.5	0.4	0.4	0.4
Exposures in Default	0.2	0.3	0.2	0.3	0.3
Higher-risk Categories	-	-	-	-	-
Covered Bonds	0.2	0.2	0.2	0.2	0.1
Equity	-	-	-	-	-
Securitisation Positions	0.3	0.3	0.2	0.3	0.4
Other	4.5	4.5	4	3.8	3.6
Total	19.1	18.9	18.7	18.2	17.7

IRB Approach credit risk	31 March 2023 £bn	31 December 2022 £bn	30 September 2022 £bn	30 June 2022 £bn	31 March 2022 £bn
Institutions	0.2	0.2	0.2	0.2	0.2
Corporates	8.0	7.9	8	7.5	7.3
IRB Retail Mortgages	32.8	32.9	33.6	33.4	33.2
IRB Qualifying Revolving Retail Exposures	1.8	1.8	1.8	1.8	1.8
Other Retail	1.7	1.7	1.8	1.7	1.7
Securitisation Positions	-	0.1	-	0.1	0
IRB Equity Exposures – 370% Risk Weight	0.1	-	0.1	0.2	0.2
Total	44.6	44.6	45.5	44.9	44.4
CVA	0.1	0.2	0.2	0.2	0.2

Part 2**March 2023 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 frequency², 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.

² EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency are 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 31 March 2023, together with the previously disclosed quarter end information at 31 December 2022, 30 September 2022, 30 June 2022 and 31 March 2022. Further details on Risk Weighted Assets are included in the subsequent sections of this document:

		31 March	31 December	30 September	30 June	31 March
		2023	2022	2022	2022	2022
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	10,906	10,799	11,006	10,908	10,698
2	Tier 1 capital	12,863	12,755	12,962	12,865	12,654
3	Total capital	14,402	14,303	14,661	14,541	14,332
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	70,173	70,089	70,291	69,212	68,234
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.54%	15.41%	15.66%	15.76%	15.68%
6	Tier 1 ratio (%)	18.33%	18.20%	18.44%	18.59%	18.55%
7	Total capital ratio (%)	20.52%	20.41%	20.86%	21.01%	21.00%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	3.19%	3.19%	2.90%	2.91%	2.92%
UK 7b	Additional AT1 SREP requirements (%)	1.06%	1.06%	0.97%	0.97%	0.97%
UK 7c	Additional T2 SREP requirements (%)	1.42%	1.42%	1.29%	1.29%	1.30%
UK 7d	Total SREP own funds requirements (%)	5.68%	5.68%	5.15%	5.18%	5.20%
	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 capital buffer (%)	0.99%	1.00%	-	-	-
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	4.49%	4.50%	3.50%	3.50%	3.50%
UK 11a	Overall capital requirements (%)	18.17%	18.17%	16.65%	16.68%	16.70%
12	CET1 available after meeting the total SREP own funds requirements (%)	2.35%	2.23%	4.21%	4.33%	4.30%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	244.5	244	243.8	243.8	243.6
14	Leverage ratio excluding claims on central banks (%)	5.3%	5.2%	5.3%	5.3%	5.2%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.3%	5.2%	5.3%	5.3%	5.2%
14b	Leverage ratio including claims on central banks (%)	4.4%	4.4%	4.4%	4.4%	4.3%
14c	Average leverage ratio excluding claims on central banks (%)	5.4%	5.3%	5.2%	5.2%	5.2%
14d	Average leverage ratio including claims on central banks (%)	4.5%	4.4%	4.3%	4.3%	4.3%
14e	Countercyclical leverage ratio buffer (%)	0.3%	0.3%	0.0%	0.0%	0.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	46,453	46,160	48,751	47,039	48,359
UK 16a	Cash outflows – Total weighted value	31,613	31,345	31,206	29,405	30,787
UK 16b	Cash inflows – Total weighted value	1,841	1,897	1,886	1,962	3,330
16	Total net cash outflows (adjusted value)	29,772	29,448	29,320	27,443	27,457
17	Liquidity coverage ratio (%)	156.03%	156.75%	166.28%	171.40%	176.12%
	Net Stable Funding Ratio					
18	Total available stable funding	228,202	233,408	234,204	235,019	232,598
19	Total required stable funding	168,786	170,615	177,128	176,535	173,738
20	NSFR ratio (%)	135.20%	136.80%	132.22%	133.13%	133.88%

Key Movements

The CET1 capital ratio increased 10bps to 15.5%. This was largely due to higher profit. We remain strongly capitalised with significant headroom to minimum requirements and MDA. The UK leverage ratio has increased 10bps to 5.3%. UK leverage exposure remained broadly stable at £244.5bn (2022: £244.0bn). Total capital ratio increased 10 bps to 20.5%.

IFRS 9 Transitional Arrangements (IFRS9 – FL)

The following table summarises the impact of IFRS 9 transitional arrangements at **31 March 2023** over the full allowable period:

	2023	2024
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	50%	25%
Available Capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	10,906	10,903
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	10,906	10,903
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	10,900	10,900
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	10,900	10,900
3 Tier 1 Capital	12,863	12,860
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	12,857	12,857
5 Total Capital	14,402	14,399
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	14,396	14,396
Risk-weighted assets (amounts)		
7 Total risk-weighted assets (RWA)	70,173	70,153
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	70,173	70,153
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	70,133	70,133
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	70,133	70,133
Capital Ratios		
9 Common Equity Tier 1 ratio	15.54%	15.54%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.54%	15.54%
11 Tier 1 ratio	18.33%	18.33%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.33%	18.33%
13 Total capital ratio	20.52%	20.52%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	20.53%	20.53%
UK leverage ratio including claims on central banks		
15 Leverage Ratio Total Exposure Measure	289,866	289,866
16 Leverage Ratio	4.4%	4.4%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	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 for post 1 January 2020 provision movements are 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 2023 together with the previously disclosed quarter end information at 31 December 2022, 30 September 2022, 30 June 2022 and 31 March 2022. This is consistent with the Leverage ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage ratio:

	31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Common Equity Tier 1 (CET1) capital (£m)	10,906	10,799	11,006	10,908	10,698
End point Additional Tier 1 (AT1) capital (£m)	1,957	1,957	1,956	1,957	1,956
End point Tier 1 capital (£m)	12,863	12,756	12,962	12,865	12,654
Leverage Exposure UK (£bn) (including claims on central banks)	289.9	290.8	292.2	290.2	292.1
Leverage Exposure UK ₁ (£bn) (excluding claims on central banks)	244.5	244.0	243.8	243.8	243.6
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.4%	4.4%	4.4%	4.4%	4.3%
End point Tier 1 Leverage Ratio UK ^[1] (excl. claims on central banks)	5.3%	5.2%	5.3%	5.3%	5.2%
Average Tier 1 Leverage Ratio UK ₁ (excl. claims on central banks)	5.4%	5.3%	5.2%	5.2%	5.2%

The UK leverage ratio has increased 10bps to 5.3% driven by Tier 1 capital increase due to Q1 2023 profit. UK leverage exposure remained broadly stable at £244.5bn (2022: £244.0bn)

^[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)			
		31 March 2023 £m	31 December 2022 £m	30 September 2022 £m	30 June 2022 £m	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m	30 June 2022 £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)					47,793	48,243	49,265	48,955
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	149,505	149,428	148,523	149,153	9,180	9,159	9,064	9,062
3	Stable deposits	124,482	124,849	124,761	125,775	6,224	6,243	6,238	6,289
4	Less stable deposits	25,023	24,579	23,762	23,378	2,956	2,916	2,826	2,773
5	Unsecured wholesale funding	25,884	25,617	25,705	26,339	13,603	13,171	13,300	13,816
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2,110	2,099	1,955	1,566	399	397	370	297
7	Non-operational deposits (all counterparties)	22,131	21,999	22,152	23,097	11,561	11,255	11,332	11,843
8	Unsecured debt	1,643	1,519	1,598	1,676	1,643	1,519	1,598	1,676
9	Secured wholesale funding					116	100	111	131
10	Additional requirements	13,238	12,985	12,664	13,243	6,135	5,827	5,546	5,796
11	Outflows related to derivative exposures and other collateral requirements	4,850	4,706	4,606	4,650	4,850	4,706	4,606	4,650
12	Outflows related to loss of funding on debt products	200	185	103	241	200	185	103	241
13	Credit and liquidity facilities	8,188	8,094	7,955	8,352	1,085	936	837	905
14	Other contractual funding obligations	253	252	187	228	215	215	139	179
15	Other contingent funding obligations	25,278	28,063	29,387	29,178	1,897	2,280	2,569	2,565
16	TOTAL CASH OUTFLOWS					31,146	30,752	30,729	31,549
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	3,897	3,357	3,112	4,208	6	3	7	13
18	Inflows from fully performing exposures	2,381	2,302	2,168	2,156	1,537	1,479	1,357	1,340
19	Other cash inflows	2,308	2,366	2,274	2,170	720	842	811	777
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	8,586	8,025	7,554	8,534	2,263	2,324	2,175	2,130
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	8,586	8,025	7,554	8,534	2,263	2,324	2,175	2,130
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					47,793	48,243	49,265	48,955
22	TOTAL NET CASH OUTFLOWS					28,883	28,428	28,554	29,419
23	LIQUIDITY COVERAGE RATIO					165.47	169.7	172.53	166.41

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. The 12 month average HQLA has reduced slightly in Q1 as a result of lower customer deposits and the Q4 TFSME repayment. 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 12 month average LCR of 165% reflects our strong liquidity position</p>
<p>Explanations on the actual concentration of funding sources</p> <p>Santander UK is largely funded through customer deposits (£184bn), with the significant proportion being Retail. We also have c£64bn of wholesale funding which includes secured, unsecured term funding as well as c£25bn of 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.</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
		31 March 2023	31 December 2022	31 March 2023
		£bn	£bn	£bn1
1	Credit risk (excluding CCR) ¹	61.8	61.7	5.0
2	Of which the standardised approach	18.0	17.8	1.5
3	Of which the foundation IRB (FIRB) approach	1.7	1.9	0.1
4	Of which slotting approach	3.1	3	0.2
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach	39	39	3.2
6	Counterparty credit risk - CCR ¹	0.6	0.6	
7	Of which the standardised approach	0.3	0.2	
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	0.1	0.2	
9	Of which other CCR			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap) ²	0.3	0.4	
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	0.3	0.3	
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	7.1	7.1	0.6
UK 23a	Of which basic indicator approach			
UK 23b	Of which standardised approach	7.1	7.1	0.6
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	Total1	70.1	70.1	5.6

[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.

RWA flow statements of credit risk exposures under the IRB approach (CR8) and RWA flow statements of credit risk exposures under the standardised approach ³

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

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 31 December	44.1	3.5
2 Asset size	(0.8)	(0.1)
3 Asset quality	0.7	0.1
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 31 March	44.0	3.5

RWA flow statements of credit risk exposures under standardised approach

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 31 December	18.4	1.5
2 Asset size	0.1	-
3 Asset quality	0.1	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 31 March	18.6	1.5

RWA decrease of £0.8bn in the asset size section of the IRB table is driven by lower customer mortgage lending, offset by an increase in RWA transformation ratio for IRB retail mortgages.

³ Table excludes CVA.