

Santander UK Group Holdings plc and Santander UK plc

September 2024 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 4 to 13 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 14-21 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 Group Holdings plc

Executive summary

COMMON EQUITY TIER 1 (CET1) RATIO



The CET1 capital ratio increased to 15.4% following the reduction in RWA exposure from active balance sheet management and was partially offset by the provision relating to historical motor finance commission payments.

TOTAL CAPITAL RATIO



The Total capital ratio remains unchanged at 21.4%

UK LEVERAGE RATIO



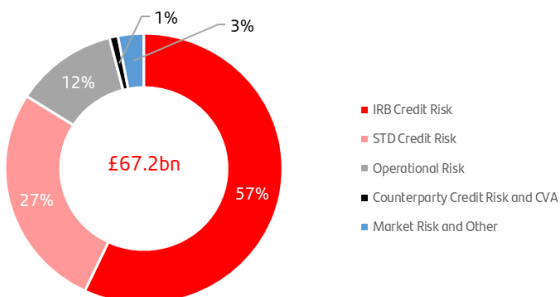
UK Leverage ratio decreased to 4.9% (Dec-23: 5.1%) due to the slight increase in UK Leverage exposure to £249.9bn (Dec-23: £247.2bn) as a result of optimisation of liquid assets.

RISK-WEIGHTED ASSETS (RWAs) £bn

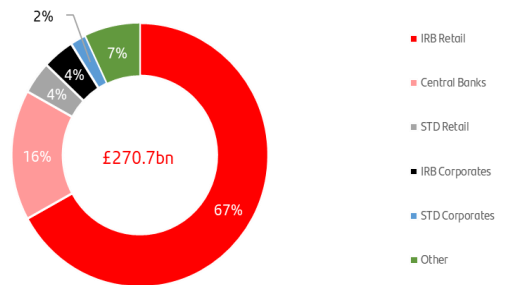


RWAs decreased to £67.2bn mainly due to our balance sheet optimisation strategy.

RWA BY TYPE



EAD BY EXPOSURE TYPE



Key metrics (KM1)

The following table summarises the Company's Own Funds and key risk-based capital ratios at 30 September 2024, together with the previously disclosed quarter end information at 30 June 2024, 31 March 2024, 31 December 2023 and 30 September 2023. Further details on Risk Weighted Assets are included in the subsequent sections of this document:

		30 September	30 June	31 March	31 December	30 September
		2024	2024	2024	2023	2023
		£m	£m	£m	£m	£m
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	10,336	10,375	10,580	10,524	11,243
2	Tier 1 capital	12,436	12,475	12,776	12,720	13,439
3	Total capital	14,401	14,510	14,840	14,775	15,545
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	67,208	68,270	69,529	69,065	70,137
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.4%	15.2%	15.2%	15.2%	16.0%
6	Tier 1 ratio (%)	18.5%	18.3%	18.4%	18.4%	19.2%
7	Total capital ratio (%)	21.4%	21.3%	21.3%	21.4%	22.2%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	2.3%	2.3%	2.3%	2.3%	3.2%
UK 7b	Additional AT1 SREP requirements (%)	0.8%	0.8%	0.8%	0.8%	1.1%
UK 7c	Additional T2 SREP requirements (%)	1.0%	1.0%	1.0%	1.0%	1.4%
UK 7d	Total SREP own funds requirements (%)	4.1%	4.1%	4.1%	4.1%	5.7%
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 (%)	1.95%	1.96%	1.96%	1.96%	1.96%
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	-	-	-	-	-
11	Combined buffer requirement (%)	4.45%	4.46%	4.46%	4.46%	4.46%
UK 11a	Overall capital requirements (%)	16.5%	16.6%	16.6%	16.6%	18.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.9%	4.7%	4.8%	4.8%	4.0%
Leverage ratio						
13	Total exposure measure excluding claims on central banks	249.9	251.4	247.4	247.2	249.2
14	Leverage ratio excluding claims on central banks (%)	4.9%	4.9%	5.1%	5.1%	5.3%
Additional leverage ratio disclosure requirements						
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.9%	4.9%	5.1%	5.1%	5.3%
14b	Leverage ratio including claims on central banks (%)	4.4%	4.4%	4.4%	4.4%	4.6%
14c	Average leverage ratio excluding claims on central banks (%)	5.0%	5.1%	5.1%	5.3%	5.3%
14d	Average leverage ratio including claims on central banks (%)	4.5%	4.5%	4.4%	4.6%	4.6%
14e	Countercyclical leverage ratio buffer (%)	0.7%	0.7%	0.7%	0.7%	0.7%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value-average) ¹	50,278	48,551	54,704	50,435	50,733
UK 16a	Cash outflows – Total weighted value ¹	34,068	35,090	34,710	32,887	34,402
UK 16b	Cash inflows – Total weighted value ¹	1,971	2,063	1,800	1,833	1,763
16	Total net cash outflows (adjusted value) ¹	32,097	33,027	32,910	31,054	32,639
17	Liquidity coverage ratio (%) ¹	157%	147%	166%	162%	155%
Net Stable Funding Ratio						
18	Total available stable funding ¹	216,229	216,315	223,870	223,051	225,701
19	Total required stable funding ¹	161,305	161,268	162,981	161,470	168,006
20	NSFR ratio (%) ¹	134%	134%	137%	138%	134%

Key Movements

RWAs decreased to £67.2bn mainly due to our balance sheet optimisation strategy. The CET1 capital ratio increased to 15.4% following the reduction in RWA exposure from active balance sheet management and was partially offset by the provision relating to historical motor finance commission payments. The Total capital ratio remains unchanged at 21.4%. UK Leverage ratio decreased to 4.9% (Dec-23: 5.1%) due to the slight increase in UK Leverage exposure to £249.9bn (Dec-23: £247.2bn) as a result of optimisation of liquid assets.

¹ Liquidity metrics is now reported for Santander UK, our Holding Company, from 1 January 2022 following adoption of CRR2 regulation.

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 2024 £m	30 June 2024 £m	31 March 2024 £m	31 December 2023 £m	30 September 2023 £m
1 Total Own Funds and Eligible Liabilities available	24,173	24,133	24,492	26,134	27,140
1a Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	24,159	24,118	24,476	26,091	27,094
2 Total RWA at the level of the resolution group	67,208	68,270	69,529	69,065	70,137
3 Total Own Funds and Eligible Liabilities as a percentage of RWA	36.0%	35.3%	35.2%	37.8%	38.7%
3a Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	36.0%	35.3%	35.2%	37.8%	38.7%
4 UK Leverage exposure measure at the level of the resolution group	249,862	251,350	247,384	247,215	249,197
5 Total Own Funds and Eligible Liabilities as a percentage of UK leverage exposure measure [1]	9.7%	9.6%	9.9%	10.6%	10.9%
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 [1]	9.7%	9.6%	9.9%	10.6%	10.9%
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 was applied (%)	n/a	n/a	n/a	n/a	n/a

[1] The MREL requirement for Santander UK Group Holdings plc, excluding capital buffers, is the higher of 2*(P1+P2A) of RWAs or 6.75% of Leverage Exposure.

IFRS 9 Transitional Arrangements (IFRS9-FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2024 over the full allowable period:

	2024
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	25%
Available Capital (amounts)	
1 Common Equity Tier 1 (CET1) capital	10,336
CET1 Capital as if IFRS 9 STATIC transitional arrangements had not been applied	10,336
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements had not been applied	10,322
2 CET1 Capital as if ALL IFRS 9 transitional arrangements had not been applied	10,322
3 Tier 1 Capital	12,436
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements had not been applied	12,422
5 Total Capital	14,401
6 Total Capital as if ALL IFRS 9 transitional arrangements had not been applied	14,387
Risk-weighted assets (amounts)	
7 Total risk-weighted assets (RWA)	67,208
Total RWA as if IFRS 9 STATIC transitional arrangements had not been applied	67,208
Total RWA as if IFRS 9 DYNAMIC transitional arrangements had not been applied	67,194
8 Total RWA as if ALL IFRS 9 transitional arrangements had not been applied	67,194
Capital Ratios	
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	15.4%
10 Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.4%
11 Tier 1 (as a percentage of risk exposure amount)	18.5%
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.5%
13 Total capital (as a percentage of risk exposure amount)	21.4%
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.4%
Leverage ratio[1]	
15 Leverage ratio total exposure measure	285,097
16 Leverage ratio	4.4%
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	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 transitional arrangements will end on 31st December 2024 with the amount of capital relief available having reduced each year by a transitional factor. The transitional factor for 2024 is 25 percent which applies to post 1 January 2020 provision movements.

The capital relief affects both the capital base and RWAs reported by the Company. The adjustment to CET1 capital is now comprised of a dynamic element only, having previously been comprised of a static element and a dynamic element. The dynamic element is based on the capital impact of the change in provision levels post 1 January 2020. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Ratings-Based approach.

[1] This is the UK Leverage ratio which includes claims on central banks.

Leverage Ratio

The following table summarises the Company's end point Tier 1 UK Leverage ratio as at 30 September 2024 together with the previously disclosed quarter end information at 30 June 2024, 31 March 2024, 31 December 2023 and 30 September 2023. 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 2024	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Common Equity Tier 1 (CET1) capital (£m)	10,336	10,375	10,580	10,524	11,243
End point Additional Tier 1 (AT1) capital (£m)	2,030	2,042	2,010	2,009	2,024
End point Tier 1 capital (£m)	12,366	12,417	12,590	12,533	13,267
Leverage Exposure UK (£bn) (including claims on central banks)	285.1	282.9	290.2	289.6	293.1
Leverage Exposure UK1 (£bn) (excluding claims on central banks)	249.9	251.4	247.4	247.2	249.2
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.4%	4.4%	4.4%	4.4%	4.6%
End point Tier 1 Leverage Ratio UK ^[1] (excl. claims on central banks)	4.9%	4.9%	5.1%	5.1%	5.3%
Average Tier 1 Leverage Ratio UK1 (excl. claims on central banks)	5.0%	5.1%	5.1%	5.3%	5.3%

UK Leverage ratio decreased to 4.9% (Dec-23: 5.1%) due to the slight increase in UK Leverage exposure to £249.9bn (Dec-23: £247.2bn) as a result of optimisation of liquid assets.

^[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. 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
		2024	2024	2024	2023	2024	2024	2024	2023
		£m	£m	£m	£m	£m	£m	£m	£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)					51,476	51,238	51,202	49,915
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	146,710	147,838	148,924	149,238	9,045	9,127	9,202	9,233
3	Stable deposits	120,997	121,738	122,573	122,893	6,050	6,087	6,129	6,145
4	Less stable deposits	25,713	26,099	26,351	26,345	2,995	3,040	3,073	3,088
5	Unsecured wholesale funding	27,873	27,594	27,169	26,652	16,141	15,856	15,472	14,938
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,744	1,753	1,799	1,862	315	313	326	341
7	Non-operational deposits (all counterparties)	23,916	23,728	23,374	22,979	13,613	13,429	13,150	12,786
8	Unsecured debt	2,213	2,113	1,996	1,811	2,213	2,114	1,996	1,811
9	Secured wholesale funding					286	300	271	229
10	Additional requirements	14,549	14,348	14,002	13,843	8,124	7,969	7,606	7,318
11	Outflows related to derivative exposures and other collateral requirements	6,511	6,325	6,143	5,982	6,511	6,325	6,143	5,982
12	Outflows related to loss of funding on debt products	220	252	180	194	220	252	180	194
13	Credit and liquidity facilities	7,818	7,771	7,679	7,667	1,393	1,392	1,283	1,142
14	Other contractual funding obligations	33	33	104	103	3	6	82	82
15	Other contingent funding obligations	23,723	24,118	23,725	23,110	1,487	1,552	1,480	1,368
16	TOTAL CASH OUTFLOWS					35,086	34,810	34,113	33,168
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	9,253	8,349	7,502	6,666	10	10	-	3
18	Inflows from fully performing exposures	2,251	2,191	2,288	2,290	1,489	1,441	1,520	1,494
19	Other cash inflows	2,163	2,215	2,225	2,185	639	669	640	579
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	13,667	12,755	12,015	11,141	2,138	2,120	2,160	2,076
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	13,667	12,755	12,015	11,141	2,138	2,120	2,160	2,076
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					51,467	51,238	51,202	49,915
22	TOTAL NET CASH OUTFLOWS					32,948	32,690	31,953	31,092
23	LIQUIDITY COVERAGE RATIO					156%	157%	160%	161%

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.</p>
<p>Explanations on the changes in the LCR over time</p> <p>The LCR was broadly static in the quarter at 156% and maintains a significant surplus to both internal and regulatory requirements.</p>
<p>Explanations on the actual concentration of funding sources</p> <p>Santander UK Group Holdings plc is largely funded through customer deposits (£188bn), with the significant proportion being Retail, we leverage our large and diverse customer base to offer products that give us a long-term sustainable source of funding and c85% of our core retail liabilities are covered by the FSCS guarantee. We also have c£55bn of wholesale funding which includes secured, unsecured term funding as well as c£13bn 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 (c94%) 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 three-notch downgrade.</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
		2024	2024	2024
		£bn	£bn	£bn ¹
1	Credit risk (excluding CCR) ¹	56.7	57.5	4.5
2	Of which the standardised approach	18.1	17.9	1.4
3	Of which the foundation IRB (FIRB) approach	1.9	2.5	0.2
4	Of which slotting approach	2.7	2.6	0.2
UK 4a	Of which equities under the simple risk weighted approach	0.1	0.1	-
5	Of which the advanced IRB (AIRB) approach	33.9	34.4	2.7
6	Counterparty credit risk - CCR ¹	0.6	0.7	-
7	Of which the standardised approach	0.3	0.3	0
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	1.9	2.0	0.2
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	0.7	0.8	0.1
19	Of which SEC-SA approach	1.2	1.2	0.1
UK 19a	Of which 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk) ¹	0.2	0.3	-
21	Of which the standardised approach	0.2	0.3	-
22	Of which IMA			
UK 22a	Large exposures			
23	Operational risk ¹	7.8	7.8	0.6
UK 23a	Of which basic indicator approach			
UK 23b	Of which standardised approach	7.8	7.8	0.6
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	Total ¹	67.2	68.3	5.3

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

[2] Includes 6 Significant Risk Transfer transactions which are subject to re-characterisation risk.

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

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 30 June 2024	39.8	3.1
2 Asset size	(0.6)	-
3 Asset quality	0.3	-
4 Model updates	-	-
5 Methodology and policy	(0.7)	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 30 September 2024	38.8	3.1

RWEA flow statements of credit risk exposures under standardised approach

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 30 June 2024	20.2	1.6
2 Asset size	(0.1)	-
3 Asset quality	0.5	-
4 Model updates	-	-
5 Methodology and policy	(0.4)	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	0.1	-
9 Risk weighted exposure amount as at 30 September 2024	20.3	1.6

Movements in Asset size under IRB approach is driven by the balance sheet optimisation strategy. Methodology and Policy movements reflect changes in Social Housing due to 0% CCF and a refined approach in identifying qualifying customers for the SME factor.

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 Decemeber	30 September
	2024	2024	2024	2023	2023
	£bn	£bn	£bn	£bn	£bn
Institutions	0.2	0.2	0.2	0.2	0.2
Corporates	4.8	4.5	6.0	5.9	6.6
Standardised Retail	7.7	7.4	7.3	7.2	7.8
Secured by Mortgages on Immovable Property	0.5	0.5	0.5	0.5	0.5
Exposures in Default	0.7	0.7	0.6	0.5	0.3
Higher-risk Categories	0.1	-	-	-	-
Covered Bonds	0.4	0.4	0.4	0.4	0.3
Equity	-	-	-	-	-
Securitisation Positions	1.9	2.0	1.2	1.2	0.7
Other	4.0	4.5	4.4	4.5	5.1
Total	20.3	20.2	20.6	20.4	21.5

IRB Approach credit risk	30 September	30 June	31 March	31 Decemeber	30 September
	2024	2024	2024	2023	2023
	£bn	£bn	£bn	£bn	£bn
Institutions	0.2	0.2	0.2	0.2	0.2
Corporates	4.7	5.1	5.5	5.3	5.4
IRB Retail Mortgages	30.2	30.7	31.1	31.0	31.7
IRB Qualifying Revolving Retail Exposures	1.7	1.8	1.8	1.8	1.8
Other Retail	1.9	1.9	1.9	1.9	1.8
Securitisation Positions	-	-	-	-	-
IRB Equity Exposures – 370% Risk Weight	0.1	0.1	0.1	0.1	0.1
Total	38.8	39.8	40.6	40.3	41.0
CVA	0.1	0.2	0.2	0.2	0.1

Part 2

March 2024 Additional Capital and Risk Management Disclosures for Santander UK plc

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 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 30 September 2024, together with the previously disclosed quarter end information at 30 June 2024, 31 March 2024, 31 December 2023 and 30 September 2023. Further detail on Risk Weighted Assets are included in the subsequent sections of this document:

		30 September	30 June	31 March	31 December	30 September
		2024	2024	2024	2023	2023
		£m	£m	£m	£m	£m
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	10,291	10,305	10,500	10,443	11,164
2	Tier 1 capital	12,151	12,165	12,456	12,399	13,120
3	Total capital	14,238	14,312	14,638	14,571	15,312
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	66,047	67,105	68,363	67,839	69,041
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.6%	15.4%	15.4%	15.4%	16.2%
6	Tier 1 ratio (%)	18.4%	18.1%	18.2%	18.3%	19.0%
7	Total capital ratio (%)	21.6%	21.3%	21.4%	21.5%	22.2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	2.3%	2.3%	2.3%	2.3%	3.2%
UK 7b	Additional AT1 SREP requirements (%)	0.8%	0.8%	0.8%	0.8%	1.1%
UK 7c	Additional T2 SREP requirements (%)	1.0%	1.0%	1.0%	1.0%	1.4%
UK 7d	Total SREP own funds requirements (%)	4.1%	4.1%	4.1%	4.1%	5.7%
	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 (%)	1.97%	1.98%	1.97%	1.97%	1.97%
UK 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
UK 10a	Other Systemically Important Institution buffer	1.00%	1.00%	1.00%	1.37%	1.37%
11	Combined buffer requirement (%)	5.47%	5.48%	5.47%	5.84%	5.84%
UK 11a	Overall capital requirements (%)	17.5%	17.6%	17.6%	18.0%	19.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.0%	3.7%	3.8%	3.5%	2.7%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	245.8	247.3	243.2	242.9	244.9
14	Leverage ratio excluding claims on central banks (%)	4.9%	4.9%	5.1%	5.1%	5.4%
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.9%	4.9%	5.1%	5.1%	5.4%
14b	Leverage ratio including claims on central banks (%)	4.4%	4.4%	4.4%	4.4%	4.6%
14c	Average leverage ratio excluding claims on central banks (%)	5.0%	5.1%	5.2%	5.4%	5.4%
14d	Average leverage ratio including claims on central banks (%)	4.5%	4.5%	4.4%	4.6%	4.7%
14e	Countercyclical leverage ratio buffer (%)	0.7%	0.7%	0.7%	0.7%	0.7%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	47,112	45,106	51,766	47,824	48,605
UK 16a	Cash outflows – Total weighted value	32,285	33,785	33,621	31,831	33,638
UK 16b	Cash inflows – Total weighted value	1,959	2,048	1,790	1,846	1,786
16	Total net cash outflows (adjusted value)	30,326	31,737	31,831	29,985	31,852
17	Liquidity coverage ratio (%)	155%	142%	163%	159%	153%
	Net Stable Funding Ratio					
18	Total available stable funding	212,207	211,932	219,517	218,975	221,866
19	Total required stable funding	157,273	158,565	160,193	158,693	165,205
20	NSFR ratio (%)	135%	134%	137%	138%	134%

Key Movements

RWAs decreased to £66.0bn mainly due to our balance sheet optimisation strategy. The CET1 capital ratio and Total capital ratio increased to 15.6% and 21.6% following the reduction in RWA exposure from active balance sheet management, this was partially offset by the provision relating to historical motor finance commission payments. UK Leverage ratio decreased to 4.9% (Dec-23: 5.1%) due to the slight increase in UK Leverage exposure to £245.8bn (Dec-23: £242.9bn) as a result of optimisation of liquid assets.

IFRS 9 Transitional Arrangements (IFRS9 – FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 30 September 2024 over the full allowable period:

	2024	
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20		
	25%	
Available Capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	10,291
	CET1 Capital as if IFRS 9 STATIC transitional arrangements had not been applied	10,291
	CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements had not been applied	10,277
2	CET1 Capital as if ALL IFRS 9 transitional arrangements had not been applied	10,277
3	Tier 1 Capital	12,151
4	Tier 1 Capital as if ALL IFRS 9 transitional arrangements had not been applied	12,137
5	Total Capital	14,238
6	Total Capital as if ALL IFRS 9 transitional arrangements had not been applied	14,224
Risk-weighted assets (amounts)		
7	Total risk-weighted assets (RWA)	66,047
	Total RWA as if IFRS 9 STATIC transitional arrangements had not been applied	66,047
	Total RWA as if IFRS 9 DYNAMIC transitional arrangements had not been applied	66,033
8	Total RWA as if ALL IFRS 9 transitional arrangements had not been applied	66,033
Capital Ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.6%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.6%
11	Tier 1 (as a percentage of risk exposure amount)	18.4%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.4%
13	Total capital (as a percentage of risk exposure amount)	21.6%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.5%
Leverage ratio[1]		
15	Leverage ratio total exposure measure	278,184
16	Leverage ratio	4.4%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.4%

The RFB group is applying the IFRS 9 capital transitional arrangements set out in the onshored versions of EU 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 will end on 31st December 2024 with the amount of capital relief available having reduced each year by a transitional factor. The transitional factor for 2024 is 25 percent which applies to post 1 January 2020 provision movements.

The capital relief affects both the capital base and RWAs reported by RFB group. The adjustment to CET1 capital is now comprised of a dynamic element only, having previously been comprised of a static element and a dynamic element. The dynamic element is based on the capital impact of the change in provision levels post 1 January 2020. In addition to this adjustment, the transitional arrangements also reduce associated capital position impacts for exposures modelled under the Standardised Approach for Credit Risk and Tier 2 capital from an excess of provisions over expected losses for exposures modelled using the Internal Ratings-Based approach.

[1] This is the UK Leverage ratio which includes claims on central banks.

Leverage Ratio

The following table summarises the RFB group's end point Tier 1 UK Leverage ratio at 30 September 2024 together with the previously disclosed quarter end information at 30 June 2024, 31 March 2024, 31 December 2023 and 30 September 2023. 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 2024	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Common Equity Tier 1 (CET1) capital (£m)	10,291	10,305	10,500	10,443	11,164
End point Additional Tier 1 (AT1) capital (£m)	1,860	1,861	1,956	1,957	1,957
End point Tier 1 capital (£m)	12,151	12,166	12,456	12,400	13,121
Leverage Exposure UK (£bn) (including claims on central banks)	278.2	275.6	283.4	282.9	286.9
Leverage Exposure UK1 (£bn) (excluding claims on central banks)	245.8	247.3	243.2	242.9	244.9
End point Tier 1 Leverage Ratio UK (incl. claims on central banks)	4.4%	4.4%	4.4%	4.4%	4.6%
End point Tier 1 Leverage Ratio UK ^[1] (excl. claims on central banks)	4.9%	4.9%	5.1%	5.1%	5.4%
Average Tier 1 Leverage Ratio UK1 (excl. claims on central banks)	5.0%	5.1%	5.2%	5.4%	5.4%

UK Leverage ratio decreased to 4.9% (Dec-23: 5.1%) due to the slight increase in UK Leverage exposure to £245.8bn (Dec-23: £242.9bn) as a result of optimisation of liquid assets.

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

Liquidity Coverage Ratio (LIQ1)

This table shows RFB Group's 12-month average LCR. 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
		2024	2024	2024	2023	2024	2024	2024	2023
		£m	£m	£m	£m	£m	£m	£m	£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)					48,527	48,521	48,500	47,189
	CASH-OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	145,501	146,604	147,630	147,881	8,872	8,951	9,016	9,037
3	Stable deposits	120,997	121,738	122,573	122,893	6,050	6,087	6,129	6,145
4	Less stable deposits	24,504	24,866	25,057	24,988	2,822	2,864	2,887	2,892
5	Unsecured wholesale funding	26,552	26,565	26,405	26,011	15,403	15,352	15,080	14,574
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,744	1,753	1,799	1,862	315	313	326	341
7	Non-operational deposits (all counterparties)	22,705	22,854	22,765	22,545	12,985	13,081	12,912	12,628
8	Unsecured debt	2,103	1,958	1,841	1,604	2,103	1,958	1,842	1,605
9	Secured wholesale funding					286	300	271	229
10	Additional requirements	14,174	13,983	13,736	13,710	7,761	7,615	7,352	7,197
11	Outflows related to derivative exposures and other collateral requirements	6,155	5,978	5,796	5,618	6,155	5,978	5,796	5,618
12	Outflows related to loss of funding on debt products	220	252	180	194	220	252	180	194
13	Credit and liquidity facilities	7,799	7,753	7,760	7,898	1,386	1,385	1,376	1,385
14	Other contractual funding obligations	33	33	104	103	3	6	82	82
15	Other contingent funding obligations	23,723	24,118	23,725	23,110	1,487	1,552	1,480	1,368
16	TOTAL CASH OUTFLOWS					33,812	33,776	33,281	32,487
	CASH-INFLOWS								
17	Secured lending (e.g reverse repos)	9,253	8,349	7,502	6,666	10	10	-	3
18	Inflows from fully performing exposures	2,236	2,178	2,274	2,274	1,487	1,441	1,519	1,490
19	Other cash inflows	2,160	2,212	2,220	2,177	637	667	639	577
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	13,649	12,739	11,996	11,117	2,134	2,118	2,158	2,070
UK-20a	Fully exempt inflows								
UK-20b	Inflows Subject to 90% Cap								
UK-20c	Inflows Subject to 75% Cap	13,649	12,739	11,996	11,117	2,134	2,118	2,158	2,070
	TOTAL ADJUSTED VALUE								
UK-21	LIQUIDITY BUFFER					48,527	48,521	48,501	47,189
22	TOTAL NET CASH OUTFLOWS					31,678	31,658	31,123	30,417
23	LIQUIDITY COVERAGE RATIO					153%	153%	156%	155%

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.</p>
<p>Explanations on the changes in the LCR over time</p> <p>The LCR was broadly static in the quarter at 153% and maintains a significant surplus to both internal and regulatory requirements.</p>
<p>Explanations on the actual concentration of funding sources</p> <p>Santander UK plc is largely funded through customer deposits (£183bn), with the significant proportion being Retail, we leverage our large and diverse customer base to offer products that give us a long-term sustainable source of funding and c85% of our core retail liabilities are covered by the FSCS guarantee. We also have c£55bn of wholesale funding which includes secured, unsecured term funding as well as c£13bn 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 (c97%) 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 three-notch downgrade.</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
		2024	2024	2024
		£bn	£bn	£bn ¹
1	Credit risk (excluding CCR) ¹	55.6	56.5	4.4
2	Of which the standardised approach	17.5	17.4	1.4
3	Of which the foundation IRB (FIRB) approach	1.9	2.5	0.1
4	Of which slotting approach	2.7	2.6	0.2
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach	33.5	34	2.7
6	Counterparty credit risk - CCR ¹	0.6	0.6	-
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	0.1	0.1	-
9	Of which other CCR			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap) ²	1.9	2	0.2
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)	0.7	0.8	0.1
19	Of which SEC-SA approach	1.2	1.2	0.1
UK 19a	Of which 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk) ¹	0.2	0.3	-
21	Of which the standardised approach	0.2	0.3	-
22	Of which IMA			
UK 22a	Large exposures			
23	Operational risk ¹	7.7	7.7	0.6
UK 23a	Of which basic indicator approach			
UK 23b	Of which standardised approach	7.7	7.7	0.6
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	Total ¹	66.0	67.1	5.2

[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.

RWEA flow statements of credit risk exposures under the IRB approach (CR8) and RWEA flow statements of credit risk exposures under the standardised approach ¹

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

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 30 June 2024	39.3	3.1
2 Asset size	(0.6)	-
3 Asset quality	0.3	-
4 Model updates	-	-
5 Methodology and policy	(0.7)	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 Risk weighted exposure amount as at 30 September 2024	38.3	3.1

RWEA flow statements of credit risk exposures under standardised approach

	RWEA £bn	Capital requirements
1 Risk weighted exposure amount as at 30 June 2024	19.7	1.5
2 Asset size	(0.2)	-
3 Asset quality	0.5	0.1
4 Model updates	-	-
5 Methodology and policy	(0.4)	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	0.1	-
9 Risk weighted exposure amount as at 30 September 2024	19.7	1.6

Movements in Asset size under IRB approach is driven by the balance sheet optimisation strategy. Methodology and Policy movements reflect changes in Social Housing due to 0% CCF and a refined approach in identifying qualifying customers for the SME factor.

¹ Table excludes CVA.