CATER ALLEN LIMITED

Registered in England and Wales
Company Number 00383032

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

STRATEGIC REPORT

The Directors submit the Strategic Report together with their Directors' Report and the audited financial statements of Cater Allen Limited (the Company) for the year ended 31 December 2022.

Principal activities and fair review of the Company's business

The principal activity of the Company is to be an authorised deposit taker under the Financial Services and Markets Act 2000. The Company operates as a retail and commercial bank offering services through specialist intermediaries across a number of different sectors, together with a portfolio of direct customers. The Company offers a range of current and savings products to meet the differing requirements of personal, business and specialist clients. The Company is a private limited company regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

The Company is part of the Santander UK group, which comprises Santander UK Group Holdings plc and its subsidiaries (the Santander UK Group or Santander UK). The Company together with Santander UK plc and other subsidiaries of Santander UK plc form the Ring-Fenced Bank group (the RFB Group). Santander Private Banking UK Limited is the immediate parent company and is incorporated in the United Kingdom. The ultimate parent company is Banco Santander SA, a company incorporated in Spain.

The Company made a profit after tax for the year of £49,131,000 (2021: £28,735,000). At 31 December 2022, the Company had net assets of £353,176,000 (2021: £604,045,000).

On 16 December 2022, the Company paid an interim dividend of £300,000,000 to its parent, Santander Private Banking UK Limited.

Incremental increases in the Bank of England's base rate throughout 2022 resulted in a favourable net interest income (NII) result of £87,780,000 (2021: £54,382,000). Operating expenses increased year on year and at the year-end date stood at £19,105,000 (2021: £13,632,000). The increase in operating expenses were down to the costs incurred to strengthen the Company's financial crime defences as well as increased salary costs to grow the sales and front of house staff to help enhance the overall customer journey.

The Company's portfolio of customer deposits increased year on year by £783,212,000 to £5,327,436,000 (2021: £4,544,224,000). During 2022, the Company launched a new suite of fixed term deposits to both personal and non-personal customers. These deposits are offered for a 12 or 24 month term. Customer interest in and take up of these new offerings was strong and helped boost the Company's total term deposits, which at the year-end stood at £98,287,256 (2021: £4,450,000).

The Company's financial results for the year are set out from page 25. The Company's capital requirements are managed centrally by Santander UK. Further information can be found under the Risk Review section and within the Santander UK Group Holdings plc 2022 Annual Report which does not form part of this Report.

The Company adheres to the policies and practices of Santander UK from an Environmental, Social and Governance (ESG) perspective and further information on Santander UK's approach can be found via the Santander UK Group Holdings plc 2022 Annual Report.

The Company is subject to the PRA's Ring-Fenced Bodies rules, which requires the annual review of two key ring-fencing policies - the Exceptions Policy and the Arm's-Length Policy. In practice, the Company discharges its responsibilities for reviewing these policies by leveraging the assessment that is conducted by Santander UK plc in order to meet its own ring-fencing obligations (which include ensuring each entity within the ring-fenced bank performs their ring-fencing obligations).

Further information on the Company can be found via the Company's website, www.caterallen.co.uk.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements.

Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statements during the year. Nothing in this Report should be construed as a profit forecast.

STRATEGIC REPORT (continued)

Key performance indicators

The Company forms part of the Santander UK Group and the results of the Company are consolidated into the Santander UK Group at a divisional level. Through the Company's internal management forum, the Company focuses its attention over three key objectives:

Objective 1: Deliver growth through customer loyalty and outstanding customer experience;

Recognising that the foundations to a successful company are driven by our customer's loyalty and providing excellent customer service.

During 2022, the Company saw growth in customer deposits. Part of this is attributable to the offering of new fixed term deposits with an attractive rate of interest and resulted in strong take up of the products that helped drive an increase in account openings, when compared to the previous year. Growth was also equally favourable against the non-fixed term portfolio.

Objective 2: Simplify and digitise the business for improved efficiency and returns;

2022 saw an average of c600 successful new registrations per month to subscribe for on-line banking, with roughly 20,000 unique users accessing the platform on a monthly basis. Improvements made to the Digital Banking platform included an online onboarding pilot and significant functionality improvements which enhanced usability from both a customer and intermediary perspective. We achieved all regulatory milestones for open banking and have successfully moved to the latest application programming interface (API) version.

Objective 3: Engage, motivate and develop a talented and diverse team;

The Company has no employees. The Company's people are employed by Santander UK plc. Accordingly, HR policies on decisions relating to the colleagues employed by Santander UK plc are aligned to the HR practices of the Santander UK Group.

A summary of key KPI metrics is shown below:

KPI	2022	2021
Total volume of accounts	92,584	96,154
New Customer Account Openings	8,024	5,677
Customer Liabilities (£'000)	£5,327,436	£4,544,224
Net Operating Income (£'000)	£89,317	£55,895
Operating expenses including amortisation (£'000)	£22,010	£16,537
Cost-Income Ratio	25%	30.0%
Customer Complaints	1,444	1,466

STRATEGIC REPORT (continued)

Section 172 Statement

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 COMPANIES ACT 2006

The Santander UK Group is committed to ensuring that stakeholder interests continue to be embedded in all aspects of decision-making across the Santander UK Group, at both Board and management level. The Santander Corporate Governance Office has taken steps to promote awareness and understanding of what is expected of Directors under section 172 of the Companies Act 2006. This includes briefing Directors on their statutory duties, as well as educating the business on ensuring the information they present to boards and management committees draws out the crucial points that will enable Directors to make fully informed decisions which factor in all relevant stakeholder impacts.

As a subsidiary of Santander UK Group Holdings plc, the Company applies policies and standards which are consistent with those adopted by the Santander UK Group Holdings plc Board. This supports efficiency and ensures a consistent approach with regards to engagement with stakeholders on issues and decisions which have an impact across the wider Santander UK Group. You can find out more about the engagement undertaken with key stakeholder groups during the year, and how their interests were considered as part of the Santander UK Group Holdings plc and Santander UK plc Boards' deliberations and decision making, in the Santander UK Group Holdings plc 2022 Annual Report, which does not form part of this report.

The Directors of the Company are fully aware of their responsibilities under section 172 of the Companies Act 2006 and take all appropriate steps to ensure they consider the likely impact of their decisions in the long-term, as well as the interests of the Company's stakeholders. In discharging its responsibility for the overall oversight of the Cater Allen business, the Board has continued to pay due regard to its duty to promote the long-term success of the Company for the benefit of its shareholder, by ensuring its decisions are in accordance with the agreed Santander UK Group strategy. The Board also regularly reviews management information on the progress made by the Company in delivering on this strategy, as well as reporting on business, financial and operational performance and key risks and compliance issues which supports the Directors in staying sighted on stakeholder outcomes and feedback.

The Santander UK Group Holdings plc Board, along with the Company's Board, has identified five key stakeholder groups whose interests and needs it regularly considers. These stakeholders are our customers, people, investors, regulators and communities. Set out below are some examples of how the Company's Directors have paid due regard to the interests of these stakeholders during the year under review.

Our customers are at the centre of the Company's business and the Board continually monitors efforts by management to enhance the quality of service that they receive. Throughout 2022 we have spent time at each of our quarterly meetings reviewing management's Customer Experience dashboard which gives us a holistic view of customer metrics that are integral to customer experience, including service quality measures, complaint trends and the performance of our operations and contact centres.

Supporting our vulnerable customers is of high importance to the Company, and the Board encouraged management to continue to work proactively to identify and engage with our vulnerable customers so that we can ensure that they are supported appropriately. Our colleagues are on the frontline in supporting our vulnerable customers, so we were also pleased to learn that management continues to provide our colleagues with the right training to allow them to provide that support.

We also spent time discussing the findings from management's ongoing engagement with our core customer base, and were pleased to provide support for, and oversight of, a number of initiatives put in place in response to those findings. For example, the Company made material investments in technology in 2022, including enhancing its customer platform in order to ensure that those customers with a preference to interact with us digitally have a consistently good and improving experience. We also oversaw management's work in improving our Open Banking facilities in response to customer feedback and regulatory requirements.

As well as individual private clients, the Company works with many intermediaries who are also our clients and key stakeholders. During 2022, the Board oversaw management's concerted efforts to enhance their relationship management capabilities in order to ensure that the business was in the best position to provide excellent service to our intermediary partners and customers.

Fraud is a growing risk for the Company, the financial services industry and our clients. We therefore focused at each meeting on what more the business can do to provide protection, encouraging management to make small but effective interventions while pursuing more strategic initiatives supported by the Santander UK plc Fraud Centre of Excellence. This will continue to be a focus in 2023.

Overseeing preparations for the introduction of the FCA's Consumer Duty has been another important area of focus for the Board in 2022. This work is critical not only to ensuring that the Company continues to safeguard the interests of our customers but also to meeting the expectations of our regulators. The Board scrutinised and approved the Consumer Duty implementation plan at the end of October, ensuring that it was robust and proportionate with sufficient resources to deliver the plan within the required timescales. Given the importance of this initiative, monitoring the execution of this plan will be a key priority for the Board in 2023 and management is providing regular updates to the Board Chair on the implementation progress between scheduled Board meetings.

Our Regulators are key stakeholders as they provide us with our licence to trade. As such, we encourage management to engage with them proactively and share information transparently. The Board has continued to receive quarterly compliance and risk reports giving us an holistic view of the business' risk and regulatory profile which allows us to prioritise our discussions appropriately. In 2022, the Board spent time on a number of important regulatory matters in addition to the Consumer Duty, such as improving our financial crime controls which will help to protect our business, customers, industry and communities from financial and economic crime. We were pleased to see good progress made in 2022 and we will continue to spend time on this in 2023.

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

We also oversaw the re-baselining of the business' Risk and Controls Self-Assessment in response to regulatory feedback, and monitored the progress of management's controls enhancement work aimed at ensuring greater operational stability. We were pleased to learn that this has been very successful.

The Chair and CEO, as well as key members of management, also meet with the FCA and PRA on a regular basis to discuss the business and regulatory matters.

Although the Company does not have any direct employees, the Board takes a keen interest in the engagement and wellbeing of the Santander UK employees who are involved in the running of the Cater Allen business. We review regular updates on the progress of the 'One Cater Allen' people strategy through which management seeks to invest in our colleagues and support their development. As part of these updates, the directors monitor employee engagement scores for the Cater Allen business and the key themes that management are focused on enhancing. The Chair also held a 'listening session' with Cater Allen colleagues and the CEO and senior management participated in various colleague events. We have been pleased to see that Cater Allen colleagues are positively engaged, with survey scores consistently trending above benchmark.

During the year, the Board took the decision to outsource a limited number of simple back-office processes to a strategic third-party partner and, as part of its deliberations, carefully scrutinised the impact this would have on customer experience. The Directors also considered the plans to support colleagues whose roles would be displaced and how the outsourcing arrangement was aligned to the interests of the wider Group.

In terms of our shareholder, Board ensures that the Company implements and acts in accordance with the Santander UK Group governance and risk frameworks and, as referred to above, that its business is managed in accordance with Santander UK Group policies. These policies include those in place to protect our people and provide a safe working environment, to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with customers, suppliers and colleagues, and to ensure that the Santander UK Group continues to operate in a socially responsible manner and manages environmental sustainability. The Board also made the decision to pay a dividend to its shareholder in late 2022 in order to return excess capital.

Further information on how the Santander UK Group has considered the interests of its stakeholders during 2022, including its Sustainability and Responsible Banking strategy, can be found in the Santander UK Group Holdings plc 2022 Annual Report, which does not form part of this report.

Principal risks and uncertainties facing the Company

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible can be found under the Risk Review section.

Strategic and Business Risk is managed at the Santander UK Group level, with the focus on maintaining a low to medium risk appetite; periodic review of risks to ensure that the Santander UK Group stays within its risk appetite range; mitigation of risk through having a clear and consistent strategy and an effective planning process; and thorough risk monitoring and management. Further information can be found within the Santander UK Group Holdings plc 2022 Annual Report.

Recent events within the global banking industry

Significant market uncertainty has been generated by the collapse of Silicon Valley Bank (SVB) in the United States on 10 March 2023 and the rescue of Credit Suisse by UBS following the announcement on 14 March 2023 by Credit Suisse of material weaknesses in its financial controls.

The Company is part of the Santander UK Group which has an established, mature Risk Framework and a stable, low risk business model with highly diversified assets across different markets and businesses. The Santander UK Group's funding is also well diversified with the majority of deposits held by retail customers which, in the majority of cases, are insured by state-backed deposit guarantee schemes.

Uncertain macroeconomic and geopolitical environment

In the past few years, a number of broader, more complex and uncertain risks have evolved which may present future headwinds. These include geopolitical tensions between regions across the world, in particular the current conflict in the Ukraine. This has impacted global energy prices and supply chains which added to inflationary pressures, as well as stretching household finances. These risks accelerate trends towards deglobalisation, and a reduction of variety of goods and services, causing prices to increase over the medium to long-term.

These factors are also playing into increased localised political risk across the globe, including in the UK with a second new Prime Minister in 2022. We are closely following these political developments and the potential for any material impacts which we may need to reflect in our business plans. Risks arising from the uncertainty in respect of the macroeconomic and geopolitical environment are considered to be of a low risk to the Company.

On behalf of the Board

M. D

Madhukar Dayal
Director

20 April 2023

Registered Office Address: 2 Triton Square, Regent's Place, London, NW1 3AN

REPORT OF THE DIRECTORS

The Directors submit their report together with the Strategic Report and audited financial statements for the year ended 31 December 2022.

Principal activities and review of the business

The Company's principal activities and a fair review of the Company's business is set out in the Strategic Report.

Likely future developments

The Directors do not expect any significant change in the level of business in the foreseeable future.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £49,131,000 (2021: £28,735,000).

On the 16 December 2022, the Company paid an interim dividend of £300,000,000 to its parent, Santander Private Banking UK Limited. The Directors do not recommend payment of a final dividend (2021: £nil).

Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the 31 December 2022 and the date of authorisation of the financial statements.

Directors

The Directors who served throughout the year and at the date of this report (except as noted), were as follows:

Manroop Singh Khela	(resigned 10 July 2022)
Madhukar Dayal	
Christine Joan Palmer	
Annemarie Verna Florence Durbin	
Reza Attar-Zadeh	

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Statement of going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, the Risk Review section contains the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk, market risk, liquidity risk and other risks.

The Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the period of 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and financial statements.

REPORT OF THE DIRECTORS (continued)

Financial instruments

The Company's risks are managed at the Santander UK Group level. The financial risk management objectives and policies of the Santander UK Group and its exposure to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the Santander UK Group Holdings plc 2022 Annual Report.

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found under the Risk Review.

Research and development

Santander UK has a comprehensive product approval process and policy which the Company adheres to. New products, campaigns and business initiatives are reviewed by Santander UK's Proposition Approval Forum.

Corporate governance statement

The Company is part of the Santander UK Group. For the financial year ended 31 December 2022, the Santander UK Group reported against the UK Corporate Governance Code 2018 (the Code). Additionally, the Santander UK Group has developed its own Internal Corporate Governance Framework (CGF) suitable for its subsidiaries, to which the Company adheres. The Company has therefore adopted the Santander UK Group's CGF, which indirectly follows the spirit of the Code. The corporate governance arrangements of the Santander UK Group, which includes the Company, are discussed in the Santander UK Group Holdings plc 2022 Annual Report, which does not form part of this Report.

With regard to risk management, the Santander UK plc Board sets the overarching strategic agenda and risk appetite for itself and its subsidiaries, to ensure alignment with its applicable risk appetite as well as its culture and values. These are reviewed regularly by its Board Risk Committee as well as its executive management. The CGF provides for the Company to review its own strategy and risk appetite, ensuring alignment to the Santander UK Group's strategic agenda, risk management and automatic escalation of material risk matters as and when required. During these discussions, the Board considers its respective stakeholder groups (which includes customers and its shareholder).

Qualifying third party indemnities

Enhanced indemnities are provided to certain Directors of the Company by Santander UK Group Holdings plc against liabilities and associated costs which they could incur in the course of their duties to the Company. All of the indemnities were qualifying third party indemnities. All of the indemnities were in force during the financial year and at the date of approval of the Annual Report and financial statements. A copy of each of the indemnities is kept at the registered office address of Santander UK Group Holdings plc.

Statement on business relationships

The Company recognises the importance of fostering relationships with its principal stakeholders and that this is the key to the long-term success of our business. We understand the importance of acting fairly and responsibly between members of the Company. For more, see the Section172 Statement in the Strategic Report.

Streamlined Energy and Carbon Reporting (SECR)

SECR is considered and managed at a Santander UK Group level. Information on the annual energy use and associated greenhouse gas emissions of the Santander UK Group (including the Company) is set out in the Strategic report and Directors' report sections of the Santander UK Group Holdings plc 2022 Annual Report.

Independent auditors

Each of the Directors as at the date of approval of this Report has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

In accordance with Sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP have been re-appointed as auditors of the Company.

On behalf of the Board

M. Dayal

Madhukar Dayal
Director

20 April 2023

Registered Office Address: 2 Triton Square, Regent's Place, London, NW1 3AN

RISK REVIEW

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK

Santander UK plc is the intermediate UK parent company of Cater Allen Limited and Santander UK Group Holdings plc is the ultimate UK parent. Santander UK Group Holdings plc and Santander UK plc operate on the basis of a unified business strategy with some overlap in membership, albeit the principal business activities of the Santander UK Group are carried out by Santander UK plc and its subsidiaries, which includes the Company. The Santander UK Group Holdings plc Risk Frameworks have been adopted by Santander UK plc and the Company to ensure consistent application. The Company together with Santander UK plc and the subsidiaries of Santander UK plc, constitute the Ring-Fenced Bank (the RFB Group).

The Company complies with all ring-fencing requirements including those at Arms Length.

As a financial services provider, managing risk is a core part of our day-to-day activities. To be able to manage our business effectively, it is critical that we understand and control risk in everything we do. We aim to use a prudent approach and advanced risk management techniques to help us deliver robust financial performance, withstand stresses, and build sustainable value for our stakeholders. We aim to keep a predictable medium-low risk profile, consistent with our business model. This is key to achieving our strategic objectives.

Risk framework

Risk is any uncertainty about us being able to achieve our business objectives. It covers both financial and non-financial risks (NFRs). NFR is a broad term usually defined by exclusion, i.e. any risks other than the traditional financial risks of Credit, Market, Liquidity, Capital and Strategic and business risk. Risk can be split into a set of risk types, each of which could affect our results and our financial resources. Enterprise risk is the aggregate view of all the risk types described below:

Credit

The risk of financial loss due to the default or credit quality deterioration of a customer or counterparty to which we have provided credit, or for whom we have assumed a financial obligation.

Market

Non-traded market risk – the risk of loss of income, economic or market value due to changes to interest rates in the non-trading book or to changes in other market risk factors (e.g. credit spread and inflation risk), where such changes would affect our net worth through a change to revenues, assets and liabilities in the non-trading book.

Liquidity

The risk that we do not have sufficient liquid financial resources available to meet our obligations as they fall due, or we can only secure such resources at excessive cost.

Capital

The risk that we do not have an adequate amount or quality of capital to meet our internal business objectives, regulatory requirements and market expectations.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Risk framework (continued)

Operational risk & resilience

The risk of loss or adverse impact due to inadequate or failed internal processes, people and systems, or external events. We give a particular focus to Cyber, Fraud, IT, People and Third Party risks, which we mitigate through our management of operational risk, using the Risk Control Self Assessment (RCSA) tool and framework.

Conduct and regulatory

Conduct risk – the risk that our decisions and behaviours lead to detriment or poor outcomes for our customers. It also refers to the risk that we fail to maintain high standards of market behaviour and integrity.

Regulatory risk – the risk of financial or reputational loss, or imposition or conditions on regulatory permission, as a result of failing to comply with applicable codes, regulator's rules, guidance and regulatory expectations.

Financial crime

The risk that we are used to further financial crime, including money laundering, sanctions evasion, terrorist financing, facilitation of tax evasion, bribery and corruption. Failure to meet our legal and regulatory obligations could result in criminal or civil penalties against the Company or individuals, as well as affecting our customers and the communities we serve.

Other risk types

Model risk – the risk that the predictions of our models may be inaccurate, causing us to make sub-optimal decisions, or that a model may be used inappropriately.

Legal risk – the risk of an impact arising from legal deficiencies in contracts; failure to protect assets; failure to manage legal disputes appropriately; failure to assess or implement the requirements of a change of law; or failure to comply with law or regulation or to discharge duties or responsibilities created by law or regulation.

Strategic and business risk – the risk of loss or underperformance against planned objectives; damage from strategic decisions or their poor implementation that impact the long-term interests of our key stakeholders or from an inability to adapt to external developments.

Reputational risk – the risk of damage to the way our reputation and brand are perceived by the public, clients, government, colleagues, investors or any other interested party.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Top and emerging risks

Top risks

Several of our risk types also have Top risks associated with them. The Company together with the RFB Group review the Top risks that could impact our business, customers and shareholders. Top risks come from the RCSA and use of this framework. The Top risks we actively monitored in 2022 are:

Financial Crime

In December 2022, Santander UK plc accepted an FCA penalty of £108m relating to historical AML control shortcomings as described under financial crime risk further below. This fine did not extend to the Company, however the Company together with the RFB Group is committed to taking financial crime very seriously. Developments related to the implementation of Russian sanctions have added further complexity to mitigating compliance risks and maintaining operational resilience in our Financial Crime Centre of Excellence. We continue to enhance our financial crime risk management capabilities, through implementation of our Financial Crime Transformation and Remediation programme, enhancing controls, and providing additional analytics capacity and subject matter expertise.

Fraud

We recognised this as a Top risk, reflecting significant industry wide increases in fraud levels and losses, which are impacting our customers. Fraud losses form a significant proportion of our operational losses. We have designed new fraud prevention tools to complement our existing prevention and detection systems and controls. We continue to develop our scam warnings in our online banking payment process, to enhance fraud prevention controls for high-risk digital payments.

Data management

Data management, including data privacy, is a Top risk reflecting its role in supporting our business plans and strategy, as well as the rising cyber threat landscape and the importance of controls over personal data. In 2022, we continued to monitor data management risk through the enhanced governance structures and processes put in place by the Chief Data Officer of Santander UK plc. The Santander UK Group is implementing a central data programme, with clear deliverables that will improve the Santander UK Group's data management capabilities in line with our approved data strategy. The Company continues to focus on improving the quality and accessibility of our data to reduce the cost and risk of any data issues that could impair the performance of the Company.

Third Party Risk Management (TPRM)

We manage relationships with certain critical third-party suppliers that form an essential part of our day to day running and for this reason we consider our relationships with third party suppliers to be a Top risk. Supporting the activities of the RFB Group, we are progressing with a programme of work to enhance controls and governance arrangements. During 2022, we continued to evolve our processes, including implementation of a new TPRM process and amending contracts with suppliers. Our Procurement transformation also continues to operationalise our updated TPRM policies and processes.

There are other risks that are considered Top risks by the Santander UK Group which are managed by Santander UK plc and further information of these can be found under the Risk Review of the Santander UK Group Holdings plc Annual Report.

Emerging risks

The Company also regularly reviews emerging risks that could impact its business, customers and shareholders. The identification of emerging risks is co-ordinated by the RFB Group's Risk Division. Emerging risks highlighted in 2022 include:

Uncertain macroeconomic and geopolitical environment

In the past few years, a number of broader, more complex and uncertain risks have evolved which may present future headwinds. These include geopolitical tensions between regions across the world, in particular the current conflict in the Ukraine. This has impacted global energy prices and supply chains which added to inflationary pressures, as well as stretching household finances. These risks accelerate trends towards deglobalisation, and a reduction of variety of goods and services, causing prices to increase over the medium to long-term. These factors are also playing into increased localised political risk across the globe, including in the UK with a second new Prime Minister in 2022. However risks arising from uncertainty in respect of the macroeconomic and geopolitical environment are considered to be of a low risk to the Company.

Rapid technological change and customer behaviour

Our multi-year transformation programme with a focus on investment in digitalisation and automation, is aimed at designing compelling propositions for targeted customer segments, reshaping customer interactions and simplifying and digitising the business at scale for improved efficiency and returns. Our overall approach reflects the continued acceleration of strong trends towards customer digital adoption via online banking, whilst also ensuring that we remain competitive in a market which is experiencing an increase in digital-led market entrants.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Emerging risks (continued)

Intense market competition

Enhancing our digital proposition remains key in supporting our customers' needs, retaining and growing our customer loyalty base, and addressing the commercial challenges of a highly competitive mortgage market, where surplus deposits in ring-fenced banks remain a key driver of market pricing. As well as the elevated competition between incumbent banks, new entrants backed by other large multi-national banks are also launching in the UK offering competitive incentives to compete in the growing digital market, as well as the savings market.

Demanding regulatory agenda

We remain vigilant in taking a customer-focused approach in developing strategy, products, services and policies that support fair customer outcomes and market integrity. Like all UK banks, we will continue to face a demanding and complex regulatory agenda in 2023 and beyond focused on consumer outcomes, customer vulnerability, competition, climate change and Consumer Duty. The PRA's operational resilience and outsourcing expectations remains a key focus for the bank moving forward, as well as implementation of Basel 3.1 which will impact capital requirements. We also continue with regulatory engagement on other key issues such as APP fraud and interest rate rises. Looking ahead, we will continue to work with industry, trade bodies, regulators and the government to support the appropriate regulation of UK financial services, including government plans to consult on the ring-fencing regime in 2023.

Extended Government involvement in banking & markets

Following Government policy interventions during the Covid-19 pandemic, including UK Government dividend restrictions, there are some indications that this trend will continue moving forwards. Banks may also be called upon to contribute more to the exchequer, due to stretched public finances, via increased taxation rates, or windfall taxes, as evidenced by recent actions in Spain. Product pricing and actions will also remain under intense scrutiny by regulators and the Government, during the current period of higher inflation. These issues have the potential to significantly impact our business plans, costs and revenues.

Central Bank Digital Currencies & Crypto assets

Depending upon how these are implemented, there is a risk of a significant transfer of commercial bank deposits into these Central Bank Digital Currencies over time, increasing wholesale funding requirements and costs, and reducing the 'stickiness' of deposits in a stress. There are also broader potential impacts on regulatory frameworks, and monetary and fiscal policy. We continue to monitor these developments as they evolve.

We are also addressing the risk of crypto asset exposure through our client onboarding policies and procedures, which are part of our Financial Crime framework.

There are other risks that are considered Emerging risks by the Santander UK Group and further information of these can be found under the Risk Review of the Santander UK Group Holdings plc Annual Report.

Risk organisational structure

The Company adopts the ‘three lines of defence’ model as per Santander UK Group Holdings plc to manage risk. This model is widely used in the banking industry and has a clear set of principles to put in place a cohesive operating model across an organisation. It does this by separating risk management, risk control and risk assurance.

Line 1 - Risk management

Business Units and Business Support Units identify, assess and manage the risks which originate and exist in their area, within our Risk Appetite. It is under the executive responsibility of the CEO.

Line 2 - Risk control

Risk Control Units are independent monitoring and control functions. They make sure Business Units and Business Support Units manage risks effectively and within our Risk Appetite. The Risk Control units are:

Financial Crime, Risk - responsible for controlling credit, liquidity, capital, market, pension, strategic and business, operational, model and enterprise risks; and Compliance, responsible for controlling reputational and conduct and regulatory risks. It is under the executive responsibility of the CEO.

Line 3 - Risk assurance

Internal Audit is an independent corporate function. It gives assurance on the design and effectiveness of our risk management and control processes.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Risk appetite

The Company's own risk appetite will be the same as the RFB Group with local tolerances and thresholds in proportion to the size of the Company, however the company's capital, market and liquidity risks are transferred to the RFB for centralised risk management.

Credit risk

Credit risk is the risk of financial loss due to the default or credit quality deterioration of a customer or counterparty to which we have assumed a financial obligation.

Credit risk management and mitigation

The Company's material exposure to credit risk stems from loans and advances to Banks and to an immaterial extent, loans and advances to customers. The main source of credit risk is in loans and advances to banks. Maximum exposure to credit risk is £5,672m (2021: £5,129m).

The Company's loans and advances to banks fully relates to intercompany balances with the intermediate parent, Santander UK plc. Because the intermediate parent is the sole counterparty, any significant exposures to credit risks are mitigated and controlled within the wider RFB Group. The Company did not recognise an ECL provision against these balances, as an ECL provision is considered to be immaterial. An assessment of the relationship concludes that the borrower (Santander UK plc) has sufficient accessible highly liquid assets in order to repay the loans if demanded and maintains good credit ratings. Furthermore, the majority of the balance under loans and advances to banks represents placements on overnight deposit with Santander UK plc, rather than those held on term. As at the year-end 31 December 2022, no credit impairment losses (2021: nil) were recognised against loans and advances to banks.

Credit risk can also arise from unauthorised overdrafts, however this is considered immaterial to the Company. The company offers no arranged overdrafts or lending facilities, however customers can go into an unauthorised overdraft state from debit card activity. The value of overdrawn accounts at the year-end date totaled £6,000 (2021: £41,000). All of these balances have been fully impaired.

Key metrics

The Company uses a number of key metrics to measure and control credit risk, as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells the Company what credit risk is likely to cost either over the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a significant increase in credit risk since origination.
Stages 1, 2 and 3	The Company assesses the credit risk profile to determine which stage to allocate and monitors where there is a significant increase in credit risk and transfers between the stages.
Expected Loss (EL)	EL is the product of the probability of default, exposure at default and loss given default. The Company calculates each factor in accordance with RFB Group policy and risk models and an assessment of each customer's credit quality. There are differences between regulatory EL and IFRS 9 ECL. More details can be found in the Annual Report of the parent company Santander UK Group Holdings plc. For the rest of the Risk review, impairments, losses and loss allowances refer to calculations in accordance with IFRS, unless specifically stated otherwise. For IFRS accounting policy on impairment, see Note 1 to the Financial Statements.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Market risk

Market risk comprises non-traded market risk and traded market risk. The Company has no traded market risk exposures.

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. The Company's exposure to market risk consists of interest rate risk and foreign exchange risk.

Interest Rate Risk and risk mitigation

The Company's exposure to interest rate risk stems from basis risk.

Basis risk comes from pricing assets using a different rate index to the liabilities that fund them. We are exposed to basis risk associated with the Bank of England base rate.

Interest income from placements with the intermediate parent, Santander UK plc are not within the control of the Company since interest is largely earnt against the Bank of England base rate. However changes in base rates will result in a corresponding change in interest expense. The value of interest income significantly outweighs interest expense. The Company does not undertake any hedging activity to mitigate this risk.

Interest rate sensitivity

Interest rate sensitivity mainly occurs due to the changes in the Bank of England base rates. However, it also occurs to some extent due to the timing differences between changes in the base rate and changes arising from deposit repricing. Managing sensitivity is not always within the Company's control, for example changes to the base rates or internal pricing rates, the latter being set by Santander UK plc. The Company only has the ability to manage sensitivity through deposit repricing.

Foreign exchange Risk

Our banking business consists mostly of customer deposits in pounds sterling, so we do not create significant foreign exchange exposures. The Company holds a portion of cash balances in Euro and US dollars, since the Company offers customer deposits denominated in Euro or US Dollars. The exposure to foreign exchange risk is mitigated by ensuring ample funds are retain within currency cash accounts to service the needs of the currency customer deposit portfolio.

In the table below are the Company's assets and liabilities that are denominated in foreign currency at the balance sheet date.

	2022 Euro £000	2022 US Dollars £000	2021 Euro £000	2021 US Dollars £000
Loans and advances to banks	71,601	41,769	74,104	48,149
Total assets	71,601	41,769	74,104	48,149
Customer accounts	71,224	41,511	73,727	47,222
Other liabilities	68	11	7	-
Total liabilities	71,292	41,522	73,734	47,222

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Liquidity risk

Liquidity risk is the risk that we do not have sufficient liquid financial resources available to meet our obligations when they fall due, or we can only secure such resources at excessive cost. Day to day operational liquidity management is undertaken by the Company, along with Santander UK plc and certain subsidiaries of Banco Santander SA, thus ensuring the Company has sufficient liquid resources in order to meet its obligations as they fall due.

Liquidity risk is also managed centrally at the RFB Group level. The Company is a member of the RFB Domestic Liquidity Sub-Group, together with its intermediate parent Santander UK plc. The purpose of this Sub-Group is to allow liquid resources to flow into the Company for it to manage liquidity risk in accordance with regulatory requirements. Further information can be found under Note 22.

Santander UK plc has agreed to guarantee the payment of any obligations or liabilities (whether actual or contingent, or for the payment of any amount or delivery of any property) incurred by Cater Allen Limited (whether as principal or surety) to any person on or before 31 December 2023 under or in respect of any dealing, transaction or engagement whatsoever, including without prejudice to the generality of the foregoing, subject to specific exceptions set out in the deed poll guarantee.

Maturities of financial liabilities

The following table analyses the Company's financial liabilities by relevant contractual maturity grouping on an undiscounted cash flow basis based on the remaining period to the contractual maturity date, at the balance sheet date.

At 31 December 2022	On demand £000	Up-to 3 months £000	3-12 months £000	1-5 years £000	Total £000
Deposits by banks	2,358	-	-	-	2,358
Customer accounts	5,229,149	1,368	81,886	15,033	5,327,436
Amounts due to group companies	-	4,001	-	-	4,001
Total financial liabilities	5,231,507	5,369	81,886	15,033	5,333,795

At 31 December 2021	On demand £000	Up-to 3 months £000	3-12 months £000	1-5 years £000	Total £000
Deposits by banks	2,783	-	-	-	2,783
Customer accounts	4,539,873	1,004	1,847	1,500	4,544,224
Amounts due to group companies	-	1,873	-	-	1,873
Total financial liabilities	4,542,656	2,877	1,847	1,500	4,548,880

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Capital risk

Overview

Capital risk is the risk that we do not have an adequate amount or quality of capital to meet our business objectives, regulatory requirements and market expectations.

THE SCOPE OF CAPITAL ADEQUACY

Regulatory supervision

For capital purposes, we are subject to prudential supervision by the PRA, as a UK bank, and by the European Central Bank (ECB) as part of the Banco Santander group. The ECB supervises Banco Santander as part of the Single Supervisory Mechanism (SSM). Reinforcing the corporate governance framework of the Santander UK Group, for which the Company has adopted, the PRA exercises oversight through its rules and regulations on the Board and senior management appointments of the Santander UK Group.

Santander UK plc is the head of the ring-fenced bank sub-group (the RFB Group) and is subject to regulatory capital and leverage rules in relation to that sub-group. CAL is part of the RFB Group.

The RFB Group's approach to Capital risk management, the management of capital requirements, management of capital resources, risk measurement and risk monitoring and reporting can be found under the risk review of the Santander UK Group Holdings plc Annual Report.

Management of capital resources & Risk measurement

The Company's capital risk management and capital is managed centrally by Santander UK plc. Further detail can be found in the Santander UK Group Holdings plc Annual Report.

i) Key metrics to measure capital risk

The main metrics used to measure capital risk are CET1 capital ratio and total capital ratio. The Company continues to be in excess of overall capital requirements and minimum leverage requirements.

ii) Stress testing

Each year a capital plan is created, as part of our ICAAP. We share our ICAAP with the PRA. The PRA then tells us how much capital (Pillar 2A), and of what quality, it thinks we should hold on top of our Pillar 1 requirements and buffer levels. We also develop a series of economic scenarios to stress test our capital needs and confirm that we have enough regulatory capital to meet our projected and stressed capital needs and to meet our obligations as they fall due. We augment our regulatory minimum capital with internal buffers. We hold buffers to ensure we have enough time to take action against unexpected changes.

Risk mitigation

The RFB Group's capital risk framework, policies and procedures ensures that it operates within the Risk Appetite of the RFB Group. The Company own Risk Appetite is the same as the RFB Group, but with local thresholds and tolerances in proportion to the size of the Company. Capital transferability is managed by Santander UK plc and its subsidiaries that make up the RFB Group, in line with overall RFB Group business strategy, risk and capital management policies, UK laws and regulations. There are no legal restrictions on us moving capital resources promptly, or repaying liabilities, except for distributions between Santander UK entities in the ring-fenced bank sub-group and Santander UK entities that are not members of the ring-fenced bank sub-group, where the PRA is required to assess the impact of proposed distribution prior to payment. Further details of the Recovery framework of the Santander UK Group in the event of a capital stress can be found within the Santander UK Group Holdings plc 2022 Annual Report.

The Company is also party to the Capital Support Deed to facilitate the holding of sufficient capital resources to meet regulatory requirements. Further information can be found under note 22.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Capital risk (continued)

Capital adequacy

The Company's capital is managed on a Basel III basis. Throughout 2022 and 2021, the RFB Group managed internal capital allocations and targets in accordance with its capital and risk management policies.

Capital

	2022 £000	2021 £000
Total Tier 1 Capital*	303,983	575,515
Deductions from Tier 1	(35,569)	(38,473)
Total Capital Resources (Tier 1)	268,414	537,042
Total Capital Resources	268,414	537,042

* The Company's Tier 1 capital consists of shareholders' equity, share premium and audited profits for the years ended 31 December 2021 and 2020, adjusted for foreseeable charges and dividends based on verified profits where relevant. It does not include current year profits as these were unverified at the time figures were reported to the regulator.

Financial crime risk

Financial crime risk is the risk that we are used to further financial crime, including money laundering, sanctions evasion, terrorist financing, facilitation of tax evasion, bribery and corruption.

In December 2022, the FCA concluded an investigation in relation to anti-money laundering controls of Santander UK plc's Business Banking division in the period 31 December 2012 to 18 October 2017 following the payment of a £108m financial penalty.

The FCA's investigation focused on the identification, assessment and management of higher risk customers within Santander UK plc's Business Banking division, including Money Services Businesses. It has now concluded, and no further action is anticipated by the FCA or any other authority in respect of this matter.

The Company itself was not impacted by this fine but takes its responsibilities regarding financial crime extremely seriously. The Banco Santander group, including Santander UK and the Company, is fully committed to the fight against financial crime and will continue to meet all applicable financial crime regulations and legislation internationally and ensure effectiveness in our control environment.

Risk appetite

Financial crime risk appetite is the level of financial crime risk we are prepared to accept in carrying out our activities. This is approved at the Board level of the Santander UK Group and shared to the RFB Group, including the Company. Our customers and shareholders will be impacted if we do not mitigate the risk that we are being used to facilitate financial crime. We seek to comply with applicable UK and international sanctions laws and other regulations and make sure our risk appetite adapts to external events. We have minimal tolerance for residual financial crime risk, bribery and corruption risk, facilitation of tax evasion risk and zero tolerance for non-compliance with sanctions laws and regulations. We require colleagues and third parties acting on our behalf to act with integrity, due diligence and care. We have no appetite for non-compliance with financial crime laws or regulations by colleagues or persons acting for or on our behalf.

Risk measurement

Exposure to financial crime risk is measured regularly. The Santander UK Group's Anti-Financial Crime strategy and frameworks set the strategic direction for risk management by defining standards, objectives and responsibilities for all areas of the business. It supports senior management in effective risk management and developing a strong risk culture. We screen and risk rate all our customers and monitor activity to identify potential suspicious behaviour. We complete ad-hoc reviews based on key trigger events. The Santander UK Group's Financial Intelligence Unit assesses specific types of threat, drawing on data from law enforcement and public authorities.

Risk mitigation

We take a proactive approach to mitigating financial crime risk. The RFB Group's financial crime risk frameworks are supported by policies and standards which explain the requirements for mitigating money laundering, terrorist financing, sanctions compliance risks, bribery and corruption, and facilitation of tax evasion risks. These are updated regularly to ensure they reflect new requirements and industry best practice. We support our colleagues to make sure they can make the right decisions at the right time. We raise awareness and provide role-specific training to build knowledge of emerging risks.

Key elements of our financial crime risk mitigation approach are that we:

- Undertake customer due diligence measures for new and existing customers, which include understanding their activities and banking needs
- Conduct risk assessments of customers, products, businesses, sectors and geographic risks to tailor our mitigation efforts
- Ensure all of our colleagues complete mandatory financial crime training and, where required, role-based specialist training
- Deploy new systems to better capture, analyse and act on data to mitigate financial crime risks
- Partner with public authorities, the Home Office and the wider financial services industry to pool expertise and data. We are also involved in partnerships such as the Joint Money Laundering Intelligence Taskforce (JMLIT) which supports public-private collaboration to tackle financial crime.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Financial crime risk (continued)

Risk monitoring and reporting

Key risk indicators are used to monitor our exposure to financial crime risks, and we report all issues in a timely manner. We work closely with subject matter experts across the business on all risk management and monitoring activities alongside more effective communication of policy changes. Regulators around the world continue to emphasise the importance of effective risk culture, personal accountability and the adoption and enforcement of risk-based requirements and adequate internal reporting processes and procedures. We continue to work with the wider Group to develop and enhance the Santander UK Group's financial crime operating and governance model to ensure that our control environment evolves at pace, keeping up with new or amended laws, regulations or industry guidance.

We adhere to a strong governance and reporting schedule to the Santander UK Group's Executive Risk Control Committee and Economic Crime Committee, including analysis of the risks on the horizon, key risk indicators and a directional indication of the risk profile. Throughout 2022, management continued to update the risk committees on management and mitigation of financial crime risks including our activities to understand and address emerging challenges. We enhanced our financial crime risk indicators for effective risk reporting to senior management. We also regularly report to the Board Risk Committee on financial crime risk, the impact on the business and the actions we are taking to mitigate the risk. Further information on the Santander UK Group's risk towards Financial Crime can be found in the Santander UK Group Holdings plc Annual Report.

Operational risk & resilience

Operational risk is the risk of loss or adverse impact due to inadequate or failed internal processes, people and systems, or external events. Operational resilience is the ability to prevent disruption occurring to the extent practicable; adapt systems and processes to continue to provide services and functions in the event of an incident; return to normal running promptly when a disruption is over; and learn and evolve from both incidents and near misses. The combined 'Operational Risk & Resilience Framework' reflects the importance of operational resilience and the intrinsically close links between the management of operational risk and the operational resilience of the organisation. Operational Resilience is the outcome of executing sound Operational risk practices.

Our operational risks

Operational risk is inherent in our business. As a result, we aim to manage it down to as low a level as possible, rather than eliminate it entirely. Operational risk events can have a financial impact and can also affect our business objectives, customer service and regulatory obligations. These events can include product mis-selling, fraud, process failures, system downtime and damage to assets or external events. Our operational risks are:

Data Management

We use data in all of our services and products. Data Management risk is where this data does not support the business outcomes, either through incorrect decisions or offerings, due to issues with its data quality. Data quality issues may be caused by technology incidents or processing errors.

Fraud

Fraud can be committed by first parties (our customers), second parties (people known to our customers or us), third parties (people unknown to our customers or us), and internally by our colleagues. We are committed to protecting ourselves and our customers from fraud and to mitigating our fraud risk in an ever-evolving external fraud environment.

Third party

We rely extensively on third parties, both within the Banco Santander group and outside of it, for a range of services and goods. These include outsourced services, such as IT infrastructure including increasing use of the Cloud, software development and banking operations. Regulations require us to classify other legal entities in the Banco Santander group as external suppliers, so we manage them as third parties. Many suppliers are also shared across the sector and this could increase risk due to complexity and capacity issues at the third parties. The failure of a supplier may cause operational disruption, breach of data security or regulations, negative customer impact, financial loss or reputational damage.

Risk mitigation

Further information how these risks are mitigated within the wider RFB Group can be found under the Risk review of the Santander UK Group Holdings plc Annual Report.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Conduct and Regulatory risk

Conduct risk is the risk that our decisions and behaviours lead to detriment or poor outcomes for our customers. It also refers to the risk that we fail to maintain high standards of market behaviour and integrity.

Regulatory risk is the risk of financial or reputational loss, or imposition of or conditions on regulatory permission, as a result of failing to comply with applicable codes, regulator's rules, guidance and regulatory expectations.

Our key conduct and regulatory risks

The Company adheres to the Conduct and Regulatory Risk framework of the RFB Group and is built on the following risks:

Regulatory

The risk that we fail to adhere to laws, regulations and codes which could have serious financial, reputational and customer impacts, including the risk that we may be adversely impacted by changes and uncertainty around UK and international regulations. We categorise regulatory risk into financial and non-financial risk aligned to our main regulators - the PRA and FCA - and other UK regulators and authorities. As part of the Banco Santander group, we are also impacted indirectly through regulation by the Banco de España (the Bank of Spain) and by the ECB through the SSM.

Product

The risk that we offer products and services that do not result in good outcomes for our customers.

Sales

The risk that we sell products and services without giving customers enough information to make an informed decision, that we do not provide appropriate advice, or that we fail to take account of customer vulnerability.

After-sale and servicing

The risk that failures of our operations, processes, IT or controls result in poor customer outcomes. This includes the risks that we do not give appropriate after-sale communications to customers, make it difficult for customers to contact us, or that we fail to take account of customer vulnerability. It also includes the risk that our systems and controls do not prevent or detect fraud.

Culture

The risk that we do not maintain a culture that encourages appropriate behaviours and puts the customer at the heart of what we do.

Competition

The risk of financial harm, criminal liability, customer harm or reputational damage that we may incur because we fail to comply with relevant competition law or being involved in any competition law investigation or proceedings.

Controls

The risk that we do not supervise our colleagues effectively or that our systems and controls do not prevent or detect misconduct.

Conduct and Regulatory risk management

Risk appetite

We aim to comply with all regulatory requirements, and we have no appetite to make decisions or operate in a way that leads to poor customer outcomes or which negatively impacts the market.

Risk measurement

Due to the links between conduct, regulatory and operational risk frameworks, our tools to identify, assess, manage and report operational risks also apply where exposures have a conduct or regulatory risk impact. We support our conduct and regulatory risk framework and policies with tools that aim to identify and assess new and emerging conduct risks. These include strategy and business planning; quality assurance; operational risk and control assessments; scenario testing and horizon scanning; conduct risk reporting and compliance monitoring.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Conduct and Regulatory risk (continued)

Risk mitigation

Our conduct and regulatory risk framework and policies set out the principles, standards, roles and responsibilities and governance for conduct and regulatory risk, such as:

Product approval

We adhere to the product approval process of the RFB Group which aims to minimise our conduct, regulatory or reputational risks in the design, marketing, sales and servicing of products and services. We assess our products and services within a formal framework to ensure they meet the needs and expectations of our customers, are within our risk appetite and agreed metrics, and to ensure processes and controls are in place.

Suitable advice and information for customers

We give guidance to advisers and colleagues on the key principles, requirements and ethical behaviours they must follow. This ensures our customers are sufficiently informed when they consider or make a buying decision.

Training and competence

We train our colleagues and require them to maintain a suitable level of competence to ensure customers can achieve appropriate outcomes. We invest in all our colleagues to ensure that we achieve our mandatory risk objectives and that everyone acknowledges their personal responsibility to manage risk. We place focus on ensuring our colleagues are trained to recognise and support customers who may be vulnerable, or who may be experiencing financial stress, financial difficulty or financial abuse.

Fair treatment of vulnerable customers

Some customers may be impacted financially or personally as a result of their circumstances. Our Vulnerable Customer Policy gives business units a clear and consistent view of what vulnerability can mean and situations when customers may need more support. Our guidelines focus on identifying characteristics of vulnerability, understanding customer needs and the support and flexibility we can give to help. In addition to mandatory training, we train our customer-facing colleagues using real customer scenarios to enable our colleagues to deal with a wide range of sensitive issues. The Santander UK online Vulnerable Customer Support Tool gives our colleagues more guidance and support to deal with such situations. We also consider vulnerability in every initiative, and continue to adapt our technology to the needs of customers with vulnerability characteristics in our design and testing stages.

Risk monitoring and reporting

We consider conduct and regulatory risk in all our business decisions. We monitor the position to ensure we provide appropriate outcomes and meet regulatory expectations. We have specific fora and committees such as the RFB Group's Conduct and Compliance Forum which support management to control risks in their business units. Reporting includes conduct risk dashboards, with metrics across common areas. These include policy breaches logged, quality assurance and complaints, and commentary on trends and root causes to enable us to take effective action.

Independent auditors' report to the members of Cater Allen Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cater Allen Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; the statement of comprehensive income, the statement of changes in equity, and the cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of the audit procedures performed were determined by our risk assessment; and
- All material financial statement line items are included in our scoping. The business operates wholly in the United Kingdom.

Key audit matters

- Goodwill impairment assessment.

Materiality

- Overall materiality: £3.4m (2021: £2.0m) based on 5% of profit before tax.
- Performance materiality: £2.5m (2021: £1.5m).

Independent auditors' report to the members of Cater Allen Limited (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment. Refer to note 1 (Accounting Policies and Critical Accounting Estimates) and Note 12 Goodwill. The company has a goodwill balance of £30 million at 31 December 2022 which relates to the 2001 purchase of the trade and assets of CA Premier Banking Limited (formerly Robert Fleming & Co Limited). The company and banking market is impacted by the rising interest rate environment. which has resulted in an improving net interest margin.The carrying value of this asset is contingent upon future cash flows, the value of which has been impacted by these developments. The impairment assessment is complex and involves subjective assumptions including the discount rate, the terminal growth rate, the method for determining the amount of regulatory capital and an assessment of forecast cash flows. Due to the magnitude of the goodwill balance and the nature of these assumptions, the impairment assessments represent a key audit matter.	We performed a number of audit procedures over the assessment performed by management. We challenged and tested the reasonableness of management's methodology and key assumptions. Our work included the following: - We identified the key assumptions used in the value in use model and assessed these for reasonableness using our understanding of the company gathered from our audit work; - We engaged our own experts to assist in the assessment of the value in use methodology and key assumptions, specifically the discount rate, the terminal growth rate and the amount of capital to be retained in the business; - We performed comparison of the performance of the business in recent years to the budgets for the equivalent periods to assess the accuracy of the budgeting process; - Evaluating the reasonableness of the forecasted cash flows, including agreeing the cash flow forecasts to the Board approved three-year plans; and assessing the sensitivity of the impairment assessment to reasonable changes in key estimates using our understanding of historic and actual performance of the company; - We assessed the disclosures made in the financial statements. We are satisfied that these disclosures are appropriate and in compliance with the accounting requirements; and - We tested the mathematical accuracy of the value in use model.

Independent auditors' report to the members of Cater Allen Limited (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company is operated and managed in the UK and the accounts represent a single legal entity; all audit work was performed within the UK with no component auditors. Certain procedures including those relating to the hosting and monitoring of the IT systems used by the company were performed at a Santander UK level. As part of the planning and execution of the audit, we ensured that these procedures performed were sufficient for our purposes. This gave us the evidence we needed for our opinion on the financial statements as a whole. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£3.4m (2021: £2.0m).
How we determined it	5% of profit before tax
Rationale for benchmark applied	Profit Before Tax (PBT) is a key measure used by the shareholders in assessing the performance of the company, and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2.5m (2021: £1.5m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above £0.2m (2021: £0.1m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of Cater Allen Limited (continued)

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify factors that could impact the going concern basis of accounting, including current and forecast financial performance along with the current economic environment and market volatility;
- Consideration of the capital support deed and the Ring Fenced Bank Domestic Liquidity Sub-Group arrangements with Santander UK plc; and
- Evaluation of the reasonableness of the company's latest management forecasts, including testing of mathematical accuracy of forecasts and testing key assumptions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Independent auditors’ report to the members of Cater Allen Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors’ responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to but are not limited to, the Financial Conduct Authority's ('FCA') regulations, the Prudential Regulatory Authority's ('PRA') regulations and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate manual journal entries. Audit procedures performed by the engagement team included:

- Enquiries with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries, in particular any journal entries posted by senior management, journal entries containing certain key words and unusual account combinations impacting the cost to income ratio and late adjustments;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed; and
- Review of correspondence with, and reports to, the regulators, specifically the PRA and the FCA.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Independent auditors' report to the members of Cater Allen Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

1. Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board of Directors, we were appointed by the members on 31 March 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2016 to 31 December 2022.

Nikhil Dhiri (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
20 April 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Continuing Operations	Note	2022 £000	2021 £000
Interest and similar income		102,326	57,544
Interest expense and similar charges		(14,546)	(3,162)
Net interest income	2	**87,780**	54,382
Fee and commission income		3,348	3,147
Fee and commission expense		(1,811)	(2,113)
Net fee and commission income	3	**1,537**	1,034
Other operating income	4	-	479
Total income		**89,317**	55,895
Operating expenses	5	(19,105)	(13,632)
Amortisation of intangible assets	5	(2,905)	(2,905)
Operating profit		**67,307**	39,358
Profit before tax		**67,307**	39,358
Taxation expense	8	(18,176)	(10,623)
Profit for the year after tax		**49,131**	28,735
Total comprehensive income for the year attributable to the equity holders of the Company		**49,131**	28,735

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2022	100,000	2,950	501,095	604,045
Dividend paid	-	-	(300,000)	(300,000)
Profit and total comprehensive income for the year	-	-	49,131	49,131
Balance at 31 December 2022	**100,000**	**2,950**	**250,226**	**353,176**
Balance at 1 January 2021	100,000	2,950	472,360	575,310
Profit and total comprehensive income for the year	-	-	28,735	28,735
Balance at 31 December 2021	100,000	2,950	501,095	604,045

The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

As at 31 December

	Note	2022 £000	2021 £000
Non-current assets			
Goodwill	12	**30,000**	30,000
Intangible assets	14	**5,569**	8,474
Deferred tax	9	**15**	22
Property, plant and equipment	13	**6**	6
Total non-current assets		**35,590**	38,502
Current assets			
Financial assets at amortised cost:			
- Loans and advances to banks	10	**5,671,848**	5,128,808
- Loans and advances to customers	11	**-**	-
Other assets	15	**-**	170
Total current assets		**5,671,848**	5,128,978
Total assets		**5,707,438**	5,167,480
Current liabilities			
Financial liabilities at amortised cost:			
- Deposits by banks	16	**2,358**	2,783
- Customer accounts	17	**5,327,436**	4,544,224
- Amounts due to group companies	18	**4,001**	1,873
Other liabilities	19	**2,297**	3,932
Current tax	19	**18,170**	10,623
Total liabilities		**5,354,262**	4,563,435
Equity			
Share capital	20	**100,000**	100,000
Share premium account		**2,950**	2,950
Retained earnings		**250,226**	501,095
Total equity		**353,176**	604,045
Total liabilities and equity		**5,707,438**	5,167,480

The accompanying notes form an integral part of the financial statements.

The financial statements on pages 25 to 41 were approved by the Board of Directors and authorised for issue on 20 April 2023. They were signed on its behalf by:

Madhukar Dayal
Director
20 April 2023

CASH FLOW STATEMENT

For the year ended 31 December

	Note	2022 £000	2021 £000
Net cash generated from/ (used in) operating activities	21(a)	**843,040**	(200,379)
Financing activities			
Dividend paid		**(300,000)**	-
Cash used in financing activities		**(300,000)**	-
Net increase/ (decrease) in cash and cash equivalents		**543,040**	(200,379)
Cash and cash equivalents at the beginning of the year		**5,128,808**	5,329,187
Cash and cash equivalents at the end of the year	21(b)	**5,671,848**	5,128,808

The accompanying notes form an integral part of the financial statements.

1. ACCOUNTING POLICIES

These financial statements are prepared for Cater Allen Limited (the Company) under the Companies Act 2006.

The Company is a private company, limited by shares, and is domiciled and incorporated in the United Kingdom. The Company is part of the Santander UK Group and the ultimate parent company is Banco Santander SA. The registered office address of the Company is 2 Triton Square, Regent's Place, London NW1 3AN.

Basis of preparation

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS).

The Company's financial statements have been prepared under the historical cost convention and on a going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors.

The functional and presentation currency of the Company is sterling.

Recent accounting developments

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments have been applied in preparing these financial statements and, consequently, only material accounting policy information is disclosed.

Future accounting developments

At 31 December 2022, for the Company, there were no other significant new or revised standards and interpretations, and amendments thereto, which have been issued but which are not yet effective, or which have otherwise not been early adopted where permitted.

Material accounting policy information

The following material accounting policies have been applied in preparing these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

Those material accounting policies which involve the application of judgements or accounting estimates that are determined to be critical to the preparation of these financial statements are set out in the section headed "Critical judgements and accounting estimates".

1. ACCOUNTING POLICIES (continued)

Revenue recognition

a) Interest income and expense

The Company's interest income originates from deposits placed with Santander UK plc. Interest is earned on these placements at either the Bank of England base rate, Euro Short-Term Rate (ESTR) or Secured Overnight Financing Rate (SOFR). In addition, an appropriate margin is earned on placements with Santander UK plc. Interest income is earned when the Company earns the right to receive interest. This being the date upon which such deposits are placed with Santander UK plc.

Interest expense comprises interest due to customer accounts. An interest expense is recognised when the Company incurs a liability to settle interest to the customer at any given date in time.

b) Fee and commissions income and expense

Fee income is earned from account and payment services provided to its customer base. Fee income is recognised when the Company provides the associated service to the customer.

Commission expense is recognised when the counterparty earns the right to receive commission from the Company.

Financial Instruments

a) Initial recognition and measurement

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual terms of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit and loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

b) Financial assets and liabilities

i) Classification and subsequent measurement

The Company applies IFRS 9 Financial Instruments and classifies its financial assets under the measurement category of amortised cost. The Company holds no financial assets or liabilities measured at fair value, under either the current or preceding year end date.

Financial assets: debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans. Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset, and the cash flow characteristics of the asset.

Business model
The business model reflects how the Company manages the assets in order to generate cash flows and, specifically, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. Factors considered in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Solely Payments of Principal and Interest (SPPI)
The Company's financial assets consist mostly of intercompany balances with Santander UK plc and a small portion of customer deposits in an overdrawn position. The balances with Santander UK plc comprise of bank accounts, funds placed and general intercompany recharges. Interest is earned on funds placed with Santander UK plc, but not on bank accounts held with Santander UK plc or general intercompany recharges. The Company's financial assets thus represent Solely Payments of Principal and Interest (SPPI) in accordance with IFRS 9 and are recognised at amortised cost subsequent to initial recognition.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost. For the Company, financial liabilities comprise of customer deposits and intercompany recharges to Santander UK plc and its subsidiaries and subsidiaries of the wider Banco Santander SA Group.

1. ACCOUNTING POLICIES (continued)

ii) Impairment of financial assets

Expected credit losses are recognised on all financial assets at amortised cost. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as follows:

– Stage 1: when there has been no SICR since initial recognition. We apply a loss allowance equal to a 12-month ECL i.e. the proportion of lifetime expected losses that relate to that default event expected in the next 12 months
– Stage 2: when there has been a SICR since initial recognition, but the exposure is not considered credit impaired. We apply a loss allowance equal to the lifetime ECL i.e. the expected loss resulting from all possible defaults throughout the residual life of a facility
– Stage 3: when the exposure is considered credit impaired. We apply a loss allowance equal to the lifetime ECL. Objective evidence of credit impairment is required.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets are written off when it is reasonably certain that receivables are irrecoverable.

For more on how ECL is calculated see the Credit risk section under Risk Review.

iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or the Company has transferred its contractual right to receive the cash flows from the assets and either: (1) substantially all the risks and rewards of ownership have been transferred; or (2) the Company has neither retained nor transferred substantially all of the risks and rewards but has transferred control.

Financial liabilities are derecognised when extinguished, cancelled or expired.

Goodwill and other intangible assets

i) Goodwill

Goodwill was recognised on the acquisition of the business of CA Premier Banking Limited (formerly Robert Fleming & Co Limited) in 2001 and represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses.

An annual assessment is undertaken by Santander UK plc on behalf of the Company, or more frequently when events or changes in circumstances dictate, to assess for any indicators of impairment. If indications are present, the goodwill is subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the cash generating unit (CGU) with its recoverable amount: the higher of the CGU's fair value less costs to sell and its value in use (VIU). The CGU represents the lowest level at which goodwill is monitored for internal management purposes.

The fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. VIU is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. The recoverable amounts of goodwill have been based on VIU calculations. Further information can be found under Note 12.

The carrying value of goodwill is written down by the amount of any impairment and the loss is recognised in the Statement of Comprehensive Income in the period in which it occurs. Impairment losses on goodwill are not reversed. For conducting impairment reviews, CGU's are the lowest level at which management monitors the return on investment on assets.

1. ACCOUNTING POLICIES (continued)

Goodwill and other intangible assets (continued)

ii) Other intangible assets

Other intangible assets comprise software assets related to the Company's customer platform. Other intangible assets are recognised if they arise from contractual or other legal rights or if they are capable of being separated or divided from the Company and sold, transferred, licensed, rented or exchanged. Software development costs are capitalised when they are direct costs associated with identifiable and unique software products that are expected to provide future economic benefits and the cost of those products can be measured reliably. These costs include payroll, materials, services and directly attributable overheads. Internally developed software meeting these criteria and externally purchased software are classified in intangible assets on the balance sheet and amortised on a straight-line basis over their useful life of five years. Capitalisation of costs ceases when the software is capable of operating as intended. Costs of maintaining software are expensed as incurred.

At each balance sheet date, or more frequently when events or changes in circumstances dictate, software assets are assessed for indicators of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets with their recoverable amount: the higher of the assets' fair value less costs to sell and their value in use.

The carrying values of software assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to the assets may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the assets' recoverable amount. The carrying amount of the assets will only be increased up to the amount that would have been had the original impairment not been recognised.

Impairment of non-financial assets (see also Goodwill and other intangible asset note above and note 12)

At each balance sheet date, or more frequently when events or changes in circumstances dictate, the Company's intangible assets (including goodwill) are assessed for indicators of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset or cash generating unit with its recoverable amount: the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The cash-generating unit represents the lowest level at which non-financial assets, including goodwill, are monitored for internal management purposes and is not larger than an operating segment.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is calculated by discounting management's expected future cash flows obtainable as a result of the asset's continued use (after making allowance for increases in regulatory capital requirements), including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. The recoverable amounts of goodwill have been based on value in use calculations.

For conducting goodwill impairment reviews, cash generating units are the lowest level at which management monitors the return on investment on assets.

Pensions and other post-retirement benefits

The Company participates in the Santander UK Group Pension Schemes in operation. There is no contractual agreement of stated policy for charging the net cost in relation to the Pension Schemes. The contribution recharged to and paid by the Company is calculated as the contributions made by Santander UK plc to the schemes, in respect of the Company's support colleagues whose employment costs are also recharged to the Company.

Income taxes including deferred taxes

The tax expense represents the sum of the income tax currently payable and deferred income tax. Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is the tax expected to be payable or recoverable on income tax losses available to carry forward and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the assets may be utilised as they reverse. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill. Deferred tax assets and liabilities are not recognised from the initial recognition of other assets (other than in a business combination) and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturities of three months or less. The Company's loans and advances to banks comprise the total cash and cash equivalents.

1. ACCOUNTING POLICIES (continued)

Critical judgements and accounting estimates

The preparation of the financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

In the course of preparing the financial statements, no significant judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations about goodwill.

Goodwill:

The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Santander UK plc undertakes the annual assessment on behalf of the Company to evaluate whether the carrying value of goodwill is impaired, carrying out the review more frequently if reviews identify indictors of impairment or when events or changes in circumstances dictate.

Key estimates include:

- Forecast cash flows for the cash generating unit, including estimated allocations of regulatory capital.
- Growth rate beyond initial cash flow projections.
- Discount rates which factor in risk-free rates and applicable risk premiums.

These variables are subject to fluctuations in external market rates and economic conditions beyond management's control. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant management judgement and is subject to potential change over time. For further information on these assumptions, see Note 12.

2. NET INTEREST INCOME

	2022 £000	2021 £000
Interest and similar income:		
Loans and advances to banks and fellow subsidiaries	102,326	57,544
Total interest and similar income	102,326	57,544
Interest and similar charges		
Deposits by customers	(14,546)	(3,162)
Total interest and similar charges	(14,546)	(3,162)
Net interest income	87,780	54,382

The increase in interest income and interest charges were driven by changes in the Bank of England base rates during 2022 and growth in customer deposits.

3. NET FEE AND COMMISSION INCOME

	2022 £000	2021 £000
Fee and commission income:		
Foreign currency and current account fees	3,348	3,147
Total fee and commission income	3,348	3,147
Fee and commission expense:		
Intermediary fees	(812)	(855)
Processing fees	(999)	(1,258)
Total fee and commission expense	(1,811)	(2,113)
Net fee and commission income	1,537	1,034

4. OTHER OPERATING INCOME

	2022 £000	2021 £000
Fair value gains on derivative financial instruments	-	18
Fair value losses on derivative financial instruments	-	(18)
Other income	-	479
Total other operating income	-	479

5. OPERATING EXPENSES

	2022 £000	2021 £000
Colleague costs:		
Wages and salaries	5,510	4,544
Social security costs	443	317
Other pension costs:		
- defined contribution plans	304	195
- defined benefit plans	113	100
Other personnel costs	268	110
	6,638	5,266
Property and equipment expenses	257	257
Other administrative expenses	12,210	8,109
Total operating expenses	19,105	13,632
Amortisation of intangible assets	2,905	2,905

Other administrative expenses consist largely of costs in relation to IT support and maintenance totalling £5.9m (2021: 5.7m). Also contained within other administrative expenses are costs incurred to strengthen financial crime defences.

Santander UK plc is the employer of all colleagues working for the Company and recharges those costs to the Company.

	2022 Number	2021 Number
Administrative colleagues	43	41
Sales colleagues	46	34
Monthly average number of colleagues	89	75

6. DIRECTORS' EMOLUMENTS & KEY MANAGEMENT PERSONNEL

Fees totalling £15,000 (2021: £15,000) were payable to Annemarie Verna Florence Durbin in respect of her position as the Chair of the Company.

No other (2021: none) Directors were remunerated for their services to the Company. Directors' emoluments are borne by the intermediate UK company Santander UK plc. The Directors' services to the Company are an incidental part of their duties. No emoluments were paid by the Company to the Directors during the year (2021: £nil).

Costs borne by the Company in respect of key management personnel services for the year totalled £438,511 (2021: £470,431). Key management personnel, together with the Company's colleagues are all employees of Santander UK plc, whose costs are recharged to the Company.

7. AUDIT AND OTHER SERVICES

The aggregate fees for audit and other services payable to the Company's auditors is analysed as follows:

	2022 £000	2021 £000
Audit services:		
Statutory audit fees for the audit of Company's financial statements	101	85
Total audit fees	101	85

There were no fees incurred for non-statutory audit services in the current year or prior year.

8. TAXATION EXPENSE

	2022 £000	2021 £000
Current tax:		
UK corporation tax on profit of the year	18,169	10,623
Adjustments in respect of prior years	-	-
Total current tax	18,169	10,623
Deferred tax (Note 9):		
Origination and reversal of temporary differences	3	4
Change in rate of UK corporation tax	4	(4)
Total deferred tax	7	-
Tax charge on profit for the year	18,176	10,623

UK corporation tax is calculated at 19.00% (2021: 19.00%) of the estimated assessable profits for the year.

The UK government announced in its budget on 3 March 2021 that it would increase the main rate of corporation tax by 6% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 and, as a result, the effect has been reflected in the deferred tax position included in these financial statements for both 2021 and 2022 balance sheet dates.

A reduction in the Bank Surcharge rate from 8% to 3% was announced in October 2021 and was substantively enacted on 2 February 2022. The effects of this change have therefore been reflected in the closing balance sheet position for deferred tax.

The tax on the Company's profit before tax differs (2021: differs) from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2022 £000	2021 £000
Profit before tax	67,307	39,358
Tax calculated at a tax rate of 19.00% (2021: 19.00%)	12,788	7,478
Bank surcharge of 8% on profits	5,385	3,149
Effect of change in tax rate on deferred tax provision	3	(4)
Tax charge for the year	18,176	10,623

9. DEFERRED TAX

Deferred taxes are calculated on temporary differences under the liability method using the tax rates expected to apply when the liability is settled or the asset is realised. The movement on the deferred tax account was as follows:

	2022 £000	2021 £000
At 1 January	22	22
Income statement credit	(7)	-
At 31 December	15	22

Deferred tax assets are attributable to the following items:

	Balance Sheet		Income Statement	
	2022 £000	2021 £000	2022 £000	2021 £000
Deferred tax assets				
Accelerated book depreciation	15	22	(7)	-
	15	22	(7)	-

The deferred tax assets scheduled above have been recognised in the Company on the basis that sufficient future taxable profits are forecast within the foreseeable future, in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse.

10. LOANS AND ADVANCES TO BANKS

	2022 £000	2021 £000
Amounts due from group companies	**5,671,848**	5,128,808
	5,671,848	5,128,808

The loans and advances to banks in the above table have the following repayment behavioural profile:

	2022 £000	2021 £000
Repayable:		
On demand	**5,647,454**	5,081,771
In not more than three months	**24,394**	47,037
	5,671,848	5,128,808

The majority of balances under loans and advances to banks represents placements on overnight deposit with Santander UK plc and the Company's bank accounts operated by Santander UK plc.

Within the current year, Euro placements with Santander UK plc are placed on a one-month term and USD placements are now placed on demand. Under the prior year both Euro & USD placements were placed on a one-month term.

Loans and advances to banks represent liquid assets that are repayable on demand or within three months and hence are classed as cash and cash equivalents for the purpose of the Cash flow statement.

The book value of loans and advances to banks approximately equals the fair value.

The loans and advances to banks in the above table are all at variable rate (2021: all at variable rate).

11. LOANS AND ADVANCES TO CUSTOMERS

	2022 £000	2021 £000
Other unsecured advances	6	41
Loans and advances to customers	6	41
Less: Credit impairment loss allowance	(6)	(41)
Loans and advances to customers, net of loss allowance	-	-

Loans and advances to customers relates to a residual portion of the customer deposits portfolio where the account has gone overdrawn and are non-interest bearing in both the current and prior years. The Company ceased offering arranged overdrafts at the tail end of 2019.

The net book value of loans and advances to customers equals their fair value.

Movement in loan loss allowances:

	2022 Other Unsecured advances £000	2021 Other Unsecured advances £000
As at 1 January	(41)	(51)
Net reversal of impairment during the year	-	10
Amounts written off during the year	35	-
At 31 December	(6)	(41)

No bad debts that had been previously written off were recovered during the year (2021: £nil).

12. GOODWILL

	2022 £000	2021 £000
Cost:		
At 1 January and 31 December	95,518	95,518
Accumulated impairment		
At 1 January and 31 December	(65,518)	(65,518)
Net book value:	30,000	30,000

The Goodwill was generated upon the purchase of CA Premier Banking Limited (formerly Robert Fleming & Co Limited) in 2001. The acquired trade and assets are fully integrated within the Company. During 2011, impairment of goodwill was recognised as a result of the reassessment of the value of certain parts of the business in light of the prevailing market conditions and regulatory developments. The remaining book value of goodwill is £30m.

In 2022 and 2021, no impairment of goodwill was recognised. Goodwill is tested for impairment annually at 31 December, with a review for impairment indicators at 30 June. Goodwill is tested for impairment if reviews identify an impairment indicator or when events or changes in circumstances dictate. Impairment testing in respect of the goodwill is performed by Santander UK plc. Santander UK plc defines the specific cash generating units (CGU's). The Company represents one standalone CGU, for the purposes of the assessment.

The annual review identified that the risks of Covid-19 have reduced significantly; however rising inflation, exacerbated by the conflict in Ukraine, places increasing uncertainty on the UK economic trajectory, and its potential impact on the carrying value of goodwill as impairment indicators for the CGU. As a result, Santander UK plc updated the impairment test at 31 December 2022.

Basis of the recoverable amount

The recoverable amount of the CGU was determined based on its value in use (VIU) at each testing date. The VIU is calculated by discounting management's cash flow projections for the CGU. The cash flow projections also take account of increased internal capital allocations needed to achieve internal and regulatory capital targets including the leverage ratio. The key assumptions used in the VIU calculation are set out below:

	2022 %	2021 %
Pre-tax discount rate	15.3	16.3
Growth rate beyond initial cashflow projections	1.6	1.6

The CGU does not carry on their balance sheet any other intangible assets with indefinite useful lives.

12. GOODWILL (continued)

Sensitivity analysis

Although there was no impairment of goodwill at 31 December 2022 or 31 December 2021, the amount by which the recoverable amount exceeds the carrying value (the headroom) is sensitive to some of the assumptions used. The changes in assumptions detailed below for the pre-tax discount rate and cash flow projections would reduce the headroom to nil (2021: reduce headroom by nil).

The sensitivity analysis presented below has been prepared on the basis that a change in each key assumption would not have a consequential impact on the other assumptions used in the impairment review. However, due to the interrelationships between some of the assumptions, a change in one of the assumptions might impact one or more of the other assumptions and could result in a larger or smaller overall impact.

	Carrying value	Value in use	Headroom	Increase in pre-tax discount rate	Decrease in cash flows
2022:	£000	£000	£000	bps	%
CA Premier Banking Limited	353,176	900,000	546,824	3,057	61
2021:					
CA Premier Banking Limited	604,045	716,340	112,295	886	16

Management judgement in estimating the cash flows of the CGU

The cash flow projections for the purpose of impairment testing are derived from the latest 3-year plan presented to the Santander UK plc Board. The Santander UK plc Board challenges and endorses management's planning assumptions in light of internal capital allocations needed to support Santander UK plc's strategy, current market conditions and the macroeconomic outlook. The assumptions included in the cash flow projections reflect an allocation to the cost of capital to support future growth, as well as the expected impact of recent events in the UK economic environment on the financial outlook within which the CGU operates under. The cash flow projections are supported by the Santander UK's base case economic scenario. For more information on the base case economic scenario, including the forecasting approach and the assumptions in place at 31 December 2022, can be found within the Risk review section of the Santander UK Group Holdings plc Annual Report.

Cash flow projections for the purpose of impairment testing do not take account of any adverse outcomes arising from contingent liabilities (see Note 22), whose existence will be confirmed by uncertain future events or where any obligation is not probable or otherwise cannot be measured reliably, nor do they take into account of the benefits arising from Santander UK's transformation plans that had not yet been implemented or committed at 31 December 2022.

Discount rate

The rate used to discount the cash flows is based on the cost of equity assigned to the CGU, which is derived using a capital asset pricing model (CAPM) and calculated on a post-tax basis. The CAPM depends on a number of inputs reflecting financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are based on the market's assessment of the economic variables and management's judgement. The inputs to the CAPM are observable on a post-tax basis. In determining the discount rate, management have identified the cost of equity associated with market participants that closely resemble the CGU and adjusted them for tax to arrive at the pre-tax equivalent rate.

There is significant judgement used in deriving the discount rate (Note 1). Furthermore, the sensitivity analysis demonstrates sufficient headroom to absorb any variation in the discount rate resulting from judgement.

Growth rate beyond initial cash flow projections

The growth rate for periods beyond the initial cash flow projections is used to extrapolate the cash flows in perpetuity because of the long-term perspective of the CGU. In line with the accounting requirements, Santander UK plc uses the UK Government's official estimate of UK long-term average GDP growth rate, as this is lower than management's estimate of the long-term average growth rate of the business. The estimated UK long-term average GDP growth rate has regard to the long-term impact of inherent uncertainties, such as Brexit, climate change and higher living costs, driven by inflation and rising interest rates.

13. PROPERTY, PLANT AND EQUIPMENT

	2022 Office fixtures and equipment £000	2021 Office fixtures and equipment £000
Cost:		
At 1 January	2,999	2,999
Asset written off	(2,993)	-
At 31 December	6	2,999
Accumulated depreciation:		
At 1 January	(2,993)	(2,993)
Asset written off	2,993	-
At 31 December	-	(2,993)
Net book value:		
At 1 January	6	6
At 31 December	6	6

The net book value of property, plant and equipment relates to art and memorabilia. Assets totalling £2,993,000, which had been fully depreciated, were written off during 2022.

14. INTANGIBLE ASSETS

Software:	2022 £000	2021 £000
Cost:		
At 1 January	14,526	14,526
At 31 December	14,526	14,526
Accumulated amortisation:		
At 1 January	(6,052)	(3,147)
Charge in year	(2,905)	(2,905)
At 31 December	(8,957)	(6,052)
Net book value	5,569	8,474

The intangible asset relates to the Core Banking Platform that services the Company's customer base. Amortisation is over a five-year period commencing from December 2019.

15. OTHER ASSETS

	2022 £000	2021 £000
Other accruals	-	170
	-	170

The book value of other assets equals their fair value.

16. DEPOSITS BY BANKS

	2022 £000	2021 £000
Amounts due to Santander UK plc	2,358	2,783
Total deposits by banks	2,358	2,783
Repayable:		
On demand	2,358	2,783
	2,358	2,783

The deposits by banks relate to intercompany recharges from Santander UK plc and are non-interest bearing.

The fair value of deposits by banks equals book value.

17. CUSTOMER ACCOUNTS

	2022 £000	2021 £000
Deposits due to fellow subsidiaries	63	420
Retail deposits	5,327,373	4,543,804
Total deposits by customers	5,327,436	4,544,224

	2022 £000	2021 £000
Repayable:		
On demand	5,229,149	4,539,873
Not more than three months	1,368	1,004
More than three months but not more than one year	81,886	1,847
More than one year but not more than five years	15,033	1,500
	5,327,436	4,544,224

Customer accounts with maturities of other than on demand relate to term deposits.
The book value of customer accounts approximately equals their fair value.

18. AMOUNTS DUE TO GROUP COMPANIES

	2022 £000	2021 £000
Santander UK plc – recharges	4,001	1,870
Santander Global Technology SL	-	3
	4,001	1,873

19. OTHER LIABILITIES

	2022 £000	2021 £000
Accrued expenses	367	112
Items in the course of transmission	938	2,690
Other	992	1,130
Total other liabilities	2,297	3,932
Current tax – corporation tax	18,170	10,623

The Directors consider that the carrying amount of other liabilities approximates to their fair value. All of the amounts above represent balances due within one year.

20. SHARE CAPITAL

	2022 £	2021 £
Issued and fully paid:		
100,000,000 (2021: 100,000,000) ordinary shares of £1 each	100,000,000	100,000,000
100 (2021: 100) preferred shares of £1 each	100	100

There have been no changes from the previous year.

Holders of ordinary shares are entitled to:

a) receive such dividends as the Directors approve out of profits remaining after payment of the preferred dividend;
b) one vote for every share held in respect of resolutions proposed at general meetings; and
c) receive, upon winding up, an amount in respect of each ordinary share equal to the paid up capital value thereof after paying the holders of the preference shares as described above, the balance being distributed between the shareholders in proportion to their paid up ordinary shareholdings.

Holders of preferred shares are entitled to:

a) receive a specific dividend in priority to all other shareholders but have no right to a fixed coupon or a guaranteed dividend; and
b) receive notice and to attend any meetings at which any matter affecting the rights attaching to the preferred shares is to be considered.

21. CASHFLOW STATEMENT

	2022	2021
	£000	£000
Profit before tax	67,307	39,358
Amortisation of intangible assets	2,905	2,905
Impairment reversal	(35)	(10)
Finance write-backs	-	(479)
Net cash flow from trading activities	70,177	41,774
Changes in operating assets and liabilities		
Increase in items in course of transmission by other banks	-	1,907
Decrease in loans and advances to customers	35	10
Decrease/ (increase) in other assets	170	(76)
Decrease in derivative financial liabilities	-	(10)
Decrease in financial assets at fair value through profit or loss	-	2,572
Increase/ (decrease) in customer accounts	783,212	(232,334)
Decrease in deposits by banks	(425)	(2,347)
Increase/ (decrease) in amounts due to other group companies	2,128	(1,140)
(Decrease)/ increase in other liabilities	(1,634)	475
Settlement to Santander UK plc in respect of Corporation Tax	(10,623)	(11,210)
Net cash generated from/ (used in) operating activities (a)	843,040	(200,379)
Financing activities		
Dividend paid	(300,000)	-
Cash used in financing activities	(300,000)	-
Net increase/ (decrease) in cash and cash equivalents	543,040	(200,379)
Cash and cash equivalents at the beginning of the year	5,128,808	5,329,187
Loans and advances to banks (Note 10) (b)	5,671,848	5,128,808

22. CONTINGENT LIABILITIES AND COMMITMENTS

Capital support arrangements

At 31 December 2022, Santander UK plc, Cater Allen Limited, Santander ISA Managers Limited and certain other non-regulated subsidiaries within the RFB Group, were party to the RFB Sub-Group Capital Support Deed dated 17 December 2021. These parties were permitted by the PRA to form a core UK group, as defined in the PRA Rulebook, a permission which will expire on 31 December 2024. Exposures of each of the regulated entities to other members of the core UK group were exempt from large exposure limits that would otherwise apply. These intra-group exposures were risk-weighted at 0% and excluded from leverage exposure on a solo as well as consolidated basis. The purpose the Deed was to facilitate the prompt transfer of available capital resources from, or repayment of liabilities by, the non-regulated parties to any of the regulated parties in the RFB Sub-Group in the event that one of the regulated parties breached or was at risk of breaching its capital resources or risk concentrations requirements.

Liquidity support arrangements

The Company's exposure to liquidity risk is managed with Santander UK plc. Under this model and PRA's liquidity rules, the Company, together with Santander UK plc form the RFB Domestic Liquidity Sub-Group (the RFB DolSub), which allows the entities to collectively meet regulatory requirements for the purpose of managing liquidity risk. Each member of the RFB DolSub will support the other by transferring surplus liquidity in times of stress.

23. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with its intermediate parent and fellow group companies. There were no related party transactions with its ultimate controlling party as at the year-end date (2021: £nil).

The Company paid an interim dividend of £300,000,000 to its immediate parent undertaking, Santander Private Banking UK Limited.
No dividends were proposed or declared after the reporting date and before the financial statements were authorised for issue.

There were no other related party transactions or balances due to or from its immediate parent undertaking.

All of the amounts below are unsecured.

23. RELATED PARTY TRANSACTIONS (continued)

During the year, the Company entered into no transactions with Directors of the Company (2021: £nil) other than Director emoluments fees per note 6.

Other than the information within note 6, there were no other transactions with key management personnel in the current or preceding year.

	Income		Expenditure		Amounts due from related parties		Amounts due to related parties	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Santander UK plc – retail deposits	**79,068**	5,229	**-**	-	**5,589,957**	5,006,513	**-**	-
Santander UK plc – Bank account	**-**	-	**-**	-	**80,444**	118,438	**-**	-
Santander UK plc – management fees and recharges	**-**	-	**5,780**	5,970	**-**	-	**6,359**	4,653
Santander UK plc – transfer pricing	**22,726**	52,315	**-**	-	**1,447**	3,857	**-**	-
Santander UK plc – Equity index-linked balances [1]	**-**	8	**-**	18	**-**	-	**-**	-
Gesban UK Limited	**-**	-	**84**	84	**-**	-	**-**	-
Santander Global Technology SL	**-**	-	**-**	3	**-**	-	**-**	3
Cater Allen Lloyds Holdings Limited – customer accounts	**-**	-	**-**	-	**-**	-	**1**	358
Cater Allen Syndicate Management Limited – customer accounts	**-**	-	**-**	-	**-**	-	**62**	62
	101,794	57,552	**5,864**	6,075	**5,671,848**	5,128,808	**6,422**	5,076

(1) Equity index-linked balances included derivatives, for which the final deposit matured during March 2021. The Company holds no derivatives at the balance sheet date (2021: none).

24. RETIREMENT BENEFIT SCHEMES

The Company participates in the Santander UK Group Pension schemes. There is no contractual agreement of stated policy for charging the net cost in relation to the Pension Schemes. The contribution recharged to and paid by the Company is calculated as the contributions made by Santander UK plc to the schemes in respect of the Company's support colleagues whose employment costs are also recharged to the Company. Details of the scheme and any associated deficit or surplus appear in the Santander UK Group Holdings plc 2022 Annual Report.

Pension costs are included in colleague costs in the Statement of Comprehensive Income in Note 5. None of this amount was recognised for key management personnel for the year ended 31 December 2022 (2021: £nil).

25. PARENT UNDERTAKING AND CONTROLLING PARTY

Cater Allen Limited is domiciled in the United Kingdom. The Company's immediate parent company is Santander Private Banking UK Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Banco Santander SA, a company incorporated in Spain. Banco Santander SA is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Santander UK plc is the UK parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member. The registered office address of Santander UK plc is 2 Triton Square, Regent's Place, London NW1 3AN.

Copies of all sets of group financial statements, which include the results of the Company, are available from the Corporate Governance Office, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.