

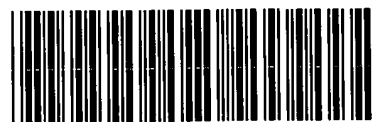
Company Registered No: 11194605

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

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NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

11194605

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

Jeffrey Scott (Chairperson)
Stuart Foster
Graham Halstead
James Rowney
Wendy Redshaw
Dominic Simpson

COMPANY SECRETARY:

John Virtue

REGISTERED OFFICE:

250 Bishopsgate
London
United Kingdom
EC2M 4AA

INDEPENDENT AUDITOR:

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Registered in England and Wales

STRATEGIC REPORT

The directors of NatWest Trustee and Depositary Services Limited ("the Company") present their report together with the audited financial statements for the year ended 31 December 2021.

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the Company continues to be trustee and depositary services business. The Company has been authorised by the Financial Conduct Authority (FCA) as a Markets in Financial Instruments Directive (MiFID) investment firm with appropriate top-up permissions to provide trustee and depositary services to Collective Investment Schemes (CIS), including Alternative Investment Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities Directive (UCITS), in the UK. The Company therefore provides corporate trustee and depositary services to UK domiciled Authorised Fund Managers (AFMs) in respect of the CIS they operate.

During 2019 the Company launched a Dealing & Custody service to enhance existing services and in 2020 onboarded its first Dealing & Custody client. During 2021, the Company worked within the Royal Bank of Scotland International (RBSI) to promote awareness of the service offering amongst the Relationship Director community, and to seek opportunities to market the product to in-scope clients. Several clients were engaged during the period, however there was no further growth of the client base. The Company leveraged feedback from those client engagements, and is exploring ways in which to broaden the scope of the service to access a wider pool of clients, with several options under consideration.

The Company is a subsidiary of The Royal Bank of Scotland International (Holdings) Limited which in turn is a subsidiary of NatWest Group plc, which provides the Company with support and access to all central resources and determines policies in all key areas such as finance, risk, human resources and environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

NatWest Group (NWG) comprises NatWest Group plc and its subsidiary and associated undertakings. Copies of the annual report of NWG can be obtained from Corporate Governance and Regulatory Affairs, NatWest Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or through the NWG website, www.natwestgroup.com.

The Company is regulated by the Financial Conduct Authority (FCA).

Review of the year**Business review**

The Company's purpose, which is aligned with NatWest Group, is to champion potential, helping people, families and businesses to thrive. The Company will continue to become simpler to deal with for our clients, through a focus on great client service and technology and improving client journeys.

With 2021 being dominated by the Coronavirus Disease 2019 (COVID-19) crisis, the Company has demonstrated a purpose-led approach with its ongoing support of clients through the provision of regulatory support and guidance throughout the pandemic, safe-guarding assets and investors' interests and the launch of key sustainability initiatives.

As the impacts of COVID-19 emerged the Company's priority has been to look after the safety and wellbeing of its colleagues. We continue to focus on improving client satisfaction through fully understanding their needs across the financial lifecycle. Our relationship teams provide insight and expertise in the sectors and locations where we operate.

The Company performed a review of the Service operations and documentation prior to the UK exiting the EU, and made several small adjustments to client documentation to reflect the change. There was no operational impact to the trading or custody functions.

STRATEGIC REPORT

We have considered the potential impacts of the Russia-Ukraine situation upon the financial performance of the company. We have a small exposure (less than 1%) to Russian Assets which is not material to overall financial performance and will be managed in accordance with FCA guidelines.

Post balance sheet events are described in note 14 to the financial statements.

Financial Performance in a challenging environment

The Company's financial performance is presented from pages 12 to 14.

Operating profit before tax is £14m. These results demonstrate resilient growth.

The Company's directors declared an ordinary dividend of £8 million (2020: £nil) to RBSIH. This was paid on 26th April 2021. No interim dividend was paid during the year.

Subsequent to year ended 31 December 2021, management of the Company proposed a dividend of £9 million which was approved by Board of Directors in their meeting held on 06 April 2022.

Key Performance metrics and ratios

	2021	2020
Total Income	£35.7m	£31.8m
Operating profit before tax	£14.0m	£13.1m
Risk Weighted Assets	£66.9m	£83.9m
CET1 capital ratio	109.8%	83.9%
Assets held in a fiduciary capacity	£458bn	£410bn

The CET1 ratio has increased year on year with capital increasing principally due to the inclusion of 2020 retained profits and a £17m reduction in Risk Weighted Assets (RWAs). The reduction in RWAs relates to a reduction in Operational Risk RWAs. In line with CRR Article 317 (4), Operational Risk RWAs were previously calculated on three years of future forecasted income as NWTDS was in operation for less than three years. Now that NWTDS has been in operation for over three years, the calculation for Operational Risk RWAs is based on historical income data and will continue to do so going forward. The dividend of £8m paid to shareholders in the year has been offset against current year profits and does not impact the CET1 ratio.

Principal risks and uncertainties

The prevailing market and economic conditions pose risks for the Company. The financial position of the Company, liquidity position, capital and funding sources are set out in the financial statements. Note 12 to the financial statements includes the Company's objectives, policies and processes for managing its risks.

Governance**The Board**

The Board is collectively responsible for the long-term success of the Company; approving the strategic priorities and delivering sustainable value to its shareholder. It monitors and maintains the consistency of the Company's activities within the strategic direction of NWG. It reviews and approves risk appetite for strategic and material risks in accordance with NWG Risk Appetite Framework and it monitors performance against risk appetite for the RBSI Group.

It approves the Company's key financial objectives and keeps the capital and liquidity positions of the Company under review. The Board is also responsible for purpose and culture, which underpins all of the Company's activities and its long-term sustainability.

Section 172(1) statement

In this statement we describe how our directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (section 172) when performing their duty to promote the success of the company.

STRATEGIC REPORT***Engagement with stakeholders***

The Board reviews and confirms its key stakeholders for the purposes of S.172 annually. For 2021 they remain colleagues, authorised fund managers, third party providers (such as custodians and data suppliers), regulators and the Company's shareholder.

Colleagues***Colleague engagement***

As government advice relaxes around workplace, public transport, social distancing, self-isolation rules and the success of the vaccination roll out, the NWTDS introduced a new way of working with a hybrid approach to office and home working, appropriate to the needs of the role to enable us to continue to deliver for customers. Our office spaces now support a more flexible and dynamic working environment when we do spend time in the office.

The Company values the input of its colleagues and actively seeks opportunities to engage with them to contribute to on-going dialogue and activities to make the Company better for our customers and colleagues. The bi-annual colleague listening survey, known as 'Our View', provides valuable data to decision makers across NWTDS and the wider RBSI Group in support of improving employee engagement and satisfaction. At NWTDS level, 69% of the NWTDS population completed the latest OurView survey in September 2021 (RBSI Group level, 76%). NWTDS has seen significant progress vs September 2020. Material improvements were seen in each of the 3 core indexes of Culture, Engagement and Leadership whilst improving its scores in 12 categories vs September 2020 despite the ongoing pandemic and reality of the new normal working routine, which had a significant impact on its previously office based only operations. The survey evidences NWTDS's third consecutive series of improved results albeit there is some way to go to reach the levels across each category that some areas of the wider Bank enjoy.

Focus Groups with the support of the leadership team, have helped drive significant improvements over the last 2 years. Peer to Peer workshops have also taken place, with over 170 pieces of feedback collated and factored in to working group actions plans.

Diversity, Equity and Inclusion

The Company has a Diversity, Equity and Inclusion Policy and values and promotes diversity in all areas of recruitment and employment.

We work to avoid limiting potential through bias, prejudice or discrimination. The key principles of our Diversity Equity and Inclusion Policy are to attract, motivate and retain the best talent. We base the employment relationship on the principles of fairness, respect and inclusion. We comply with local laws on equality and Our Code, which sets out NatWest Group's expected behaviours and standards of conduct, to build and develop an inclusive workforce in order to understand and respond to our diverse customer base.

Championing the potential of our colleagues

We are committed to developing knowledge, skills and behaviours in a number of key critical capability areas that support our ambition and purpose. By encouraging a culture of continuous learning, knowledge sharing and reflective practice, we are ensuring that colleagues stay relevant and employable – and that we can adapt to the changing needs of our customers, communities and context.

Our approach to performance management provides clarity for our colleagues about how their contribution links to our ambition. Individual performance objectives are clearly linked to our vision and strategy.

We have a balanced approach to reward which recognises both what the individual has achieved and how they have achieved it. We recognise contributions that support our values and hold individuals to account for behaviour and performance that do not.

STRATEGIC REPORT***Authorised Fund Managers and 3rd party providers***

Customers are at the heart of everything NatWest Group does, and the Board recognises the key role suppliers play in ensuring the Company delivers a reliable service to customers. The Company is also committed to managing the wider social, environmental and economic impacts of its operations which includes the way it deals with its customers and manages sustainability issues in its supply chain. Refer to natwestgroup.com for NatWest Group's Modern Slavery Statement and details of the Supplier Code of Conduct, both of which apply to relevant subsidiaries within NatWest Group.

NWG joined the Net Zero Banking Alliance, working with financial organisations to help deliver the Paris Agreement. NWG has submitted 2030 sector emissions reduction estimates to the Science Based Targets initiative (SBTi) for validation and will continue to enhance availability of data to support future calculations of financed emissions and emissions intensities.

RBSI Group, as part of NWG, achieved climate positive status for our own direct operations in 2021. In 2021, we used internationally recognised carbon credits which add environmental, social and community benefits. NWG plans to reduce the carbon footprint for our wider operational value chain by 50% by 2030 and achieve net zero by 2050.

During 2021 we worked with a specialist services firm to build an ESG insight tool for depository customers. The platform utilises artificial intelligence to augment customer ESG data and provide a timely assessment of a customer's performance against their ESG investment objectives and developing regulatory requirements. We demonstrated the tool to five customers, seeking their feedback in 2021 to support development.

Regulators

The RBSI Group continues to deal with a range of significant risks and uncertainties in the external economic, political and regulatory environment including:

- Changes to the FCA Investment Firm Prudential Regime for MiFID Investment firms.
- Challenges adjusting to the UK's new trading relationship with the EU and supply chain labour and material shortages caused by a range of factors including Covid-related, Brexit-related and specific industry issues.

The Company holds off balance sheet balances due to its fiduciary capacity. A CASS (Client Assets Specialist Sourcebook) audit is carried out separately on an annual basis for the UK Financial Conduct Authority. Ernst and Young LLP have provided this service during the 2021 period under the FRC's CASS Audit Standard.

Supporting effective Board discussions and decision-making

Our Board and Committee terms of reference reinforce the importance of considering both our purpose and the matters set out in section 172. Our Board and Committee paper template includes a section for authors to explain how a proposal or update aligns with our purpose and a separate section for them to include an assessment of the relevant stakeholder impacts for the directors to consider.

Principal decisions

Principal decisions are those decisions taken by the Board that are material, or of strategic importance, to the company, or are significant to the Company and NatWest Group's key stakeholders.

How stakeholder interests have influenced decision making

The Company recognises the importance of engaging with stakeholders to help inform the Company's strategy and Board decision making. Relevant stakeholder interests, including those of colleagues, are taken into account by the Board when it takes decisions.

STRATEGIC REPORT

In making the following principal decisions, the Board considered the outcomes of relevant stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct.

The Board has approved a major transformation programme to modernise the Company's operating platforms and how data is dealt with, streamline its operating model and improve controls and evolve the business model to become the depositary of the future, all of which will benefit key stakeholders. During 2020 a project team was set up to deliver this vision through a Data Intelligence Platform and significant progress has been made in 2021 to turn this vision into reality. The cloud platform environments have been created, all core processes designed, regulatory governance complete and development is well advanced in readiness to move into production on a phased basis in 2022. Customers are supporting the transition with some acting as pilot customers.

Maintaining capital adequacy is critical to retaining investor confidence and protection. Effective and efficient capital planning is a core focus for NWTDS, balancing our commitment to maintaining safety and soundness with sustainable risk adjusted shareholder returns. On 6 April 2022, the Board of Directors approved a dividend of £9 million. Base case capital plan and stress test modelling support the payment of this dividend.

Going Concern

The directors are satisfied with the financial position of the Company and believe that they are appropriately placed to manage their business risks successfully.

Having reviewed the Company's forecasts, projections and other relevant evidence, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Foreseeable future is defined as 12 months from the date of signing of this Report and Accounts, being 06 April 2023. Accordingly, the financial statements of the Company have been prepared on a going concern basis (note 1 on page 15).

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a Strategic report, Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are 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 to enable them to ensure that the Strategic report, Directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

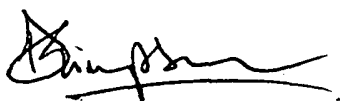
DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf:



Dominic Simpson
Director

Date: 06th April 2022

DIRECTORS' REPORT

The Strategic report includes the review of the year, risk report, disclosure of information to the auditor and directors' responsibilities statement.

DIRECTORS AND COMPANY SECRETARY

The present directors and secretary are listed on page 1.

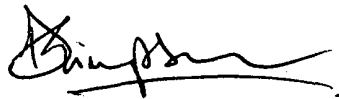
From 1 January 2021 to date, the following changes have taken place:

Non-executive Director	Appointed	Resigned
Wendy Redshaw	25 March 2021	-

AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

Approved by the Board of Directors and signed on its behalf:



Dominic Simpson
Director

Date: 06th April 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED**Opinion**

We have audited the financial statements of Natwest Trustee And Depositary Services Limited ("Company") for the year ended 31 December 2021 which comprise Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 the date these financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***


Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the regulatory framework and guidance as laid down by the Financial Conduct Authority applicable for Depositaries, Financial Reporting Standard FRS 101- Reduced Disclosure Framework and Companies Act 2006.
- We understood how the Company is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed minutes of the meetings held by the Board of Directors, Audit committee and Board Risk committee along with reviewing the internal audit reports and gained an understanding of the company's governance framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We performed test of manual journals, including segregation of duties, and tested management estimates involved in revenue recognition. We tested specific transactions back to source documentation ensuring appropriate authorisation of the transactions. Furthermore, for accrued income estimates, we assessed management's accrual assumptions by recalculating the accrual amount based on prior months actual billings. We also performed accrual versus actuals testing to ascertain the appropriateness of revenue accrued by verifying subsequent invoices.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes, internal audit reports, complaints register and breaches report, inquiries of executive management, those charged with governance, internal audit and the entity's in-house legal team, and performance of manual journal entry testing to address the risk of management override of controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.


Caroline Mercer (Apr 7, 2022 17:20 GMT+1)

Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
City: Edinburgh
Date: 7 April 2022

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021

		2021	2020
	Notes	£'000	£'000
Income from continuing operations			
Turnover	3	35,687	31,839
Operating expenses	4	(21,655)	(18,765)
Operating profit		14,032	13,074
Tax charge	6	(2,644)	(2,470)
Profit and total comprehensive income for the year		11,388	10,604

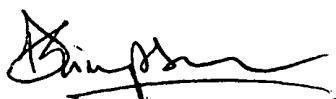
The accompanying notes form an integral part of these financial statements.

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED
11194605
BALANCE SHEET
as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	8	14,386	5,574
Deferred tax assets	6	22	33
		14,408	5,607
Current assets			
Cash at Bank	9	83,418	87,161
Prepayments, accrued income and other assets	7	6,356	5,198
Amount due from group companies	13	147	106
		89,921	92,465
Total assets		104,329	98,072
Current liabilities			
Amount due to group companies	13	6,826	7,050
Accruals, deferred income and other liabilities	10	4,925	1,944
Current tax liabilities	6	2,633	2,503
		14,384	11,497
Non-current liabilities			
Accruals, deferred income and other liabilities	10	23	41
Total liabilities		14,407	11,538
Equity			
Share capital	11	65,000	65,000
Retained earnings		24,922	21,534
Total equity		89,922	86,534
Total liabilities and equity		104,329	98,072

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

The financial statements were approved by the Board of Directors and authorised for issue on 6 April 2022 and signed on its behalf by:



Dominic Simpson
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2020	65,000	10,930	75,930
Profit for the year	-	10,604	10,604
At 31 December 2020	65,000	21,534	86,534
Profit for the year	-	11,388	11,388
Dividend paid	-	(8,000)	(8,000)
At 31 December 2021	65,000	24,922	89,922

Total comprehensive income for the year of £11,388k (2020: £10,604k) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Preparation and presentation of accounts**

The directors have prepared the financial statements:-

- on a going concern basis after assessing principal risks, forecasts, projections and other relevant evidence over the 12 months from the date the financial statements are approved and under FRS 101 *Reduced Disclosure Framework*; and
- on the historical cost basis.
- in assessing going concern, a Covid-19 impact analysis was performed across the NatWest Group. The directors have considered the uncertainties associated with Covid-19 including the different ways in which this could impact the cash flows, capital, solvency and liquidity position, of the Company and any mitigations management have within their control to implement. We have also considered the potential impacts of the Russia-Ukraine situation upon the financial performance of the company. We have a small exposure (less than 1%) to Russian Assets which is not material to overall financial performance and will be managed in accordance with FCA guidelines. Based on these assessments, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is a private limited company incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in Sterling which is the functional currency of the Company with amounts rounded to the nearest thousand; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - comparative information in respect of certain assets;
 - cash-flow statement;
 - standards not yet effective;
 - related party transactions;
 - certain disclosures from IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases"; and
 - disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value Measurement".

Where required, equivalent disclosures are given in the group accounts of NatWest Group plc, these financial accounts are available to the public and can be obtained as set out in note 13.

b) Consolidated financial statements

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements in accordance with IFRS 10, the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its ultimate parent, NatWest Group plc, a public company registered in Scotland whose registered address is 36 St. Andrew Square, Edinburgh, EH2 2YB.

c) Foreign currencies

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in profit or loss.

d) Revenue recognition

Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as each service is performed. The price is usually known and always determinable.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

e) Employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits are accounted for on an accruals basis over the period in which the employees provide the related services. Company employees may receive variable compensation satisfied by cash or by shares in NatWest Group plc. The treatment of share-based compensation is set out in the NatWest Group Annual Report and Accounts 2021. Variable compensation that is settled in cash is charged to profit or loss over the period from the start of the year to which the variable compensation relates to the expected settlement date taking account of forfeiture and claw back criteria.

The Company provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees.

f) Taxation

Income tax expense, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. 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 they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

g) Provisions

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

h) Intangible assets

Intangible assets created by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight line basis over the assets' estimated useful economic lives using methods that best reflect the pattern of economic benefits and is included in depreciation and amortisation. These estimated useful economic lives are:

Data Intelligence Platform	5 years
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Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred as Research into Data Intelligence Platform.

i) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

j) Cash at bank

Cash at bank represents deposits with banks with an original maturity of less than three months.

NOTES TO THE FINANCIAL STATEMENTS

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the estimate the directors consider most important to the portrayal of the Company's performance and financial condition is discussed below.

Provision for bad debts

In calculating the probability of default under IFRS 9 a degree of judgement is required in relation to defining the probability of default at each grade with historical default rates being a key consideration. No provision is included in these financial statements as the outcome of the calculation was too low to be considered of relevance.

3. Turnover

	2021 £'000	2020 £'000
Depository fees	35,608	31,540
Foreign exchange gain	(29)	74
Interest receivable	108	225
	35,687	31,839

4. Operating expenses

	2021 £'000	2020 £'000
Wages, salaries and other staff costs	9,966	8,537
Directors' Fees	70	62
Pension costs	1,259	1,259
National insurance costs	1,015	806
Research costs for Data Intelligence Platform	2,136	1,150
Other administrative expenses	5,888	5,757
Premises and equipment	1,321	1,194
	21,655	18,765

The Company made contributions of £717k (2020: £771k) to its defined benefit pension contribution fund and £555k (2020: £488k) to the defined contribution scheme during the period.

Other administrative expenses principally relate to Inter-group recharges – see Note 5.

Pension Costs – Defined Benefit Scheme

Eligible employees of the Company are members of a fully segregated section of The NatWest Group Pension Fund, which was established in 2018 as part of the Group's preparation for ring-fencing. The section only provides benefits to employees of The Royal Bank of Scotland International (Holdings) Limited and its subsidiaries. For further information on the Fund please refer to the NatWest Group Annual Report and Accounts 2021.

Pension Costs – Defined Contribution Scheme

Eligible employees of the Company can participate in membership of the NatWest Group operated pension schemes. Employees are members of The NatWest Group Retirement Savings Plan, a defined contribution pension scheme. Detailed disclosure of the NatWest Group pension schemes is available in the NatWest Group Annual Report and Accounts 2021.

The average number of persons employed by the Company during the period is 163 (2020: 157).

5. Operating profit before tax

Profit before tax is stated after charging:

	2021 £'000	2020 £'000
Auditor's remuneration – statutory and other assurance services	167	164
Inter-group recharges to group companies	5,539	5,281
	5,706	5,445

NOTES TO THE FINANCIAL STATEMENTS

5. Operating profit before tax (continued)

Inter-group recharges include the costs of staff borne by the other members of the group, none of which can be apportioned meaningfully in respect of services to the Company.

The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company. Fees for Non-Executive Directors are paid by the company.

Auditor fees incurred in relation to the audit of the financial statements was £48K (2020: £44K) and remuneration for the Client Assets Sourcebook (CASS) audit was £119k (2020: £120k).

6. Tax

	2021 £'000	2020 £'000
Current tax:		
Charge for the year	2,663	2,515
Over provision in respect of prior year	(30)	(12)
Total current tax	<u>2,633</u>	<u>2,503</u>
Deferred tax:		
Credit for the year	(1)	(29)
Under/(over) provisions in respect of prior year	12	(4)
Total deferred tax	<u>11</u>	<u>(33)</u>
 Tax charge for the year	 <u>2,644</u>	 <u>2,470</u>

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2019: standard tax rate 19%) as follows:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	<u>14,032</u>	<u>13,074</u>
Expected tax charge	2,666	2,484
Adjustments in respect of prior periods	(18)	(17)
Non-deductible items	1	3
Remeasurement of deferred tax for changes in tax rates	(5)	-
Actual tax charge for the year	<u>2,644</u>	<u>2,470</u>

The UK Corporation tax rate applicable to the company from 1 April 2020 is 19%.

Since the balance sheet date, it was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. Closing deferred tax assets and liabilities have therefore been recalculated taking into account this change of rate and the applicable period when the deferred tax assets and liabilities are expected to crystallise.

Deferred Tax

Net deferred tax asset comprised:

	Provisions £'000
At 1 January 2020	-
Charge to Income statement	33
At 1 January 2021	33
Credit to Income statement	(11)
At 31 December 2021	<u>22</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Prepayments, accrued income and other assets

	2021 £'000	2020 £'000
Accrued income and prepayments	6,356	5,198
	6,356	5,198

8. Intangible assets

	2021 £'000	2020 £'000
Data Intelligence Platform	14,386	5,574
	14,386	5,574

Intangible assets are internally created and are a work in progress at the balance sheet date. Capitalised costs are for external consultant and contractor costs incurred to date. As the assets are under development at the balance sheet date no amortisation has commenced.

9. Cash at Bank

	2021 £'000	2020 £'000
Balances with The Royal Bank of Scotland International Limited	56,705	60,448
Balances with Third Party Banks	26,713	26,713
	83,418	87,161

The balances with The Royal Bank of Scotland International include £50.7m on 35 days' notice account and £6.0m on current accounts.

The balances with Third Party Banks include £16.7m on 30 days' notice account and £10.0m on current accounts.

10. Accruals, deferred income and other liabilities

	2021 £'000	2020 £'000
Due within one year		
Accruals, deferred income and other liabilities	4,925	1,944
Due after more than one year		
Staff bonus accruals	23	41
	4,948	1,985

Accruals are comprised of Value Added Tax, National Insurance Contributions and accrued costs.

11. Share capital

	2021 £	2020 £
Allotted, called up and fully paid:		
Equity shares		
65,000,100 ordinary shares of £1 each	65,000,100	65,000,100

The Company has one class of Ordinary Shares which carry no right to fixed income.

12. Risk management

Presentation of information

Risk management is generally conducted on an overall basis within NatWest Group such that common policies, procedures, frameworks and models apply across NatWest Group. Therefore, for the most part, discussion on these qualitative aspects reflects those in NatWest Group as relevant for the businesses and operations in the Company.

NOTES TO THE FINANCIAL STATEMENTS

12. Risk management (continued)

Update on COVID-19

While the immediate disruption diminished during the year, the ongoing impacts of the global pandemic remained a significant focus for risk management in 2021 and uncertainty in the operating environment continued. The Company remained committed to supporting its customers while operating safely and soundly in line with its strategic objectives.

While the direct impact on the Company's operational risk profile reduced, the Company continued to closely monitor the second-order impacts on its transformation agenda, with a significant focus on managing resource to protect key regulatory deliveries. The continued evolution of the Company's ways of working – to include large-scale working from home – also required significant operational risk focus, particularly in terms of business resilience.

As a result of its strong balance sheet and prudent approach to risk management, the Company remains well placed to withstand the impacts of the pandemic as well as providing support to customers when they need it most.

Risk management framework

The Company operates under NatWest Group's enterprise wide risk management framework, which is centred around the embedding of a strong risk culture. The framework ensures the governance, capabilities and methods are in place to facilitate risk management and decision-making across the organisation.

The framework ensures that the Company's principal risks – which are detailed in this section – are appropriately controlled and managed. In addition, there is a process to identify and manage top risks, which are those which could have a significant negative impact on the Company's ability to meet its strategic objectives. A complementary process operates to identify emerging risks. Both top and emerging risks are reported to the Board on a regular basis alongside reporting on the principal risks.

Risk appetite, supported by a robust set of principles, policies and practices, defines the levels of tolerance for a variety of risks and provides a structured approach to risk-taking within agreed boundaries.

All Company colleagues share ownership of the way risk is managed, working together to make sure business activities and policies are consistent with risk appetite.

The methodology for setting, governing and embedding risk appetite is being further enhanced with the aim of revising current risk appetite processes and increasing alignment with strategic planning and external threat assessments.

Culture

Culture is at the centre of both the risk management framework and risk management practice. The target culture across the Company is one in which risk is part of the way employees work and think. The target risk culture behaviours are aligned to the Company's core values. They are embedded in Our Standards and therefore form an effective basis for risk culture since these are used for performance management, recruitment and development.

Training

A wide range of learning, both technical and behavioural, is offered across the risk disciplines. This training can be mandatory, role-specific or for personal development and enables colleagues to develop the capabilities and confidence to manage risk effectively.

Our Code

NatWest Group's conduct guidance Our Code provides direction on expected behaviour and sets out the standards of conduct that support the values. The code explains the effect of decisions that are taken and describes the principles that must be followed.

NOTES TO THE FINANCIAL STATEMENTS

12. Risk management (continued)

Three lines of defence (3LOD)

In line with industry best practice and sound risk governance principles, the Company adopts a Three Lines of Defence model of risk governance. We expect everyone across the Company to make thoughtful, risk based decisions as part of their daily roles.

The 3LOD model also helps us understand and define activities which are related to risk management (first line) and oversight and control activities (second line). This makes sure both the 1LOD and 2LOD remain independent in their activities and allows Risk to offer challenge in its capacity as a 2LOD function.

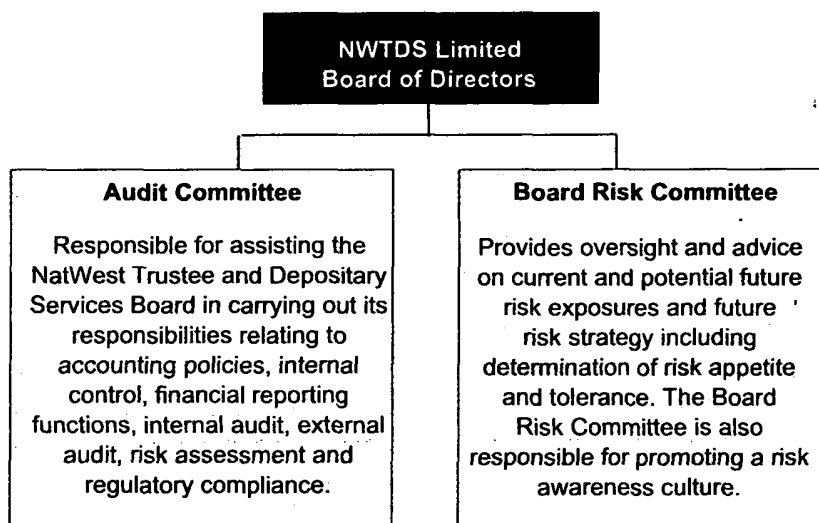
The first line of defence are the franchises and functions where the primary purpose of the role is to consciously engage in taking risk to serve customers and generate profit and also include roles which directly support those that do e.g. Technology, HR, Legal. The franchises and functions in 1 LOD are empowered to take risks within the constraints of the framework, policies, risk appetite statements and measures set by the Board. The 1LOD is responsible for managing its direct and, with the support of specialist functions, its consequential risks (e.g. Operational risk) by identifying, assessing mitigating, monitoring and reporting risks.

The second line of defence is the Chief Risk Officer Function and is independent from the 1LOD. The Chief Risk Officer Function is empowered to design and maintain the Executive Committee approved EWRMF and its components. It advises, monitors, challenges, approves and escalates where required and reports on the risk taking activities undertaken by the 1LOD", ensuring these are within the constraints of the framework, policies, risk appetite statements and measures set by the Board.

The third line of defence is the Internal Audit. Internal Audit provides independent assurance on the overall design and operating effectiveness of key internal controls, governance and risk management in place to monitor, manage and mitigate the key risks to the Company and its subsidiary legal entities in achieving objectives. Internal Audit executes its duties freely and objectively in accordance with the Institute of Internal Auditor's Code of Ethics and Standards on independence and objectivity.

Governance**Committee structure**

The diagram shows the Company's risk committee structure in 2021 and the main purposes of each committee.

**Notes:**

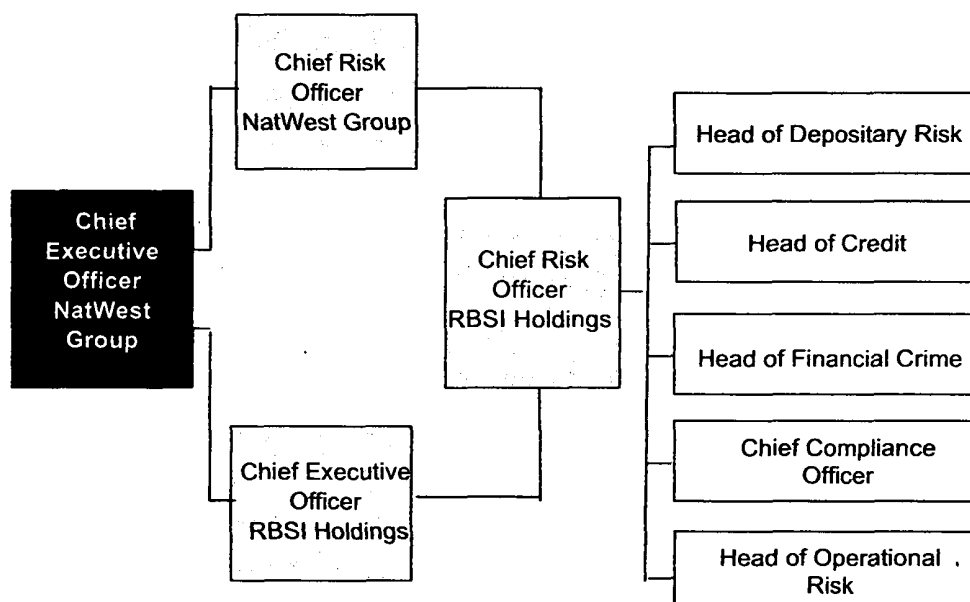
- (1) NatWest Trustee and Depositary Services Limited is one of the operating subsidiaries of RBSI Holdings.
- (2) The chart does not show all management-level committees, only material committees which consider risk are shown.
- (3) The NWH Group Risk function provides risk management services across NatWest Group, including – where agreed – to the RBSI Limited Chief Risk Officer. These services are managed, as appropriate, through service level agreements.

NOTES TO THE FINANCIAL STATEMENTS

12. Risk management (continued)

Risk management structure

The diagram shows the RBSI Group's risk management structure in 2021.



Notes

(1) The RBSI Holdings Chief Risk Officer reports directly to the RBSI Holdings Chief Executive Officer and the NWG Chief Risk Officer. The RBSI Holdings Chief Risk Officer also has an additional reporting line to the chair of the RBSI Holdings Board Risk Committee, and a right of access to the committee.

Risk appetite

Risk appetite defines the level and types of risk that are acceptable, within risk capacity, in order to achieve strategic objectives and business plans. It links the goals and priorities to risk management in a way that guides and empowers staff to serve customers well and achieve financial targets.

The risk appetite framework, which is approved annually by the Board, bolsters effective risk management by promoting sound risk-taking through a structured approach, within agreed boundaries. It also ensures emerging risks and risk-taking activities that would be out of appetite are identified, assessed, escalated and addressed in a timely manner.

Risk appetite is maintained across the Company through risk appetite statements. These provide clarity on the scale and type of activities that can be undertaken in a manner that is easily conveyed to staff.

The annual process of establishing risk appetite statements is completed alongside the business and financial planning process. This ensures plans and risk appetite are appropriately aligned. The Board sets risk appetite for the most material risks to help ensure the Company is well placed to meet its priorities and long-term targets even in challenging economic environments. It is the basis on which the Company remains safe and sound while implementing its strategic business objectives.

The Company's risk profile is frequently reviewed and monitored and management focus is concentrated on all strategic risks, material risks and emerging risk issues. Risk profile relative to risk appetite is reported regularly to the Board and senior management.

Risk controls and their associated limits are an integral part of the risk appetite approach and a key part of embedding risk appetite in day-to-day risk management decisions. A clear tolerance for material risk types is set in alignment with business activities.

NatWest Group policies support the qualitative aspects of risk appetite. They ensure that appropriate controls are set and monitored.

NOTES TO THE FINANCIAL STATEMENTS**12. Risk management (continued)****Identification and measurement**

Identification and measurement within the risk management process comprise:

- Regular assessment of the overall risk profile, incorporating market developments and trends, as well as external and internal factors.
- Review of potential risks in new business activities and processes.
- Analysis of potential risks in any complex and unusual business transactions.

The financial and non-financial risks that the Company faces are detailed in the Risk Directory. This provides a common risk language to ensure consistent terminology is used across NatWest Group. The Risk Directory is subject to regular review. This ensures that it continues to provide a comprehensive and meaningful list of the inherent risks within the Company.

Within the Company, a 'Risk Universe' is produced to provide a legal entity view of the NatWest Group Risk Directory. This helps to acknowledge that there are some risks faced by the Company that are not material at NatWest Group level and, conversely, there are risks that are more material to the NatWest Group than to the Company directly.

Mitigation

Mitigation is an important aspect of ensuring that risk profile remains within risk appetite. Risk mitigation strategies are discussed and agreed within the Company.

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that are due to risk mitigation actions) are considered. Monitoring and review processes are in place to evaluate results. Early identification, and effective management, of changes in legislation and regulation are critical to the successful mitigation of compliance and conduct risk. The effects of all changes are managed to ensure the timely achievement of compliance. Those changes assessed as having a high or medium-high impact are managed more closely. Significant and emerging risks that could affect future results and performance are reviewed and monitored. Action is taken to mitigate potential risks as and when required. Further in-depth analysis, including the stress testing of exposures relative to the risk, is also carried out.

Testing and monitoring

Targeted compliance & conduct risk and financial crime risk activities are subject to testing and monitoring to confirm to both internal and external stakeholders – including the Board, senior management, the customer-facing businesses, Internal Audit and the Company's regulators – that policies and procedures are being correctly implemented and operating adequately and effectively. Selected key controls are also reviewed. Thematic reviews and deep dives are also carried out where appropriate.

The adequacy and effectiveness of selected key controls owned and operated by the second line of defence are also tested.

Anti-money laundering, sanctions, anti-bribery and corruption and tax evasion processes and controls are also tested and monitored. This helps provide an independent understanding of the financial crime control environment, whether or not controls are adequate and effective and whether financial crime risk is appropriately identified, managed and mitigated.

Stress testing – capital management

Stress testing is a key risk management tool and a fundamental component of the Company's approach to capital management. It is used to quantify and evaluate the potential impact of specified changes to risk factors on the financial strength of the Company, including its capital position.

Stress testing includes:

- Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.
- Sensitivity testing, which examines the impact of an incremental change to one or more risk factors.

NOTES TO THE FINANCIAL STATEMENTS

12. Risk management (continued)

The process for stress testing consists of four broad stages:

Define scenarios	<ul style="list-style-type: none"> Identify specific Company vulnerabilities and risks. Define and calibrate scenarios to examine vulnerabilities and risks. Formal governance process to agree scenarios.
Assess impact	<ul style="list-style-type: none"> Translate scenarios into risk drivers. Assess impact to current and projected P&L and balance sheet. Impact assessment captures input from across the Company.
Calculate results and assess implications	<ul style="list-style-type: none"> Aggregate impacts into overall results. Results form part of risk management process. Scenario results are used to inform the Company's business and capital plans.
Develop and agree management actions	<ul style="list-style-type: none"> Scenario results are analysed by subject matter experts and appropriate management actions are then developed. Scenario results and management actions are reviewed and agreed by senior management through executive committees, including the Executive Risk Committee, the Board Risk Committee and the Board.

Stress testing is used widely across NatWest Group. Specific areas that involve capital management include:

- Strategic financial and capital planning* – by assessing the impact of sensitivities and scenarios on the capital plan and capital ratios.
- Risk appetite* – by gaining a better understanding of the drivers of, and the underlying risks associated with, risk appetite.
- Risk monitoring* – by monitoring the risks and horizon scanning events that could potentially affect NatWest Group's financial strength and capital position.
- Risk mitigation* – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment. Key risk mitigating actions are documented in the Company's recovery plan.

Capital sufficiency – going concern forward-looking view

Going concern capital requirements are examined on a forward-looking basis – including as part of the annual budgeting process – by assessing the resilience of capital adequacy and leverage ratios under hypothetical future states. These assessments include assumptions about regulatory and accounting factors (such as IFRS 9). They are linked to economic variables and impairments and seek to demonstrate that the Company maintains sufficient capital. A range of future states are tested. In particular, capital requirements are assessed:

- Based on a forecast of future business performance, given expectations of economic and market conditions over the forecast period.
- Based on a forecast of future business performance under adverse economic and market conditions over the forecast period. Scenarios of different severity may be examined.

The examination of capital requirements under normal economic and adverse market conditions enables the Company to determine whether its projected business performance meets internal and regulatory capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

12. Risk management (continued)

Stress testing – recovery and resolution planning

The recovery plan explains how the Company would identify and respond to a financial stress event and restore its financial position so that it remains viable on an ongoing basis. The Company has its own recovery plan which forms part of the overall NatWest Group plan.

The recovery plan ensures risks that could delay the implementation of a recovery strategy are highlighted and preparations are made to minimise the impact of these risks. Preparations include:

- Developing a series of recovery indicators to provide early warning of potential stress events.
- Clarifying roles, responsibilities and escalation routes to minimise uncertainty or delay.
- Developing a recovery playbook to provide a concise description of the actions required during recovery.
- Detailing a range of options to address different stress conditions.
- Appointing dedicated option owners to reduce the risk of delay and capacity concerns.
- Carrying out 'fire drills' to practice responding to recovery events.

The plan is intended to enable the Company to maintain critical services and products it provides to its customers, maintain its core business lines and operate within risk appetite while restoring the Company's financial condition. It is assessed for appropriateness on an ongoing basis and is updated annually.

Compliance & conduct risk**Definition**

Compliance risk is the risk that the behaviour of the Company towards customers fails to comply with laws, regulations, rules, standards and codes of conduct. Such a failure may lead to breaches of regulatory requirements, organisational standards or customer expectations and could result in legal or regulatory sanctions, material financial loss or reputational damage.

Conduct risk is the risk that the conduct of the Company and its staff towards customers – or in the markets in which it operates – leads to unfair or inappropriate customer outcomes and results in reputational damage, financial loss or both.

Sources of risk

Compliance and conduct risks exist across all stages of the Company's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential insider information.

Governance

The Company defines appropriate standards of compliance and conduct and ensures adherence to those standards through its risk management framework. Relevant compliance and conduct matters are escalated through the Board Risk Committee.

Risk appetite

Risk appetite for compliance and conduct risks is set at Board level. Risk appetite statements articulate the levels of risk that legal entities, businesses and functions work within when pursuing their strategic objectives and business plans.

A range of controls is operated to ensure the business delivers good customer outcomes and is conducted in accordance with legal and regulatory requirements. A suite of policies addressing compliance and conduct risks set appropriate standards across the Company. Examples of these include the Complaints Management Policy, Client Assets & Money Policy, and Product Lifecycle Policy as well as policies relating to customers in vulnerable situations, cross-border activities and market abuse. Continuous monitoring and targeted assurance is carried out as appropriate.

NOTES TO THE FINANCIAL STATEMENTS**12. Risk management (continued)****Monitoring and measurement**

Compliance and conduct risks are measured and managed through continuous assessment and reporting to the Company's senior risk committees and at Board level. The compliance and conduct risk framework facilitate the consistent monitoring and measurement of compliance with laws and regulations and the delivery of consistently good customer outcomes. The first line of defence is responsible for effective risk identification, reporting and monitoring, with oversight, challenge and review by the second line. Compliance and conduct risk management is also integrated into the Company's strategic planning cycle.

Mitigation

Activity to mitigate the most-material compliance and conduct risks is carried out across the Company. Examples of mitigation include consideration of customer needs in business and product planning, targeted training, complaints management, as well as independent monitoring activity. Internal policies help support a strong customer focus across the Company.

Financial crime risk**Definition**

Financial crime risk is presented by criminal activity in the form of money laundering, terrorist financing, bribery and corruption, sanctions and tax evasion.

Sources of risk

Financial crime risk may be presented if the Company's customers, employees or third parties undertake or facilitate financial crime, or if the Company's products or services are used to facilitate such crime. Financial crime risk is an inherent risk across all lines of business.

Governance

The Financial Crime Review Forum is the principal financial crime risk management forum. The forum reviews and, where appropriate, escalates material financial crime risks and issues across the Company. It is represented by all three lines of defence.

Risk appetite

There is no appetite to operate in an environment where systems and controls do not enable the identification, assessment, monitoring, management and mitigation of financial crime risk. The Company's systems and controls must be comprehensive and proportionate to the nature, scale and complexity of its businesses. There is no tolerance to systematically or repeatedly breach relevant financial crime regulations and laws.

The Company operates a framework of preventative and detective controls designed to mitigate the risk that it could facilitate financial crime. These controls are supported by a suite of policies, procedures and detailed instructions to ensure they operate effectively.

Monitoring and measurement

Financial crime risks are identified and reported through continuous risk management and regular monthly reporting to the Financial Crime Risk Forum and other risk governance committees. Quantitative and qualitative data is reviewed and assessed to measure whether financial crime risk is within risk appetite.

Mitigation

Through the financial crime framework, relevant policies, systems, processes and controls are used to mitigate financial crime risk. This includes the use of dedicated screening and monitoring controls to identify people, organisations, transactions and behaviours that may require further investigation or other actions. Centralised Group expertise is available to detect and disrupt threats to the Company and its customers. Intelligence is shared with law enforcement, regulators and government bodies to strengthen jurisdictional defences against those who would misuse the financial system for criminal motives.

NOTES TO THE FINANCIAL STATEMENTS

12. Risk management (continued)

Climate risk**Definition**

Climate risk is the threat of financial loss or adverse non-financial impacts associated with climate change and the political, economic and environmental responses to it.

Sources of risk

Physical risks may arise from climate and weather-related events such as heatwaves, droughts, floods, storms and sea level rises. They can potentially result in financial losses, impairing asset values and the value of assets held in a fiduciary capacity by the Company. The Company could be exposed to physical risks directly by the effects on its office space and, indirectly, by the impacts on the wider economy as well as on the property and business interests of its customers.

Transition risks may arise from the process of adjustment towards a low-carbon economy. Changes in policy, technology and sentiment could prompt reassessment of customers' financial risk and may lead to falls in the value of a large range of assets. The Company could be exposed to transition risks directly through the costs of adaptation within economic sectors and markets as well as supply chain disruption leading to financial impacts on it and its customers. Potential indirect effects include the erosion of the Company's competitiveness, profitability, or reputation damage.

Within these broad categories specific climate risk factors have been identified, which give rise to climate-related risks over the short, medium and long-term.

While the direct impact on the Company's operational risk profile reduced, the Company continued to closely monitor the second-order impacts on its transformation agenda, with a significant focus on managing resource to protect key regulatory deliveries. The continued evolution of the Company's ways of working – to include large-scale working from home – also required significant operational risk focus, particularly in terms of business resilience.

Key developments in 2021

RBSI Group created a new dedicated Environment, Social and Governance (ESG) team alongside a refreshed climate strategy, which underpinned the focus on the climate challenge and allocate dedicated resource to address climate opportunities and risks.

Climate risk was formally incorporated into RBSI Group's Risk Management Framework with Climate Risk recognised as a principle risk within the Risk Directory and a new Climate Risk policy launched.

NWTDS has planned and prepared for the new FCA Investment Firm Prudential Regime for MiFID Investment firms. This came into force on 1 January 2022.

Implementation is staggered in 2022 and 2023, with new regulatory reporting in place for April 2022.

Risk governance

The Board is responsible for monitoring and overseeing climate-related risk within the Company's overall business strategy and risk appetite.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. It arises from day-to-day operations and is relevant to every aspect of the organisation.

Operational risk appetite supports effective management of material operational risks. It expresses the level and types of operational risk the Company is willing to accept to achieve its strategic objectives and business plans.

Risk appetite for operational risk is set at NatWest Group Board level. Risk appetite statements articulate the levels of risk that legal entities, businesses and functions work within when pursuing their strategic objectives and business plans.

NOTES TO THE FINANCIAL STATEMENTS

12. Risk management (continued)

Risk and control assessments are used across all business areas and support functions to identify and assess material operational and conduct risks and key controls.

All risks and controls are mapped to the NatWest Group's Risk Directory. Risk assessments are refreshed at least annually to ensure they remain relevant and capture any emerging risks as well as ensuring risks are reassessed.

The process is designed to confirm that risks are effectively managed in line with risk appetite. Controls are tested on a regular basis to ensure they operate effectively to reduce identified risks.

Scenario analysis is used to assess how extreme but plausible operational risks will affect the Company. It provides a forward-looking basis for evaluating and managing operational risk exposures.

Operational resilience is managed and monitored through the risk and control assessments methodology. This is underpinned by setting, monitoring and testing tolerances for key business services. Progress continues on the response to regulatory expectations on operational resilience.

13. Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of NatWest Group plc. Its shareholding is managed by UK Government Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax.

Cash at bank includes amounts with a group bank and balances with group companies are shown in note 9.

Group companies

At 31 December 2021

The Company's immediate parent was:	The Royal Bank of Scotland International (Holdings) Limited
The smallest consolidated accounts including the company were prepared by:	
The ultimate parent company was:	NatWest Group plc

The immediate parent company is incorporated in Jersey and the ultimate parent company is incorporated in the UK. Copies of their accounts may be obtained from Legal Governance and Regulatory Affairs, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ or through the website www.natwestgroup.com.

Related party transactions

	2021 £'000	2020 £'000
Assets		
Amounts due from The Royal Bank of Scotland International Limited	-	-
Amounts due from fellow group subsidiaries	147	106
	147	106
Liabilities		
Amount due to The Royal Bank of Scotland International Limited	5,694	6,726
Amount due to Fellow group subsidiaries	1,132	324
	6,826	7,050

NOTES TO THE FINANCIAL STATEMENTS

13. Related parties (continued)

The subsidiary undertakings of the Company, which had an accounting reference date of 31 December 2021, unless otherwise indicated, were:

Name of Subsidiary	Note	Country of incorporation	Proportion of ownership interest %	Proportion of Voting's Right %	Principal activity
W.G.T.C. Nominees Limited	1	England and Wales	100	100	Dormant Nominee Company
British Overseas Bank Nominees Limited	1	England and Wales	100	100	Dormant Nominee Company
HPUT A Limited	1	England and Wales	100	100	Dormant Nominee Company
HPUT B Limited	1	England and Wales	100	100	Dormant Nominee Company
Nextlinks Limited	1, 2	England and Wales	100	100	Dormant Nominee Company
TDS Nominee Company Limited	3	Scotland	100	100	Dormant Nominee Company

Note:

1. The registered office is 250 Bishopsgate, London EC2M 4AA.
2. The accounting reference date is 31 March.
3. The registered office is 175, Glasgow Road, Edinburgh, Scotland, EH12 1HQ

14. Post Balance Sheet Event

Subsequent to year ended 31 December 2021, management of the Company proposed a dividend of £9 million which was approved by Board of Directors in their meeting held on 06 April 2022. The Board of Directors are authorised to approve the dividend. The Company is expected to pay the dividend during the week commencing 25 April 2022 to its shareholder.

On 30th March 2022 NatWest Group returned to majority private ownership following a £1.2bn buy back of shares from the UK government. The government shareholding has reduced from 50.6% to 48.1%.

Other than those disclosed in the accounts, there have been no other events between 31 December 2021 and the date of the approval of these accounts which would require a change or additional disclosure.

NatWest Trustee and Depositary Services Ltd






2021 Accounts

Final Audit Report

2022-04-07

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