CATER ALLEN LIMITED

Registered in England and Wales
Company Number 00383032

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2023

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 2023.

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 accounts 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 £122,485,000 (2022: £49,131,000). At 31 December 2023, the Company had net assets of £375,661,000 (2022: £353,176,000).

The Company's Net Interest Income (NII) result was strengthened by continued increase in Bank of England base rates during 2023. Operating costs were £1,649,000 higher in 2023 (2022: higher by £5,473,000) versus the prior year as the Company continued to invest in improving new technology and operational processes designed to enhance the customer experience whilst increasing operational efficiency.

Whilst the Company enjoyed a healthy return from NII, the customer portfolio including accrued interest reduced year on year by £346,224,000 (2022: increased by £783,212,000). The reduction is attributable to operating within a highly competitive and diverse market with multiple increases in base rates resulting in increased competition from other deposit takers. Despite the net reduction, the Company's fixed term deposit portfolio (inclusive of accrued interest) saw growth of £320,479,000 year on year (2022: growth of £94,273,000), as people looked to switch to products offering greater returns on their deposits.

During the year, the Company paid an interim dividend to its parent totalling £100,000,000 (2022: £300,000,000).

The Company's financial results for the year are set out from page 24.

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 2023 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).

During 2023, Jose Maria Roldan Alegre took over as the Company's Chair from Annmarie Verna Florence Durbin.

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. The Company focuses attention on three key strategic objectives:

Objective 1: Customer liabilities and delivering liability growth

Achieving growth was challenging in 2023 due to the highly competitive and fluid market driven by changes to the Bank of England base rate during the first half of the year and the Company opting to restrict activity in certain markets that were considered complex or challenging from an operational risk perspective. The customer portfolio inclusive of accrued interest fell year on year by £346,224,000 (2022: increased by £783,212,000), although the Company reported total new bank account openings of 9,498 (2022: 8,024), an increase of 1,474 accounts.

Looking forward, the Company is confident that through its strategic objectives and associated investment programme, it has the capability to deliver growth in customer volumes and deposits through the medium term where market conditions allow.

Objective 2: Digitalisation

In 2023 the Company delivered enhancements to the customer onboarding and fixed term deposit processes offerings to streamline the administration process through digitalisation and improvement of the overall customer journey. The Company continues to pursue other initiatives to further increase digital adoption across all customer journeys.

Objective 3: People

The Company has no employees as all colleagues who are involved in running the Company's business are directly employed by Santander UK plc. Accordingly, the HR policies and practices applicable to these colleagues are those of the Santander UK Group.

Despite having no direct employees, the Company considers its people to be valuable resources and encourages the upskilling of its people through development and training.

A summary of key KPI metrics is shown below:

KPI	2023	2022
CET1 capital ratio	122.8%	246.5%
Total volume of accounts	94,241	92,584
New Customer Bank Account Openings	9,498	8,024
Customer portfolio (£'000)	£4,981,212	£5,327,436
Total Income (£'000)	£193,188	£89,317
Operating expenses including amortisation (£'000)	£23,659	£22,010
Cost-Income Ratio	12%	25%
Customer Complaints	1,517	1,444

STRATEGIC REPORT (continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) 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 2023 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 heart of our business and we recognise the value they place on the quality of the service they receive. The Board regularly reviews key metrics that pertain to customer experience, including the quality of application processing, call management and complaint volumes, and any remedial actions being taken where service falls below the standard expected. Specifically, the Board closely oversaw management's efforts to address operational processing delays and increased call volumes in our contact centre which were impacting customer experience in the earlier part of the year. We were encouraged to see an improvement in operational capacity as a result of this, which raised the standard of service we are able to deliver to customers and enabled our teams to dedicate more time to engaging with our customers and intermediary partners. Customer satisfaction remains a key priority for us and in order understand this fully, it is important that we hear the views of our customers. During the year, the Board reviewed the outputs of a customer research exercise which provided valuable insights on customer perceptions, experiences and future requirements. This feedback has been used to inform the plans for our business going forward and we have heard from management on the transformation initiatives planned for 2024 to address any areas highlighted for improvement. The Board will continue to support and challenge management on further developing our systems and processes, including enhancing our digital banking and self-service functionality, in the interests of efficiency and positive customer experience.

The Board also monitors the performance of our main third-party service providers, which is integral to the efficiency and stability of our customer service, and receives updates on how management have engaged with these service providers during the year.

Meeting the key milestones under the FCA's Consumer Duty have been important areas of focus for the Board in 2023, recognising that this work was critical for continuing to safeguard the interests of our customers and meeting the expectations of our regulators.

As such, the Board has discussed Consumer Duty implementation activity at several of its scheduled meetings this year and has also received regular updates on progress from management between these meetings. Reporting to the Board has included views from the second line of defence on the progress being made by the business to achieve compliance with the Duty and the appropriateness of the actions they were taking. Through these updates the Board has monitored the actions identified to enhance customer outcomes, the progress made in achieving them and any mitigants to avoid customer harm in the interim. We also focused on ensuring management were putting in place appropriate reporting arrangements which provide the Board with quality information and allow it to effectively monitor the outcomes being delivered for the Company's customers. In July 2023, we formally assessed the delivery of the first phase of the Consumer Duty, in line with the deadline set by the FCA. Cater Allen applies the requirements of the Consumer Duty to all holders of its products, including those who are not captured by the Consumer Duty regulations, focusing on ensuring good outcomes for all customers and intermediary partners.

Our regulators are key stakeholders as they provide us with our licence to trade and we encourage management to engage with them proactively and share information transparently. The Board reviews quarterly compliance and risk reports providing a holistic view of the business' risk and regulatory profile which allows us to prioritise our discussions appropriately. A key area of focus this year has been monitoring improvements in our economic crime risk management capabilities and controls and ensuring the sufficiency of resourcing to deliver these improvements, to help protect our business, customers, and communities. Tackling fraud is another important area for protecting the interests of our customers and the Board has been updated during the year on initiatives to enhance fraud prevention. This has included the introduction of a dedicated 'Break the Spell' team to assist our contact centre in supporting customers believed to be at high risk of being scammed. We also receive from management regular updates on the progress of the Company's transformation programme which incorporates our regulatory agenda, and assurance on the Company's compliance with ring-fencing requirements and policies.

STRATEGIC REPORT (continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

The Company does not have any direct employees. However, the Board receives reporting on engagement scores for the Santander UK employees who are involved in the running of the Company's business and it is encouraging to see that colleague sentiment has been positive and improving further in 2023. The CEO and senior management participated in various colleague events during the year.

In terms of our shareholder, the Board ensures that the Company implements and acts in accordance with the Santander UK Group governance and risk frameworks. Good corporate governance is a vital element in ensuring our business operates in a way that is commensurate with good outcomes for stakeholders. In 2023, the Board agreed to adopt the Santander UK Subsidiary Governance Framework (SGF) which clarifies the standards expected regarding important aspects of corporate governance – you can read more about this in the Corporate Governance Statement in the Directors' Report. The Board has overseen and, where relevant, approved certain actions required to bring the Company into compliance with the SGF.

The Company's 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 mid-2023 in order to return excess capital.

Further information on Santander UK's Sustainability and Responsible Banking Strategy can be found in the Santander UK Group Holdings plc 2023 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 continue to remain challenging due to a competitive savings market, alongside elevated regulatory focus. The Board regularly reviews potential risks within its operations and plans to ensure the Company operates within its risk appetite.

Uncertain macroeconomic and geopolitical environment

Risks arising in these areas remain in the top ranked areas of concern for the wider Santander UK Group. UK political risks increased significantly in 2023, as the focus is drawn to an upcoming General Election. Key areas of policy focus for the Company include: related markets (rates) and economic impacts; taxation (including bank specific related) and bank regulation.

2024 is also an Election year in the US and the Company will consider the potential impacts on the geopolitical environment from this that could arise. Broader considerations include conflicts in Ukraine and the Middle East, as well as the strengthening of political, trade and security ties between a number of developing nations with large and growing economies. These developments can have significant impacts on supply chains and the cybersecurity threat environment, since the Company is reliant on services provided by third parties that have overseas operations.

The Company is closely following these developments and the potential for any material impacts, which may need to be taken into consideration in its business plans and intends to take a coordinated approach with the other members of the Santander UK Group.

On behalf of the Board

Stephen Affleck
Director

19 April 2024

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 2023.

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 £122,485,000 (2022: £49,131,000).

During 2023, the Company paid an interim dividend of £100,000,000 to its parent (2022: £300,000,000), Santander Private Banking UK Limited. The Directors do not recommend payment of a final dividend (2022: £nil).

Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the 31 December 2023 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:

Christine Joan Palmer	
Jose Maria Roldan Alegre	(appointed 16 December 2023)
Annemarie Verna Florence Durbin	(resigned 15 December 2023)
Stephen David Affleck	(appointed 27 September 2023)
Madhukar Dayal	(resigned 27 September 2023)
Andrea Melville	(appointed 30 April 2023)
Reza Attar-Zadeh	(resigned 30 April 2023)

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.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate UK parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

REPORT OF THE DIRECTORS (continued)

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.

Financial instruments

The Company's risks are managed centrally by Santander UK plc with responsibility and oversight by the Company's Board. The financial risk management objectives and policies of the Company and the exposure of the Company to credit risk, market risk, liquidity risk, capital risk, financial crime risk, operational risk and conduct and regulatory risk are set out in 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, which is committed to achieving high standards of governance. Santander UK Group Holdings plc, the Company's ultimate UK-incorporated parent company applies the UK Corporate Governance Code 2018 in a manner appropriate for its ownership structure, although, as a non-premium listed company, it is not obliged to do so. The Company has not applied a corporate governance code during the year and has instead adopted the Santander UK Corporate Governance Framework (CGF) and Subsidiary Governance Framework (SGF), which it believes is the most appropriate arrangement for the Company as a wholly owned subsidiary. The CGF sets out the key governance principles applicable to Santander UK subsidiaries, including guidelines on delegation of authority, escalations and managing conflicts of interest. The SGF builds upon these governance principles and describes the minimum standards required of Santander UK subsidiaries, ensuring a consistent but risk-based approach is applied. The SGF articulates the roles and responsibilities of subsidiary boards and executive management; the governance principles to facilitate parent oversight of the subsidiaries; and approval paths for key business decisions.

The Board is responsible for the overall leadership of the Company which it fulfils in accordance with the overarching strategic agenda, risk appetite, culture, values and policies set by the Santander UK Group Holdings plc Board, to ensure alignment across the Santander UK Group. The CGF provides for the Company to review its own strategy and risk appetite, within the parameters set by the Santander UK Group Holdings plc Board. During these discussions, the Board considers its respective stakeholder groups, which includes its customers and its shareholder. The Company does not have any employees. The Board has approved a schedule of matters reserved for its consideration and decision, which it reviews on an annual basis.

The structure and composition of the Board is appropriate for the scale, type and complexity of the Company's business and the Directors have the necessary skills, knowledge and experience to oversee the business effectively. The Board has appointed an independent non-executive director as Chair, who brings independent challenge to Board discussions. On appointment, Directors receive a tailored induction to ensure they are fully briefed on the Company's business strategy and operations, governance processes and risk profile, as well as their duties as Directors. Conflicts of interests for Directors are managed in accordance with the Santander UK Conflicts of Interest Policy.

As a member of the Santander UK Group, the Company's business is also subject to the oversight of the Santander UK Group Holdings plc and Santander UK plc Board and Board Committees. For more on the corporate governance arrangements of the Santander UK Group, which includes the Company, see the Santander UK Group Holdings plc 2023 Annual Report, which does not form part of this report.

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 its business. The Company understands the importance of acting fairly and responsibly between members of the Company. For more, see the Section172 Statement in the Strategic Report.

REPORT OF THE DIRECTORS (continued)

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 Sustainability Review section of the Strategic Report of the Santander UK Group Holdings plc 2023 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

Stephen Affleck
Director

19 April 2024

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

RISK REVIEW

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK

Cater Allen Limited is wholly owned by Santander UK plc 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 Company together with Santander UK plc and the subsidiaries of Santander UK plc, constitute the Ring-Fenced Bank group (the RFB Group). The Company itself is a Ring-fenced bank. The Risk Frameworks of Santander UK plc and Santander UK Group Holdings plc have been adopted by the Company to ensure consistent application.

Further details around the Santander UK Group's risk governance and risk frameworks can be found under the Risk Review section of the Santander UK Group Holdings plc 2023 Annual Report. The following sections cover risks which are relevant to the Company.

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

Risk organisational structure

The Company's risks are managed centrally by Santander UK plc with responsibility and oversight by the Company's Board.

The Company adopts the 'three lines of defence' model of the Santander UK Group 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. The three lines of defence are as follows:

Line 1 - Risk management

Business Units and Business Support Units identify, assess and manage the risks which originate and exist in their area, within the Company's Risk Appetite. It is under the executive responsibility of the Santander UK Group's Chief Executive Officer (CEO).

Line 2 - Risk control and oversight

Risk Control Units are independent monitoring, control and oversight functions. They make sure Business Units and Business Support Units manage risks effectively and within the Company's Risk Appetite. It is under the executive responsibility of the Santander UK Group's CEO but responsible to the Santander UK Group's Chief Risk Officer (CRO) for overseeing the first line of defence.

The Risk Control Units are:

- Risk Unit responsible for controlling, liquidity, capital, market, pension, strategic and business, operational, model and enterprise risks.
- Compliance Unit responsible for controlling reputational and conduct and regulatory risks.
- Financial Crime Unit responsible for controlling financial crime and fraud risks.

Line 3 - Risk assurance

Internal Audit is an independent corporate function of the Santander UK Group. It gives assurance on the design and effectiveness of the Company's risk management and control processes. It is responsible to the Santander UK Group's Chief Internal Auditor (CIA).

Further information around the reporting structure of these three units up to Santander UK Group Board level can be found within the Risk Review section of the Santander UK Group Holdings plc 2023 Annual Report.

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. Key risk indicators are used to monitor performance to ensure the Company operates and stays within its Risk Appetite.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Top and emerging risks

Top risks

Several of the Company's risk types also have Top risks associated with them. The Top risks below were actively monitored by the Company in 2023. Many of these risks are likely to remain in focus for 2024.

Economic Crime

Financial crime is a high priority risk so remains a key focus for the Company, with firm commitment to operating within the Company's Risk Appetite, noting that the Company is wholly dependent on the Ring-Fenced Bank to deliver financial crime processes. In 2023, improvements were delivered to onboarding due diligence controls and sanction blocks, as well as increasing the resources within the Company's Financial Crime team. Consideration was given to the likely impact of government announcements on account closures. Accounts are only closed after a thorough review of all circumstances in line with legal and regulatory obligations and customer communication.

As financial crime is managed centrally by the Santander UK Group, the Company collaborates with the wider Santander UK Group to strengthen financial crime risk management capabilities, enhancing controls and providing additional analytics capacity and subject matter expertise.

Fraud

Fraud is considered a Top risk because of significant industry wide increases in fraud levels and losses, which could impact the Company's customers and because the Company's sole line of business are customer deposits.

Authorised Push Payment (APP) fraud and Unauthorised fraud are the Company's largest fraud type's by value and focus to mitigate these centres over preventative measures in response to increasing fraud attacks.

Social engineering used by fraudsters is a significant threat to customers and outside of the Company's controls. The Company continues to focus on combining technical solutions with public campaigns to educate customers.

Regulatory and consumer body considerations are reviewed at the Santander UK Group level. The Company plays a collaborative role in taking actions under the Santander UK Group's Fraud Transformation Programme to reduce losses and case volumes.

Data management

Data Management including data privacy remains a key focus for the Company, reflecting the importance of data in supporting its business plans and strategy, the rising cybersecurity threat landscape, and the importance of controls over personal data. Monitoring and managing data risk is undertaken through enhanced governance structures and processes at the Santander UK Group level.

The Company has a dedicated Data Team to focus on improving Data Quality & Management via control reviews and improvements.

Third Party Risk Management (TPRM)

The Company manages relationships with critical third-party suppliers that form an essential part of its day to day running and for this reason relationships with these third-party suppliers are considered a Top risk. Furthermore, the heightened geopolitical environment puts an increased risk focus on supply chains. The Company adheres to the Third-Party Risk Management policy of the RFB Group ensuring there is adequate oversight and governance around all critical third-party suppliers. Procurement is managed centrally by the Santander UK Group. Further information on how TPRM is managed within the Santander UK Group can be found under the Santander UK Group Holdings plc 2023 Annual Report.

Conduct and Regulatory

Phase 1 of Consumer Duty for on sale products due for implementation on 31 July 2023 was achieved. The scope of phase 2 of Consumer Duty implementation as outlined by the FCA covers off-sale products. The FCA require firms to implement phase 2 of Consumer Duty regulation by 31 July 2024. The Company considers this as a Top Risk because it is Management's priority to meet phase 2 requirements by the prescribed deadline.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Emerging risks

Intense market competition

Intense market competition is an Emerging Risk because of the highly competitive UK banking market. Most large banks have experienced a reduction or slowdown in deposits, with customers able to select for value across a range of offerings. Through undertaking of regular monitoring of its environment and performance of its customer deposit portfolio, the Company can undertake effective decision making to invest in its products and offerings to attract and retain customers.

Rapid technological change, customer behaviour and Artificial Intelligence (AI)

Rapid technological change is also considered an Emerging Risk if our competitors could offer faster and more streamlined solutions. The Company continues to make enhancements to the customer onboarding journey and towards operational efficiencies to allow for greater automation and digitalisation throughout all customer journeys. The Company continues to focus on investment in its products to ensure they meet customer needs.

AI and associated risks and opportunities have featured prominently in broader strategic business decisions across industries in 2023. A review of potential issues and touch-points of AI is being coordinated by the Santander UK Group.

Demanding regulatory agenda

Like all UK banks, the Company continues to face a demanding and complex regulatory agenda in 2024 and beyond focused on consumer outcomes, customer vulnerability and competition. The Santander UK Group continues to evaluate the evolving regulatory environment, and support the Company in understanding and implementing regulatory change requirements.

The Company’s key priority for 2024 is delivering phase 2 of Consumer Duty Regulation by 31 July 2024.

Extended Government involvement in banking & markets

In 2023, there was focus on banks’ decisions with respect to customers savings rates. These created additional challenges and uncertainty for strategic plan forecasting and balance sheet management. UK political risks arising from the 2024 election could also have further impacts going forwards. The issue of debanking which came to prominence in a high profile case in 2023, also highlighted the speed with which an emerging risk can crystallise into an operational and conduct event, as well as increased reputational risk and investor concerns.

Consideration was given to the impact of recent government announcements on account closures, and the Company is working to ensure it complies with these proposed rules at the earliest opportunity. It is paramount that customers have access to banking services and are treated fairly and transparently. These proposals must be brought in swiftly but without causing unintended financial crime consequences. Along with UK political risks, the Santander UK Group also proactively monitors for potential for external interventions in the banking industry, and the likely impacts on the Santander UK Group, both regulatory and governmental.

Uncertain macroeconomic and geopolitical environment

Risks arising in these areas remain in the top ranked areas of concern for the wider Santander UK Group. UK political risks increased significantly in 2023, as the focus is drawn to an upcoming General Election. Key areas of policy focus for the Company include: related markets (rates) and economic impacts; taxation (including bank specific related) and bank regulation.

2024 is also an Election year in the US and the Company will consider the potential impacts on the geopolitical environment from this that could arise. Broader considerations include conflicts in Ukraine and the Middle East, as well as the strengthening of political, trade and security ties between a number of developing nations with large and growing economies. These developments can have significant impacts on supply chains and the cybersecurity threat environment.

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. The Santander UK Group continues to monitor these developments as they evolve.

The Company addresses the risk of crypto asset exposure through its client onboarding policies and procedures.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

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 is managed centrally by the RFB Group.

Credit risk management and mitigation

The Company’s main exposure to credit risk stems from loans and advances to Banks. It has an immaterial exposure to credit risk from loans and advances to customers. Maximum exposure to credit risk is £5,384,000,000 (2022: £5,672,000,000).

The Company's loans and advances to banks relate to bank accounts, deposits placed and intercompany balances with Santander UK plc. Because Santander UK plc is the sole counterparty and holds stable credit ratings, any significant exposure to credit risk against loans and advances to banks is not considered to be material. Therefore, the Company did not recognise any expected credit loss (ECL) provision against these balances, as the ECL is immaterial. Santander UK plc has sufficient accessible highly liquid assets in order to repay the loans if demanded. Furthermore, most of the balance under loans and advances to banks represents placements on overnight deposit with Santander UK plc. As at the year-end 31 December 2023, no credit impairment losses (2022: nil) were recognised against loans and advances to banks.

Credit risk can also arise from unauthorised overdrafts, however these are considered immaterial to the Company. The company offers no arranged overdrafts or lending facilities, although customer accounts can go into an unauthorised overdraft state. The value of overdrawn accounts at the year-end date totalled £5,000 (2022: £6,000). 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 Santander UK Group Holdings plc 2023 Annual Report. 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. The Company is 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 earnt against rates set by external parties such as the Bank of England. Changes in base rates may result in a corresponding change in interest expense because of the need to reprice deposits accordingly. The internal pricing margin earned from Santander UK plc is not within the control of the Company since it is set by Santander UK plc.

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 Company only has the ability to manage sensitivity through deposit repricing and the timing of this activity.

A sensitivity analysis has been presented below to show the potential change to net interest income (NII), should base rates increase or decrease by 100bps. The sensitivity has been presented on the assumption that any internal pricing rates remain fixed as these are outside of the Company's control.

	2023 +100bps £000	2023 -100bps £000	2022 +100bps £000	2022 -100bps £000
NII	5,083	(10,031)	8,251	(36,220)

Foreign exchange Risk

The Company's banking business consists mostly of customer deposits in pounds Sterling, therefore the Company is not significantly exposed to adverse effects that may arise from changes in foreign exchange rates. The Company does however hold 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 retained within currency cash accounts to service the needs of the currency customer deposit portfolio, with any surplus moved into the pounds Sterling account.

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

	2023 Euro £000	2023 US Dollars £000	2022 Euro £000	2022 US Dollars £000
Loans and advances to banks	46,094	33,036	71,601	41,769
Total assets	46,094	33,036	71,601	41,769
Customer accounts	45,449	32,518	71,224	41,511
Other liabilities	57	5	68	11
Total liabilities	45,506	32,523	71,292	41,522

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Liquidity risk

Liquidity risk is the risk of the Company not having sufficient liquid financial resources available to meet its obligations when they fall due, or can only secure such resources at excessive cost. Day to day operational liquidity management is undertaken by the Company, together with Santander UK plc and certain subsidiaries of Banco Santander SA.

Liquidity risk is also managed centrally by the Santander UK Group. 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 to enable it to manage liquidity risk in accordance with regulatory requirements. Further information can be found under Note 20.

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 2025 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 2023	On demand £000	Up-to 3 months £000	3-12 months £000	1-5 years £000	Total £000
Customer accounts	4,568,381	86,560	206,470	116,719	4,978,130
Amounts due to group companies	2,084	6,348	-	-	8,432
Deposits by banks	2,753	-	-	329	3,082
Total financial liabilities	**4,573,218**	**92,908**	**206,470**	**117,048**	**4,989,644**

At 31 December 2022*	On demand £000	Up-to 3 months £000	3-12 months £000	1-5 years £000	Total £000
Customer accounts	5,228,644	1,368	81,886	15,033	5,326,931
Amounts due to group companies	2,358	4,001	-	-	6,359
Deposits by banks	505	-	-	-	505
Total financial liabilities	5,231,507	5,369	81,886	15,033	5,333,795

* See note 24.

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, the Company is 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). Although part of the Banco Santander group, the Company does not have a guarantee from Banco Santander SA and the Company operates as a standalone subsidiary. Reinforcing the corporate governance framework of the Santander UK Group, the PRA exercises oversight through its rules and regulations on the Board and senior management appointments of the Santander UK Group.

Santander UK Group Holdings plc is the holding company of Santander UK plc and is the head of the Santander UK Group for regulatory capital and leverage purposes. Santander UK plc is the head of the RFB Group and is subject to regulatory capital and leverage rules in relation to that sub-group. The Company is part of the RFB Group.

The Company's Board delegates capital management strategy and policy, together with the day to day monitoring of capital to ensure the Company operates within regulatory and internal limits, to Santander UK plc. The Company operates within the Santander UK Group's capital risk framework and the Company's risk appetite approved by the Company's Board.

Risk measurement

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 and minimum requirements for own funds and eligible liabilities (MREL).

ii) Stress testing

Each year a capital plan is created, as part of the Company's ICAAP. The ICAAP is shared with the PRA. The PRA then tells us how much capital (Pillar 2A), and of what quality, it thinks the Company should hold on top of its Pillar 1 requirements and buffer levels.

Stress testing is carried out using a series of economic scenarios to stress test the Company's capital needs and confirm there is enough regulatory capital to meet its projected and stressed capital needs and to meet its obligations as they fall due.

The Company's regulatory minimum capital is augmented with internal buffers. Buffers are used to ensure there is enough time to take action against unexpected changes.

Risk mitigation

The Santander UK Group's capital risk framework, policies and procedures ensures that the Company operates within Risk Appetite. The Company's 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 between the Company and other members of the RFB Group is managed in line with the Santander UK Group's business strategy, risk and capital management policies, UK laws and regulations. There are no legal restrictions on the Company moving capital resources promptly, or repaying liabilities, except for distributions between Santander UK entities in the RFB Group and Santander UK entities that are not members of the RFB Group, where the PRA is required to assess the impact of the 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 Liquidity risk section under the Risk Review of the Santander UK Group Holdings plc 2023 Annual Report.

At 31 December 2023, 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.

Risk monitoring and reporting

Capital Risk is regularly monitored centrally by the Santander UK Group against the Company's capital plan.

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 2023 and 2022, the RFB Group managed internal capital allocations and targets in accordance with its capital and risk management policies.

Capital

	2023 £000	2022 £000
Total Tier 1 Capital*	253,905	303,983
Deductions from Tier 1	(33,057)	(35,569)
Total Capital Resources (Tier 1)	220,848	268,414
Total Capital Resources	220,848	268,414

* The Company's Tier 1 capital consists of shareholders' equity, share premium and audited profits for the years ended 31 December 2022 and 2021, 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 of the Company being used to further financial crime, including money laundering, sanctions evasion, terrorist financing, facilitation of tax evasion, bribery and corruption. Financial crime is managed centrally at the Santander UK Group level.

Key financial crime risks

Financial crime is a high priority risk for the Company, and addressing it is a key priority for senior management. The Company works in collaboration with the wider Santander UK Group to ensure robust systems and controls, conducting business in line with regulatory and legal requirements.

Due to the complexity and number of financial crime threats, The Company working with the wider Santander UK Group continually assess, develop, and improve its capability and capacity to address the changing risk landscape. This includes through its policies, procedures, systems and controls used to prevent and detect financial crime. The Company has minimal tolerance for residual financial crime risk, and zero tolerance for non-compliance with sanctions laws and regulations. The Company requires its colleagues and third parties acting on our behalf to act with integrity, due diligence and care. The Company has no appetite for non-compliance with financial crime laws or regulations by its colleagues or persons acting on our behalf.

The key financial risks are money laundering, terrorist financing, sanctions, bribery and corruption and the facilitation of tax evasion.

Financial crime risk management

Financial crime is managed in accordance with the Santander UK Group's Non-Financial Risk framework (NFR framework) and through a collaborative approach with the Santander UK Group. Further details around the NFR framework and the Santander UK Group's approach towards Financial Crime risk management and steps being taken to enhance risk management capabilities, can be found under the Santander UK Group Holdings plc 2023 Annual Report.

Key elements used by the Company in mitigating financial crime risk include:

- Undertaking customer due diligence measures for new and existing customers, which include understanding their activities and banking needs
- Conducting risk assessments of customers, products, businesses, sectors and geographic risks to tailor the Company's mitigation efforts
- Ensuring all of the Company's colleagues complete mandatory financial crime training and, where required, role-based specialist training

Risk monitoring and reporting

Key risk indicators are used to monitor the Company's exposure to financial crime risks, with issues reported in a timely manner. Together with working closely with subject matter experts across the Santander UK Group 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. The Company continues to work with the Santander UK Group to develop and enhance the Santander UK Group's financial crime operating and governance model to ensure that its control environment evolves at pace, keeping up with new or amended laws, regulations or industry guidance.

RISK REVIEW (continued)

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

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.

Key Operational risks

Operational risk is inherent in the Company's business activities. As a result, the Company aims to manage it down to as low a level as possible, in line with its Risk Appetite, rather than eliminate it entirely. Operational risk events can have a financial impact and can also affect business objectives, customer service and regulatory obligations. These events can include product misselling, fraud, process failures, system downtime and damage to assets or external events. The Company's key operational risks are:

Business disruption

Business disruption risk refers to risks of the Company's ability to maintain and/or recover the normal day-to-day operation of the organisation, to secure the tangible assets, and to support continued delivery of good customer outcomes.

Cybersecurity

Cybersecurity risk refers to the risk that the Company and its customers' data is not secured from internal and external threats. This could cause operational disruption, unauthorised access, loss or misuse of data, breach of regulations, negative customer outcomes, financial loss or reputational damage. The Company's extensive reliance on technology to support customers and operate its business requires a strong focus on cybersecurity and data security. This is because cyber criminals target personal data of customers and employees, and cause disruptions to normal business operations. This focuses the need for resilience against cybersecurity incidents, and the Company's ability to respond and recover swiftly.

Data Management

Data management risk refers to the potential threats and challenges related to quality and integrity of data, which can impact business decisions and the Company's strategic outcomes. The Company uses data to serve customers, satisfy its regulatory requirements and run its operations, and if data is not accurate and timely, this could impact the Company's ability to serve customers, operate with resiliency or meet regulatory requirements.

Financial reporting and Tax

Financial Reporting and Tax risk relates to the risks associated with producing complete and accurate internal and external financial statements, Financial regulatory reporting (including liquidity & capital) as well as the risk that the Company fails to comply with domestic and international tax regulations, or we report to the tax authorities inaccurately or late. The Company's financial reporting and taxation is managed internally by subsidiaries of the Banco Santander SA Group and separate divisions within the Santander UK Group.

Fraud

Fraud can be committed by first parties (the Company's customers), second parties (people known to its customers or the Company), third parties (people unknown to its customers or the Company), and internally by the Company's colleagues. The Company is committed to protecting its customers and itself from fraud and to mitigating fraud risk in an ever-evolving external fraud environment.

IT

As noted in Cybersecurity, technology is vital to the Company's processes and operations, and in providing service to its customers. IT risk arises from any event related to the use of technology supporting business processes, where the event may result in the unavailability or failure of systems or in processing errors that impact the Company's customers or operations. This includes hardware or software failures, or issues caused by change.

Outsourcing and Third party

Third party risk refers to risks to the Company's operational arrangements due to the engagement of third party entities supplying goods or services. Third party risks can arise from both Outsourcing and Non-Outsourcing arrangements. Third party risk is a Top risk for the Company and further information is provided under Top Risks within the Risk Review above.

People

People risks include all risks related to colleagues and third parties working for the Company, covering resource management, health, safety and wellbeing and employee relations. People risk is a transverse risk as resource capacity, capability, and engagement challenges impact all risk types. The Company's colleagues are all employees of Santander UK plc. As the Company applies developments of the Santander UK Group's working practices, adapting to changing circumstances, people impacts and risks continue to be key considerations.

RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (continued)

Operational risks (continued)

Transaction and payments processing

The processing of transactions and payments is a critical service to the Company's customers, and failure to process payments and transactions in a complete, accurate and timely manner could result in material customer harm, regulatory scrutiny and material financial loss. The Company is required to comply with the rules of the payment schemes that it participates in, as well as significant regulatory and legal requirements.

Legal risk

Legal Risk can arise from legal deficiencies in contracts and failures in protecting assets, managing legal disputes, interpretation and compliance with existing laws and regulations or implementation and compliance with new ones. Failure to manage legal risk may expose the Company to financial loss, litigation costs, fines, higher capital or liquidity requirements, criminal sanctions, regulatory action or censure, customer complaints, and/or reputational damage.

Risk mitigation

The Company uses various mitigation tools to reduce operational risk. These include, colleague training and competence, action management, event root cause analysis and emerging risk monitoring.

More detailed information how these risks are mitigated at the Santander UK Group level can be found under the Risk Review section of the Santander UK Group Holdings plc 2023 Annual Report.

Conduct and Regulatory risk

Conduct and non-financial regulatory risk types are managed under one framework due to the overlapping nature and similarities.

Conduct risk is the risk where the Company's decisions and behaviours could lead to detriment or poor outcomes for its customers. It also refers to the risk that the Company fails to maintain high standards of market behaviour and integrity.

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

Conduct and regulatory risk are managed centrally by the Santander UK Group at the RFB Group level.

Key Conduct and Regulatory risks

Key Conduct and regulatory risks are as follows:

Conduct

The risk that the Company's decisions and behaviours lead to a detrimental or poor outcome for its customers and clients and/or fail to uphold and maintain high standards of market integrity.

Regulatory

The risk of non-compliance with applicable regulatory requirements, including supervisory expectations, which may result in regulatory sanctions (financial or reputational - including fines, other economic consequences including remediation costs, and the imposition of conditions on regulatory permissions). The Company takes a risk averse approach to managing personal data, understanding that it is accountable for the data its collects and hold and will process it within the law, respecting individuals' rights and complying with regulatory and legal requirements.

Conduct and Regulatory risk management

Conduct and Regulatory risks are managed in line with the Santander UK Group's NFR Framework.

The Company applies the policies of the Santander UK Group. Further information around these policies can be found under Conduct and Regulatory Risk of the Risk Review section of the Santander UK Group Holdings plc 2023 Annual Report.

Phase 1 of Consumer Duty for on sale products was achieved in 2023. The scope of phase 2 of Consumer Duty implementation as outlined by the FCA covers off-sale products. The Company is working to establish phase 2 of Consumer Duty regulation before the prescribed deadline.

The Santander UK Group continues to monitor the regulatory landscape and contribute to debates on regulatory issues. It expects the key areas of regulatory focus in 2024 to include the ongoing embedding of the FCA's Consumer Duty, the FCA's proposals for new rules to maintain reasonable access to cash for personal and business customers across the UK, and the ongoing activity from the government and regulators to implement HM Treasury's Smarter Regulatory Framework, including the Edinburgh Reforms and the transfer of retained EU Law. The Santander UK Group also expects to see the implementation of Basel 3.1 rules, reform to the UK's ring-fencing regime. The publication of the Future of Payments review in late 2023 will also lead to potential reform of the various inflight payments projects in the UK as HM Treasury publishes its National Payments Vision.

The Company, working together with the Santander UK Group will maintain a strong focus on robust oversight and control of the customer journey across all of its products. It will also ensure its strategy, leadership, governance arrangements, and approach to managing and rewarding colleagues do not lead to a detrimental impact on customers, competition, or to market integrity.

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 2023 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 2023; 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: £8.5m (2022: £3.4m) based on 5% of profit before tax.
- Performance materiality: £6.4m (2022: £2.5m).

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 11 Goodwill.	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:
The company has a goodwill balance of £30 million at 31 December 2023 which relates to the 2001 purchase of the trade and assets of CA Premier Banking Limited (formerly Robert Fleming & Co Limited).	- 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, and inspecting key supporting documentation;
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.	- 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;
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 forecast cash flows.	- 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;
Due to the magnitude of the goodwill balance and the nature of these assumptions, the impairment assessments represent a key audit matter.	- Evaluating the reasonableness of the forecasted cash flows, including agreeing the cash flow forecasts to the Board approved three-year plans and key supporting documents.
	- We assessed the sensitivity of the impairment assessment to reasonable changes in key assumptions 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 the purposes of the Cater Allen Limited audit. 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	£8.5m (2022: £3.4m).
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% (2022: 75%%) of overall materiality, amounting to £6.4m (2022: £2.5m) 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 £8.5m (2022: £3.4m) 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 (RFB DolSub) 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 2023 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 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 journal entries. Audit procedures performed by the engagement team included:

- Inquiries 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 journal entries containing unusual account combinations impacting the revenue and expense line items;
- 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.

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 8 years, covering the years ended 31 December 2016 to 31 December 2023.

Nikhil Dhiri (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
19 April 2024

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

Continuing Operations	Note	2023 £000	2022 £000
Interest and similar income		259,964	102,326
Interest expense and similar charges		(66,912)	(14,546)
Net interest income	2	193,052	87,780
Fee and commission income		2,666	3,348
Fee and commission expense		(2,530)	(1,811)
Net fee and commission income	3	136	1,537
Total income		193,188	89,317
Operating expenses	4	(20,754)	(19,105)
Amortisation of intangible assets	4	(2,905)	(2,905)
Operating profit		169,529	67,307
Profit before tax		169,529	67,307
Taxation expense	7	(47,044)	(18,176)
Profit for the year after tax		122,485	49,131
Total comprehensive income for the year attributable to the equity holders of the Company		122,485	49,131

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2023	100,000	2,950	250,226	353,176
Dividend paid	-	-	(100,000)	(100,000)
Profit and total comprehensive income for the year	-	-	122,485	122,485
Balance at 31 December 2023	100,000	2,950	272,711	375,661
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

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

BALANCE SHEET

As at 31 December 2023

	Note	2023 £000	2022* (Restated) £000	1st Jan 2022 (Restated) £000
Non-current assets				
Goodwill	11	**30,000**	30,000	30,000
Intangible assets	13	**3,057**	5,569	8,474
Deferred tax	8	**12**	15	22
Property, plant and equipment	12	**6**	6	6
Total non-current assets		**33,075**	35,590	38,502
Current assets				
Financial assets at amortised cost:				
- Loans and advances to banks	9	**5,383,852**	5,671,848	5,128,808
- Loans and advances to customers	10	**-**	-	-
Other assets	14	**12,783**	10,576	11,907
Total current assets		**5,396,635**	5,682,424	5,140,715
Total assets		**5,429,710**	5,718,014	5,179,217
Current liabilities				
Financial liabilities at amortised cost:				
- Deposits by banks	15	**3,082**	505	-
- Customer accounts	16	**4,978,130**	5,326,931	4,544,224
- Amounts due to group companies	17	**8,432**	6,359	4,655
Other liabilities	18	**17,363**	12,873	15,669
Current tax	18	**47,042**	18,170	10,624
Total liabilities		**5,054,049**	5,364,838	4,575,172
Equity				
Share capital	19	**100,000**	100,000	100,000
Share premium account		**2,950**	2,950	2,950
Retained earnings		**272,711**	250,226	501,095
Total equity		**375,661**	353,176	604,045
Total liabilities and equity		**5,429,710**	5,718,014	5,179,217

*See note 24.

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

The financial statements on pages 24 to 43 were approved by the Board of Directors and authorised for issue on 19 April 2024. They were signed on its behalf by:

Stephen Affleck
Director
19 April 2024

CASH FLOW STATEMENT

For the year ended 31 December 2023

	2023 £000	2022* (Restated) £000
Profit before tax	169,529	67,307
Adjustments for non-cash items:		
Effect of foreign exchange rates on loans and advances to banks	3,545	(10,493)
Amortisation of intangible assets	2,905	2,905
Impairment reversal	-	(35)
Net cash flow from trading activities	175,979	59,684
Changes in operating assets and liabilities		
Decrease in loans and advances to customers	-	35
Increase in other assets	(2,207)	(10,406)
(Decrease)/ increase in customer accounts	(348,801)	782,202
Increase/ (decrease) in deposits by banks	2,577	(1,348)
Increase in amounts due to other group companies	2,073	4,061
Increase in other liabilities	4,491	8,942
Settlement to Santander UK plc in respect of Corporation Tax	(18,170)	(10,623)
Net cash (used in)/ generated from operating activities	(184,058)	832,547
Investing activities		
Intangible asset work in progress	(393)	-
Cash used in investing activities	(393)	-
Financing activities		
Dividend paid	(100,000)	(300,000)
Cash used in financing activities	(100,000)	(300,000)
Net (decrease)/ increase in cash and cash equivalents	(284,451)	532,547
Effect of foreign exchange rates	(3,545)	10,493
Cash and cash equivalents at the beginning of the year	5,671,848	5,128,808
Loans and advances to banks (Note 9)	5,383,852	5,671,848

*See note 24.

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 UK Companies Act 2006.

The Company is a private company, limited by shares, and is domiciled and incorporated in the England and Wales. 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 consolidated financial statements have been prepared on the going concern basis using the historical cost convention. An assessment of the appropriateness of the adoption of the going concern basis of accounting is disclosed in the statement of going concern in the Report of the Directors.

The financial statements of the Company comply with UK-adopted International Accounting Standards (IAS). The financial statements are also prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), including interpretations issued by the IFRS Interpretations Committee, as there are no applicable differences from IFRS as issued by the IASB for the periods presented.

The functional and presentation currency of the Company is Sterling.

Recent accounting developments

The Company applied the amendment to IAS 1 'Presentation of Financial Statements', which requires disclosure of material rather than their significant accounting policies, in preparing the financial statements from the year ended 31 December 2022.

No other significant new or revised pronouncements, which became effective from 1 January 2023, impacted these financial statements.

Future accounting developments

At 31 December 2023, there were no other significant new or revised pronouncements 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".

The prior year balance sheet position was restated to present more clearly the balances representing other assets, other liabilities, customer accounts, deposits by banks and amounts due to group undertakings. In addition, the cash flow statement was restated to reflect the effect of changes arising from foreign exchange rates on cash and cash equivalents. These changes had no impact on the statement of comprehensive income. Information regarding these restatements can be found under note 24.

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 only reclassifies financial assets 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 and measured at amortised cost. For the Company, financial liabilities comprise 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. A loss allowance equal to a 12-month ECL is applied 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. A loss allowance equal to the lifetime ECL is applied 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. A loss allowance equal to the lifetime ECL is applied. 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.

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

The Company acquired CA Premier Banking Limited (later renamed to CAPB Limited). In 2002 permission was granted to transfer the business activities of CA Premier Banking Limited to the Company. Goodwill was recognised on the acquisition of the business of CA Premier Banking Limited (formerly Robert Fleming & Co Limited) and represents the excess of the cost of 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 11.

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 11)

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 or 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 indicators 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 11.

2. NET INTEREST INCOME

	2023 £000	2022 £000
Interest and similar income:		
Loans and advances to banks	259,964	102,326
Total interest and similar income	259,964	102,326
Interest and similar charges		
Deposits by customers	(66,912)	(14,546)
Total interest and similar charges	(66,912)	(14,546)
Net interest income	193,052	87,780

The increase in interest income and interest charges were driven by increases in the Bank of England base rate during 2023.

3. NET FEE AND COMMISSION INCOME

	2023 £000	2022 £000
Fee and commission income:		
Foreign currency and current account fees	2,666	3,348
Total fee and commission income	2,666	3,348
Fee and commission expense:		
Intermediary fees	(1,436)	(812)
Processing fees	(1,094)	(999)
Total fee and commission expense	(2,530)	(1,811)
Net fee and commission income	136	1,537

4. OPERATING EXPENSES

	2023 £000	2022 £000
Colleague costs:		
Wages and salaries	10,495	5,510
Social security costs	567	443
Other pension costs:		
- defined contribution plans	407	304
- defined benefit plans	78	113
Other personnel costs	277	268
	11,824	6,638
Property and equipment expenses	-	257
Other administrative expenses	8,930	12,210
Total operating expenses	20,754	19,105
Amortisation of intangible assets	2,905	2,905

Other administrative expenses totalling £8,930,000 (2022: £12,210,000) comprise of amortisation of intangible assets, intercompany recharges, professional and legal expenses, auditor fees, fraud costs, advertising and regulatory fees.

During the year the Company incurred £5,600,000 of recharged people costs from Santander UK plc, for work on various projects carried out by Santander UK plc (2022: £1,900,000). These recharged project costs are included within Wages and salaries above.

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

	2023 Number	2022 Number
Average number of colleagues in year	99	89

5. DIRECTORS' EMOLUMENTS & KEY MANAGEMENT PERSONNEL

The Chair of the Company earned a fee of £15,000 per annum, pro-rated for the time spent in office (2022: £15,000 per annum).

No other (2022: 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 (2022: £nil).

Costs borne by the Company in respect of key management personnel services for the year totalled £434,489 (2022: £438,511). Key management personnel, together with all other colleagues of the Company are employees of Santander UK plc, whose costs are recharged to the Company.

6. AUDIT AND OTHER SERVICES

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

	2023 £000	2022 £000
Audit services:		
Statutory audit fees for the audit of Company's financial statements	102	101
Total audit fees	102	101

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

7. TAXATION EXPENSE

	2023 £000	2022 £000
Current tax:		
UK corporation tax on profit of the year	47,041	18,169
Total current tax	47,041	18,169
Deferred tax (Note 8):		
Origination and reversal of temporary differences	3	3
Change in rate of UK corporation tax	-	4
Total deferred tax	3	7
Tax charge on profit for the year	47,044	18,176

UK corporation tax is calculated at 23.50% (2022: 19.00%) of the estimated assessable profits for the year. The bank surcharge is calculated at 4.25% (2022: 8.00%).

The enacted tax rates for 2024 are expected to be 25% for corporation tax and 3% for the bank surcharge. These rates have therefore been applied in determining both the opening and closing balance sheet positions for deferred tax.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK to implement the OECD Pillar Two model rules which introduces a global minimum effective tax rate of 15% with effect from 1 January 2024. It is not anticipated that the rules will impact the Company.

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

	2023 £000	2022 £000
Profit before tax	169,529	67,307
Tax calculated at a tax rate of 23.50% (2022: 19.00%)	39,868	12,788
Bank surcharge profits	7,176	5,385
Effect of change in tax rate on deferred tax provision	-	3
Tax charge for the year	47,044	18,176

8. 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:

	2023 £000	2022 £000
At 1 January	15	22
Income statement charge	(3)	(7)
At 31 December	12	15

Deferred tax assets are attributable to the following items:

	Balance Sheet		Income Statement	
	2023 £000	2022 £000	2023 £000	2022 £000
Deferred tax assets				
Accelerated book depreciation	12	15	(3)	(7)
	12	15	(3)	(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.

9. LOANS AND ADVANCES TO BANKS

	2023 £000	2022 £000
Amounts due from group companies	5,383,852	5,671,848
	5,383,852	5,671,848

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

	2023 £000	2022 £000
Repayable:		
On demand	5,359,220	5,647,454
In not more than three months	24,632	24,394
	5,383,852	5,671,848

Balances on demand represent GBP and USD placements with Santander UK plc. Balances due within three months relate to Euro placements with Santander UK plc.

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 (2022: all at variable rate).

10. LOANS AND ADVANCES TO CUSTOMERS

	2023 £000	2022 £000
Other unsecured advances	5	6
Loans and advances to customers	5	6
Less: Credit impairment loss allowance	(5)	(6)
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 accounts had gone into long term debit balance. No interest accrues against these balances. The Company ceased offering arranged overdrafts at the tail end of 2019. All debit balances are fully provisioned for as stage 3 ECL.

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

Movement in loan loss allowances:

	2023 Other Unsecured advances £000	2022 Other Unsecured advances £000
As at 1 January	(6)	(41)
Net reversal of impairment during the year	1	-
Amounts written off during the year	-	35
At 31 December	(5)	(6)

11. GOODWILL

	2023 £000	2022 £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 2023 and 2022, 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. Further details around Santander UK's approach to goodwill impairment assessment can be found under the Santander UK Group Holdings plc 2023 Annual Report.

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:

	2023 %	2022 %
Pre-tax discount rate	14.6	15.3
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.

11. GOODWILL (continued)

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 2023, can be found within the Credit Risk section of the Risk review section of the Santander UK Group Holdings plc 2023 Annual Report. The cash flow projections take into account the likely impact of recent changes to the BoE Bank Rate and inflation.

Cash flow projections for the purpose of impairment testing do not take account of any adverse outcomes arising from contingent liabilities (see Note 20), 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 2023.

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.

A sensitivity analysis in the growth rate beyond initial cashflow projections for both the current and prior years has not been provided, as it is not considered sensitive as it would require an unrealistic reduction in growth rates to reduce headroom to nil.

Sensitivity analysis of key assumptions in calculating value in use

Although there was no impairment of goodwill at 31 December 2023 or 31 December 2022, 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 (2022: reduce headroom to 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
2023:	**£000**	**£000**	**£000**	**bps**	**%**
CA Premier Banking Limited	**376,400**	**1,446,000**	**1,069,000**	**20,260**	**74**
2022:					
CA Premier Banking Limited	353,176	900,000	546,824	3,057	61

*The increase required in pre-tax discount rate for 2023 is not considered sensitive since it would require an unrealistic increase to reduce headroom to nil. The increase required against the current year value in use has been included to keep disclosure consistent with the prior year.

12. PROPERTY, PLANT AND EQUIPMENT

	2023 Office fixtures and equipment £000	2022 Office fixtures and equipment £000
Cost:		
At 1 January	6	2,999
Asset written off	-	(2,993)
At 31 December	6	6
Accumulated depreciation:		
At 1 January	-	(2,993)
Asset written off	-	2,993
At 31 December	-	-
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.

13. INTANGIBLE ASSETS

Software:	2023 £000	2022 £000
Cost:		
At 1 January and 31 December 2023	14,526	14,526
At 31 December	14,526	14,526
Work in progress	393	-
Accumulated amortisation:		
At 1 January	(8,957)	(6,052)
Charge in the year	(2,905)	(2,905)
At 31 December	(11,862)	(8,957)
Net book value	3,057	5,569

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. Additions in the year relate to enhancements relating to the Banking Platform.

14. OTHER ASSETS

	2023 £000	2022* (Restated) £000
Items in course of collection from other banks	11,070	10,040
Other accruals	1,713	536
	12,783	10,576

*See note 24. A restatement of the prior year was made to include accrued income and items which are in the course of collection from other banks that were previously reported within other liabilities.

The book value of other assets equals their fair value.

15. DEPOSITS BY BANKS

	2023 £000	2022* (Restated) £000
Deposits by third parties	3,082	505
Total deposits by banks	3,802	505
Repayable:		
On demand	2,753	505
More than one year but not more than five years	329	-
	3,082	505

*See note 24. A restatement of the prior year was made to include deposits by credit institutions, that were previously reported under customer accounts. In addition, general intercompany recharges with Santander UK plc previously reported under deposits by banks were reclassified to amounts due to group companies.

16. CUSTOMER ACCOUNTS

	2023 £000	2022* (Restated) £000
Deposits due to fellow subsidiaries	63	63
Retail deposits	4,978,067	5,326,868
Total deposits by customers	4,978,130	5,326,931

	2023 £000	2022 £000
Repayable:		
On demand	4,568,381	5,228,644
Not more than three months	86,560	1,368
More than three months but not more than one year	206,470	81,886
More than one year but not more than five years	116,719	15,033
	4,978,130	5,326,931

*See note 24. Deposits by credit institutions are now reported under deposits by banks (also see note 15).

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

17. AMOUNTS DUE TO GROUP COMPANIES

	2023 £000	2022* (Restated) £000
Santander UK plc – recharges	8,432	6,359
	8,432	6,359

*See note 24. General intercompany recharges with Santander UK plc previously reported as deposits by banks are now reported as amounts due to group companies.

The book value of amounts due to group companies approximately equals their fair value.

18. OTHER LIABILITIES

	2023 £000	2022* (Restated) £000
Accrued expenses	618	367
Items in the course of transmission	14,950	10,979
Other	1,795	1,527
Total other liabilities	17,363	12,873
Current tax – corporation tax	47,042	18,170

*See notes 14 and 24.

Items in course of transmission relate to customer account transactions that are in the course of clearing.

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.

19. SHARE CAPITAL

	2023 £	2022 £
Issued and fully paid:		
100,000,000 (2022: 100,000,000) ordinary shares of £1 each	100,000,000	100,000,000
100 (2022: 100) preferred shares of £1 each	100	100

Santander Private Banking UK Limited is the sole shareholder. 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 preferred shares as described below, 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.

20. CONTINGENT LIABILITIES AND COMMITMENTS

Capital support arrangements

At 31 December 2023, 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.

21. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with its intermediate parent and fellow group companies as per the table below. There were no related party transactions with its ultimate controlling party as at the year-end date (2022: £nil).

The Company paid an interim dividend of £100,000,000 (2022: £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.

21. RELATED PARTY TRANSACTIONS (continued)

During the year, the Company entered into no transactions with Directors of the Company (2022: £nil) other than Director emoluments fees per note 5.

One member of key management personnel holds bank accounts with the Company on normal market terms and conditions, or on the same terms and conditions as applicable to other employees in Santander UK group. The balances at 31 December 2023 and 31 December 2022 were not considered significant for disclosure since they were less than £50 in aggregate for both years.

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	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Santander UK plc – retail deposits	**247,637**	79,068	**-**	-	**5,325,475**	5,589,957	**-**	-
Santander UK plc – Bank account	**-**	-	**-**	-	**57,119**	80,444	**-**	-
Santander UK plc – cost recharges	**-**	-	**8,161**	5,780	**-**	-	**8,432**	6,359
Santander UK plc – transfer pricing	**12,327**	22,726	**-**	-	**1,258**	1,447	**-**	-
Gesban UK Limited – provision of accounting services	**-**	-	**93**	84	**-**	-	**-**	-
Cater Allen Lloyds Holdings Limited – customer account	**-**	-	**-**	-	**-**	-	**1**	1
Cater Allen Syndicate Management Limited – customer account	**-**	-	**-**	-	**-**	-	**62**	62
	259,964	101,794	**8,254**	5,864	**5,383,852**	5,671,848	**8,495**	6,422

22. RETIREMENT BENEFIT SCHEMES

The Company participates in the Santander UK Group Pension schemes. There is no contractual agreement or 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 2023 Annual Report.

Pension costs including those for members of key management personnel whose employment costs are recharged to the Company, are included in colleague costs under Note 4.

23. PARENT UNDERTAKING AND CONTROLLING PARTY

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.

24. RESTATEMENT

Following a review during the year it was identified that certain balance sheet assets and liabilities needed to be restated to better reflect the Company's balance sheet. These changes had no impact to the statement of comprehensive income. The cash flow statement was also restated to accommodate the changes outlined below, as well as reflecting the effect of changes arising from foreign exchange rates on cash and cash equivalents.

A summary of the changes are as follows:

i) Deposits by third party credit institutions that were reflected as customer accounts in the prior year are now reported under deposits by banks.

ii) General intercompany recharges with Santander UK plc that were previously reflected under deposits by banks are now reported as part of amounts due to group companies.

iii) Asset balances relating to accrued income and items in course of collection with banks that were previously reported under other liabilities are now reported within other assets.

BALANCE SHEET	Note	As previously reported 2022 £000	Adjustment 2022 £000	Restated 2022 £000
Non-current assets				
Goodwill	11	30,000	-	30,000
Intangible assets	13	5,569	-	5,569
Deferred tax	8	15	-	15
Property, plant and equipment	12	6	-	6
Total non-current assets		35,590	-	35,590
Current assets				
Financial assets at amortised cost:				
- Loans and advances to banks	9	5,671,848	-	5,671,848
- Loans and advances to customers	10	-	-	-
Other assets	14	-	10,576	10,576
Total current assets		5,671,848	10,576	5,682,424
Total assets		5,707,438	10,576	5,718,014
Current liabilities				
Financial liabilities at amortised cost:				
- Deposits by banks	15	2,358	(1,853)	505
- Customer accounts	16	5,327,436	(505)	5,326,931
- Amounts due to group companies	17	4,001	2,358	6,359
Other liabilities	18	2,297	10,576	12,873
Current tax	18	18,170	-	18,170
Total liabilities		5,354,262	10,576	5,364,838
Equity				
Share capital	19	100,000	-	100,000
Share premium account		2,950	-	2,950
Retained earnings		250,226	-	250,226
Total equity		353,176	-	353,176
Total liabilities and equity		5,707,438	10,576	5,718,014

These changes have also been reflected within the cashflow statement under the primary financial statements. An analysis of the change to the cashflow for the prior year is presented below.

24. RESTATEMENT (continued)

The Opening position as at 1st January 2022 has been restated as follows:

BALANCE SHEET	Note	31st December 2021 as originally reported 2021 £000	Adjustment 2021 £000	Opening 1st January 2022 2022 £000
Non-current assets				
Goodwill	11	30,000	-	30,000
Intangible assets	13	8,474	-	8,474
Deferred tax	8	22	-	22
Property, plant and equipment	12	6	-	6
Total non-current assets		38,502	-	38,502
Current assets				
Financial assets at amortised cost:				
- Loans and advances to banks	9	5,128,808	-	5,128,808
- Loans and advances to customers	10	-	-	-
Other assets	14	170	11,737	11,907
Total current assets		5,128,978	11,737	5,140,715
Total assets		5,167,480	11,737	5,179,217
Current liabilities				
Financial liabilities at amortised cost:				
- Deposits by banks	15	2,783	(2,783)	-
- Customer accounts	16	4,544,224	-	4,544,224
- Amounts due to group companies	17	1,873	2,783	4,656
Other liabilities	18	3,932	11,737	15,669
Current tax	18	10,623	-	10,623
Total liabilities		4,563,435	11,737	4,575,172
Equity				
Share capital	19	100,000	-	100,000
Share premium account		2,950	-	2,950
Retained earnings		501,095	-	501,095
Total equity		604.045	-	604,045
Total liabilities and equity		5,167,480	-	5,179,217

24. RESTATEMENT (continued)

The cashflow statement has been restated in regard to the adjustments above as well as to present separately the effect of foreign exchange rates on loans and advances to banks.

CASHFLOW STATEMENT	As previously reported 2022 £000	Adjustment 2022 £000	Restated 2022 £000
Profit before tax	67,307	-	67,307
Adjustments for non-cash items:			
Effect of foreign exchange rates on loans and advances to banks	-	(10,493)	(10,493)
Amortisation of intangible assets	2,905	-	2,905
Impairment reversal	(35)	-	(35)
Net cash flow from trading activities	70,177	(10,493)	59,684
Changes in operating assets and liabilities			
Decrease in loans and advances to customers	35	-	35
Decrease/ (increase) in other assets	170	(10,576)	(10,406)
Increase in customer accounts	783,212	(1,010)	782,202
Decrease in deposits by banks	(425)	(923)	(1,348)
Increase in amounts due to other group companies	2128	1,933	4,061
Decrease in other liabilities	(1,634)	10,576	8,942
Settlement to Santander UK plc in respect of Corporation Tax	(10,623)	-	(10,623)
Net cash generated from operating activities	843,040	(10,493)	832,547
Financing activities			
Dividend paid	(300,000)	-	(300,000)
Cash used in financing activities	(300,000)	-	(300,000)
Net increase in cash and cash equivalents	543,040	(10,493)	532,547
Effect of foreign exchange rates	-	10,493	10,493
Cash and cash equivalents at the beginning of the year	5,128,808	-	5,128,808
Loans and advances to banks (Note 9)	5,671,848	-	5,671,848