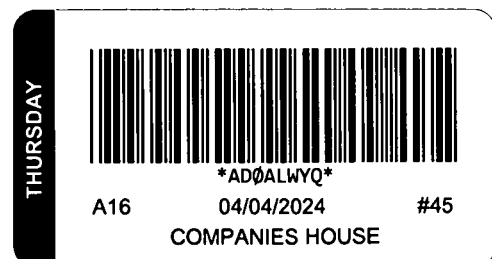


Company Registered No: 11194605

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2023



CONTENTS**Page**

Officers and professional advisers	1
Strategic report	2
Directors' report	9
Independent auditor's report	10
Statement of comprehensive income	13
Balance sheet	14
Statement of changes in equity	15
Notes to the financial statements	16

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

Jeffrey Scott (Chairperson)
Mark Crathern
Ian Greenstreet (Non- executive Director)
James Rowney (Non- executive Director)
Wendy Redshaw (Non- executive Director)
Dominic Simpson

COMPANY SECRETARY:

Rachael Pocklington

REGISTERED OFFICE:

250 Bishopsgate
London
United Kingdom
EC2M 4AA

INDEPENDENT AUDITOR:

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

Registered in England and Wales

STRATEGIC REPORT

ACTIVITIES AND BUSINESS REVIEW

Activity

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

The Company continues to offer a Dealing & Custody service for non-Depositary Clients, where a requirement outside of a traditional custody relationship is needed. This service was launched in 2020. During 2023, the NWTDS Senior Leadership Forum approved a product enhancement, allowing prospective clients to be existing clients of NWG, rather than RBSI only. The enhancement is expected to be delivered in 2024, subject to formal product change governance approval.

The Company is a subsidiary of The Royal Bank of Scotland International (Holdings) Limited (RBSIH) which in turn is a subsidiary of NatWest Group plc, which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, human resources and control environment. The annual reports of NatWest Group plc review these matters on a group basis. A copy of the NatWest Group plc annual report is available at www.natwestgroup.com and on the Companies House website. A copy can also be requested from Legal, Governance and Regulatory Affairs, NatWest Group, Gogarburn, Edinburgh, PO Box 1000, EH12 1HQ.

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

"NatWest Group" comprises NatWest Group plc, its subsidiaries and associated undertakings.

Business review

Throughout 2023, the Company continued to focus on its overarching purpose of championing potential, helping people, families and businesses to thrive. The Company has a continued focus on becoming simpler to deal with for our clients through great client service, improving technology and enhancing customer journeys. In 2023, the Company continued to invest in a new technology platform using Cloud based solutions. The first wave of the new digital journey processes are live for a number of clients, with the remaining process launches and client migrations in plan.

The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders for future development.

Financial performance

The Company's financial performance is presented on pages 13 to 15.

Operating profit before tax is £5,123k compared with £10,410k in 2022 driven by an increase in operating expenses partly offset by an increase in income.

No dividend was paid during the year (2022: £9,000k).

Key Performance metrics and ratios

	2023	2022
Total Income	£35,869k	£34,871k
Operating profit before tax	£5,123k	£10,410k
CET1	£63,247k	£64,520k
Core liquid assets	£69,339k	£75,904k
Assets held in a fiduciary capacity	£434bn	£402bn

STRATEGIC REPORT**Key Performance metrics and ratios (continued)**

Income increased by £998k driven by higher returns on bank balances partially offset with a small decrease in depositary fee income resulting from lower average assets held in a fiduciary capacity reflecting volatile macroeconomic climate. The net increase in income was offset with an increase in operating expenses of £6,285k.

Maintaining capital adequacy is critical to remaining safe and secure. Effective and efficient capital planning is a core focus for NWTDS, balancing our commitment to maintaining safety and soundness with sustainable risk adjusted shareholder returns.

NWTDS holds minimum capital as set out in MIFIDPRU 4.3.2, this takes into account the Own Funds Requirement and Additional Funds Requirement of the Company. NWTDS also complies with the overall financial adequacy rule ensuring that the Company holds adequate liquid assets as set out in MIFID requirements 7.7.

As at 31 December 2023, NWTDS own funds amounted to £63,247k which is above the threshold requirement of £25,971k. The core liquid assets amounted to £69,339k which is above the threshold requirement of £19,374k.

CET1 and core liquid assets reduced in 2023 as a result of increased capital expenditure to support the new technology platform.

NWTDS reports Assets held in a fiduciary capacity within the key performance metrics which are not included on the balance sheet within its financial statements.

Principal risks and uncertainties

There are certain risk factors that could have a material adverse effect on NWTDS' future results, its financial condition and/or prospects and potentially causing them to be materially different from what is forecast or expected. Note 11 to the financial statements includes the Company's policies and processes for managing its risks although they should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing NWTDS. The financial position of NWTDS, its liquidity position and capital and funding sources are set out in the financial statements.

Governance***The Board***

The NWTDS Board operates under the authority delegated to it from the shareholder, RBSIH. The Board is the main supervisory, decision making and oversight forum for NWTDS and is collectively responsible for the long-term success of NWTDS and the delivery of sustainable value to shareholders.

The Board sets the strategic aims of NWTDS within the strategic direction of the NatWest Group.

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

In order to provide effective oversight and leadership the Board has established three Board Committees with particular responsibilities.

The Board Risk Committee- It provides oversight and advice to the Board in relation to current and potential future risk exposures and future risk strategy, including determination of risk appetite and tolerance. It is also responsible for promoting a risk awareness culture within NWTDS.

The Audit Committee- It is responsible for assisting the Board in carrying out its responsibilities relating to accounting policies, internal control, financial reporting functions, internal audit, external audit, risk assessment and regulatory compliance. The Committee also reviews matters relating to the financial affairs of NWTDS; accounting and financial reporting and regulatory compliance; internal controls, Internal Audit, Risk Management and the external Auditors.

The Nominations Committee- It is responsible for assisting the Board in carrying out its responsibilities in relation to monitoring board composition and succession planning, as well as considering board appointments.

STRATEGIC REPORT**Section 172(1) statement**

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

Engagement with stakeholders

The Board reviews and confirms its key stakeholders for the purposes of S.172 annually. For 2023 they remain colleagues, authorised fund managers, third party providers (such as custodians and data suppliers), regulators and the Company's shareholder.

Colleagues***Colleague engagement***

The Company values the input of its colleagues and actively seeks opportunities to engage with them to contribute to on-going dialogue and activities to make the Company better for our customers and colleagues. The bi-annual colleague listening survey, known as 'Our View,' provides valuable data to decision makers across NWTDS and the wider RBSIH Group in support of improving employee engagement and satisfaction. NWTDS scores were relatively low and therefore focus remains in this area to improve colleague sentiment in 2024. NWTDS saw minimal movement in the scores of the 3 core indexes of Culture, Engagement and Leadership. Whilst Leadership declined ever so slightly, Culture remained steady and the Engagement score slightly improved.

Diversity, Equity and Inclusion (DE&I)

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

We take a focused and impactful approach to DE&I that is anchored in the attraction, advancement and retention of diverse talent. We want to give all colleagues, and every customer who comes into contact with us, the chance to succeed and the support to thrive. We comply with local laws on equality and with Our Code, which sets out NatWest Group expected behaviours and standards of conduct, to build and develop an inclusive workforce in order to understand and respond to our diverse customer base.

At 31 December 2023, we had 40% women in our top three layers, an increase of 6.7% since 31 December 2022. Information on our gender and ethnicity pay gap is disclosed within the NatWest Group's Gender Pay Gap report.

Championing the potential of our colleagues

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

In 2023 we launched Beyond, our new performance management approach. The approach will be launched in chapters through 2024 and focus on:

- 1). *Setting the ambition*- Goals that are created collaboratively by colleagues and managers,
- 2). *Creating meaningful conversations*- coaching check-ins that happen at least four times a year,
- 3). *Unlocking talent and growth*- the calibration process will have deeper conversations about the performance and potential of our people,
- 4). *Assessing reward choices*- keeping the relationship between performance and pay, we will no longer have performance ratings going forward. There will also be a continued focus on feedback throughout each chapter.

We continue to ensure employees are paid fairly for the work they do and are supported by simple and transparent pay structures in line with industry best practices. We keep our policies and processes under review to make sure we do so.

STRATEGIC REPORT***Championing the potential of our colleagues (continued)***

We are investing in our workforce to deliver long-term, sustainable performance by providing our colleagues with the capabilities and future skills they need to fulfil their potential. We give everyone a minimum of two dedicated learning days, annually, to build the skills they need, underpinned by our ambition to be a learning organisation. We are focussed on building a self-led learning culture and capability within our teams, and this is a key component of a number of our experiments for our Strategic Workforce Planning.

There are 4 key RBSI initiatives for supporting our high potential colleagues this year and helping them to develop their career. We will continue to provide an inclusive talent conversation framework to support line managers to hold effective career development conversation. We are focussed on identifying and developing our "Rising Stars." We are building a sponsorship and mentoring culture to continue to build a learning organisation and support our under-represented groups to thrive. We are also continuing with development through the Junior Management Team.

We are supporting our colleagues to fully engage with our Values (Inclusive, Ambitious, Curious, Robust, Sustainable) and with our purpose, with initiatives including our Thrive Values Journeys, Purpose Led Decision making workshops and encouraging colleagues to use the Thrive Leadership Experience. These are opportunities for colleagues to explore what the Values and Purpose mean to them in their everyday jobs and tasks.

Speak Up

Colleagues can report concerns relating to wrong-doing or misconduct through Speak Up, our whistleblowing service. The service facilitates confidential and anonymous reporting. When colleagues were asked if they feel safe to speak up and understand how they do this, our 2023 colleague listening survey showed an above financial services industry score.

Family-focused leave policies

We support families and carers, ensuring they can balance family and work responsibilities in a way that supports their mental and physical wellbeing. RBSI Group, as part of NatWest Group launched a market leading Partner Leave Policies in 2023. The policy supports all eligible employees with significantly more time away from work to help their partner look after their new child, whether the new child arrived through birth, adoption or surrogacy.

Society and sustainability

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

RBSIH Group, as part of NatWest Group, is one of the largest banks globally to date to have science-based emissions intensity targets validated by the Science Based Targets initiative ('SBTi'). These targets have been assessed by the SBTi against the latest available climate science and have been used in the development of our climate transition plan, which demonstrates how we plan to reduce the climate impact of our financing activity. A strategic tool, the climate transition plan will be developed and enhanced further as we move towards 2030 and beyond. Refer to the NatWest Group 2023 Climate-related Disclosures Report, section 2.3 for further detail.

During 2023 the business launched new ESG compliance monitoring and insights tooling on its new, cloud-based platform. The platform ingests externally-sourced ESG data from vendors and aligns this data to fund holdings. This allows detailed analysis of fund ESG profiles against related objectives and restrictions outlined in the fund prospectus and regulatory rules. These capabilities continue to be in active development in conjunction with client feedback and regulatory change. Additional data sources, clients and analytics are due to be added over the course of 2024.

STRATEGIC REPORT**Regulators**

The RBSIH Group and NWTDS are subject to extensive laws, regulations, guidelines, corporate governance practice and disclosure requirements, administrative actions and policies which represents ongoing compliance and conduct risks including, but not limited to:

- Changes to the FCA Investment Firm Prudential Regime for MiFID Investment firms;
- Changes to UK laws as a result of Brexit that may adversely affect NWTDS or its ultimate parent (NatWest Group);
- the UK ring-fencing regime;
- enhanced data protection and IT resilience requirements;
- enhanced regulations in respect of the provision of 'investment services and activities';
- the introduction of, and changes to, taxes, levies or fees;
- increased regulatory focus on combating financial crime and failure to comply could lead to enforcement action by RBSI Group's regulators, including penalties, which may have an adverse effect on RBSI Group's business, financial condition and prospects;
- any regulatory requirements relating to the use of artificial intelligence and large language models across the financial services industry (such as the European Union Artificial Intelligence Act).

The Company holds off balance sheet balances due to its fiduciary capacity. A CASS (Client Assets Specialist Sourcebook) audit is carried out separately on an annual basis for the UK Financial Conduct Authority. Ernst and Young LLP have provided this service during the 2023 period under the FRC's CASS Audit Standard.

The Company has a dedicated CASS Supervisor in the FCA's Resolution Strategy, Operations and CASS (ReSOC) team with whom the Company meet twice yearly to discuss CASS matters. The Company maintains an open dialogue with the CASS Supervisor between meetings, ensuring they are informed of material CASS breaches, material change projects, and other matters to which they would expect to be made aware of by the Company. The Company also completes the monthly Client Money and Asset Return (CMAR) as required.

The Company takes the safekeeping of assets very seriously as this is one of the core activities of a depositary, the assets are held under the CASS rules. The Company has dedicated CASS resource focussed on ensuring compliance with the requirements in the FCA CASS sourcebook.

Supporting effective Board discussions and decision-making

Our Board and Committee terms of reference reinforce the importance of considering both our purpose and the matters set out in section 172(1). Our Board and Committee paper template includes a section for authors to explain how a proposal or update aligns with our purpose and a separate section for them to include an assessment of the relevant stakeholder impacts for the directors to consider.

Principal decisions

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

How stakeholder interests have influenced decision making

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

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

STRATEGIC REPORT**How stakeholder interests have influenced decision making (continued)**

The Board has approved a major transformation programme to modernise the Company's operating platforms and how data is dealt with, streamline its operating model and improve controls and evolve the business model to become the depositary of the future, all of which will benefit key stakeholders.

During 2023, the cloud native platform went live for a limited set of processes of clients. Significant progress was made on the development of all remaining processes that are due to go live throughout 2024.

Going concern

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

Having reviewed the Company's forecasts, projections and other relevant evidence, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Foreseeable future is defined as 12 months from the date of signing of this Report and Accounts, being 28 March 2025. Accordingly, the financial statements of the Company have been prepared on a going concern basis (note 1 on page 16).

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Strategic report, Directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STRATEGIC REPORT

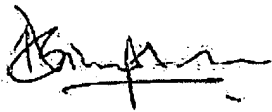
DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

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

A handwritten signature in black ink, appearing to read 'Dominic Simpson', with a horizontal line drawn underneath it.

Dominic Simpson
Director
Date: 28 March 2024

DIRECTORS' REPORT

The Strategic report includes the review of the year, risk report, disclosure of information to auditors and directors' responsibilities statement. Details of the board's engagement with stakeholders, colleagues, regulators and others, and how these stakeholders' interests have influenced board decision making are set out on pages 2 to 8 of the Strategic report which includes a section 172(1) statement.

DIRECTORS AND COMPANY SECRETARY

The present directors and secretary, who have served throughout the year, except where noted below, are listed on page 1.

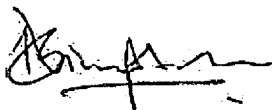
From 1 January 2023 to date the following changes have taken place:

Directors	Appointed	Resigned
Graham Halstead	-	1 February 2023

AUDITOR

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

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



Dominic Simpson
Director

Date: 28 March 2024

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

Opinion

We have audited the financial statements of NatWest Trustee and Depositary Services Limited ("the Company") for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when these financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

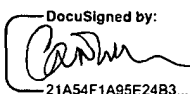
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those related to reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making inquiries of senior management and those responsible for legal and compliance matters for their awareness of any non-compliance with laws and regulations and to understand how the Company maintains and communicates its policies as well as through the evaluation of corroborating documentation. We also reviewed meeting minutes of the Board of Directors, Audit Committee and Board Risk Committee and gained an understanding of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and the risk of management override, specifically management's ability to influence revenue. We identified a fraud risk in relation to accrued revenue and assessed management's accrual assumptions by recalculating the accrual amounts based on prior billings and agreements with clients and our consideration of previous accrual accuracy. We also performed journal entry testing with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the Company's business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of Board minutes, Audit Committee minutes, Board Risk Committee minutes, internal audit reports, complaints register and breaches report, inquiries of executive management, those charged with governance, internal audit and the entity's in-house legal team.

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

Use of our report

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

DocuSigned by:

21A54F1A95E24B3...

Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
28 March 2024

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

		2023	2022
	Notes	£'000	£'000
Income from continuing operations			
Turnover	3	35,869	34,871
Operating expenses	4	(30,746)	(24,461)
Profit before tax		5,123	10,410
Tax charge	5	(1,228)	(2,019)
Profit and total comprehensive income for the year		3,895	8,391

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

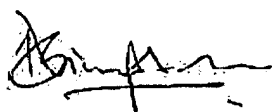
BALANCE SHEET

as at 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	6	29,945	24,780
Deferred tax assets	5	16	13
		<u>29,961</u>	<u>24,793</u>
Current assets			
Amount due from group companies	12	87	57
Other assets	7	5,369	7,342
Cash at bank	8	69,339	75,904
		<u>74,795</u>	<u>83,303</u>
Total assets		<u>104,756</u>	<u>108,096</u>
Current liabilities			
Amounts due to group companies	12	5,950	14,384
Other liabilities	9	4,148	2,242
Current tax liabilities	5	1,231	2,010
		<u>11,329</u>	<u>18,636</u>
Non-current liabilities			
Other liabilities	9	219	147
Total liabilities		<u>11,548</u>	<u>18,783</u>
Equity			
Share capital	10	65,000	65,000
Retained earnings		28,208	24,313
Total equity		<u>93,208</u>	<u>89,313</u>
Total liabilities and equity		<u>104,756</u>	<u>108,096</u>

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

The financial statements were approved by the Board of Directors on 28 March 2024 and signed on its behalf by:



Dominic Simpson
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2022	65,000	24,922	89,922
Profit for the year	-	8,391	8,391
Dividend paid	-	(9,000)	(9,000)
At 31 December 2022	65,000	24,313	89,313
Profit for the year	-	3,895	3,895
At 31 December 2023	65,000	28,208	93,208

Total comprehensive income for the year of £3,895k (2022: £8,391k) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Presentation of financial statements**

The directors have prepared the financial statements:

- on a going concern basis after assessing principal risks, forecasts, projections and other relevant evidence over the twelve months from the date these financial statements are approved and under FRS 101 *Reduced Disclosure Framework*; and
- on the historical cost basis.

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

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

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

Where required, equivalent disclosures are given in the group accounts of NatWest Group plc, these financial accounts are available to the public and can be obtained as set out in note 12.

Changes to IFRS that were effective from 1 January 2023 have had no material effect on the Company's financial statements for the year ended 31 December 2023.

b) Foreign currencies

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

c) Revenue recognition

Turnover comprises income from depositary fees and interest receivable on cash balances in bank.

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

Interest income and expense are recognised in the income statement using the effective interest rate method for all financial instruments measured at amortised cost and debt instruments measured as fair value through other comprehensive income.

d) Staff costs

Staff costs, such as salaries, paid absences, and other benefits are recognised over the period in which the employees provide the related services to the Company. Employees may receive variable compensation in cash, in deferred cash or debt instruments of NatWest Group or in ordinary shares of NatWest Group plc. NatWest Group operates a number of share-based compensation schemes under which it grants awards of NatWest Group plc shares and share options to its employees. Such awards are generally subject to vesting conditions. The treatment of share-based compensation is set out in accounting policies of NatWest Group plc accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

d) Staff costs (continued)

Defined benefit pension scheme

A scheme that defines the benefit an employee will receive on retirement and is dependent on one or more factors such as age, salary, and years of service. The net of the recognisable scheme assets and obligations is reported on the balance sheet in other assets or other liabilities. The defined benefit obligation is measured on an actuarial basis.

The cost of NatWest Group defined benefit pension schemes and healthcare plans are allocated to the Company as appropriate. It therefore accounts for the charges it incurs as payments to a defined contribution scheme.

Defined contribution pension scheme

Contributions are recognised in the income statement as employee service costs accrue.

e) Taxation

Tax encompassing current tax and deferred tax is recorded in the income statement except when taxable items are recognised in other comprehensive income or equity.

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

Deferred tax is the tax expected to be 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.

The Company has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12 Income taxes in respect of Pillar Two income taxes. Accordingly, the Company has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

f) Provisions

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

g) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance acquired or developed by NWTDS and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement over the assets' estimated useful economic lives using methods that best reflect the pattern of economic benefits and is included in depreciation and amortisation. These estimated useful economic lives are:

Data Intelligence Platform	5 years
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Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred as are all training costs and general overheads.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

h) Impairment of non-financial assets

At each balance sheet date, NWTDS assesses whether there is any indication that intangible assets, right of use assets or property, plant and equipment are impaired. If any such indication exists, we estimate the recoverable amount of the asset and the impairment loss if any.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell or its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset that have not been considered in estimating future cash flows.

An impairment loss is recognised if the recoverable amount of an intangible or tangible asset is less than its carrying value. The carrying value of the asset is reduced by the amount of the loss and a charge recognised in the income statement. A reversal of an impairment loss on intangible assets or property, plant and equipment can be recognised in the income statement provided the increased carrying value is not greater than it would have been had no impairment loss been recognised.

i) Financial instruments

Monetary financial assets in the scope of IFRS 9 "Financial Instruments" are classified by business model reflecting how we manage our financial assets to generate cash flows. A business model assessment helps to ascertain the measurement approach depending on whether cash flows result from holding financial assets to collect the contractual cash flows, from selling those financial assets, or both. As a result, they are classified as either:

- amortised cost measured at cost using the effective interest rate method, less any impairment allowance;
- fair value through other comprehensive income (FVOCI) measured at fair value, using the effective interest rate method and changes in fair value through other comprehensive income;
- mandatory fair value through profit or loss (MFVTPL) measured at fair value and changes in fair value reported in the income statement;

Equity shares are measured at fair value through profit or loss unless specifically elected as at fair value through other comprehensive income (FVOCI).

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.

Financial liabilities are classified at amortised cost.

j) Impairment of financial assets: expected credit losses (ECL)

At each balance sheet date each financial asset measured at amortised cost or at fair value through other comprehensive income is assessed for impairment. Any change in impairment is reported in the income statement.

Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

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 reduction in the net present value of expected cash flows. Following a significant increase in credit risk, ECL are adjusted from 12 months to lifetime. This will lead to a higher impairment charge.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

k) Derecognition

A financial asset is derecognised (removed from the balance sheet) 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.

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

l) Cash at bank

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

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of NWTDS are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the directors are required to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The directors have considered whether there are any estimates critical to the portrayal of the Company's performance and concluded that there are none to disclose. Intangibles assets and impairment of non financial assets are considered critical accounting policies (notes 1g & 1h).

3. Turnover

	2023 £'000	2022 £'000
Depositary fees	33,046	34,115
Foreign exchange gain	10	7
Interest receivable	2,813	749
	35,869	34,871

4. Operating expenses

	2023 £'000	2022 £'000
Staff costs	10,958	10,607
Directors' fees	83	70
Pension cost	1,570	1,483
National insurance costs	1,214	1,198
Research costs for Data Intelligence Platform	-	805
Depreciation and amortisation	154	-
Other administrative costs	15,354	8,104
Premises and equipment	1,413	2,194
	30,746	24,461

The average number of persons employed by the Company during the period is 182 (2022: 174).

The Company made contributions of £820k (2022: £793k) to its defined benefit pension contribution fund and £750k (2022: £690k) to the defined contribution scheme during the year.

Pension Costs – Defined Benefit Scheme

Eligible employees of the Company are members of a fully segregated section of The NatWest Group Pension Fund, which was established in 2018 as part of the Group's preparation for ring-fencing. The section only provides benefits to employees of The Royal Bank of Scotland International (Holdings) Limited and its subsidiaries. For further information on the Fund please refer to the NatWest Group Annual Report and Accounts 2023.

Pension Costs – Defined Contribution Scheme

Eligible employees of the Company can participate in membership of the NatWest Group operated pension schemes. Employees are members of The NatWest Group Retirement Savings Plan, a defined contribution pension scheme. Detailed disclosure of the NatWest Group pension schemes is available in the NatWest Group Annual Report and Accounts 2023.

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses (continued)

No Data Intelligence Platform Research costs were recognised in 2023 as all were capitalised on the balance sheet.

Other administrative costs principally relate to Inter-group recharges.

Other administrative costs includes:

	2023 £'000	2022 £'000
Auditor's remuneration-audit services (inclusive of VAT)	341	270
Inter-group recharges to group companies	14,975	7,269
	15,316	7,539

Intergroup recharges include the costs borne by other areas of the group which NWTDS are deemed to benefit from.

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

Auditor fees incurred in relation to the audit of the financial statements was £56k (2022: £56K) and remuneration for the non-audit services relating to the Client Assets Sourcebook (CASS) audit was £228k (2022: £158k), both are presented before VAT.

5. Tax

	2023 £'000	2022 £'000
Current taxation:		
UK corporation tax charge for the year	1,231	2,010
	1,231	2,010
Deferred taxation:		
(Credit)/charge for the year	(3)	2
Under provision in respect of prior year	-	7
	(3)	9
Tax charge for the year	1,228	2,019

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 23.52% (2022: 19%) as follows:

	2023 £'000	2022 £'000
Profit on ordinary activities before tax	5,123	10,410
Expected tax charge	1,206	1,978
Non-deductible items	22	34
Adjustments in respect of prior periods	-	7
Actual tax charge for the year	1,228	2,019

On 24 May 2021 the UK Government substantively enacted an increase in the UK Corporation Tax rate from 19% to 25% with effect from 1 April 2023. The UK Corporation Tax rate for the year was a composite of these rates and the closing deferred tax assets and liabilities have been calculated at 25%.

NOTES TO THE FINANCIAL STATEMENTS

5. Tax (continued)

Deferred Tax

Net deferred tax asset comprised:

	Provisions £'000
At 1 January 2022	22
Charge to Income statement	(9)
At 1 January 2023	13
Credit to Income statement	3
At 31 December 2023	16

The Company expects that sufficient taxable profits will be generated within the NatWest Group in future years to recover the recognised deferred tax asset.

On 11 July 2023, the UK government, where the ultimate parent company is incorporated, enacted the Pillar Two income taxes legislation effective for the Company's financial year beginning 1 January 2024. This legislation is not expected to have a material impact on the Company.

6. Intangible assets

	2023 £'000	2022 £'000
Data intelligence platform		
Work in progress	29,058	24,780
Capitalised	888	-
	29,945	24,780
Breakdown of capitalised portion:		
Gross	1,042	-
Accumulated depreciation	(154)	-
	888	-

Intangible assets are internally created which include costs for external consultant and contractor costs incurred to date. During the year, a portion of the work in progress amounting to £1,042k was capitalised and depreciated over a 5-year period beginning April 2023. Accumulated depreciation for the capitalised portion amounts to £154k as at 31 December 2023. The same amount was recognised as depreciation expense in the statement of comprehensive income. Refer to note 4.

7. Other assets

	2023 £'000	2022 £'000
Accrued income	5,259	7,289
Prepayments	110	53
	5,369	7,342

8. Cash at Bank

	2023 £'000	2022 £'000
Balances with The Royal Bank of Scotland International Limited ⁽¹⁾	55,980	52,582
Balances with Third Party Banks ⁽²⁾	13,359	23,322
	69,339	75,904

(1) The balances with The Royal Bank of Scotland International Limited include £51.6m (2022: £49.4m) on 35 days' notice account and £4.3m (2022: £3.2m) on current accounts.

(2) The balances with Third Party Banks include £12.6m (2022: £16.8m) on 31 days' notice account and £0.8m (2022: £6.5m) on current accounts.

NOTES TO THE FINANCIAL STATEMENTS

9. Other liabilities

	2023 £'000	2022 £'000
Due within one year		
Accruals	3,296	1,277
Staff bonus accruals	852	965
	<u>4,148</u>	<u>2,242</u>
Due after more than one year		
Staff bonus accruals	219	147
	<u>4,367</u>	<u>2,389</u>

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

10. Share capital

	2023 £'000	2022 £'000
Allotted, called up and fully paid:		
65,000,100 ordinary shares of £1 each	<u>65,000</u>	<u>65,000</u>

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

11. Risk management

Presentation of information

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

Risk management framework

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**11. Risk management (continued)****Culture**

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

Training

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

Our Code

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

Three lines of defence (3LOD)

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

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

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

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

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

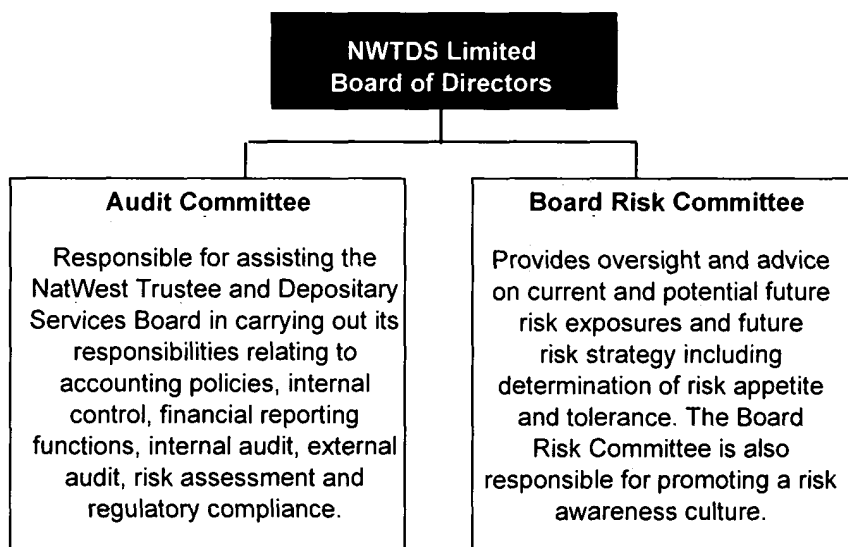
NOTES TO THE FINANCIAL STATEMENTS

11. Risk management (continued)

Governance

Committee structure

The diagram shows the Company's board level risk committee structure in 2023 and the main purposes of each committee.

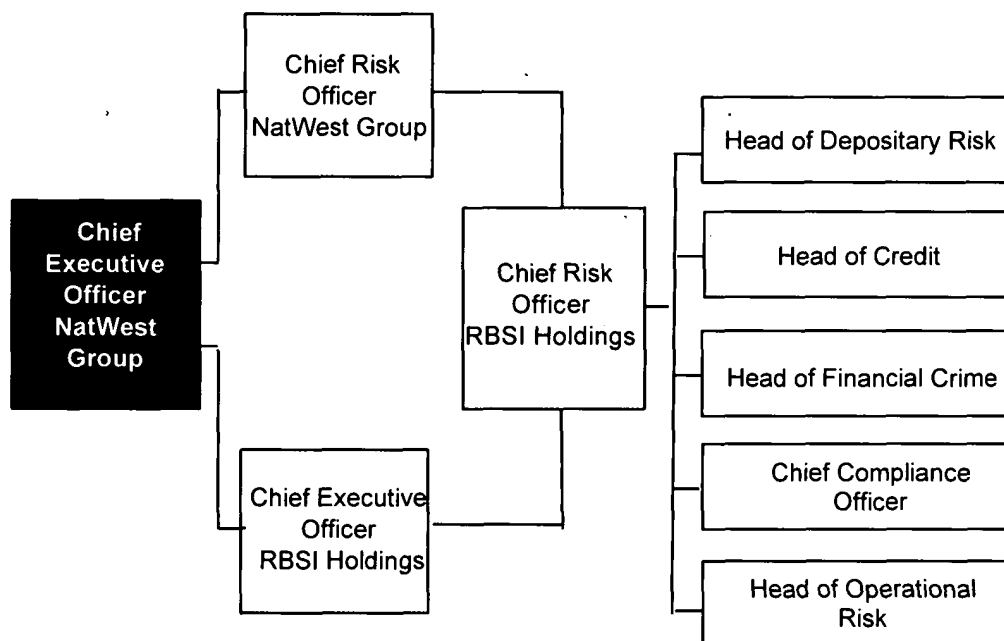


Notes:

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

Risk management structure

The diagram shows the RBSI Group's risk management structure in 2023.



Notes

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

NOTES TO THE FINANCIAL STATEMENTS**11. Risk management (continued)****Risk appetite**

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

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

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

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

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

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

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

Identification and measurement

Identification and measurement within the risk management process comprise:

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

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

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

Mitigation

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

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

NOTES TO THE FINANCIAL STATEMENTS

11. Risk management (continued)

Testing and monitoring

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

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

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

Stress testing**Capital management**

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

Stress testing includes:

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

The process for stress testing consists of four broad stages:

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

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

- *Strategic financial and capital planning* – by assessing the impact of sensitivities and scenarios on the capital plan and capital ratios.
- *Risk appetite* – by gaining a better understanding of the drivers of, and the underlying risks associated with, risk appetite.

NOTES TO THE FINANCIAL STATEMENTS

11. Risk management (continued)

- *Risk monitoring* – by monitoring the risks and horizon scanning events that could potentially affect NatWest Group's financial strength and capital position.
- *Risk mitigation* – by identifying actions to mitigate risks, or those that could be taken, in the event of adverse changes to the business or economic environment. Key risk mitigating actions are documented in the Company's recovery plan.

Capital sufficiency – going concern forward-looking view

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

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

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

Recovery and resolution planning

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

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

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

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

Compliance & conduct risk**Definition**

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

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

NOTES TO THE FINANCIAL STATEMENTS**11. Risk management (continued)*****Sources of risk***

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

Governance

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

Risk appetite

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

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

Monitoring and measurement

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

Mitigation

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

Financial crime risk***Definition***

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

Sources of risk

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

Governance

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

Risk appetite

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

NOTES TO THE FINANCIAL STATEMENTS**11. Risk management (continued)**

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

Monitoring and measurement

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

Mitigation

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

Climate and nature risk***Definition***

Financial loss or adverse non-financial impacts associated with climate change and nature loss, respectively, and the political and economic responses to both.

Sources of risk

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

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

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

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

Key developments

The FCA Investment Firms Prudential Regulation (IFPR) came into force on 1 January 2022. IFPR is directly applicable to NWTDS as a MiFID Investment Firm and NWTDS will issue the required public disclosures alongside the publication of the NWTDS 2023 Financial Statements.

During 2023, NWTDS, following an assessment of the Operational Resilience obligations set out in the FCA Senior Management Arrangements, Systems and Controls Sourcebook, identified an Important Business Service (IBS). An IBS is a service which could cause intolerable level of harm to the firm's clients. The NWTDS IBS relates to the drawdown of monies from a collective investment scheme arising from the payment of distributions and the settlement of investor unit deals. Following identification all required activities have been fully implemented and the IBS is being managed within the agreed tolerance limits.

NOTES TO THE FINANCIAL STATEMENTS

11. Risk management (continued)

Risk governance

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

Group operational risk

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

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

Group risk appetite for operational risk is set at NatWest Group Board level with each legal entity setting their own risk appetite measures in line with this. Risk appetite statements articulate the levels of risk that legal entities, businesses and functions work within when pursuing their strategic objectives and business plans.

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

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

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

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

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

Financial risk management

The Company's activities are exposed to a variety of financial risks; credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk).

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Company. The Company mitigates the credit risk by reviewing the credit quality of the Company's counterparties on a regular basis.

The Company's credit exposure relates to counterparty risk for:

- Institutions, arising from short-term cash account positions with well rated Institutions.
- Short-term cash placements, Treasury placement, maturing at 35 days.
- Bills receivables towards our fund's clients.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet the Company's liabilities.

As a depositary institution only (customers assets under depositary are only subject to oversight without being held in the Company balance sheet) and thus not managing any deposit/cash accounts or providing facilities for its fund's clients, the Company has very limited exposure to liquidity risk as well as very low cash-flow fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

11. Risk management (continued)

The current scope of operation and type of services offered by the Company does not give rise to maturity transformation mechanisms and presents a negligible aspect of the risks the Company is facing.

Contrary to conventional banking institutions that deal with credit and liquidity intermediation, and due to the inherent nature of the Company as a pure depositary only institution, the liquidity features of the Company are the following:

Liquidity sources	
<ul style="list-style-type: none"> • No lending portfolio • Very predictive and stable forward-looking movements linked mainly to Bank fixed and variable costs (staff costs, administrative expenses and recharges for services provided under IGA from other entities of the NatWest Group) • Very predictable and limited cash flow fluctuations • No financial derivative contracts • No clients deposit or cash management services 	<ul style="list-style-type: none"> • No clients deposit or cash management services • Non-volatile funding structure mainly under the form of Capital: nostro positions and treasury placement • Income generated and based on the fees issued to the funds customers, based on the net asset value of the fund • No guarantees or commitments that may represent potential drain of funds for NWTDS (no off balance sheet position)

Market risk

Depositary Fees are calculated based on assets under management which can be impacted by market movements, this is considered via stress testing analysis and is not considered a material risk. NWTDS does not currently perform any trading activities on its own account nor also for clients. Therefore market risk is not deemed to be material for NWTDS.

Foreign exchange risk

The Company does not engage within FX activities. The Company's transactions are predominantly in Sterling which is the Company's functional and presentational currency. The Company has minimal invoicing conducted in US Dollar and is thus not materially exposed to foreign-exchange risk.

Interest rate risk

The interest rate risk is limited to the amounts placed with Group entities and other banks and is considered immaterial for the Company. The Company does not have a balance sheet driven business and is thus not directly exposed to interest-rate risk.

Reputational Risk

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

The three primary drivers of reputational risk have been identified as: failure in internal execution; a conflict between NatWest Group's values and the public agenda; and contagion (when NatWest Group's reputation is damaged by failures in the wider financial sector).

NWTDS manages reputational risk through the risk and control environment and through control testing to ensure all relevant activities are performed within expectations with reporting to the Company's governance forums.

Capital Risk Management

When managing working capital, the Company's objectives are to safeguard its ability to continue as going concern in order to provide returns for its shareholder through the optimisation of the debt and equity balance. The Company maintains a strong capital ratio and has complied in full with all its externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

12. Related parties

Balances with group companies are shown in balance sheet and note 8.

Group companies

At 31 December 2023

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

The ultimate parent company is incorporated in the UK. Copies of their financial statements can be downloaded free of charge from the Companies House website and may also be requested from Legal, Governance and Regulatory Affairs, NatWest Group, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ. The Royal Bank of Scotland International (Holdings) Limited is incorporated in Jersey and copies of the financial statements can be obtained from the RBSI Corporate Governance Team who can be contacted via email: corporategovernance@rbsint.com.

Related party transactions

	2023 £'000	2022 £'000
Assets		
Amounts due from fellow group subsidiaries	87	57
	87	57
Liabilities		
Amount due to Parent: The Royal Bank of Scotland International (Holdings) Limited	5,492	12,727
Amount due to fellow group subsidiaries	458	1,657
	5,950	14,384

The subsidiary undertakings of the Company, which had an accounting reference date of 31 December 2023, unless otherwise indicated, were:

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

NOTES TO THE FINANCIAL STATEMENTS

12. Related parties (continued)

Name of Sub- subsidiary	Note	Country of incorporation	Proportion of ownership interest %	Proportion of Voting's Right %	Principal activity
FIT Nominee Limited	1	England	100	100	Dormant Nominee Company
FIT Nominee 2 Limited	1	England	100	100	Dormant Nominee Company
Freehold Managers Nominee Limited	1	England	100	100	Dormant Nominee Company

Note:

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

13. Post balance sheet events

There have been no events between 31 December 2023 and the date of the approval of these accounts which would require a change or additional disclosure.