Company Registered Number: R000733

ULSTER BANK LIMITED

ANNUAL REPORT AND ACCOUNTS

31 December 2021

Contents

Strategic report

Presentation of information
Ulster Bank Limited ('UBL' or 'the Bank') is a wholly owned subsidiary of National Westminster Bank Plc ('NatWest Bank'). NatWest Bank is in turn a wholly-owned subsidiary of NatWest Holdings Limited ('NatWest Holdings'). The ultimate holding company is NatWest Group plc ('NWG' or the 'ultimate holding company'). 'NatWest Group' or 'the Group' refers to the ultimate holding company and its subsidiary and associated undertakings.

The Bank presents its financial statements in pounds sterling ('£' or 'sterling'). The abbreviation '£m' represents millions of pounds sterling and the abbreviation '£k' represents thousands of pounds sterling. The abbreviation '€' represents 'euros'.

The directors of the Bank present their strategic and directors' reports, together with the audited financial statements of the Bank for the financial year ended 31 December 2021. The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Transfer of banking business
On 7 April 2021, the Bank received Court approval for a Banking Business Transfer Scheme (BBTS) under the Financial Services and Markets Act 2000 (FSMA). Effective 3 May 2021, this transferred the Ulster Bank Limited business to its immediate parent, NatWest Bank.

Principal activities
The Bank manages certain legal titles on collateral linked to loans written by the Bank where the beneficial ownership transferred to NatWest Bank as part of the BBTS.

Prior to the BBTS, the Bank, operating under the Ulster Bank brand, provided a comprehensive range of financial services through its Retail Banking and Commercial Banking divisions. Retail Banking served individuals and mass affluent customers through the Bank's network of branches and direct channels, including mobile, internet and telephony. Commercial Banking provided services to small businesses, corporate and commercial customers.

Business review
Following the BBTS, the Ulster Bank brand in Northern Ireland became a trading name of NatWest Bank. This simplified NatWest Group by aligning the legal entity structure with the management structure. The simplification ensures continuity of service under the Ulster Bank brand, with customers continuing to receive the same products and services through the same channels. Bank employees became employees of NatWest Bank, with their benefits and conditions of employment remaining unchanged.

Financial performance
The Bank's financial performance is presented in the income statement on page 11. The Bank reported a total profit before tax for the financial year of £10 million (2020 - £42 million loss).

Net interest income
Net interest income decreased by £87 million to £39 million, reflecting the transfer of the business on 3 May 2021.

Non-interest income
A £40 million reduction to £39 million is driven by the transfer of the business on 3 May 2021 partially offset by a one-off gain of £12 million on the cancellation of interest rate swaps on the transfer of the banking business to NatWest Bank.

Operating expenses
Operating expenses decreased to £68 million (2020 - £203 million) due to the transfer of the business on 3 May 2021.

Impairment
The negligible impairment credit in 2021 reflects a benign credit environment in the first four months of the year. The 2020 charge of £44 million was primarily driven by an increase in credit risk due to the economic uncertainty created by the impacts of the COVID-19 pandemic.

Tax
The Bank recognised a tax charge of £3 million in 2021 (2020 - £3 million credit). The current tax charge was recognised primarily on the 2021 profit.

Capital ratios
The Bank's capital position remained strong during 2021. Its CET1 ratio of 75.7% (2020 - 19.0%) remained significantly above the regulatory minimum.

Outlook
UBL intends to surrender its banking licence and will continue to manage certain legal titles on collateral linked to loans written by the Bank where the beneficial ownership transferred to NatWest Bank.

Risk management
The Group has established a framework for managing risk, which is continually evolving. Following the transfer of the business to NatWest Bank, the Bank's principal risk is operational risk. The Bank's policies for managing risk and its exposure thereto are detailed in Note 11 to the accounts.

Stakeholder engagement and s.172(1) statement
This statement describes how the 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.

Board engagement with stakeholders
The Board's key stakeholder groups for the purposes of section 172 remained customers, colleagues, communities, regulators and suppliers. References to "colleagues" in this Report mean all members of the workforce (for example, contractors and agency workers).

Relevant stakeholder interests were considered by the Board and management (as appropriate) during the planning and implementation of the transfer of the Bank's business to NatWest Bank in 2021. This included regular liaison with regulators and social partners and communications with colleagues and customers. For colleagues, communications were leader led supported by central written messaging. Core throughout was facilitating two-way dialogue, allowing colleagues to provide feedback and ask questions.

Strategic report

Further information on how NatWest Group (which includes UBL) engages with its stakeholders can be found in the NatWest Group 2021 Annual Report and Accounts and at natwestgroup.com.

Supporting effective Board discussions and decision making
Board and Committee Terms of Reference reinforce the importance of considering both NatWest Group's purpose and the matters set out in section 172 in Board discussions and decision-making. Board and Committee paper templates include a section for authors to explain how the proposal or update aligns with NatWest Group's purpose and a separate section for them to include an assessment of the relevant stakeholder impacts for the directors to consider.

Directors are mindful that it is not always possible to achieve an outcome which meets the requirements, needs and/or expectations of all stakeholders who are, or may be, impacted.

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's key stakeholders. Below is an example of a principal decision taken during 2021.

On 12 November 2020, NatWest Group plc announced that it proposed to simplify the way it conducted its business in Northern Ireland by transferring the banking business of UBL to NatWest Bank under a Banking Business Transfer Scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (the "Scheme"). The UBL Board had, in April 2020, established a Board Committee (the "Committee") to approve the transfer of the business of UBL to NatWest Bank and any related documentation.

The Committee met in 2020 to provide certain approvals in connection with the first court hearing in respect of the Scheme. In 2021, the Committee met and provided various approvals in connection with the final court hearing in respect of the Scheme. The Committee received a comprehensive paper which detailed the documents being presented for approval and the internal and external reviews that had been undertaken in advance. The paper also outlined the key dates and activities which would follow the Committee meeting including the date of the final court hearing, timing for customer and colleague communications and the Scheme effective date. On 4 May 2021, NatWest Group plc announced that the Scheme had taken effect on 3 May 2021.

Following the transfer of the Bank's business to NatWest Bank, certain changes were made to simplify the Bank's corporate governance arrangements. These included, with effect from 29 July 2021, the non-executive directors of the Bank stepping down from the Board and all Board Committees being stood down. The Chairman, CEO and CFO remain on the Board to provide continuity and oversee transitional matters. Further details on these corporate governance changes can be found in the Report of the directors on page 3.

Approval of Strategic report
The Strategic report for the year ended 31 December 2021 set out on pages 1 to 2 was approved by the Board of directors on 21 April 2022.

By order of the Board:

Jan Cargill

Jan Cargill
Company Secretary
21 April 2022

Chairman
Howard Davies

Executive directors
Alison Rose (CEO)
Katie Murray (CFO)

Board of directors and secretary

Chairman
Howard Davies

Executive directors
Alison Rose
Katie Murray

Chief Governance Officer and Company Secretary
Jan Cargill

Other Board changes in 2021
The following independent non-executive directors resigned on 29 July 2021
Francesca Barnes
Graham Beale
Ian Cormack
Patrick Flynn
Morten Friis
Robert Gillespie
Yasmin Jetha
Mike Rogers
Mark Seligman
Lena Wilson

Auditors
Ernst & Young
Chartered Accountants and Statutory Auditor
Ernst & Young Building
Harcourt Centre
Harcourt Street
Dublin D02 YA40

Registered office and Head office
11-16 Donegall Square East
Belfast BT1 5UB
Northern Ireland

Ulster Bank Limited
Registered in Northern Ireland No. R0000733.

Report of the directors

The Strategic report contains information on risk management and future developments in the business of the Bank.

Corporate Governance statement
Following the introduction of new reporting requirements in 2019, the directors are required to provide a statement in the Report of the directors describing UBL's corporate governance arrangements and stating which corporate governance code, if any, the Bank followed during the year, how it applied the code and any part of the code it did not follow.

For the financial year ended 31 December 2021, UBL has opted not to report against a specific corporate governance code, given the significant reduction in its business with effect from 3 May 2021 following the transfer of the Bank's business to NatWest Bank, and resulting changes to the Bank's corporate governance arrangements, as set out in this statement.

Corporate governance arrangements in 2021
Until 29 July 2021, a common board structure was operated such that the directors of the Bank were also directors of NatWest Holdings (the holding company for NatWest Group's ring-fenced operations), NatWest Bank and The Royal Bank of Scotland plc (RBS plc). Known collectively as the NWH Sub Group, the boards of these four entities met concurrently.

The Board had also established a number of Board Committees with particular responsibilities. The Audit, Risk, Performance & Remuneration and Nominations Committees of NatWest Holdings operated as committees of each of NatWest Holdings, NatWest Bank, RBS plc and UBL, with meetings running concurrently.

Where relevant and appropriate, the governance arrangements for the Bank replicated those in place across NatWest Group, through the operation of NatWest Group's corporate governance framework. These included Board policies and processes relating to Board appointments, Board composition, Boardroom inclusion, performance evaluation, directors' responsibilities, remuneration and stakeholder relationships and engagement, all as set out in the Bank's 2020 Annual Report and Accounts.

Following the transfer of the Bank's business to NatWest Bank, the Prudential Regulation Authority confirmed that the Bank would no longer be considered a significant institution from 3 May 2021,the point at which all assets and liabilities that were part of the FSMA Part VII transfer scheme had been transferred from the Bank to NatWest Bank.

With effect from 29 July 2021, the following changes were therefore made to reduce and streamline the Bank's corporate governance arrangements, reflecting the fact that it was no longer a significant institution:

- The independent non-executive directors stood down from the Board, with the Chairman, Chief Executive Officer and Chief Financial Officer remaining on the Board to provide continuity and oversee final transitional arrangements. The names of the current directors and secretary are shown on page 2.
- Revised Board terms of reference were approved, to reflect a level of oversight that was more appropriate for the size and nature of the business and the fact that there was no longer a common board structure between UBL and NatWest Holdings, NatWest Bank and RBS plc. UBL remained an entity within the ring-fenced bank but was no longer part of the NWH Sub Group.
- The authority previously delegated by the Board to the NatWest Holdings Audit Committee, Board Risk Committee, Performance and Remuneration Committee, Nominations Committee and the Chairman's Committee was revoked such that those committees no longer operated as committees of the Board.
- UBL was no longer considered a principal subsidiary of NatWest Group plc, and as such Board appointments no longer required to be approved by the NatWest Group plc Group Nominations & Governance Committee.
- Other governance documents referring to UBL were updated as required.

Engagement with Colleagues, Suppliers, Customers and Others
For further details of the Board's engagement with colleagues, customers, suppliers and others, and how these stakeholders' interests have influenced Board discussions and principal decisions, see the Strategic report which includes a section 172(1) statement on pages 1 to 2 and the NatWest Group 2021 Annual Report and Accounts which describes stakeholder engagement activity across NatWest Group, including UBL.

Additional colleague-related disclosures
The information included in this section is relevant across NatWest Group, which includes UBL employees during their period of employment with the Bank until 3 May 2021 and as employees of NatWest Bank since that time.

Informing and consulting colleagues
The pandemic has drastically altered the working landscape for everyone, accelerating the evolving relationship between colleagues and employers. It is now more important than ever that NatWest Group listens to colleagues and uses this insight to attract, engage and retain the talent it needs for the future. The 'Colleague Listening Strategy' – which includes colleague opinion surveys; a Colleague Advisory Panel (CAP) that connects colleagues directly with the NatWest Group plc Board; the 'Colleague Experience Squad', who volunteer to provide feedback on colleague products and services; and 'Workplace', NatWest Group's social media platform – contributes to a deeper understanding of colleague sentiment. NatWest Group also tracks metrics and key performance indicators which can be benchmarked with sector and high-performing comparisons. Further information on the CAP and its activities can be found in the NatWest Group 2021 Annual Report and Accounts.

A total of 46,700 colleagues (81%) participated in the September 2021 'Our View' survey. The results show that colleague sentiment remains strong, despite the pandemic. Lead measures in culture, purpose, inclusion and building capability showed continued year-on-year improvement (+1 percentage point each). Across all 15 measured categories, NatWest Group sits an average of 11 percentage points above the Global Financial Services Norm (GFSN) and five points above the Global High Performance Norm (GHPN).

Regular interactions with employee representatives such as trade unions, elected employee bodies and works councils is a vital means of transparency and engagement for NatWest Group. NatWest Group is also committed to respecting employees' rights of freedom of association across all of its business..

NatWest Group ensures colleagues have an awareness of the financial and economic factors affecting its performance through quarterly 'Results Explained' communications and Workplace Live events with the Group Chief Executive Officer and Group Chief Financial Officer. More information on NatWest Group remuneration policies and employee share plans can be found in the *NatWest Group 2021 Annual Report* and Accounts.

Disability Smart
NatWest Group makes workplace adjustments to support colleagues with disabilities to succeed. If a colleague becomes disabled NatWest Group will, wherever possible, make adjustments to support them in their existing role or re-deploy them to a more suitable alternative role.

The NatWest Group Careers site gives comprehensive insights into NatWest Group jobs, culture, locations and application processes. It also hosts a variety of blog content to portray stories of what it is like to work at NatWest Group. NatWest Group also makes sure that candidates can easily request adjustments or help to complete their application or assessment.

Internal control over financial reporting
The internal controls over financial reporting for the Bank are consistent with those at NatWest Group level. The Group has designed and assessed the effectiveness of its internal control over financial reporting as of 31 December 2021 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 publication of 'Internal Control – Integrated Framework'.

Any deficiencies identified are reported to the Board along with management's remediation plans.

NatWest Group's auditors have audited the effectiveness of NatWest Group's internal control over financial reporting and have given an unqualified opinion.

Directors' interests
Where directors of the Bank are also directors of NatWest Group, their interests in the shares of the ultimate holding company at 31 December 2021 are shown in the Corporate governance, Annual report on remuneration section of the NatWest Group 2021 Annual Report and Accounts.

None of the directors held an interest in the loan capital of the ultimate holding company or in the shares or loan capital of the Bank during the period from 1 January 2021 to 21 April 2022.

Directors' indemnities
In terms of section 236 of the Companies Act 2006 (the "Companies Act"), Qualifying Third Party Indemnity Provisions have been issued by the ultimate holding company to its directors, members of the Group and NatWest Holdings Executive Committees, individuals authorised by the PRA/FCA and certain directors and/or officers of NatWest Group's subsidiaries.

Share capital
Details of the ordinary share capital at 31 December 2021 are shown in Note 10 to the accounts.

Dividends
The directors do not recommend the payment of a final dividend on ordinary shares (2020 - nil). The Bank paid £40 million as an interim dividend during the year (2020 - nil).

Post balance sheet events
There have been no significant events between the financial year end and the date of approval of the accounts which would require a change to or additional disclosure in the accounts.

Country-by-Country Reporting
The Bank is availing of the exemption under section 5(3) of The Capital Requirements (Country-by-Country Reporting) Regulations 2013 as the information required under the regulations is produced on a consolidated basis by the Bank's ultimate parent company, NatWest Group, and published on its website.

Going concern
These financial statements are prepared on other than going concern basis. Assets are reflected at expected recoverable value and liabilities at expected settlement (extinguishment) value.

Political donations
During 2021, no political donations were made nor any political expenditure incurred (2020 - nil).

Directors' disclosure to auditors
Each of the directors at the date of approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Bank's auditors are unaware; and

(b) the director has taken all the 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 Bank's auditors are aware of that information.

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

Auditors
Ernst & Young are the Bank's auditors and have indicated their willingness to continue in office.

By order of the Board:

Jan Cargill

Jan Cargill
Company Secretary

21 April 2022

Ulster Bank Limited is registered in Northern Ireland No. R0000733

Statement of directors' responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on page 7.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required by the Companies Act 2006 to prepare company accounts, for each financial year in accordance with international accounting standards in conformity with the requirements of the Companies Act. They are responsible for preparing accounts that present fairly the financial position, financial performance and cash flows of the Bank. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the Annual Report and Accounts complies with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank; and
- the *Strategic report and Report of the directors (incorporating the Financial review) includes a fair review of the development and* performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties that they face.

By order of the Board:

Katie Murray
Chief Financial Officer

21 April 2022

Board of directors

Chairman	**Executive directors**
Howard Davies	Alison Rose-Slade
	Katie Murray

Independent auditor's report to the members of Ulster Bank Limited

Opinion

We have audited the financial statements of Ulster Bank Limited ('the Company') for the year ended 31 December 2021, which the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, significant accounting policies and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 as applied to public interest entities, 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.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to accounting policy 1 to the financial statements which explains that the Company transferred the entire business to NatWest Bank Plc during the year and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in accounting policy 1. Our opinion is not modified in respect of this matter.

Overview of our audit approach

• Key audit matters	• IT Systems and controls
• Materiality	• Overall materiality of £4.2m which represents 1% of Equity

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.
There have been no significant changes in scoping that applied in our prior year audit and all audit work was performed directly by, or under the instruction of, the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole and in our opinion thereon, and we do not provide a separate opinion on these matters.

IT systems and controls

Risk	Our response to the risk
The IT environment is complex and pervasive to the operations of the Group due to the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. This risk is also impacted by the greater dependency on third- parties, increasing use of cloud platforms, decommissioning of legacy systems, and migration to new systems. Such controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data. Our audit approach relies upon IT applications and the related control environment including: • User access management across application, database and operating systems, • Changes to the IT environment, including transformation that changes the IT landscape including system migrations, • IT operational controls, • IT application or IT dependent controls, and • Evaluation of IT control environment at third party service providers	We evaluated the design and operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting. In obtaining sufficient audit evidence we: • Tested user access by assessing the controls in place for in-scope applications and verifying the addition and periodic recertification of users' access. • Tested system migrations and related technology changes (including where relevant new systems) resulting from IT transformations during the current financial year, where material to financial statement reporting. This included verifying the completeness of information transferred to new systems as well as testing the controls in place for both the migration and the new system. • Assessed automated controls within business processes and the reliability of relevant reports used as part of a manual control. This included assessing the integrity of system interfaces, the completeness and accuracy of data feeds, automated calculations and specific input and validation controls. • There continues to be a number of systems outsourced to third party service providers. For these systems, we tested IT general controls through evaluating the relevant Service Organisation Controls reports. This included assessing the timing of the reporting, the controls tested by the service auditor and whether they address relevant IT risks. We also tested required complementary user entity controls performed by management. • Where control deficiencies were identified, tested remediation activities performed by management and compensating controls in place and assessed what additional testing procedures were necessary to mitigate any residual risk. We are satisfied that IT controls impacting financial reporting are designed and operating effectively.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £4.2m (2020: £9.8m), which is 1% (2020: 2%) of Equity. We believe that Equity provides us with the most appropriate basis for materiality having considered the expectation of the users of the financial statements and the overall business environment.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £3.16m (2020: £7.4m).

We have set performance materiality at this percentage due to our prior year experience of the risk of misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2020: £0.5m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Our reporting threshold amount is designated at an amount below which misstatements would not be accumulated because we expect that the accumulation of such amounts clearly would not have a material effect on the financial statements.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 there is a material misstatement in the financial statements themselves 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 statement of directors' responsibilities set out on page 14, 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.

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 below, 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 company 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 regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA)
    - Companies Act 2006
    - Financial Reporting Council (FRC)
- We understood how the Company is complying with those frameworks by reviewing policy framework, holding discussions with the Company's general counsel and internal audit, amongst others.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by holding discussions with senior management, including the Chief Executive Officer, Chief Financial Officer, Group General Counsel, Head of Internal Audit and Audit Committee Chairman. We also reviewed the fraud-related policies and mandates of different governance forums assessing fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management, reviewing the key policies and reports on the aforementioned regulatory frameworks as well as reviewing the correspondence exchanged with the Regulators.

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.

Other matters we are required to address

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

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.

Eoin MacManus

Eoin MacManus

Senior Statutory Auditor

for and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor

Office: Dublin

Date: 22 April 2022

Income statement for the year ended 31 December 2021

Discontinued operations	Note	2021 £m	2020 £m
Interest receivable		41	150
Interest payable		(2)	(24)
Net interest income	1	39	126
Fees and commissions receivable		12	40
Fees and commissions payable		(2)	(5)
Other operating income		29	44
Non-interest income	2	39	79
Total income		78	205
Staff costs		(33)	(87)
Premises and equipment		(3)	(15)
Other administrative expenses		(31)	(95)
Depreciation, impairment and amortisation		(1)	(6)
Operating expenses	3	(68)	(203)
Profit before impairment losses		10	2
Impairment losses		-	(44)
Operating profit/(loss) before tax		10	(42)
Tax (charge)/credit	5	(3)	3
Profit/(loss) for the financial year		7	(39)
Attributable to:			
Ordinary shareholders		3	(43)
Paid-in equity holders		4	4
		7	(39)

Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the financial year		7	(39)
Items that do not qualify for reclassification			
Remeasurement of retirement benefit scheme	4	209	-
Total comprehensive income/(loss) for the financial year		216	(39)
Attributable to:			
Ordinary shareholders		212	(43)
Paid-in equity holders		4	4
		216	(39)

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

Balance sheet as at 31 December 2021

	Note	2021 £m	2020 £m
Assets			
Cash and balances at central banks		-	356
Loans to banks - amortised cost		-	13
Loans to customers - amortised cost		-	3,538
Amounts due from holding companies and fellow subsidiaries	6	522	7,824
Other assets	7	-	77
Total assets		522	11,808
Liabilities			
Customer deposits - amortised cost		-	8,174
Amounts due to holding companies and fellow subsidiaries	6	100	3,120
Derivatives		-	3
Other liabilities	9	-	57
Total liabilities		100	11,354
Owners' equity		422	454
Total liabilities and equity		522	11,808

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

The accounts were approved by the Board of Directors on 21 April 2022 and signed on its behalf by:

Katie Murray
Chief Financial Officer

Ulster Bank Limited is registered in Northern Ireland No. R0000733

Statement of changes in equity for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Called-up share capital - at 1 January and 31 December		254	254
Paid-in equity - at 1 January and 31 December		60	60
Retained earnings - at 1 January		140	183
Profit/(loss) attributable to ordinary shareholders		3	(43)
Profit attributable to paid-in equity holders		4	4
Paid-in equity coupon payments		(4)	(4)
Remeasurement of retirement benefit scheme	4	209	-
Other movements - retirement benefit scheme	4	(204)	-
Dividends paid		(40)	-
At 31 December		108	140
Owners' equity at 31 December		422	454
Owners' equity is attributable to:			
Ordinary shareholders		362	394
Paid-in equity holders		60	60
		422	454

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

Cash flow statement for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Operating profit/(loss) before tax from discontinued operations		10	(42)
Depreciation and impairment of property, plant and equipment		1	6
Provisions charges		-	10
Impairment losses		-	44
Elimination of foreign exchange differences		(9)	3
Other non-cash items		3	2
Net cash flows from trading activities		5	23
Decrease/(increase) in loans to banks and customers		22	(26)
Increase in amounts due from holding companies and fellow subsidiaries		(2,689)	(204)
Decrease in other assets		9	-
Increase in bank and customer deposits		299	1,138
(Decrease)/increase in amounts due to holding companies and fellow subsidiaries		(2,884)	319
Decrease in notes in circulation		-	(842)
Decrease in other liabilities		(10)	(7)
Changes in operating assets and liabilities		(5,253)	378
Income taxes paid		-	(8)
Net cash flows from operating activities[1]		(5,248)	393
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(9)
Cash consideration on transfer to NatWest Bank, net of cash transferred		140	-
Sale of property, plant and equipment		-	1
Net cash flows from investing activities		140	(8)
Cash flows from financing activities			
Paid-in equity coupon payments		(4)	(4)
Dividends paid		(40)	-
Net cash flows from financing activities		(44)	(4)
Effect of exchange rate changes on cash and cash equivalents		-	3
Net (decrease)/increase in cash and cash equivalents		(5,152)	384
Cash and cash equivalents 1 January	14	5,674	5,290
Cash and cash equivalents 31 December	14	522	5,674

Note:
(1) Includes interest received of £36 million (2020 – £147 million) and interest paid of £3 million (2020 – £26 million).

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

Accounting policies

1. Presentation of accounts
The Bank is incorporated in the UK and registered in Northern Ireland. The accounts are presented in the functional currency, pounds sterling.

The accounts, set out on pages 11 to 32 including these accounting policies on pages 15 to 18 and the audited sections of Risk management on pages 26 to 30, are prepared on an other than going concern basis (see the Report of the directors, page 4) and in accordance with UK adopted International Accounting Standards (IAS). The significant accounting policies and related judgments are set out below.

Preparation of the accounts on an other than going concern basis has not had any impact on the valuation of assets or liabilities on the Bank's balance sheet. On 7 April 2021, the Bank received Court approval for a Banking Business Transfer Scheme under the Financial Services and Markets Act 2000 (FSMA). Effective 3 May 2021, this transferred the Ulster Bank Limited business to its immediate parent, NatWest Bank. As asset and liabilities transferred to NatWest Bank at book value as a business under common control they are measured consistently with previous periods and in accordance with existing accounting policies. There was no gain or loss arising on the transaction. As the entire business was transferred it is considered a disposal group and therefore is presented in the income statement as discontinued operations.

Adoption of new and revised accounting standards
The changes to International Financial Reporting Standards (IFRS) that were effective from 1 January 2021 have had no material effect on the Bank's financial statements for the financial year ended 31 December 2021.

2. Basis of consolidation
The company has taken the exemption under IFRS 10 'Consolidated Financial Statements' from the requirement to prepare consolidated accounts as the company and its subsidiary are included by full consolidation in the IFRS consolidated accounts of its ultimate parent, NatWest Group, a public company registered in Scotland.

3. Revenue recognition
Interest income or expense relates to financial instruments measured at amortised cost using the effective interest rate method.

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value.

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 the service is rendered. The price is usually fixed and always determinable.

4. 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.

Employees may receive variable compensation satisfied by cash, by debt instruments issued by NatWest Group or by NatWest Group plc shares. NatWest Group operates a number of share-based compensation schemes under which it awards NatWest Group plc shares and share options to its employees. Such awards are generally subject to vesting conditions.

Variable compensation that is settled in cash or debt instruments is charged to profit or loss on a straight-line basis over the vesting period, taking account of forfeiture and clawback criteria.

Contributions to defined contribution pension schemes are recognised in profit or loss when payable.

For defined benefit schemes, the defined benefit obligation is measured on an actuarial basis. Actuarial gains and losses (i.e. gains and/or losses on re-measuring the net defined benefit asset or liability) are recognised in other comprehensive income in full in the period in which they arise. The difference between scheme assets and scheme liabilities, the net defined benefit asset or liability, is recognised in the balance sheet subject to the asset ceiling test which requires the net defined benefit surplus to be limited to the present value of any economic benefits available to the Bank in the form of refunds from the plan or reduced contributions to it. The charge to profit or loss for pension costs (mainly the service cost and the net interest on the net defined benefit asset or liability) is recognised in operating expenses.

5. 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. Conversely, an asset is not derecognised by a contract under which the Bank retains substantially all the risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred, the Bank does not derecognise an asset over which it has retained control but limits its recognition to the extent of its continuing involvement. A financial liability is removed from the balance sheet when the obligation is discharged, or is cancelled, or expires.

6. Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, these are accounted for separately.

Depreciation is charged to profit or loss on a straight-line basis so as to write-off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Freehold land is not depreciated.

6. Property, plant and equipment continued
The estimated useful lives of the Bank's property, plant and equipment was:

Freehold buildings	50 years
Long leasehold property (leases with more than 50 years to run)	50 years
Short leaseholds	unexpired period of lease
Property adaptation costs	10 to 15 years
Computer equipment	up to 5 years
Other equipment	4 to 15 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

7. Leases
As lessee
On entering a new lease contract, the Bank recognises a right of use asset and a lease liability to pay future rentals. The liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate. The right of use asset is depreciated over the shorter of the term of the lease and the useful economic life, subject to review for impairment.

Short term and low value leased assets are expensed on a systematic basis.

8. Provisions and contingent liabilities
The Bank 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.

Provision is made for restructuring costs, including the costs of redundancy, when the Bank has a constructive obligation to restructure. An obligation exists when the Bank has a detailed formal plan for the restructuring and has raised a valid expectation in those affected by starting to implement the plan or by announcing its main features.

The Bank recognises any onerous cost of the present obligation under a contract as a provision. An onerous cost is the unavoidable cost of meeting the Bank's contractual obligations that exceed the expected economic benefits. When the Bank vacates a leasehold property, the right of use asset would be tested for impairment and a provision may be recognised for the ancillary contractual occupancy costs, such as rates.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable, or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

9. Tax
Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which are credited or charged to other comprehensive income. The tax *consequences arising from servicing financial instruments* classified as equity are recognised in the income statement in line with IAS 12 'Income Taxes'.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in profit or loss, other comprehensive income or 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 payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and the 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 their recovery is probable.

Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a 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. Deferred tax assets and liabilities are offset where the Bank has a legally enforceable right to offset.

Accounting for taxes is judgmental and carries a degree of uncertainty because tax law is subject to interpretation, which might be questioned by the relevant tax authority. The Bank recognises the most likely current and deferred tax liability or asset, assessed for uncertainty using consistent judgments and estimates. Current and deferred tax assets are only recognised where their recovery is deemed probable, and current and deferred tax liabilities are recognised at the amount that represents the best estimate of the probable outcome having regard to their acceptance by the tax authorities.

10. Financial instruments
Financial instruments are classified either by product, by business model or by reference to the IFRS default classification.

Classification by product relies on specific designation criteria which are applicable to certain classes of financial assets or circumstances where accounting mismatches would otherwise arise. Classification by business model reflects how the Bank manages its financial assets to generate cash flows. A business model assessment determines if cash flows result from holding financial assets to collect the contractual cash flows, from selling those financial assets, or both.

10. Financial instruments continued
The product classifications apply to financial assets that are either designated at fair value through profit or loss (DFV), or to equity investments designated as at fair value through other comprehensive income (FVOCI). Financial assets may also be irrevocably designated at fair value through profit or loss upon initial recognition if such designation eliminates, or significantly reduces, accounting mismatch. In all other instances, fair value through profit or loss (MFVTPL) is the default classification and measurement category for financial assets.

Regular way purchases of financial assets classified as amortised cost, are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date. Business model assessment of assets is made at portfolio level, being the level at which they are managed to achieve a predefined business objective. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio.

Financial assets which are managed under a 'held to collect' business model and have contractual cash flows that comprise solely payments of principal and interest are measured at amortised cost.

Other financial assets which are managed under a business model of both 'held to collect and sell' and have contractual cash flows comprising solely of payments of principal and interest are measured at FVOCI.

The contractual terms of a facility; any leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest; are considered in determining whether cash flows comprise solely of payments of principal and interest.

All financial instruments are measured at fair value on initial recognition.

All liabilities not subsequently measured at fair value are measured at amortised cost.

11. Impairment: expected credit losses (ECL)
At each balance sheet date each financial asset or portfolio of loans measured at amortised cost is assessed for impairment. Any change in impairment is reported in the income statement. Loss allowances are forward looking and based on 12 month ECL. ECL are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is a reduction in the net present value of expected cash flows.

Prior to the BBTS the Bank applied the below accounting policy in respect of loans and advances to customers.

On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and ECL are adjusted from 12 month to lifetime expectations.

Judgement is exercised as follows:
- Models – in certain low default portfolios, Basel parameter estimates are also applied for IFRS 9.
- Non-modelled portfolios – use a standardised capital requirement under Basel II. Under IFRS 9, they have bespoke treatments for the identification of significant increase in credit risk. Benchmark probability of default (PDs), exposure at default (EADs) and loss given default (LGDs) are reviewed annually for appropriateness. The ECL calculation is based on expected future cash flows, which is typically applied at a portfolio level.
- Multiple economic scenarios (MES) – the central, or base, scenario is most critical to the ECL calculation, independent of the method used to generate a range of alternative outcomes and their probabilities.
- Significant increase in credit risk – IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the current probability of default over the remaining lifetime) with the equivalent lifetime PD as determined at the date of initial recognition.

Impaired loans are written off when the Bank concludes that there is no longer any realistic prospect of recovery of part, or all, of the loan. For loans that are individually assessed for impairment, the timing of the write off is determined on a case by case basis. Such loans are reviewed regularly and write off will be prompted by bankruptcy, insolvency, renegotiation and similar events.

12. Financial guarantee contracts
Under a financial guarantee contract, the Bank, in return for a fee, undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. A financial guarantee is recognised as a liability; initially at fair value and, if not designated as at fair value through profit or loss, subsequently at the higher of its initial value less cumulative amortisation and any provision under the contract measured in accordance with Accounting policy 11. Amortisation is calculated to recognise fees receivable in profit or loss over the period of the guarantee.

13. Netting
Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank currently has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Bank is party to a number of arrangements, including master netting agreements, that give the right to offset financial assets and financial liabilities, but where it does not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented gross.

14. Derivatives
Derivative financial instruments are initially recognised, and subsequently measured, at fair value. The Bank's approach to determining the fair value of financial instruments is set out in Note 6 to the accounts.

A derivative embedded in a financial liability contract is accounted for as a stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract; unless the entire contract is measured at fair value with changes in fair value recognised in profit or loss.

Gains and losses arising from changes in the fair value of derivatives that are not the hedging instrument in a qualifying hedge are included in Other operating income.

Gains and losses are recorded in income from trading activities except for gains and losses on those derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in Other operating income.

15. Cash and cash equivalents
In the cash flow statement, cash and cash equivalents comprises cash and deposits with banks with an original maturity of less than three months together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Critical accounting policies and key sources of estimation uncertainty
The reported results of the Bank are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Bank's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent.

In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's 'Conceptual Framework for Financial Reporting'.

Following the BBTS, the Bank no longer regards any accounting policies as critical.

Future accounting developments
International Financial Reporting Standards
Given the transfer of the Bank's business to NatWest Bank, effective 3 May 2021, new standards and amendments that are effective for annual periods beginning after 1 January 2022 are not considered to have a material impact.

Notes to the accounts

1. Net interest income

	2021 £m	2020 £m
Loans to banks - amortised cost	-	1
Loans to customers - amortised cost	34	112
Amounts due from holding company and fellow subsidiaries	7	37
Interest receivable	41	150
Customer deposits - amortised cost	(1)	(11)
Amounts due to holding company and fellow subsidiaries	(1)	(13)
Interest payable	(2)	(24)
Net interest income	39	126

Interest income on financial instruments measured at amortised cost is measured using the effective interest rate which allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

2. Non-interest income

	2021 £m	2020 £m
Fees and commissions receivable		
- Payment services	6	21
- Credit and debit card fees	4	12
- Lending (credit facilities)	2	5
- Other	-	2
	12	40
Fees and commissions payable	(2)	(5)
Net fees and commissions	10	35
Income from services provided to other NatWest Group companies	17	48
Cost of economic hedging		
- Foreign exchange	-	(1)
- Interest rates	-	(1)
Other income	12	(2)
Other operating income	29	44
Non-interest income	39	79

3. Operating expenses

	2021 £m	2020 £m
Wages, salaries and other staff costs	19	60
Temporary and contractor costs	1	5
Social security costs	2	6
Pension costs		
- defined benefit schemes (Note 4)	9	10
- defined contribution schemes	1	2
Restructuring costs	1	4
Staff costs	33	87
Premises and equipment	3	15
Depreciation, impairment and amortisation (Note 8)	1	6
Other administrative expenses	31	95
Administrative expenses	35	116
	68	203

3. Operating expenses continued

The average number of persons employed by the Bank during the year, excluding temporary staff, was 542 (2020 - 1,789). The average number of persons over the period to 3 May 2021 was 1,626. The average number of temporary employees during 2021 was 52 (2020 - 150). The average number of temporary employees over the period to 3 May 2021 was 157. At the balance sheet date, the number of persons employed by the Bank excluding temporary staff, was nil (2020: 1,705). All employees were transferred as part of the business transfer to NatWest Bank.

Amounts payable to the auditors for the statutory audit and other services are set out below:

	2021 £k	2020 £k
Fees payable for the audit of the Bank's annual accounts	126	349
Total audit and audit related assurance service fees	126	349

Other than the amounts disclosed above, no remuneration was payable in respect of tax advisory services and other non-audit services. Auditors' remuneration is disclosed exclusive of VAT.

4. Pensions

Defined contribution scheme
The Bank contributed to its defined contribution scheme and a small number of NatWest Group pension schemes, the costs of which are accounted for as defined contributions, which new employees were offered the opportunity to join. The defined contribution scheme was transferred to NatWest Bank along with the business, effective 3 May 2021.

Defined benefit scheme
Until the transfer of the business to NatWest Bank, the Bank sponsored the Ulster Bank Pension Scheme (UBPS), which operates under Northern Ireland trust law and is managed and administered on behalf of its members in accordance with the terms of the trust deed, the scheme rules and Northern Ireland legislation. NatWest Bank is now the sponsor of the UBPS.

A pension fund trustee is appointed to operate the fund and ensure benefits are paid in accordance with scheme rules and national law. The trustee is the legal owner of the scheme's assets and has a duty to act in the best interests of all scheme members.

The scheme generally provides a pension of one-sixtieth of final pensionable salary for each year of service prior to retirement up to a maximum of 40 years and is contributory for current members.

It has been closed to new entrants for over ten years although current members continue to build up additional pension benefits, currently subject to 2% maximum annual salary inflation, while they remain employed by the Bank, or NatWest Bank following the transfer of the business.

The UBPS corporate trustee is Ulster Bank Pension Trustees Limited (UBPTL). UBPTL was a wholly owned subsidiary of the Bank until 6 May 2021 when it was transferred to NatWest Bank following the transfer of the business. UBPTL is the legal owner of the scheme assets which are held separately from the assets of the Bank and NatWest Group. The board of UBPTL comprises three trustee directors nominated by members, selected from eligible active staff, deferred and pensioner members who apply, and six appointed by the Bank.

Under Northern Ireland legislation a defined benefit pension scheme is required to meet the statutory funding objective of having sufficient and appropriate assets to cover its liabilities (the pensions that have been promised to members).

4. Pensions continued

Changes in value of net pension asset	Fair value of plan assets £m	Present value of defined benefit obligations £m	Asset ceiling/ minimum funding[1] £m	Net pension surplus £m
At 1 January 2020	1,219	(966)	(253)	-
Income statement	24	(29)	(5)	(10)
Statement of comprehensive income	151	(201)	50	-
Contributions by employer[2]	10	-	-	10
Contributions by plan participants	1	(1)	-	-
Benefits paid	(44)	44	-	-
At 1 January 2021	1,361	(1,153)	(208)	-
Income statement	6	(14)	(1)	(9)
Net interest expense	6	(5)	-	1
Current service cost	-	(3)	-	(3)
Past service cost	-	(5)	-	(5)
Expenses	-	(1)	-	(1)
Interest on the asset ceiling	-	-	(1)	(1)
Statement of comprehensive income	-	-	209	209
Return on plan assets above recognised interest income	-	-	-	-
Experience gains and losses	-	-	-	-
Asset ceiling/minimum funding adjustments	-	-	209	209
Contributions by employer[2]	4	-	-	4
Benefits paid	(14)	14	-	-
Assets/liabilities extinguished upon transfer to NatWest Bank	(1,357)	1,153	-	(204)
At 31 December 2021	-	-	-	-

Notes:
(1) In recognising the net surplus or deficit of a pension scheme, the funded status of the scheme is adjusted to reflect any minimum funding requirement imposed on the sponsor and any ceiling on the amount that the sponsor has a right to recover from the scheme.
(2) Following the transfer of the defined benefit pension scheme, the Bank will not be making any further contributions.

Funding and contributions by the Bank

Following the transfer of the defined benefit pension scheme, effective 3 May 2021, NatWest Bank took on any future obligations in this regard.

The experience history of the scheme is shown below:

History of defined benefit scheme	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Fair value of plan assets	-	1,361	1,219	1,141	1,191
Present value of defined benefit obligations	-	(1,153)	(966)	(838)	(896)
Net surplus	-	208	253	303	295
Experience gains/(losses) on plan liabilities	1	4	(6)	(1)	(1)
Experience gains/(losses) on plan assets	-	151	77	(44)	9
Actual return on pension scheme assets	6	175	110	(14)	40
Actual return on pension scheme assets	0.4%	14.4%	9.6%	(1.2%)	3.4%

Notes to the accounts

5. Tax

	2021 £m	2020 £m
Current tax		
(Charge)/credit for the year	(3)	11
Under provision in respect of prior periods	-	(1)
	(3)	10
Deferred tax		
Reduction in the carrying value of deferred tax assets in respect of losses	-	(8)
Over provision in respect of prior periods	-	1
	-	(7)
Tax (charge)/credit for the year	(3)	3

The actual tax (charge)/credit differs from the expected tax (charge)/credit computed by applying the main UK corporation tax rate of 19% (2020 - 19%).

	2021 £m	2020 £m
Expected tax (charge)/credit	(2)	8
Non-deductible items	(1)	(2)
Tax credit on paid-in equity	1	1
Surcharge on banking companies	(1)	3
Reduction in the carrying value of deferred tax asset in respect of losses	-	(8)
UK tax rate change impact(1)	-	1
Actual tax (charge)/credit for the financial year	(3)	3

Note:
(1) It was announced in the UK Government's budget on 3 March 2021 that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This legislative change was enacted on 10 June 2021.

Deferred tax

Net deferred tax asset comprised:

	Accelerated capital allowances £m	Tax losses carried forward £m	Other £m	Total £m
At 1 January 2020	3	15	2	20
Charge to income statement	(1)	1	-	-
Adjustments in respect of prior years	-	(8)	1	(7)
At 1 January 2021	2	8	3	13
Charge to income statement	-	(1)	-	(1)
Transferred to NatWest Bank	(2)	(7)	(3)	(12)
At 31 December 2021	-	-	-	-

UK tax losses
Tax losses brought forward of £113m were transferred to NatWest Bank with the transfer of the business. There are no tax losses or other deductible temporary differences carried forward. As a result, deferred tax assets of nil (2020 - £22 million) have not been recognised in respect of tax losses carried forward of nil (2020 - £116 million) where doubt exists over the availability of future taxable profits.

It was announced in the UK Government's budget on 3 March 2021 that the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This legislative change was enacted on 10 June 2021.

It was subsequently announced in the UK Government's budget on 27 October 2021 that the UK banking surcharge will decrease from 8% to 3% from 1 April 2023. This legislative change was substantively enacted on 2 February 2022. Had this rate reduction been substantively enacted as at the balance sheet date, the estimated rate change impact would not have been material following the transfer of business to NatWest Bank.

6. Financial instruments

Classification

Amounts due to/from holding companies and fellow subsidiaries are carried at amortised cost and comprise:

	2021 £m	2020 £m
Amounts due from holding companies and fellow subsidiaries		
Loans to banks - amortised cost	522	7,824
Amounts due to holding companies and fellow subsidiaries		
Bank deposits - amortised cost	-	3,011
Customers deposits - amortised cost	-	1
Subordinated liabilities	100	108
	100	3,120

Valuation

The following table show the carrying values and the fair values of financial instruments on the balance sheet carried at amortised cost. All balances have been fair valued using procedures that fall within level 3 of the fair value methodologies.

Under the IFRS fair value hierarchy, level 3 is defined as instruments valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data. Examples include non-derivative instruments which trade infrequently, certain syndicated and commercial mortgage loans, private equity and derivatives with unobservable model inputs.

	2021		2020	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets				
Cash & balances at central banks	-	-	356	356
Loans to banks - amortised cost	-	-	13	13
Loans to customers - amortised cost	-	-	3,538	3,493
Amounts due from holding companies and fellow subsidiaries				
- Loans to banks - amortised cost	522	522	7,824	7,824
Financial liabilities				
Customer deposits - amortised cost	-	-	8,174	8,174
Amounts due to holding companies and fellow subsidiaries				
- Bank deposits	-	-	3,011	3,011
- Customer deposits	-	-	1	1
- Subordinated liabilities	100	81	108	98

The assumptions and methodologies underlying the calculation of fair values of financial instruments at the balance sheet date are as follows:

Loans to banks

In estimating the fair value of loans to banks measured at amortised cost, the Bank's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. The principal method used to estimate fair value is to discount expected cash flows at the current offer rate for the same or similar products.

Subordinated liabilities

Fair values are determined using quoted prices for similar liabilities where available or by reference to valuation techniques, adjusting for own credit spreads where appropriate.

6. Financial instruments continued

Maturity analysis

Remaining maturity

The following table shows the residual maturity of financial instruments, based on contractual date of maturity.

	2021			2020		
	Less than 12 months £m	More than 12 months £m	Total £m	Less than 12 months £m	More than 12 months £m	Total £m
Assets						
Cash and balances at central banks	-	-	-	356	-	356
Loans to banks - amortised cost	-	-	-	13	-	13
Loans to customers - amortised cost	-	-	-	700	2,838	3,538
Amounts due from holding companies and fellow subsidiaries	522	-	522	5,524	2,300	7,824
Liabilities						
Customer deposits - amortised cost	-	-	-	8,174	-	8,174
Lease liabilities	-	-	-	1	12	13
Amounts due to holding companies and fellow subsidiaries	-	100	100	2,747	373	3,120
Derivatives	-	-	-	-	3	3

Liabilities by contractual cash flow maturity

The following table shows, by contractual maturity, the undiscounted cash flows payable from the balance sheet date, including future receipts/payments of interest. The balances in the tables below do not agree directly to the Bank balance sheet as the tables include all cash flows relating to principal and future coupon payments presented on an undiscounted basis.

2021	0–3 months £m	3–12 months £m	1–3 years £m	3–5 years £m	5–10 years £m	10–20 years £m	>20 years £m
Liabilities by contractual maturity							
Amounts due to holding companies and fellow subsidiaries	-	-	-	-	-	-	100
	-	-	-	-	-	-	100

2020	0–3 months £m	3–12 months £m	1–3 years £m	3–5 years £m	5–10 years £m	10–20 years £m	>20 years £m
Liabilities by contractual maturity							
Customer deposits - amortised cost	8,114	60	-	-	-	-	-
Amounts due to holding companies and fellow subsidiaries	2,747	-	166	101	2	7	108
Lease liabilities	-	1	2	1	3	6	-
	10,861	61	168	102	5	13	108
Guarantees and commitments notional amount							
Guarantees[(1)]	20	-	-	-	-	-	-
Commitments[(2)]	872	-	-	-	-	-	-
	892	-	-	-	-	-	-

Notes:

(1) The Bank is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. The Bank expects most guarantees it provides to expire unused.

(2) The Bank has given commitments to provide funds to customers under undrawn formal facilities, credit lines and other commitments to lend subject to certain conditions being met by the counterparty. The Bank does not expect all facilities to be drawn, and some may lapse before drawdown.

7. Other assets

	2021 £m	2020 £m
Prepayments	-	2
Accrued income	-	1
Other assets	-	-
Current tax asset	-	11
Deferred tax asset (Note 5)	-	13
Property, plant and equipment (Note 8)	-	45
Asset held for sale	-	5
	-	77

Notes to the accounts

8. Property, plant and equipment

2021	Freehold land and buildings £m	Leases of 50 years or less unexpired £m	Computer and other equipment £m	Right of use property £m	Total £m
Cost or valuation:					
At 1 January	45	12	49	20	126
Additions	3	-	-	-	3
Transferred to NatWest Bank	(48)	(12)	(49)	(20)	(129)
At 31 December	-	-	-	-	-
Accumulated depreciation, impairment and amortisation:					
At 1 January	16	8	44	13	81
Charge for the financial year	1	-	-	-	1
Transferred to NatWest Bank	(17)	(8)	(44)	(13)	(82)
At 31 December	-	-	-	-	-
Net book value at 31 December	-	-	-	-	-

2020					
Cost or valuation:					
At 1 January	38	14	48	20	120
Additions	7	-	2	-	9
Disposals and write-off of fully depreciated assets	-	(2)	(1)	-	(3)
At 31 December	45	12	49	20	126
Accumulated depreciation, impairment and amortisation:					
At 1 January	15	8	45	9	77
Disposals and write-off of fully depreciated assets	-	(1)	(1)	-	(2)
Charge for the financial year	1	1	-	1	3
Impairment of property, plant and equipment	-	-	-	3	3
At 31 December	16	8	44	13	81
	29	4	5	7	45

9. Other liabilities

	2021 £m	2020 £m
Current tax	-	-
Accruals	-	6
Deferred income	-	2
Provisions for liabilities and charges	-	16
Other liabilities	-	20
Lease liabilities (Note 6)	-	13
	-	57

The following amounts are included within provisions for liabilities and charges:

	Property £m	Payment protection insurance £m	Global Restructuring Group (GRG) £m	Restructuring £m	Other £m	Total £m
Provision as at 1 January 2020	3	2	3	6	5	19
Charge/(release) to income statement	3	3	(1)	4	1	10
Utilised in the financial year	(1)	(4)	(1)	(5)	(2)	(13)
Provision as at 31 December 2020	5	1	1	5	4	16
Charge/(release) to income statement	-	-	-	1	-	1
Utilised in the financial year	-	-	-	(1)	(1)	(2)
Assumed by NatWest Bank	(5)	(1)	(1)	(5)	(3)	(15)
At 31 December 2021	-	-	-	-	-	-

Notes to the accounts

10. Share capital and other equity

	Allotted, called up and fully paid		Authorised	
	2021	2020	2021	2020
	£m	£m	£m	£m
Equity shares:				
Ordinary shares of £1	254	254	2,000	2,000
Equity preference shares:				
Non-cumulative redeemable preference shares of €1 each	-	-	420	449
Total share capital	254	254	2,420	2,449

	Allotted, called up and fully paid		Authorised	
	2021	2020	2021	2020
Number of shares	millions	millions	millions	Millions
Equity shares:				
Ordinary shares of £1	254	254	2,000	2,000
Equity preference shares:				
Non-cumulative redeemable preference shares of €1 each	-	-	500	500
Total share capital	254	254	2,500	2,500

During the financial year, the Bank paid £40 million (2020 - nil), or 15.8p (2020- nil) per ordinary share, as an interim dividend.

Paid-in equity - comprises equity instruments issued by the company other than those legally constituted as shares.

	2021	2020
	£m	£m
Additional Tier 1 loan		
£60 million 7.4% perpetual loan repayable from July 2022	60	60

The coupons on this instrument are non-cumulative and payable at the company's discretion. In the event of winding up any amounts outstanding on the loan will be subordinated. While taking the legal form of debt this loan is classified as equity under IAS 32 'Financial Instruments: Presentation'.

11. Risk management

Presentation of information
The exposure to risk and risk management activity in the Bank materially reduced in 2021 as a result of the transfer of the banking business and transition of employees to NatWest Bank in May 2021.

Risk management framework
Risk management is generally conducted on an overall basis within NatWest Group such that common policies, procedures, frameworks and models apply across the Group. The risk management function of the Bank is fully integrated with the risk management function of the NatWest Group. Since the transition of all Company employees to NatWest Bank in May 2021, NatWest Group has provided all resources, including personnel, to perform risk monitoring and management activities for the Bank.

Details of the risk management framework can be found on pages 189 to 196 of the NatWest Group 2021 Annual Report and Accounts.

Following the transfer of the business to NatWest Bank in May 2021, the risks the Bank remains exposed to are credit risk, capital adequacy risk, liquidity risk, operational risk and reputational risk.

Credit risk
Definition
Credit risk is the risk that customers and counterparties fail to meet their contractual obligation to settle outstanding amounts.

Sources of risk
The principal sources of credit risk for the Bank were lending and related undrawn commitments. The Bank was also exposed to settlement risk through payments activities. Post-transition of the banking business to NatWest Bank in May 2021 the only source of credit risk has been from amounts owed by the Bank's parent entity and the exposure to credit risk is not considered material at the balance sheet date.

11. Risk management - Credit risk continued

At the balance sheet date, the Bank's sole exposure to credit risk relates to amounts due from holding companies of £522 million (2020 - £7,828 million). The balance is considered to be a Stage 1 exposure and a Stage 1 ECL provision of £14k (2020 - £3m) is held in respect of this position.

Further details on the NatWest Group's approach to credit risk, including multiple economic scenarios, are set out on pages 197 to 248 of the NatWest Group 2021 Annual Report and Accounts.

ECL Flow statement

The flow statement that follows shows the main ECL and related income statement movements. It shows the changes in ECL as well as the changes in related financial assets used in determining ECL. Points to note:

- Financial assets include treasury liquidity portfolios, comprising balances at central banks, as well as loans. Both modelled and non-modelled portfolios are included. Intra-NatWest Group positions are excluded from the analysis.
- Stage transfers (for example, exposures moving from Stage 1 to Stage 2) are a key feature of the ECL movements, with the net re-measurement cost of transitioning to a worse stage being a primary driver of income statement charges. Similarly, there is an ECL benefit for accounts improving stage.
- Changes in risk parameters shows the reassessment of the ECL within a given stage, including any ECL overlays and residual income statement gains or losses at the point of write-off or accounting write-down.
- Other (P&L only items) includes any subsequent changes in the value of written-down assets (for example, fortuitous recoveries) along with other direct write-off items such as direct recovery costs. Other (P&L only items) affects the income statement but does not affect balance sheet ECL movements.
- Amounts written-off represent the gross asset written-down against accounts with ECL.

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets £m	ECL £m	Financial assets £m	ECL £m	Financial assets £m	ECL £m	Financial assets £m	ECL £m
At 1 January 2021	2,428	9	1,140	68	107	54	3,675	131
Currency translation and other adjustments	(1)	1	(1)	-	1	(4)	(1)	(3)
Transfers from Stage 1 to Stage 2	(138)	(2)	138	2	-	-	-	-
Transfers from Stage 2 to Stage 1	203	5	(203)	(5)	-	-	-	-
Transfers to Stage 3	(1)	-	(9)	(2)	10	2	-	-
Transfers from Stage 3	1	-	4	1	(5)	(1)	-	-
Net re-measurement of ECL on stage transfer	-	(4)	-	7	-	1	-	4
Changes in risk parameters (model inputs)	-	-	-	1	-	1	-	2
Other changes in net exposure	35	1	(64)	(4)	(2)	(1)	(31)	(4)
Other (P&L only items)	-	(1)	-	-	-	-	-	(1)
Income statement (releases)/charges		(4)		4		1		1
Amounts written-off	-	-	-	-	(4)	(4)	(4)	(4)
Unwinding of discount	-	-	-	-		(1)		(1)
Transferred to NatWest Bank	(2,527)	(10)	(1,005)	(68)	(107)	(47)	(3,639)	(125)
At 31 December 2021	-	-	-	-	-	-	-	-
Net carrying amount	-		-		-		-	
At 1 January 2020	2,868	5	659	32	97	58	3,624	95
2020 movements	(440)	4	481	36	10	(4)	51	36
At 31 December 2020	2,428	9	1,140	68	107	54	3,675	131
Net carrying amount	2,419		1,072		53		3,544	

Capital adequacy and liquidity risk

Definitions

Capital adequacy risk is the risk that there is or will be insufficient capital and other loss absorbing debt instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite and supporting its strategic goals.

Regulatory capital consists of reserves and instruments issued that are available, have a degree of permanency and are capable of absorbing losses. A number of strict conditions set by regulators must be satisfied to be eligible as capital.

Liquidity consists of assets that can be readily converted to cash within a short timeframe at a reliable value. Liquidity risk is the risk of being unable to meet financial obligations as and when they fall due.

The Bank's exposure to capital adequacy risk is not material given the Bank has significantly reduced risk weighted assets (RWAs) following the transfer of the third party customer assets generating most of the Bank's 2020 credit risk RWAs to NatWest Bank. Liquidity risk is not considered to be material as the Bank's short term liquid assets are greater than balance sheet liabilities.

11. Risk management – *Capital adequacy and liquidity risk* continued

Sources of risk
Capital
The eligibility of instruments and financial resources as regulatory capital is laid down by applicable regulation. Capital is categorised under two tiers (Tier 1 and Tier 2) according to the ability to absorb losses, degree of permanency and the ranking of absorbing losses on either a going or gone concern basis. There are three broad categories of capital across these two tiers:

- CET1 capital - CET1 capital must be perpetual and capable of unrestricted and immediate use to cover risks or losses as soon as these occur. This includes ordinary shares issued and retained earnings.
- Additional Tier 1 (AT1) capital - This is the second type of loss absorbing capital and must be capable of absorbing losses on a going concern basis. These instruments are either written down or converted into CET1 capital when the CET1 ratio falls below a pre-specified level.
- Tier 2 capital - Tier 2 capital is the Bank's supplementary capital and provides loss absorption on a gone concern basis. Tier 2 capital absorbs losses after Tier 1 capital.

Managing capital requirements: regulated entities
In line with paragraph 135 of IAS 1 'Presentation of Financial Statements', the Bank manages capital having regard to regulatory requirements. Regulatory capital is monitored and reported on an individual regulated bank legal entity basis for significant subsidiaries of NatWest Holdings Limited Group ("NWH Group"). NWH Group itself is monitored and reported on a consolidated basis.

Capital management
Capital management ensures there is sufficient capital and other loss absorbing instruments to operate effectively including meeting minimum regulatory requirements, operating within Board approved risk appetite, maintaining credit ratings and supporting strategic goals.

Liquidity risk management
At the balance sheet date, liquidity risk in the Bank was managed as part of the UK Domestic Liquidity Sub Group (UK DoLSub). The UK DoLSub is PRA regulated and comprised NWH's four licensed deposit taking UK banks: the Bank, National Westminster Bank Plc, The Royal Bank of Scotland plc and Coutts & Company. At the balance sheet date, the Liquidity Coverage Ratio (LCR) of the UK DoLSub was 169% (2020 – 152%), above the minimum requirement of 100%.

The Bank was removed from the UK DoLSub, effective 1 January 2022. From 1 January 2022, UBL will be subject to minimum requirements for key liquidity and funding metrics under the PRA regulatory framework. Primarily these are LCR and Net Stable Funding Ratio (NSFR) with a binding ratio of 100%.

Minimum requirements
Capital adequacy ratios
The Bank is subject to minimum capital requirements relative to risk weighted assets (RWAs). The table below summarises the minimum ratios of capital to RWAs that the Bank was expected to meet.

Type	CET1	Total Tier 1	Total capital
Minimum capital requirements	4.5%	6.0%	8.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Countercyclical capital buffer [1]	-	-	-
Total[2]	7.0%	8.5%	10.5%

Notes:
(1) In response to COVID-19, many countries reduced their countercyclical capital buffer (CCyB) rates. In December 2021, the Financial Policy Committee announced an increase in the UK CCyB rate from 0% to 1%. This rate will come into effect from December 2022 in line with the 12 month implementation period.
(2) The minimum requirements do not include any capital that the Bank may be required to hold as a result of the Pillar 2 assessment.

11. Risk management – Capital adequacy and liquidity risk continued

Measurement

Capital resources

The table below sets out the key Capital ratios on a PRA transitional basis.

	2021	2020
Shareholders' equity (excluding non-controlling interests)	£m	£m
Shareholders' equity	422	454
Preference shares – equity	(60)	(60)
	362	394
Regulatory adjustments and deductions		
Deferred tax assets	-	(8)
Adjustments under IFRS9 transition arrangements	5	42
	5	34
CET1 capital	367	428
Additional Tier 1 (AT1) capital		
Qualifying instruments and related share premium	60	60
Tier 1 capital	427	488
Qualifying Tier 2 capital		
Qualifying instruments and related share premium	100	109
Excess provisions over expected losses	-	4
Tier 2 capital	100	113
Total regulatory capital	527	601
RWAs		
Credit risk		
- non-counterparty	104	1,843
- counterparty	-	-
Market risk	-	3
Operational risk	381	409
Total RWAs	485	2,255
Risk asset ratios		
CET1	75.7%	19.0%
Tier 1	88.0%	21.6%
Total	108.7%	26.6%

11. Risk management continued

Operational risk

Definition

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 business.

Sources of risk

Operational risk may arise from a failure to manage operations, systems, transactions and assets appropriately. This can take the form of human error, an inability to deliver change adequately or on time, the non-availability of technology services, or the loss of customer data. Systems failure, theft of the Bank's property, information loss and the impact of natural, or man-made, disasters, as well as the threat of cyber attacks, are sources of operational risk. Operational risk can also arise from a failure to account for changes in law or regulations or to take appropriate measures to protect assets. Subsequent to the transfer of the banking business and transition of employees to NatWest Bank in May 2021 the Bank's exposure to operational risk has materially reduced. While the Bank continues to exist there will be a residual exposure to operational risk.

Further details on the NatWest Group's approach to operational risk are set out on pages 281 to 283 of the NatWest Group 2021 Annual Report and Accounts.

Reputational risk

Definition

Reputational risk is defined as the risk of damage to stakeholder trust due to negative consequences arising from internal actions or external events.

Sources of risk

Reputational risks originate from internal actions and external events. The three primary drivers of reputational risk have been identified as: failure in internal execution; a conflict between the Bank's values and the public agenda; and contagion (when the Bank's reputation is damaged by failures in the wider financial sector). Subsequent to the transfer of the banking business and transition of employees to NatWest Bank in May 2021 the Bank has reduced exposure to reputational risk.

Further details on the NatWest Group's approach to credit risk are set out on pages 284 to 285 of the NatWest Group 2021 Annual Report and Accounts.

12. Memorandum items

Capital Support Deed

Until October 2021, the Bank, together with certain other subsidiaries of NatWest Holdings Limited, was party to a Capital Support Deed ("CSD"). Under the terms of the CSD, the Bank may have been required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation was limited to the Bank's capital resources in excess of the capital and financial resources needed to meet its regulatory requirements. The CSD also provided that, in certain circumstances, funding received by the Bank from other parties to the CSD became immediately repayable, such repayment being limited to the Bank's available resources. Subsequent to the transfer of the business to NatWest Bank, UBL was removed from the CSD.

13. Analysis of changes in financing during the year

	Share capital, share premium and paid-in equity		Subordinated liabilities[1]	
	2021	2020	2021	2020
	£m	£m	£m	£m
At 1 January	314	314	108	102
Currency translation and other adjustments	-	-	(8)	6
At 31 December	314	314	100	108

Notes:
(1) Included in amounts due to holding companies and fellow subsidiaries (Note 6). This denotes €120 million undated loan notes held by NatWest Holdings (3 months EURIBOR plus 0.80%); repayable at the option of the Bank, only with prior consent of the Prudential Regulatory Authority (PRA). Claims in respect of the Bank's loan capital are subordinate to the claims of other creditors. None of the loan capital is secured.

14. Analysis of cash and cash equivalents

	2021	2020
	£m	£m
At 1 January	5,674	5,290
Net cash (ouflow)/inflow	(5,152)	381
Effect of exchange rate changes on cash and cash equivalents	-	3
At 31 December	522	5,674
Comprising:		
Cash and balances at central banks	-	356
Loans to banks[1]	522	5,318
Cash and cash equivalents	522	5,674

Notes:
(1) Included in amounts due from holding companies and fellow subsidiaries (Note 6).

15. Directors' and key management remuneration

The composition of the Bank's board of directors was aligned to its intermediate holding company NatWest Holdings Limited until 29 July 2021 when the independent non-executive directors stood down. All directors serving during the financial year were remunerated for their services to the NatWest Group as a whole, and their remuneration cannot be apportioned in respect of their services to the Bank. Details of the directors' and key management remuneration can be found in the Directors' remuneration report, set out on pages 136 to 180 of the NatWest Group 2021 Annual Report and Accounts.

16. Transactions with directors and key management

(a) At 31 December 2021, amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in the NatWest Group, as defined in UK legislation, were £7,032,040 in respect of loans to eight persons who were directors of the Bank at any time during the financial period.

(b) For the purposes of IAS 24 'Related Party Disclosures', key management comprises directors of the Bank and members of the Executive committee. Applying the captions in the Bank's primary financial statements the following amounts are attributable, in aggregate, to key management:

	2021 £'000	2020 £'000
Loans to customers - amortised cost	8,632	5,105
Customer deposits - amortised cost	45,719	39,164

The amounts in the above table are attributed to each person at their highest level of NatWest Group key management.

Key management have banking relationships with NatWest Group entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features. Key management had no reportable transactions or balances with the holding companies.

17. Related parties

UK Government
The UK Government's shareholding is managed by UK Government Investments Limited, a company wholly owned by the UK Government. As a result, the UK Government and UK Government controlled bodies are related parties of the Group.

At 31 December 2021, HM Treasury's holding in NatWest Group's ordinary shares was 52.96%.

The Bank enters into transactions with many of these bodies on an arm's length basis. Transactions include the payment of taxes, principally UK corporation tax (Note 5) and value added tax; national insurance contributions; local authority rates; and regulatory fees and levies; together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

Bank of England facilities
The Bank may participate in a number of schemes operated by the Bank of England in the normal course of business.
The Bank, as a UK authorised institution, is required to maintain a non-interest bearing (cash ratio) deposit with the Bank of England amounting to 0.368% of average eligible liabilities in excess of £600 million. The Bank also has access to Bank of England reserve accounts. These are sterling current accounts that earn interest at the Bank of England Rate.

Related undertakings
In November 2020, the immediate parent of Ulster Bank Pension Trustees Limited (UBPTL), Ulster Bank Limited (UBL), wrote to its customers to advise them of its intention, subject to legal approval, to transfer the UBL business into its immediate parent, National Westminster Bank Plc (NatWest Bank). Legal approval was granted on 7 April 2021, and the transfer made effective from 3 May 2021. As part of this reorganisation colleagues that had been contractually employed by UBL transferred to become employees of NatWest Bank. NatWest Bank also took over the role of sponsor of UBPS from UBL. UBPTL remains the corporate trustee of UBPS. Following the granting of legal approval for this transfer, UBPTL's board approved the transfer of ownership of UBPTL from UBL to NatWest Bank. UBPTL became a direct subsidiary of NatWest Bank on 6 May 2021.

17. Related parties continued

At the balance sheet date the carrying value of the Bank's shares in subsidiary undertakings was £nil (2020: £100).

The table below discloses items included in income and operating expenses for transactions between the Bank and fellow subsidiaries of the NatWest Group.

	2021 £m	2020 £m
Interest receivable	7	37
Interest payable	(1)	(12)
Fees and commissions receivable	1	2
Fees and commissions payable	-	(1)
Other operating income	29	48
Other administrative expenses	(27)	(91)
	9	(17)

18. Ultimate holding company

The Bank's ultimate holding company is NatWest Group plc which is incorporated in Great Britain and registered in Scotland and its immediate holding company is National Westminster Bank Plc which is incorporated in Great Britain and registered in England.

As at 31 December 2021, NatWest Group plc heads the largest group in which the Bank is consolidated. Copies of the consolidated accounts of both companies may be obtained from the Company Secretary, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

At the balance sheet date the UK Government, through HM Treasury, held 52.96% of the issued ordinary share capital of the ultimate holding company and was the Bank's ultimate controlling party. Through directed buybacks the UK Government holding reduced to 48.03% in March 2022 and, as a result, at the date of signing NatWest Group plc is the Bank's ultimate holding company and ultimate controlling party.

19. Post balance sheet events

There have been no significant events between the financial year end and the date of approval of the accounts which would require a change to or additional disclosure in the accounts.