

Timeframe	Risk description and mitigation	Strategic priorities
1-3 years	<p>The UK economy The financial performance of Santander UK is intrinsically linked to the UK economy. This is particularly so for those aspects that have greatest influence on our larger credit portfolios, such as the housing market and unemployment. In turn, the prospects for the UK are also dependent, to a degree, on the economies of other major trading areas, such as the eurozone.</p> <p>If the UK economy continues to improve, interest rates are expected to rise, especially if inflation moves back towards the Bank of England's target rate. In such a scenario, the behaviour of our customers and other market participants might change. This could include increased customer movement and more competitive product pricing.</p> <p>If the UK economy doesn't continue to recover as expected, or even experiences a downturn, Bank of England interest rates may remain at record low levels or even be reduced further. This could affect credit losses, net interest margins and pension risk.</p> <p>We continue to monitor these risks regularly, and assess their potential impacts with scenario analysis.</p> <p>New and emerging regulation The aftermath of the financial crisis has seen the emergence of a significant volume of additional regulation in the UK, the US and other jurisdictions. In some cases, the impact on Santander UK has become clearer and more precisely quantified. In response to these new regulations, a number of significant change projects are already under way, including those relating to the Financial Services (Banking Reform) Act 2013. We regularly assess the potential impact of regulation to gauge its implications on our risk profile and financial resources, including capital. However, there also remains a significant body of emerging regulation where the impact and timing remain uncertain.</p> <p>The first half of 2015 has also seen the advent of further market reviews which may affect our business.</p> <p>IT and business change Santander UK continues to invest in new IT platforms and systems, to support its strategic growth plans. There are also a number of key business change initiatives under way, the successful delivery of which is crucial to meet regulatory demands and strategic aims. As with any significant change programmes of this nature, we continue to monitor and control the risks associated with the pace of change.</p> <p>New competitors and technology Innovations in technology continued to develop at a rapid pace. We have also seen the advent of new financial services providers. These factors bring with them the potential for increased levels of competition in the medium term.</p>	<p>3</p> <p>3</p> <p>1 2 3</p> <p>1 2 3</p>
More than 3 years	<p>The UK and European political environments Following the May 2015 UK general election, the UK Government committed to renegotiating the terms of the UK's membership of the European Union and subsequently holding a referendum.</p> <p>The EU itself also continues to face uncertainty, especially as the economic and political environment develops, particularly in eurozone member states, including Greece. We continue to monitor the potential consequences for our business plan from any associated impacts.</p>	<p>3</p>