

Annual Review and Summary Financial Statement 2008



Chief Executive's Statement



The publication of our 2008 Annual Review is set amidst unprecedented turbulence in banking and other financial markets with deteriorating economic conditions around the world. The Royal Bank of Scotland Group, along with many other international financial institutions, has seen financial results reflect the economic circumstances we all face.

However, despite the economic environment, RBS International has returned record performance which underlies the stable range of sectors we operate in, the faith our customers have maintained in us and the efforts of our people. As we continue through these uncertain times, our priorities in these areas will remain unchanged.

Strength in adversity

Despite a slowdown in business in the last quarter of 2008, income, profit and customer numbers increased to record levels in every market sector in which we operate.

Operating Profit rose to £304m, up 38% on 2007 with income increasing by 30% on 2007.

Our business has been on a growth path for a number of years. Record results don't happen by chance. They demonstrate that we've built a healthy and efficient business, which operates across a stable range of sectors and enjoys a strong customer base.

At RBS International, we remain exceptionally well placed to perform positively in the current economic circumstances. As well as benefiting indirectly from the UK Government's support of our parent, we have a strong capital position in our own right, enduring customer bases, healthy market shares in the offshore markets and a diverse and cost efficient business.

Maintaining focus

We recognise the uncertain and difficult trading conditions that lie ahead and are planning appropriately to protect the core strength of the business.

We are under no illusion that business conditions will continue to be tough. Like many businesses, RBS International is taking decisive action to position itself for the new economic realities we all face. We are already well advanced in our plans to restructure the business to take better account of the market conditions.

Maintaining our customer based focus in our core local jurisdictions of Jersey, Guernsey, Isle of Man and Gibraltar and continuing to deliver the quality of products and high levels of service to our customers are central elements to our strategy but we must, and will, do even more.

To strengthen our business resilience, we have already completed internal reviews to provide improved lines of responsibility and decision making to bring new services and products to market quicker. We have and will continue to listen to market demand, with a consistent business ethos to deliver the high levels of service our customer base has been built upon.

Our people, customers and communities

Our customers rightly demand service excellence and it is through the efforts of our people in our communities that this will continue to be delivered.

The latter part of 2008 provided a time of uncertainty for our employees. Despite this difficult period, our people continued to contribute towards the profitability and successes of the 2008 results. Their commitment to our customers is testament to their professionalism and has maintained what is still one of the strongest and most respected offshore financial sector offerings.

The cold hard facts though are simple. Our reputational asset has been damaged by the events of last year. This has affected our employees, our customers and the global communities we operate in. RBS International is, without question, one of the leaders in corporate and social responsibility and it is from this firm footing that we will build upon to maintain the trust and respect of all our stakeholders.

Looking ahead

2009 will present significant challenges and it would be unrealistic to forecast anything other than a driving commitment to solidify and strengthen our core business offering.

Last year was undeniably tough and RBS International's success during this difficult period should be taken in context. Our excellent results were built upon shrewd business management and delivering the highest customer service levels. For the future, we must redouble our efforts in all these core areas and maintain what is still a strong, ethical and responsible business.



Ian Henderson
Chief Executive
RBS International

RBS International Community Investment

Without exception, every area of the Bank gets involved in its local communities and contributes an incredible amount to good causes. The extent to which we do this sets us apart from other firms and banks.

We place a strong emphasis on managing our business in a sustainable way which takes account of our environmental and social impact. Operating in our island communities we believe that it is even more important to integrate our business fully into island life. To maximise the impact of our activity we focus on several areas which we see as key: education, money management, conservation and the environment, local sports and youth sport development and the arts. Creating opportunities for our employees to invest time and effort into community activities brings benefits to the community and the Bank itself. As a large employer, we are lucky to be able to draw upon a large pool of resources to help us engage with the community. Staff are always extremely enthusiastic to pitch in with community events.

Financial literacy

A priority for the Bank is to promote responsible financial practices. We have numerous mechanisms in place to help our customers and we also like to extend this ethos to the wider community. Our long term schools financial literacy programme, "Face to Face with Finance", has now been relaunched as the "MoneySense" programme and aims to educate children and young adults how to manage their personal finances. It has recently been launched at Further Education Colleges in the jurisdictions in which we work and also in a growing number of schools. It comprises four modules, tackling issues such as how to manage money on a day to day basis, budgeting and how to run a business.

Sport

Supporting local sports development is another strong focus area for us, and one of our highest profile collaborations is with the NatWest Island Games. It is twelve years since NatWest first became the title sponsor of the event, which brings together 25 islands from around the world. We further support sport at a grassroots level through the NatWest Sports Development Scheme and various sponsorships, in particular cricket.

Supergrounds

In each of our four primary jurisdictions, Gibraltar, Jersey, Guernsey and the Isle of Man, we have transformed the playgrounds of four schools this year with the organisation, time and effort of our people and the financial support of RBS International. In extreme makeover style, our teams have created giant chess boards, painted murals, built a high tech 'Discovery' room, dug a pond and created vegetable gardens, much to the delight of local schoolchildren and teachers alike.

Project Africa

In the single most ambitious staff community project this year, 13 people from Operations spent a fortnight in Malawi building a maternity clinic which will help to save lives of the local villagers. Each participant had to raise £1,500 to help fund their trip. Sky Diving, a 5-a-side football tournament, quizzes, bingo and car washing were among the fund raising activities. By far the most successful activity was the first ever offshore online auction which raised a staggering £9,400. Thanks to all the generous support from staff right across the business donating prizes and bidding for them.

"One of the hardest moments for me was the day we visited the feeding centre. We saw a group of orphans aged between 3 and 7 sitting quietly outside the feeding centre. One of the volunteers gave a packet of five biscuits to one of the orphans. I was shocked to see that he was breaking them up into equal bits and handing them out amongst the others."

Kyle Garcia,
Gibraltar Service Centre

Other highlights

Creating a wildlife garden at the Jersey Heritage site, 'Hamptonne'. Our Customer Lending Centre ran a 'Big Breakfast' morning and entered a team for 'It's a Knockout' raising £10,000 for the Isle of Man Children's Centre and Isle of Man Breast Care. Many charitable walks took place including Standing Stones walk for Société Jersiaise and The Samaritans, ITEX Race for Life and the Douglas promenade in support of bowel cancer awareness. The Technology team raised £16,000 for charity in 2008 including BBC Children In Need, Project Africa, Crossroads Care, MacMillan Cancer Support and Le Tournoi.

RBS International Customer Satisfaction

You talk, we listen, we act!

At RBS International we are passionate about ensuring you receive great customer service from us at all times and your feedback on the service we provide is of vital importance.

Your feedback

There is only one way we can measure both the success of our customer service initiatives and how satisfied you are with them - by continuing to ask you. The companies we use to conduct our surveys are:

- The Leadership Factor
- Ipsos MORI

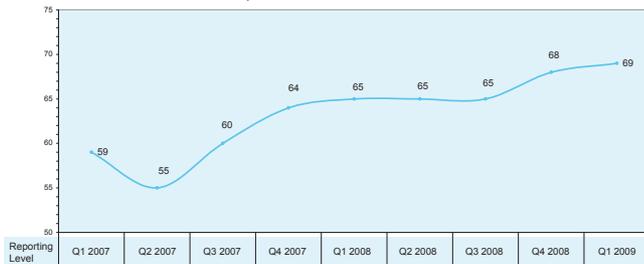
Both companies specialise in customer satisfaction research. The information the telephone surveys

provide enables us to target improvements to the service our customers receive. They accurately measure whether we are delivering excellent customer service and consistently doing what matters most to our customers.

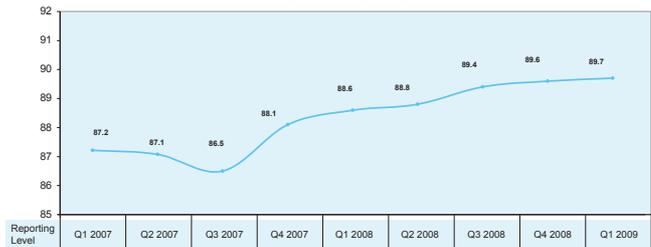
At no time will either survey company ask you for personal details, such as account numbers, for your account(s) with RBS International.

If you are approached to participate in future surveys, we sincerely appreciate both the time you take to answer the questions and your honest appraisal of our service to you. What you think really does matter and will help shape the way we serve you in the future.

Corporate Service Scores 2007-2009



Retail Branches 2007-2009



Workplace Workout in RBS International

Workplace Workout is designed to allow staff to look at the processes they use on a daily basis and, as part of a team, develop ideas to improve them.

There is a great deal of empowerment and ownership. From staff feedback surveys, those who have been involved in a Workplace Workout are around 10% more engaged than those who have not.

The 275 staff involved in 2008 have created efficiencies which have resulted in over £500,000 worth of savings.

All areas of our organisation are involved in Workplace Workout. This includes our “back office” support teams including Operations, Technology, Legal & Risk teams, Planning & Delivery, Human Resources, Finance and Products & Marketing. Very much a team effort which allows everyone to work towards a common goal.



Structure and Summary Financial Statement

8 RBS International Structure

10 Summary

12 Financial Results

RBS International Structure

What is RBS International?

RBS International is a large and dynamic financial services group.

RBS International is one of the world's leading offshore banks, offering a full range of core and specialist banking services for local personal and business customers, commercial, corporate and financial intermediary customers and for high net worth and international personal customers.

We operate under four distinct and powerful brands – RBS International, NatWest, Isle of Man Bank and RBS Coutts - and currently have a presence in a number of the world's leading offshore financial centres.

Headquartered in Jersey, we have our own board of directors and management team, and are focused solely on the requirements of our local and international markets.

Each of our businesses has close working links with its counterpart in our parent company, The Royal Bank of Scotland Group. This gives us the ability to leverage the strength, knowledge, expertise, scale and reach of the RBS Group for the benefit of all our customers.

Our diverse but relatively small overall size gives us a unique opportunity to be innovative and clearly differentiate ourselves from our peers. Collaboration between divisions to unlock best practice and ideas from one business area and apply them in an innovative way to another group of customers sets us apart from many of our competitors.

Manufacturing

Manufacturing make it happen 365 days a year, 24 hours a day, for our customers. It is the backbone of RBS International, providing a diverse range of high quality services to the customer-facing operations of

Retail Banking

Retail Banking serves the everyday banking needs of the communities in which we operate.

Customers can choose which of our distinct brands they bank with, RBS International, NatWest or Isle of Man Bank. In each brand we offer all of the banking services that you would expect from a leading high street bank including current accounts, savings accounts, packaged accounts, credit cards, overdrafts, loans, mortgages, insurance products and investment advice.

International Personal Banking

International Personal Banking (IPB) offers a full range of banking and related financial services to personal customers who live and work internationally. The main customer sectors include British expatriates, foreign nationals who live and work in the UK and truly international customers, for example a French domiciled person living in Spain.

IPB services are delivered in both the RBS International and NatWest brands.

RBS Coutts

One of the most respected and historical names in international private banking, RBS Coutts provides a worldwide client base with a sophisticated and individual wealth management service.

With over 40 years of experience in offshore business, RBS Coutts through RBS International has a presence in Jersey and the Isle of Man. From these centres we can arrange to provide our clients with trust and fiduciary services as well as a broader range of wealth management.

the Group. It is made up of four specialist sections: RBS International Technology; Group Property; Group Purchasing and RBS International Operations.

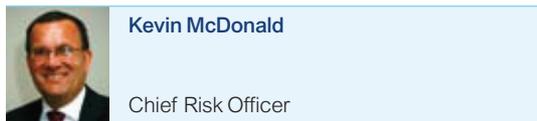
Corporate Banking

Corporate Banking offers a full range of banking services to businesses, corporates and financial institutions. Our business is focused on different sectors and we have specialist teams in each of our locations concentrating on Corporate and Commercial customers, Intermediaries, Offshore Banks, Offshore Trust Companies, Insurance, Fund Administrators, Property Investors and Developers and Shipping Owners and Managers. Our cash management services are underpinned by a market leading electronic banking platform, eQ.

Treasury & Investor Solutions

With locally based, specialist teams in each jurisdiction, Treasury & Investor Solutions (TIS) work with clients to service their underlying financial needs, tailoring solutions to meet their requirements. Supported by RBS Group's Global Banking & Markets division, TIS provide treasury and risk management solutions, including money market pricing and execution, foreign exchange, options and structured investor products. TIS have the capabilities to create innovative investment solutions to reflect customer's needs, views and risk strategy.

Executive Committee Offshore (ECO)



RBS International Summary Financial Statement



The information contained within this summary financial statement is only a summary of information in the company's annual accounts and directors' report and has been prepared in accordance with the requirements of the Banking Business (Jersey) Law 1991. Additional information to allow for a full understanding of the results and state of affairs of the Company has been submitted to the Jersey Financial Services Commission, as required by the Banking Business (Jersey) Law 1991. In accordance with the Banking Business (General Provisions) (Amendment) (Jersey) Order 1994, The Royal Bank of Scotland International Limited has decided to adopt the summarised form of accounts.

Copies of the accounts of The Royal Bank of Scotland International Limited are available on request.

DIRECTORS

Ian Arthur HENDERSON
Adrian John GILL
Lynn Ann CLEARY
James Leonard MORRIS
William Paul BEAUMONT
James William FLEMING
Steven Bruce MATTHEWS

SECRETARY

Christopher Ian Nicol

REGISTERED OFFICE

Royal Bank House
71 Bath Street
St Helier
Jersey
JE4 8PJ
Channel Islands

INDEPENDENT AUDITORS' STATEMENT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND INTERNATIONAL LIMITED

We have examined the summary financial statement of The Royal Bank of Scotland International Limited on pages 12 to 14 which comprises the summary income statement, the summary balance sheet and related notes 1 to 5.

This report is made solely to the Company's members, as a body, in accordance with the Banking Business (General Provisions) (Amendment) (Jersey) Order 1994. Our 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 auditors 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, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summary financial statement in accordance with applicable Jersey law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual financial statements and its compliance with the relevant requirements of the Banking Business (General Provisions) (Amendment) (Jersey) Order 1994 and guidance notes issues by the Jersey Financial Services Commission, applicable to the summary financial statement. We also read the other information contained in the annual review and summary financial statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with bulletin 1996/6 'The Auditors' Statement on the Summary Financial Statement' issued by the United Kingdom Auditing Practices Board. Our report on the Company's full annual financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion, the summary financial statement is consistent with the full accounts of The Royal Bank of Scotland International Limited for the year ended 31 December 2008 and complies with the applicable requirements of the Banking Business (General Provisions) (Amendment) (Jersey) Order 1994 and guidance notes issued by the Jersey Financial Services Commission, applicable to the summary financial statement.

Our report on the full annual statements was signed on 24th March 2009. We have not considered the effect of any events between the date on which we signed our report and the date of this statement.



Deloitte LLP

Chartered Accountants
St Helier, Jersey
19 August 2009

RBS International Financial Results

Summary Income Statement

	2008 £'000s	2007 £'000s
Operating profit	303,746	219,958
Non operational charges	(174,645)	(104,435)
Profit before tax	129,101	115,523
Tax	13,995	14,862
Profit for the year	115,106	100,661

The company's results as reported are on a historical cost basis except for derivative financial instruments and available-for-sale financial assets which are stated at the fair value.

Summary balance sheet as at 31 December 2008

Assets	Notes	2008 £'000s	2007 £'000s
Cash and balances at central banks		33,116	27,359
Loans and advances to banks	1	19,574,041	23,205,881
Loans and advances to customers		5,678,445	5,139,496
Debt securities		266,963	291,914
Equity shares		262	615
Derivatives at fair value		56,358	22,834
Deferred tax assets		4,105	3,873
Other assets, prepayments and accrued income		18,130	24,259
Investment in subsidiary company		-	125
Intangible assets		123	283
Property, plant and equipment		84,225	74,345
Total assets		25,715,768	28,790,984
Liabilities			
Deposits by banks		1,132,264	1,196,317
Customer accounts		22,595,239	25,803,846
Derivatives at fair value		55,015	23,211
Other liabilities, accruals and deferred income		213,854	156,664
Current taxation liabilities		23,382	29,688
Retirement benefit liabilities		38,981	46,299
Subordinated liabilities		377,000	377,000
Total liabilities		24,435,735	27,633,025
Equity			
Called up share capital	2	96,540	96,540
Reserves	3	1,183,493	1,061,419
Total equity	3	1,280,033	1,157,959
Total liabilities and equity		25,715,768	28,790,984

The accounts were approved by the Board of Directors on 23rd March 2009 and signed on its behalf by Ian Henderson and Lynn Cleary

RBS International Notes to the Summary Accounts

1. Loans and advances to banks

	2008 £'000s	2007 £'000s
Designated as at fair value through profit or loss	231,298	183,343
Loans and receivables	19,342,743	23,022,538
	19,574,041	23,205,881

Amounts above include:

Amounts due from Group banking companies	19,281,139	22,929,188
--	------------	------------

Designated as at fair value through profit or loss:

Certain equity-linked products totalling £268,248,124 (2007: £163,412,881) before fair value adjustments had been designated as at fair value through profit or loss.

Ultimate Controlling Party

The Royal Bank of Scotland International Limited is a wholly owned subsidiary of The Royal Bank of Scotland International (Holdings) Limited which is itself an indirect wholly owned subsidiary of The Royal Bank of Scotland Group plc which is registered in Scotland and which the Directors regard as the ultimate holding and controlling parent company.

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited, a company wholly-owned by the UK Government.

2. Called up share capital

	Allotted, called up and fully paid 31 December 2008 £'000s	Allotted, called up and fully paid 31 December 2007 £'000s	Authorised 31 December 2008 £'000s	Authorised 31 December 2007 £'000s
Equity shares				
Ordinary shares of £1	96,540	96,540	300,000	300,000

The whole of the issued share capital of the Company comprises one class of equity share, each share being entitled to one vote, and it has been issued to the holding company, The Royal Bank of Scotland International (Holdings) Limited, and its nominee.

3. Reserves and total equity

	2008 £'000s	2007 £'000s
Share premium account		
At 1 January	4,976	-
Merger in period	-	4,976
At 31 December	4,976	4,976
Available-for-sale reserves		
At 1 January	(3,421)	-
Unrealised losses in the year	(1,740)	(3,421)
At 31 December	(5,161)	(3,421)
Retained earnings		
At 1 January	1,059,864	906,728
Profit attributable to ordinary shareholders	115,106	100,661
Actuarial gains recognised in post-retirement benefit schemes	8,708	30,032
Merger in period	-	22,443
At 31 December	1,183,678	1,059,864
Total reserves	1,183,493	1,061,419
Called up share capital	96,540	96,540
Closing total equity	1,280,033	1,157,959

4. Commitments and contingencies

The Company does not undertake any speculative trading activity in derivatives. Derivative contracts are used to manage market risks inherent in certain activities undertaken by the Company. All the Company's derivative activity is contracted with financial institutions and all the associated credit risks are monitored by Group companies.

5. Regulatory information

	2008	2007
Risk Asset Ratio	12.9%	15.0%

Credit Rating AA-

On 13 November 2008 Fitch Ratings assigned the Company a Long-term Issuer Default rating (IDR) of 'AA-' (AA minus) with Stable Outlook and a Short-term IDR of 'F1+'. RBS International's ratings are the same as those assigned to its parent, The Royal Bank of Scotland plc (RBS). The ratings of RBS International reflect RBS's ownership, the alignment of risk management procedures and operating platforms with RBS, and the close alignment of RBS International's activities with those of the RBS Group's core UK bank.

Important addresses

The Royal Bank of Scotland International Limited

Registered Office

P.O. Box 64, Royal Bank House, 71 Bath Street, St. Helier, Jersey, JE4 8PJ. Regulated by the Jersey Financial Services Commission for carrying on deposit-taking business under the Banking Business (Jersey) Law 1991 and for carrying on investment and insurance business under the Financial Services (Jersey) Law 1998.

Guernsey

Business address: P.O. Box 62, Royal Bank Place, 1 Gategny Esplanade, St. Peter Port, Guernsey, GY1 4BQ. Regulated by the Guernsey Financial Services Commission and licensed under the Banking Supervision (Bailiwick of Guernsey) Law, 1994, as amended, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, and the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

Isle of Man

Business address: Royal Bank House, 2 Victoria Street, Douglas, Isle of Man, IM99 1NJ. Licensed by the Financial Supervision Commission of the Isle of Man to take deposits and carry on investment business and registered with the Insurance and Pensions Authority in respect of general business.

Gibraltar

The Royal Bank of Scotland International (RBS International) is the registered business name of The Royal Bank of Scotland (Gibraltar) Limited (RBS Gibraltar) under the Business Names Registration Act. Registered office: PO Box 766, 1 Corral Road, Gibraltar. Registration No 32094. Licensed under the Gibraltar Financial Services (Banking) Act 1992, as amended and the Gibraltar Financial Services (Investment and Fiduciary) Act 1989, as amended (Licence No. FSC 00159B).

Website

www.rbsinternational.com

The Royal Bank of Scotland International Ltd

PO Box 64

Royal Bank House

71 Bath Street

St. Helier

Jersey

JE4 8PJ