

**Santander UK Group Holdings plc**

**March 2017 Additional Capital Disclosures**

# Additional Capital Disclosures

## Introduction

As a significant wholly-owned subsidiary of Banco Santander, S.A., under CRD IV<sup>1</sup> Santander UK Group Holdings plc (the 'Company') 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 frequency<sup>2</sup>, 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 cover the consolidated Santander UK Group Holdings plc group position.

The Company is the immediate parent company of Santander UK plc. The Company and Santander UK plc operate on the basis of a unified business strategy, albeit the principal business activities are currently carried out by the Santander UK plc group. The Company was incorporated on 23 September 2013 and on 10 January 2014 became the immediate parent company of Santander UK plc and its controlled entities. From this date, the Company became the head of the Santander UK group for regulatory capital and leverage purposes.

## Own Funds and Capital Ratios

The following table summarises the Company's Own Funds at 31 March 2017 and the previously disclosed information for the three preceding quarter ends. It also details the key risk-based capital ratios. Further detail on Risk Weighted Assets is included in the subsequent RWA and Capital Requirements section of this document.

	31 March 2017 £m	31 December 2016 £m	30 September 2016 £m	30 June 2016 £m
Common Equity Tier 1 (CET1) capital before regulatory adjustments	14,598	14,290	14,456	14,350
Common Equity Tier 1 (CET1) capital regulatory adjustments	(4,156)	(4,084)	(4,565)	(4,455)
Common Equity Tier 1 (CET1) capital	10,442	10,206	9,891	9,895
Additional Tier 1 (AT1) capital before regulatory adjustments	1,965	2,033	2,052	2,043
Additional Tier 1 (AT1) capital regulatory adjustments	-	-	-	-
Additional Tier 1 (AT1) capital	1,965	2,033	2,052	2,043
Tier 1 capital	12,407	12,239	11,943	11,938
Tier 2 (T2) capital before regulatory adjustments	2,706	2,955	2,918	2,892
Tier 2 (T2) capital regulatory adjustments	-	-	-	-
Tier 2 (T2) capital	2,706	2,955	2,918	2,892
Total Capital	15,113	15,194	14,861	14,830
Risk Weighted Assets	87,997	87,632	89,135	88,376
<b>Common Equity Tier 1 ratio</b>	<b>11.9 %</b>	<b>11.6%</b>	<b>11.1 %</b>	<b>11.2%</b>
<b>Tier 1 ratio</b>	<b>14.1 %</b>	<b>14.0%</b>	<b>13.4 %</b>	<b>13.5%</b>
<b>Total Capital ratio</b>	<b>17.2 %</b>	<b>17.3%</b>	<b>16.7 %</b>	<b>16.8%</b>

Common Equity Tier 1 (CET1) ratio at 31 March 2017 was 11.9% and 31 December 2016 was 11.6%. The increase is principally driven by growth in common equity tier 1. Total Capital Ratio has reduced slightly owing to the adverse impact of CRD IV transitional recognition restrictions.

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

<sup>2</sup> 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

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### Leverage Ratio

The following table summarises the Company's end point CRD IV Tier 1 Leverage Ratio and UK Leverage Ratio at 31 March 2017 and the previously disclosed 3 preceding quarter ends of December, September and June 2016. The end point CRD IV Tier 1 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 for periods prior to 30 September 2016, with the UK Leverage Ratio being applied for the disclosed periods from 30 September 2016. For the UK Leverage Ratio, deductions are made to the exposure measure for assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity. The Average Leverage Exposure and Leverage Ratios included below represent the monthly averages for the 3 month periods ending on the specified date.

	31 March 2017 £m	31 December 2016 £m	30 September 2016 £m	30 June 2016 £m
Common Equity Tier 1 (CET1) capital	10,442	10,206	9,891	9,895
End point Additional Tier 1 (AT1) capital	1,545	1,545	1,545	1,545
End point Tier 1 capital	11,987	11,751	11,436	11,440
Leverage Exposure - CRD IV (£bn)	304.3	306.8	301.9	296.9
Leverage Exposure - UK Leverage Requirement (£bn)	291.8	289.7	288.1	-
Average Leverage Exposure - CRD IV (£bn)	314.6	313.3	307.1	296.2
Average Leverage Exposure - UK Leverage Requirement (£bn)	294.2	291.3	294.9	-
<b>End point Tier 1 Leverage Ratio - CRD IV</b>	<b>3.9%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>3.9%</b>
<b>End point Tier 1 Leverage Ratio - UK Leverage Ratio</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.0%</b>	<b>-</b>
Average Tier 1 Leverage Ratio - CRD IV	3.8%	3.7%	3.7%	3.9%
Average Tier 1 Leverage Ratio - UK Leverage Ratio	4.0%	4.0%	3.8%	-

The Leverage Ratio increased slightly when comparing 31 March 2017 to 31 December 2016 principally driven by the decrease in leverage exposure and growth in the end point additional tier 1 capital.

## Additional Capital Disclosures

### RWA and Capital Requirements

#### Overview of RWA

The following table details RWA compared to the previous quarter and equivalent Own Funds Requirements. Own Funds Requirements are calculated as RWA multiplied by 8%.

	RWA		Minimum capital requirements
	31 March 2017 £bn	31 December 2016 £bn	31 March 2017 £bn
Credit risk (excluding counterparty credit risk) (CCR)	70.0	69.2	5.5
- Of which standardised approach (SA)	27.6	27.1	2.2
- Of which foundation internal rating-based approach	8.0	8.0	0.6
- Of which advanced internal rating-based approach	34.4	34.1	2.7
- Of which equity IRB under the Simple risk-weight or the internal models approach	0.1	0.1	-
Counterparty credit risk	6.3	6.7	0.5
- Of which marked to market	4.4	4.6	0.4
- Of which original exposure	-	-	-
- Of which standardised approach for counterparty credit risk	-	-	-
- Of which internal model method (IMM)	-	-	-
- Of which risk exposure amount for contributions to the default fund of a CCP	0.2	0.2	0.0
- Of which CVA	1.7	1.9	0.1
Settlement risk	-	-	-
Securitisation exposures in banking book (after cap) <sup>1</sup>	0.9	0.9	0.1
- Of which IRB ratings-based approach (RBA)	0.4	0.4	0.0
- Of which IRB supervisory formula approach (SFA)	-	-	-
- Of which internal assessment approach (IAA)	-	-	-
- Of which standardised approach (SA)	0.5	0.5	0.0
Market risk	3.5	3.5	0.3
- Of which standardised approach (SA)	0.3	0.4	0.0
- Of which internal model approach (IM)	3.2	3.1	0.3
Operational Risk	7.3	7.3	0.6
- Of which basic indicator approach	-	-	-
- Of which standardised approach	7.3	7.3	0.6
- Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustments	-	-	-
<b>Total</b>	<b>88.0</b>	<b>87.6</b>	<b>7.0</b>

#### RWA flow statements of credit risk exposures under IRB

RWA flow statements of credit risk exposures under IRB and RWA flow statements of credit risk exposures under standardised.

	RWA £bn	Capital requirements
RWAs at 1 January	45.4	3.6
Asset size	-	-
Asset quality	0.1	-
Model updates	0.3	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
Other	-	-
<b>RWAs at 31 March</b>	<b>45.8</b>	<b>3.6</b>

#### RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
RWAs at 1 January	29.4	2.4
Asset size	0.7	-
Asset quality	(0.5)	-
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
Other	-	-
<b>RWAs at 31 March</b>	<b>29.6</b>	<b>2.4</b>

#### Credit risk and Counterparty risk by risk class

<sup>1</sup> There were 3 Significant Risk Transfer transactions at 31 March 2017 and 31 December 2016 which are subject to re-characterisation risk

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The following table details RWA and equivalent Own Funds Requirements (RWA multiplied by 8%) per risk class. Counterparty Risk and Credit Valuation Adjustment Risk are included in the table.

### RWA

	31 March 2017 RWA £bn	31 December 2016 RWA £bn	30 September 2016 RWA £bn	30 June 2016 RWA £bn
<b>Standardised Approach credit risk</b>				
Institutions	0.5	0.5	0.5	0.5
Corporates	17.8	17.1	17.5	16.6
Standardised Retail	6.8	7.2	8.0	8.0
Secured by Mortgages on Immovable Property	0.6	0.7	0.7	0.7
Exposures in Default	0.3	0.4	0.4	0.4
Covered Bonds	0.3	0.3	0.3	0.3
Equity	0.3	0.3	0.3	0.1
Securitisation Positions	0.4	0.4	-	-
Other	2.6	2.5	2.7	2.7
<b>Total</b>	<b>29.6</b>	<b>29.4</b>	<b>30.4</b>	<b>29.3</b>
<b>IRB Approach credit risk</b>				
Institutions	1.9	1.5	1.8	1.8
Corporates	13.4	13.6	14.3	14.8
IRB Retail Mortgages	25.7	25.5	25.9	25.8
IRB Qualifying Revolving Retail Exposures	1.9	1.9	2.2	2.1
Other Retail	2.4	2.4	2.4	2.4
Securitisation Positions	0.4	0.4	0.2	0.2
IRB Equity Exposures – 370% Risk Weight	0.1	0.1	0.3	0.2
<b>Total</b>	<b>45.8</b>	<b>45.4</b>	<b>47.0</b>	<b>47.3</b>
CVA	1.7	1.9	1.7	1.7

### Own Funds Requirements

	31 March 2017 8%* RWA £bn	31 December 2016 8%* RWA £bn	30 September 2016 8%* RWA £bn	30 June 2016 8%* RWA £bn
<b>Standardised Approach credit risk</b>				
Institutions	-	-	-	-
Corporates	1.4	1.4	1.4	1.3
Standardised Retail	0.5	0.5	0.6	0.6
Secured by Mortgages on Immovable Property	0.1	0.1	0.1	0.1
Exposures in Default	-	-	-	-
Covered Bonds	-	-	-	-
Equity	-	-	-	-
Securitisation Positions	-	-	-	-
Other	0.2	0.2	0.2	0.2
<b>Total<sup>1</sup></b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>
<b>IRB Approach credit risk</b>				
Institutions	0.2	0.1	0.1	0.1
Corporates	1.1	1.1	1.1	1.2
IRB Retail Mortgages	2.1	2.0	2.1	2.1
IRB Qualifying Revolving Retail Exposures	0.1	0.2	0.2	0.2
Other Retail	0.2	0.2	0.2	0.2
Securitisation Positions	-	-	-	-
IRB Equity Exposures – 370% Risk Weight	-	-	-	-
<b>Total<sup>1</sup></b>	<b>3.7</b>	<b>3.6</b>	<b>3.8</b>	<b>3.8</b>
CVA	0.1	0.2	0.1	0.1

<sup>1</sup> Total includes balances which are not visible in the table due to rounding.