

Santander UK Group Holdings plc and Santander UK plc

March 2021 Additional Capital and Risk Management Disclosures

Introduction

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

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

The regulatory and supervisory measures to alleviate the financial stability impact of the Coronavirus pandemic (Covid-19) and maintain the safety and soundness of authorised firms have been reflected in the Santander UK Group Holdings plc group and Santander UK plc group capital results. These measures are aimed to ensure the Santander UK Group Holdings plc group and the Santander UK plc group are able to continue to lend to households and businesses, support the real economy, and provide robust and consistent market disclosures. While activity is disrupted, substantial and substantive Government and Central Bank measures have been put in place in the UK and internationally to support businesses and households.

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

Additional Capital and Risk Management Disclosures for Santander UK Group Holdings plc group

Key metrics (KM1)

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

	31 March 2021 £m	31 December 2020 £m	30 September 2020 £m	30 June 2020 £m	31 March 2020 £m
Available Capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	11,111	11,059	10,683	10,575	10,659
2 Fully loaded ¹ Expected Credit Loss (ECL) accounting model CET1	11,111	10,986	10,670	10,512	10,612
3 Tier 1 capital	13,420	13,531	13,165	13,056	13,143
4 Fully loaded ECL accounting model Tier 1	13,420	13,458	13,152	12,993	13,096
5 Total capital	15,154	15,388	15,533	15,514	15,632
6 Fully loaded ECL accounting model total capital	15,154	15,315	15,520	15,451	15,585
Risk-weighted assets (amounts)					
7 Total risk-weighted assets (RWA)	72,561	72,922	74,154	72,718	74,014
8 Fully loaded ECL accounting model total RWA	72,453	72,794	74,072	72,616	73,979
Risk-based capital ratios as a percentage of RWA					
9 Common Equity Tier 1 ratio	15.3%	15.2%	14.4%	14.5%	14.4%
10 Fully loaded ECL accounting model Common Equity Tier 1 (%)	15.3%	15.1%	14.4%	14.5%	14.3%
11 Tier 1 ratio	18.5%	18.6%	17.8%	18.0%	17.8%
12 Fully loaded ECL accounting model Tier 1 ratio (%)	18.5%	18.5%	17.8%	17.9%	17.7%
13 Total capital ratio	20.9%	21.1%	20.9%	21.3%	21.1%
14 Fully loaded ECL accounting model total capital ratio (%)	20.9%	21.0%	21.0%	21.3%	21.1%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	-	-	-	-	0.02%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%	2.5%	2.52%
CET1 available after meeting the banks minimum capital requirements (%)	8.31%	8.16%	7.41%	7.54%	7.38%
UK CRR leverage ratio					
15 Total UK CRR leverage ratio exposure measure (£bn)	301.7	306.6	303.3	308.1	298.0
16 UK CRR Leverage ratio	4.4%	4.3%	4.3%	4.2%	4.3%
17 Fully loaded ECL accounting model leverage Ratio	4.4%	4.3%	4.2%	4.1%	4.3%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	50,112	51,232	47,116	47,425	42,900
Total net cash outflow	36,462	34,104	30,995	32,274	31,186
Liquidity coverage ratio (LCR)	137.4%	150.2%	152.0%	146.9%	137.6%

Key Movements

CET1 capital ratio increased 10bps to 15.3%, with capital accretion through retained profits, RWA management and market driven improvements in the Defined Benefit Pensions scheme. CET1 capital ratio includes a benefit of c30bps and UK leverage ratio c8bps from the change in treatment of software assets outlined in the EBA technical standard on the prudential treatment of software assets. The UK leverage ratio improved by 10bps from year end through active management of leverage exposures, specifically through the management of the liquid asset buffer.

All ratios reflect the full impact of unrealised gains and losses on holdings in government and public sector debt measured at fair value through other comprehensive income, as the temporary treatment specified under Article 468 has not been applied. The total impact of phasing adjustments to CET1, Tier 1 and Tier 2 capital is below £1m at 31 March 2021, this correlation is not anticipated to continue throughout 2021 and phasing differences will continue to occur.

¹ Fully loaded excludes the impact of transitional arrangements.

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

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

	31 March 2021 £m	31 December 2020 £m	30 September 2020 £m	30 June 2020 £m	31 March 2020 £m
1 Total Own Funds and Eligible Liabilities available	24,015	22,961	23,282	23,860	23,829
1a Fully loaded ECL accounting model Own Funds and Eligible Liabilities available	24,014	22,889	23,269	23,796	23,782
2 Total RWA at the level of the resolution group	72,561	72,922	74,154	72,718	74,014
3 Total Own Funds and Eligible Liabilities as a percentage of RWA	33.1%	31.5%	31.4%	32.8%	32.2%
3a Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model RWA	33.1%	31.4%	31.4%	32.8%	32.3%
4 UK CRR Leverage exposure measure at the level of the resolution group	301,652	306,581	303,267	308,063	298,015
5 Total Own Funds and Eligible Liabilities as a percentage of UK CRR Leverage exposure	8.0%	7.5%	7.7%	7.7%	8.0%
5a Fully loaded ECL accounting model Own Funds and Eligible Liabilities as a percentage of fully loaded ECL accounting model UK CRR leverage ratio exposure measure	8.0%	7.5%	7.7%	7.7%	8.0%
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

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

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

IFRS 9 Transitional Arrangements (IFRS9-FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 31 March 2021 over the full allowable period.

	2021	2022	2023	2024
IFRS9 Transitional Factor	50%	25%		
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	100%	75%	50%	25%
Available Capital (amounts)				
1 Common Equity Tier 1 (CET1) capital	11,111	11,110	11,016	11,109
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,101	11,105	11,106	11,109
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	11,121	11,116	11,106	11,111
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	11,111	11,111	11,111	11,111
3 Tier 1 Capital	13,420	13,419	13,415	13,418
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,420	13,420	13,420	13,420
5 Total Capital	15,154	15,153	15,149	15,152
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	15,154	15,154	15,154	15,154
Risk-weighted assets (amounts)				
7 Total risk-weighted assets (RWA)	72,561	72,542	72,509	72,481
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	72,616	72,570	72,509	72,481
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	72,398	72,425	72,453	72,453
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	72,453	72,453	72,453	72,453
Capital Ratios				
9 Common Equity Tier 1 ratio	15.3%	15.3%	15.3%	15.3%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.3%	15.3%	15.3%	15.3%
11 Tier 1 ratio	18.5%	18.5%	18.5%	18.5%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.5%	18.5%	18.5%	18.5%
13 Total capital ratio	20.9%	20.9%	20.9%	20.9%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	20.9%	20.9%	20.9%	20.9%
UK CRR leverage ratio				
15 Leverage Ratio Total Exposure Measure	301,652	301,652	301,652	301,652
16 Leverage Ratio	4.4%	4.4%	4.4%	4.4%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.4%	4.4%	4.4%	4.4%

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

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

Leverage Ratio

The following table summarises the Company's end point UK CRR and UK Leverage Ratio at 31 March 2021 together with the previously disclosed quarter end information at 31 December 2020, 30 September 2020, June 2020 and 31 March 2020. The UK Leverage Ratio is consistent with the Leverage Ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage Ratio.

	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Common Equity Tier 1 (CET1) capital (£m)	11,111	11,059	10,683	10,575	10,659
End point Additional Tier 1 (AT1) capital (£m)	2,069	2,105	2,140	2,186	2,209
End point Tier 1 capital (£m)	13,180	13,164	12,823	12,761	12,868
Leverage Exposure UK CRR (£bn)	301.7	306.6	303.3	308.1	298.0
Leverage Exposure UK ¹ (£bn)	254.7	259.0	263.3	269.0	271.9
End point Tier 1 Leverage Ratio UK CRR	4.4%	4.3%	4.3%	4.2%	4.3%
End point Tier 1 Leverage Ratio UK ¹	5.2%	5.1%	4.9%	4.7%	4.7%
Average Tier 1 Leverage Ratio UK ¹	5.1%	5.0%	4.8%	4.7%	4.7%

UK leverage ratio up 10bps to 5.2%, 1.6 percentage points above the regulatory requirement. The increase was primarily through improvement in CET1 capital and active management of leverage exposures.

Liquidity Coverage Ratio (LIQ1)

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

	Average unweighted value		Average weighted value	
	31 March 2021 £m	31 December 2020 £m	31 March 2021 £m	31 December 2020 £m
1 Total high-quality liquid assets (HQLA)	48,873	47,005	48,582	46,697
CASH-OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which:	142,107	138,938	8,334	8,129
3 Stable deposits	123,562	121,248	6,178	6,062
4 Less stable deposits	18,545	17,690	2,156	2,067
5 Unsecured wholesale funding	28,250	27,337	15,489	15,200
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks				
7 Non-operational deposits (all counterparties)	26,408	25,561	13,647	13,424
8 Unsecured debt	1,842	1,776	1,842	1,776
9 Secured wholesale funding	16,180	15,193	363	346
10 Additional requirements	20,875	20,378	9,168	8,838
11 Outflows related to derivative exposures and other collateral requirements	6,852	6,820	6,852	6,820
12 Outflows related to loss of funding on debt products	601	279	601	279
13 Credit and liquidity facilities	13,422	13,279	1,715	1,739
14 Other contractual funding obligations	73	66	-	-
15 Other contingent funding obligations	26,117	25,930	2,091	2,070
16 TOTAL CASH OUTFLOWS	233,602	227,842	35,445	34,583
CASH-INFLOWS				
17 Secured lending (e.g reverse repos)	8,419	8,174	30	21
18 Inflows from fully performing exposures	1,600	1,752	991	1,077
19 Other cash inflows	1,903	1,925	725	689
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)				
19b (Excess inflows from a related specialised credit institution)				
20 TOTAL CASH INFLOWS	11,922	11,851	1,746	1,787
20a Fully exempt inflows				
20b Inflows Subject to 90% Cap			1,746	1,809
20c Inflows Subject to 75% Cap	9,170	9,281		
21 LIQUIDITY BUFFER			48,582	46,697
22 TOTAL NET CASH OUTFLOWS			33,702	32,796
23 LIQUIDITY COVERAGE RATIO (%)			144.2	142.5
Number of data points used in calculation of averages	12	12	12	12

Key Movements

LCR of 144.2% remains significantly above regulatory requirements.

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

RWA and Capital Requirements

Overview of RWA (OV1)

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

		RWA		Minimum capital requirements
		31 March 2021	31 December 2020	31 March 2021
		£bn	£bn	£bn ¹
1	Credit risk (excluding counterparty credit risk) ¹	63.6	63.9	5.1
2	- Of which: standardised approach (SA)	18.2	18.5	1.5
3	- Of which: foundation internal rating-based approach (FIRB) approach	5.0	5.2	0.4
4	- Of which: advanced internal rating-based approach (AIRB) approach	39.9	39.7	3.2
5	- Of which: equity positions under the simple risk weight approach and the internal model method	0.5	0.5	-
6	Counterparty credit risk (CCR) ¹	0.8	0.8	0.1
9	- Of which: standardised approach for counterparty credit risk	0.4	0.3	-
10	- Of which: IMM	0.4	0.5	-
	- Of which: other CCR	-	-	-
12	Credit Valuation Adjustment (CVA)	0.3	0.3	-
13	Settlement risk	-	-	-
14	Securitisation exposures in banking book (after cap) ²	0.9	0.9	0.1
	- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.1	-
	- Of which: securitisation external ratings-based approach (SEC-ERBA), including external assessment approach (IAA)	0.5	0.5	-
	- Of which: securitisation standardised approach (SEC-SA)	0.3	0.3	-
19	Market risk ¹	0.2	0.2	-
20	- Of which: standardised approach	0.2	0.2	-
21	- Of which: internal model approach (IMA)	-	-	-
	Capital charge for switch between trading book and banking book	-	-	-
23	Operational risk ¹	6.8	6.8	0.5
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
	Aggregate capital floor applied	-	-	-
28	Floor adjustment (before application of transitional cap)	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-
29	Total ¹	72.6	72.9	5.8

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

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
1 RWAs at 31 December	46.0	3.7
2 Asset size	(0.6)	-
3 Asset quality	0.5	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 31 March	45.9	3.7

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
1 RWAs at 31 December	19.6	1.6
2 Asset size	-	-
3 Asset quality	(0.3)	(0.1)
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 31 March	19.3	1.5

£0.6bn IRB RWA decrease in Asset size is driven by a reduction in large corporate exposures and partially offset by an RWA increase of £0.5bn generated by an increase to average risk weight in other exposure classes.

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

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

³ Table excludes CVA.

Credit Risk and Counterparty Risk by Risk Class

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

Standardised Approach credit risk	31 March 2021 £bn	31 December 2020 £bn	30 September 2020 £bn	30 June 2020 £bn	31 March 2020 £bn
Institutions	0.2	0.1	0.2	0.2	0.2
Corporates	6.5	6.4	6.1	6.7	7.0
Standardised Retail	7.6	7.8	7.7	7.3	7.7
Secured by Mortgages on Immovable Property	0.2	0.2	0.2	0.2	0.2
Exposures in Default	0.2	0.3	0.2	0.1	0.1
Higher-risk Categories	0.1	0.1	0.1	0.2	0.2
Covered Bonds	0.1	0.1	0.1	0.1	0.1
Equity	-	-	-	-	-
Securitisation Positions	0.7	0.8	0.8	0.9	0.9
Other	3.7	3.8	3.5	3.5	3.4
Total	19.3	19.6	18.9	19.2	19.8

IRB Approach credit risk	31 March 2021 £bn	31 December 2020 £bn	30 September 2020 £bn	30 June 2020 £bn	31 March 2020 £bn
Institutions	0.2	0.3	0.4	0.4	0.5
Corporates	10.8	11.2	12.1	11.9	12.8
IRB Retail Mortgages	31.1	30.5	30.9	29.1	28.4
IRB Qualifying Revolving Retail Exposures	1.6	1.7	1.6	1.6	1.8
Other Retail	1.6	1.7	1.7	1.7	1.9
Securitisation Positions	0.1	0.1	0.2	0.2	0.2
IRB Equity Exposures – 370% Risk Weight	0.5	0.5	0.4	0.5	0.5
Total	45.9	46.0	47.3	45.4	46.1
CVA	0.3	0.3	0.3	0.4	0.4

Part 2

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

Introduction

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

Key metrics (KM1)

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

	31 March 2021 £m	31 December 2020 £m	30 September 2020 £m	30 June 2020 £m	31 March 2020 £m
Available Capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	11,108	11,057	10,703	10,591	10,657
2 Fully loaded ² Expected Credit Loss (ECL) accounting model CET1	11,108	10,984	10,690	10,528	10,610
3 Tier 1 capital	13,226	13,338	12,983	12,872	12,937
4 Fully loaded ECL accounting model Tier 1	13,226	13,265	12,970	12,809	12,890
5 Total capital	14,900	15,247	15,456	15,478	15,566
6 Fully loaded ECL accounting model total capital	14,900	15,174	15,443	15,415	15,518
Risk-weighted assets (amounts)					
7 Total risk-weighted assets (RWA)	71,502	71,860	73,586	72,176	73,458
8 Fully loaded ECL accounting model total RWA	71,394	71,732	73,504	72,074	73,423
Risk-based capital ratios as a percentage of RWA					
9 Common Equity Tier 1 ratio	15.5%	15.4%	14.5%	14.7%	14.5%
10 Fully loaded ECL accounting model Common Equity Tier 1 (%)	15.6%	15.3%	14.5%	14.6%	14.5%
11 Tier 1 ratio	18.5%	18.6%	17.6%	17.8%	17.6%
12 Fully loaded ECL accounting model Tier 1 ratio (%)	18.5%	18.5%	17.6%	17.8%	17.6%
13 Total capital ratio	20.8%	21.2%	21.0%	21.4%	21.2%
14 Fully loaded ECL accounting model total capital ratio (%)	20.9%	21.2%	21.0%	21.4%	21.1%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical buffer requirement (%)	-	-	-	-	0.02%
Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
Other Systemically Important Institution Buffer (%)	1.00%	1.00%	-	-	-
Systemic Risk Buffer requirement (%)	-	-	1.00%	1.00%	1.00%
Total of bank CET1 specific buffer requirements (%)	3.50%	3.50%	3.50%	3.50%	3.52%
CET1 available after meeting the banks minimum capital requirements (%)	7.53%	7.39%	6.54%	6.67%	6.49%
UK CRR leverage ratio					
15 Total UK CRR leverage ratio exposure measure (£bn)	295.4	299.9	296.4	300.9	290.3
16 UK CRR Leverage ratio	4.4%	4.3%	4.3%	4.2%	4.3%
17 Fully loaded ECL accounting model leverage Ratio	4.4%	4.3%	4.3%	4.1%	4.3%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA)	50,112	51,232	47,116	47,425	42,900
Total net cash outflow	36,249	33,766	30,605	31,934	30,315
Liquidity coverage ratio (LCR)	138.2%	151.7%	154.0%	148.5%	141.5%

Key Movements

CET1 capital ratio increased 10bps to 15.5%, with capital accretion through retained profits, RWA management and market driven improvements in the Defined Benefit Pensions scheme. CET1 capital ratio includes a benefit of c29bps and UK leverage ratio c9bps from the change in treatment of software assets outlined in the EBA technical standard on the prudential treatment of software assets. The UK Leverage ratio improved by 10bps from year end through active management of leverage exposures, specifically through the management of the liquid asset buffer.

All ratios reflect the full impact of unrealised gains and losses on holdings in government and public sector debt measured at fair value through other comprehensive income, as the temporary treatment specified under Article 468 has not been applied. The total impact of phasing adjustments to CET1, Tier 1 and Tier 2 capital is below £1m at 31 March 2021, this correlation is not anticipated to continue throughout 2021 and phasing differences will continue to occur.

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

² Fully loaded excludes the impact of transitional arrangements.

IFRS 9 Transitional Arrangements (IFRS9 – FL)

The following table summarises the impact of IFRS 9 transitional arrangements at 31 March 2021 over the full allowable period.

	2021	2022	2023	2024
IFRS9 Transitional Factor	50%	25%		
IFRS9 Transitional Factor for credit loss-based provision movements post 1/1/20	100%	75%	50%	25%
Available Capital (amounts)				
1 Common Equity Tier 1 (CET1) capital	11,108	11,107	11,103	11,106
CET1 Capital as if IFRS 9 STATIC transitional arrangements were not applied	11,098	11,102	11,103	11,106
CET1 Capital as if IFRS 9 DYNAMIC transitional arrangements were not applied	11,118	11,113	11,108	11,108
2 CET1 Capital as if ALL IFRS 9 transitional arrangements were not applied	11,108	11,108	11,108	11,108
3 Tier 1 Capital	13,226	13,225	13,221	13,224
4 Tier 1 Capital as if ALL IFRS 9 transitional arrangements were not applied	13,226	13,226	13,226	13,226
5 Total Capital	14,900	14,899	14,895	14,898
6 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	14,900	14,900	14,900	14,900
Risk-weighted assets (amounts)				
7 Total risk-weighted assets (RWA)	71,502	71,483	71,450	71,422
Total RWA as if IFRS 9 STATIC transitional arrangements were not applied	71,557	71,511	71,450	71,422
Total RWA as if IFRS 9 DYNAMIC transitional arrangements were not applied	71,339	71,366	71,394	71,394
8 Total RWA as if ALL IFRS 9 transitional arrangements were not applied	71,394	71,394	71,394	71,394
Capital Ratios				
9 Common Equity Tier 1 ratio	15.5%	15.5%	15.5%	15.6%
10 Common Equity Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	15.6%	15.6%	15.6%	15.6%
11 Tier 1 ratio	18.5%	18.5%	18.5%	18.5%
12 Tier 1 as if ALL IFRS 9 transitional arrangements were not applied	18.5%	18.5%	18.5%	18.5%
13 Total capital ratio	20.8%	20.8%	20.8%	20.9%
14 Total Capital as if ALL IFRS 9 transitional arrangements were not applied	20.9%	20.9%	20.9%	20.9%
UK CRR leverage ratio				
15 Leverage Ratio Total Exposure Measure	295,437	295,437	295,437	295,437
16 Leverage Ratio	4.4%	4.4%	4.4%	4.4%
17 Leverage ratio as if ALL IFRS 9 transitional arrangements were not applied	4.4%	4.4%	4.4%	4.4%

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

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

Leverage Ratio

The following table summarises the RFB group's end point UK CRR and UK PRA Tier 1 Leverage ratio at 31 March 2021 together with the previously disclosed quarter end information at 31 December 2020, 30 September 2020, 30 June 2020 and 31 March 2020. This is consistent with the Leverage ratio applied to large UK banks under the framework defined by the Financial Policy Committee's review of the Leverage ratio.

	31 March 2021	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Common Equity Tier 1 (CET1) capital (£m)	11,108	11,057	10,703	10,591	10,657
End point Additional Tier 1 (AT1) capital (£m)	1,956	1,957	1,956	1,957	1,956
End point Tier 1 capital (£m)	13,064	13,014	12,659	12,548	12,613
Leverage Exposure UK CRR (£bn)	295.4	299.9	296.4	300.9	290.3
Leverage Exposure UK ¹ (£bn)	250.5	254.6	261.9	267.5	269.8
End point Tier 1 Leverage Ratio UK CRR	4.4%	4.3%	4.3%	4.2%	4.3%
End point Tier 1 Leverage Ratio UK ¹	5.2%	5.1%	4.8%	4.7%	4.7%
Average Tier 1 Leverage Ratio UK ¹	5.1%	5.0%	4.8%	4.6%	4.6%

UK leverage ratio up 10bps to 5.2%, 1.6 percentage points above the regulatory requirement. The increase was primarily through improvement in CET1 capital and active management of leverage exposures.

Liquidity Coverage Ratio (LIQ1)

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

	Average unweighted value		Average weighted value	
	31 March 2021 £m	31 December 2020 £m	31 March 2021 £m	31 December 2020 £m
1 Total high-quality liquid assets (HQLA)	48,873	47,005	48,582	46,697
CASH-OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which:	142,107	138,938	8,334	8,129
3 Stable deposits	123,562	121,248	6,178	6,062
4 Less stable deposits	18,545	17,690	2,156	2,067
5 Unsecured wholesale funding	28103	27,159	15,353	15,028
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks				
7 Non-operational deposits (all counterparties)	26,261	25,383	13,511	13,252
8 Unsecured debt	1,842	1,776	1,842	1,776
9 Secured wholesale funding	16,180	15,193	363	346
10 Additional requirements	20,747	20,135	9,088	8,714
11 Outflows related to derivative exposures and other collateral requirements	6,851	6,819	6,851	6,819
12 Outflows related to loss of funding on debt products	615	297	615	297
13 Credit and liquidity facilities	13,281	13,019	1622	1,598
14 Other contractual funding obligations	73	66	-	-
15 Other contingent funding obligations	26,117	25,929	2,091	2,071
16 TOTAL CASH OUTFLOWS	233,327	227,420	35,229	34,288
CASH-INFLOWS				
17 Secured lending (e.g reverse repos)	8,419	8,174	30	21
18 Inflows from fully performing exposures	1,846	2,019	1,115	1,211
19 Other cash inflows	1,985	2,008	741	705
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are				
19a denominated in non-convertible currencies)				
19b (Excess inflows from a related specialised credit institution)				
20 TOTAL CASH INFLOWS	12,250	12,201	1,886	1,937
20a Fully exempt inflows				
20b Inflows Subject to 90% Cap				
20c Inflows Subject to 75% Cap	9,498	9631	1,886	1,960
21 LIQUIDITY BUFFER		-	48,582	46,697
22 TOTAL NET CASH OUTFLOWS		-	33,346	32,351
23 LIQUIDITY COVERAGE RATIO (%)		-	145.7	144.4
Number of data points used in calculation of averages	12	12	12	12

Key Movements

LCR of 145.7 % remains significantly above regulatory requirements.

RWA and Capital Requirements

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

Overview of RWA (OV1)

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

	RWA		Minimum capital requirements
	31 March 2021 £bn	31 December 2020 £bn	31 March 2021 £bn ¹
1 Credit risk (excluding counterparty credit risk) ¹	62.5	62.9	5.0
2 - Of which: standardised approach (SA)	18.1	18.5	1.5
3 - Of which: foundation internal rating-based approach (FIRB) approach	5.0	5.2	0.4
4 - Of which: advanced internal rating-based approach (AIRB) approach	39.3	39.1	3.1
5 - Of which: equity positions under the simple risk weight approach and the internal model method	0.1	0.1	-
6 Counterparty credit risk (CCR) ¹	0.8	0.8	0.1
9 - Of which: standardised approach for counterparty credit risk	0.4	0.3	-
10 - Of which: IMM	0.4	0.5	-
- Of which: other CCR	-	-	-
12 Credit Valuation Adjustment (CVA)	0.3	0.3	-
13 Settlement risk	-	-	-
14 Securitisation exposures in banking book (after cap) ²	0.9	0.9	0.1
- Of which: securitisation IRB approach (SEC-IRBA)	0.1	0.1	-
- Of which: securitisation external ratings-based approach (SEC-ERBA), including external assessment approach (IAA)	0.5	0.5	-
- Of which: securitisation standardised approach (SEC-SA)	0.3	0.3	-
19 Market risk ¹	0.2	0.2	-
20 - Of which: standardised approach	0.2	0.2	-
21 - Of which: internal model approach (IMA)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
23 Operational risk ¹	6.8	6.8	0.5
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Aggregate capital floor applied	-	-	-
28 Floor adjustment (before application of transitional cap)	-	-	-
28 Floor adjustment (after application of transitional cap)	-	-	-
29 Total ¹	71.5	71.9	5.7

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

RWA flow statements of credit risk exposures under IRB

	RWA £bn	Capital requirements
1 RWAs at 31 December	45.0	3.6
2 Asset size	(0.6)	-
3 Asset quality	0.5	-
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 31 March	44.9	3.6

RWA flow statements of credit risk exposures under standardised approach

	RWA £bn	Capital requirements
1 RWAs at 31 December	19.6	1.6
2 Asset size	-	-
3 Asset quality	(0.3)	(0.1)
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	-	-
8 Other	-	-
9 RWAs at 31 March	19.3	1.5

£0.6bn IRB RWA decrease in Asset size is driven by a reduction in large corporate exposures and partially offset by an RWA increase of £0.5bn generated by an increase to average risk weight in other exposure classes.

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

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

³ Table excludes CVA.