

Risk Indicator	Risk features, impacts and developments in the first half of 2015	Strategic priorities
<b>Banking market</b>  2014 Jun 2015	<p>Banking market risk could lead to lower income or a loss of value from changes in interest rates. The current low rate environment remains a key concern. We monitor forecasted rates closely and keep our options under review. Net interest margin ('NIM') and economic value of equity ('EVE') sensitivities were relatively unchanged during the first half of 2015 as the growth in bank account liability volumes was largely offset by additional unhedged fixed rate assets.</p> <p>➔ See 'Banking market risk' on page 53.</p>	<b>3</b>
<b>Capital</b>  2014 Jun 2015	<p>Capital risk has the potential to disrupt our business model and stop the normal functions of Santander UK. Failure to meet the capital requirements of regulators could lead them to constrain dividend payments or to resolve Santander UK. The CET 1 capital ratio was 11.7% at 30 June 2015 and was impacted by the commencement of the PSA cooperation in our consumer finance business. The PRA end-point Tier 1 leverage ratio was 4.1%, up from 3.8% at 31 December 2014.</p> <p>➔ See 'Capital risk' on page 64.</p>	<b>3</b>
<b>Conduct</b>  2014 Jun 2015	<p>Conduct risk is a key factor in determining if we are meeting our aim to be the best bank for our customers. The remaining provision for PPI redress and related costs amounted to £73m. Monthly utilisation, including proactive customer contact, during the first half of 2015 decreased to £9m per month, against an average of £11m in 2014. Excluding proactive customer contact, the average redress costs during the first half of the year were £6m per month. The high proportion of invalid complaints also continued. Existing non-PPI related conduct provisions amounted to £159m.</p> <p>➔ See 'Conduct risk' on page 73.</p>	<b>1 2 3</b>
<b>Credit</b>  2014 Jun 2015	<p>Credit risk could reduce the value of our assets as well as increase write-offs and impairment loan loss allowances. The total NPL ratio of 1.68% at 30 June 2015 continued to improve, with retail and corporate loans performing well in an improving credit environment.</p> <p>➔ See 'Credit risk' on page 15.</p>	<b>1 2 3</b>
<b>Liquidity</b>  2014 Jun 2015	<p>Liquidity risk could affect our ability to meet our financial obligations as well as disrupt our day-to-day operations, business model or lead to the insolvency of Santander UK. Although credit ratings downgrade risk (and the associated impact this might have on the group's liquidity position) in the medium term has reduced, longer-term risk remains due to the possibility that the Santander UK group's senior debt issuance plan fall short of expectations over the next two years (whether this is due to eurozone concerns or other causes).</p> <p>➔ See 'Liquidity risk' on page 54.</p>	<b>3</b>
<b>Operational</b>  Jun 2014 Jun 2015	<p>Operational risk could impact any aspect of our business or support processes associated with people, systems or external events which could prevent us from achieving our desired business objectives. The industry-wide threat from cyber-attacks continues to rise; criminal methods are increasing in sophistication, and use of mobile and internet-based products continues to grow. We are mitigating these risks through IT enhancement, and further development of our cyber-threat intelligence function.</p> <p>➔ See 'Operational risk' on page 73.</p>	<b>1 2 3</b>
<b>Pension</b>  2014 Jun 2015	<p>Pension risk arises to the extent that the assets of the defined benefit pension schemes do not fully match the timing and amount of the schemes' liabilities and can impact our financial results and capital metrics. The current low interest rate environment remains a concern, as does the potential for assets to fall in value. These risks are monitored closely and strategies to manage their impact kept under review. The Scheme's accounting position was broadly unchanged at £180m surplus at 30 June 2015 (31 December 2014: £156m surplus).</p> <p>➔ See 'Pension risk' on page 72.</p>	<b>3</b>