

Annual Review and Summary Financial Statement 2014

Chief Executive's review

In a year that has seen significant structural change across RBS, RBS International has again delivered a strong and stable financial performance.

Our 2014 results are underpinned by a continuing focus on great customer service, operating sensibly and efficiently, and in responsibly growing our lending books to meet the evolving needs of a diverse domestic and international client base.



2014 Results

RBS International posted an operating profit of £255 million in 2014, representing a 15% increase on our 2013 return of £221 million.

This is due in part to a net write-back of credit provisions of some £8.5 million in 2014 compared to a loss of £18 million in 2013, although underlying income growth was also encouraging at around 3% year on year.

Our Retail & International Personal Banking and newly formed Corporate & Markets businesses both saw positive growth, with a slight fall in Markets income more than offset by the strong outturn delivered by our Corporate banking franchise.

This, together with a continued focus on costs control across the business, has enabled RBS International to further reduce its underlying cost / income ratio which remains below 34%.

2014 also saw RBS International improve the 'balance' in its balance sheet. While deposit levels remained broadly flat on 2013, our lending book increased by around £750 million year on year, predominantly driven by increased activity in our Corporate & Markets business.

As well as helping to offset the impact of further reduced deposit returns for the Bank, this underlines our 'open for business' commitment to support customer borrowing. We are keen to support our customers with responsible lending across all our client segments, including local mortgages, business banking and for our corporate and institutional clients.

RBS International's Core Tier 1 capital ratio remains healthy at 13.8% and we were able to upstream a further £305 million to our parent in dividend payments¹ during the year, bringing the total upstreamed to £1.9 billion since the global financial crisis.

Customers

I believe that the ongoing commitment of our people to provide outstanding customer service has long been the cornerstone of RBS International's success.

Our 'day to day' proposition is based on simplicity and convenience, with ongoing investment in our online, smartphone, tablet and eQ electronic banking services increasingly helping customers to bank with us on their own terms.

¹Total dividends paid from the RBS International (Holdings) Limited group of companies, which includes The Royal Bank of Scotland International Limited (RBS International) and Isle of Man Bank Limited.

²The bank's Gibraltar branch falls within the EEA and is therefore permitted within the ring-fence, however our present hypothesis is that Gibraltar operations remain outside as part of RBS International.

The proposition is complemented by the largest branch and ATM network across our jurisdictions, a dedicated telephony service and locally based relationship managers supporting domestic and international clients with more complex needs.

Customer advocacy remains high, with our Net Promoter Scores continuing to average over 50 across the business – but we know there is much more we can do to improve customer experience in RBS International, both locally and with the support of our colleagues in RBS.

Strategy

2014 saw the culmination of a group wide review of the RBS business led by our Chief Executive, Ross McEwan. The output from the review has set out a simple, customer focused strategic blueprint for all areas of the bank, including RBS International.

RBS International's Strategic Blueprint	
Our Ambition	To be No.1 for customer service, trust and advocacy by 2020
Our Purpose	To serve customers well
Our Values	Serving customers Working together Doing the right thing Thinking long term
Our Priorities	Customers first Simplicity and discipline Winning together Backing business and local communities

I see the blueprint as very much a natural evolution of RBS International's Customer, Value and People based strategy of the past three years. This has made for a seamless transition to the RBS 'One Bank' strategy, which I am pleased to see has become well embedded in the business already.

Community

There was no let-up in our Community Investment and Corporate Sustainability agenda in 2014, as you will see on the following pages.

Looking forward, the NatWest Island Games will return to Jersey in 2015, for what is expected to be the largest multi-sport event in Great Britain this year. These Games will be the ninth sponsored by NatWest, with our association dating back to 1999.

Structure and operating model

I have previously likened RBS International to a 'bank within a bank' and 2014 saw us take some important steps to reinforce that.

Firstly, the RBS business review has simplified our formerly separate divisional reporting responsibilities to a single, unified line into the Bank's newly formed Commercial and Private Banking customer business.

Another example of the One Bank approach, this has in turn enabled us to simplify our own business structure and operating model, helping us to operate more effectively than ever before while continuing to improve our customer proposition and service levels.

Secondly, we are now seeing greater clarity on the likely position of RBS International in regards to UK bank ring-fencing, scheduled for 2018/19.

With banks and branches operating in our home jurisdictions² expected to fall outside of the ring-fence, our existing status as a well capitalised, fully funded and profitable subsidiary of RBS puts us in a good position to meet the challenges and leverage the opportunities we can expect when operating as a non ring-fenced bank.

Looking to the future

After 8 years at RBS International and 6 years as Chief Executive, I will be moving back to the UK in the summer of 2015 for a new role with RBS.

It has been an incredible journey and I feel very privileged to have been part of a fantastic business with so many talented and dedicated employees, who have delivered for our customers and for RBS through a period of unprecedented change in the financial services industry.

I am delighted that Andrew McLaughlin is joining RBS International to take the reins as my successor. I believe that Andrew's experience, most recently as RBS Chief Economist and Head of Communications, sends a strong signal that RBS International is seen as a significant business in the structure of RBS going forward.

I am proud to leave the RBS International business in good shape, both from a financial and customer advocacy perspective - with superb people and experienced management. That makes me genuinely excited for the Bank's future prospects.

Adrian Gill

Chief Executive, RBS International

Customers first

“We strive to do better for our customers every day, and when we spot an opportunity to serve our customers better, we will act.”

Ross McEwan, Chief Executive, RBS

Our busiest branch

Our customers continue to value the convenience and immediacy of our mobile and digital banking services, with nearly 10,000 new users signing up for our smartphone and tablet apps in 2014. These apps have now overtaken online banking and ATMs as the channel most used by our personal customers, and are accessed from over 180 countries.

Our 2015 plans will see our apps become even more accessible, to more customers and in more places:



We have already been the first offshore bank to add Touch ID login authentication to our apps on supported IOS devices.



Customers living overseas will be able to register for and use the apps without a mobile phone number local to one of our jurisdictions.



The range of supported devices for our apps will be extended with the addition of Windows and Blackberry 10 versions.



Customers with RBS International accounts being transferred to NatWest in 2015 will have access to our apps for the first time.



Open for business

We recognise that first impressions count – and that establishing a relationship with a new bank can sometimes be a daunting prospect.

That is why we have established a new and dedicated onboarding team to directly support new Business and Corporate customers through the entire account opening process. This will help to ensure that our relationships get off to the best possible start and that when they are introduced to our relationship managers, our customers are genuinely ready to do business.

Simple and fair

RBS International has fully embraced the RBS commitment to simplify its product offering across the business. We have already reduced our core account range to a smaller set of straight forward and easy to understand products.

As well as simplifying our new customer proposition, customers with legacy account types are being moved to the same simple range, ensuring fair and equal treatment of new and existing customers alike.

Socially connected

Our Social Media communities continue to grow, with a combined local and international following of nearly 10,000 Facebook and Twitter users across our NatWest and Isle of Man Bank brands.

This increasingly important channel is helping us to engage customers and non customers every day, providing helpful advice and updates, answers to direct queries and news on our community activities.



Customer feedback

Feedback is vital to RBS International, as it helps keep us in touch with what our customers want and on how we can improve the service we provide.

We listen to feedback from a number of sources including customer satisfaction surveys, social media and App Store comments, and of course through our branches, relationship managers and call centre.

We also ask our people to tell us how we can serve customers better. In the two months following its launch in October 2014 our 'Simplifying Customer Life' initiative generated over 100 employee ideas, some of which have already been implemented.

The value of this feedback is evidenced in our Net Promoter Scores (NPS), our key measure of customer satisfaction and advocacy. Listening to and acting upon the feedback of our customers and people has helped RBS International to keep its NPS above 50 in both the Corporate & Markets and Retail & International Personal Banking businesses for yet another year, a performance of which we are immensely proud.

Corporate sustainability and community investment

At RBS International, we believe in not just being a fair and reliable bank for our customers, but also making a longstanding, positive and fundamental difference to the communities in which we operate.

As an organisation we seek to be known and behave as a Bank that people can trust which is why we support a number of sponsorship events and employee engagement programmes that help the local community; in turn building the reputation of our business and instigating pride in our people.

Across our jurisdictions we are proud of our commitment to corporate sustainability and community investment in 2014, with the following being notable highlights.

Enterprise

As a Bank, we are very much open for business and committed to lending in order to support local businesses to flourish and to strengthen wider economic growth. This is reflected in the business awards and events that we sponsor including the Isle of Man Awards for Excellence, Jersey Business Awards for Enterprise and Guernsey Awards for Achievement. We were delighted to have been shortlisted as a finalist for the Jersey Awards for Enterprise under the category of 'Community Award'. Our entry highlighted the vision of RBS International to support and improve our local communities across Jersey, Guernsey, Isle of Man and Gibraltar.



Guernsey Awards for Achievement 2014



Isle of Man Apprentice of the Year Awards 2014

Education and young people

In the Isle of Man, the Bank sponsored the Isle of Man Apprentice of the Year Awards. The scheme recognises young people who are gaining vital skills in engineering.

One of the initiatives we have been involved with in Guernsey is the Every Child our Future programme. This registered charity supports initiatives to improve both literacy and numeracy skills for young children.

Understanding and managing money effectively is a vital life skill and one we are committed to instilling in young people. This is demonstrated through our 'Money Sense' financial education programme which we have been delivering to school and college students for almost 20 years.

Last year alone, Bank volunteers continued to deliver lessons to a number of young people across secondary school and colleges for further education to help encourage an awareness of how to manage money and sensible spending habits.

Sport and healthy living

Our range of sports sponsorships supports youth development and a healthy lifestyle, as demonstrated by the popular Gibraltar Summer Sports and Leisure programme, the Jersey Cricket Board and the sponsorship of Jersey Rugby Football Club and the RBS International Guernsey Rugby Academy. We were proud to sponsor the NatWest Rising Star Award at the Channel Islands' Sports Personality of the Year Awards which recognises those young individuals in Jersey and Guernsey who demonstrate the ability and attitude to make it to the top.

ATM charity giving

We endeavour to not only give our people access to fundraising opportunities for important local causes, but also extend those out to our customers and non customers where we live and work. RBS International, NatWest and Isle of Man Bank ATM networks have been set up to enable people to donate as little as £1 to a maximum of £150 in a quick and easy manner to the following charities:

Jersey Hospice Care; Les Bourgs Hospice Guernsey; Hospice Isle of Man; Gibraltar Society for Cancer Relief; Cancer Research UK; Barnardo's; Children in Need; Disaster Emergency Committee (DEC) Appeal.

NatWest Island Games

Our flagship sponsorship, the NatWest Island Games, is the jewel in our crown and we are particularly excited that 2015 will see a 'home' Games return to Jersey. We have committed to support the NatWest Islands Games for 2017 in Gotland and 2019 when the Games will be held in Menorca.

As well as being lead sponsor of the Games, the Bank also provides an annual grant to the NatWest Island Games Sports Development Scheme which funds coaching and training for sports schemes, youth development and training for officials within the member islands to ensure that future generations are able to compete at this high level.



Community banking

RBS International has historically been committed to developing and supporting government sponsored schemes to improve access to lending or property ownership. In Jersey, we are the only bank to support the States of Jersey Student Loan Scheme and one of the few remaining banks supporting small enterprise loans and social housing schemes. In 2012, we launched the Isle of Man Government Post Graduate loan scheme, the only bank to do so.

Our people

Our Get Your Hands Dirty community employee project scheme in 2014 helped turn neglected spaces into great places for local primary schools and charities. RBS International is also committed to offering a range of opportunities for our people to make a positive difference in society including time, financial or in-kind contributions.



Get Your Hands Dirty at Mount Orgueil 2014

Environment and conservation

We are corporate members of various local environmental charities, including the National Trust of Jersey, Jersey Heritage, Manx Wildlife Trust and The Guernsey Society of the Men of the Trees. We have a longstanding association with the world acclaimed Durrell Wildlife Conservation Trust in Jersey and sponsor innovative educational workshops to raise awareness on the importance of conservation in order to drive a sustainable future.

Arts and culture

In addition to membership of a number of local organisations, we have supported a range of Arts events throughout 2014 such as the Guernsey Arts Commission's popular Art on the Beach Sunday which captures the creative imagination of all members of the community.

Structure and Summary Financial Statement

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What is RBS International?

RBS International is a large and dynamic financial services group.

As one of the leading offshore banks, RBS International offers a full range of core and specialist banking services for local personal and business customers, as well as commercial, corporate, financial intermediary and international personal customers.

We operate under three distinct brands, RBS International, NatWest and Isle of Man Bank – our sister Company and a wholly owned subsidiary of The Royal Bank of Scotland International (Holdings) Limited. Headquartered in Jersey and with a presence in a number of the world's leading offshore financial centres, we have our own board of directors and management team.

RBS International reports into the Commercial and Private Banking business of our parent Company, The Royal Bank of Scotland (RBS) plc. This enables us to take advantage of the strength, knowledge, expertise, scale and reach of the RBS Group for the benefit of all our customers.

Our services

Retail Banking

Serves the everyday banking needs of the communities in which we operate. Primarily through the NatWest and Isle of Man Bank brands we offer the full range of banking services that you would expect from a leading high street bank, including current and savings accounts, overdrafts, loans, mortgages and credit cards.

Premium Banking

A highly personalised service for our local clients in Jersey, Guernsey, Isle of Man and Gibraltar. Customers benefit from direct contact with their own dedicated relationship manager. This relationship enables us to understand their needs and tailor our service to meet their individual requirements. Customers can enjoy the full benefits of Premium Banking under the NatWest and Isle of Man Bank brands.

International Personal Banking (IPB)

Offers a full range of banking and related financial services to personal customers who live and work internationally. IPB services are delivered in the NatWest brand, serving British expatriates and foreign nationals who live and work in the UK.

Corporate and Markets

Our Corporate banking proposition provides a full range of services to business, commercial and corporate clients. Our dedicated, professional and experienced relationship managers work with clients in partnership with specialist teams across the Bank to deliver tailored solutions. Cash management services are underpinned by eQ, our dedicated electronic banking service, which continues to evolve to meet the needs of our clients.

RBS International's Markets teams provide treasury and risk management services spanning money market, foreign exchange and interest rate management. With locally based specialist representation in each jurisdiction, the teams work with clients by creating bespoke solutions to meet their requirements.

Business support

RBS International's customer facing businesses are complemented by a comprehensive, locally based support network.

The **Strategy, Business Management and Controls** function brings together a range of front line support teams including Strategy, Customer Experience, Business Controls, Communications, Marketing and Customer Propositions.

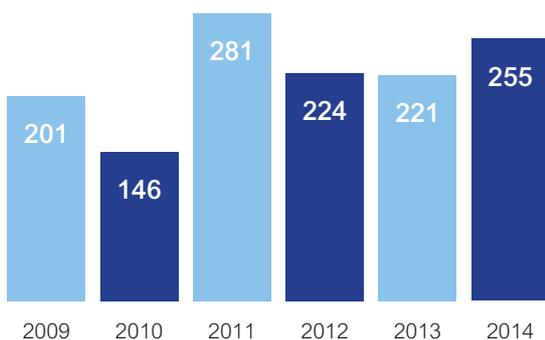
The RBS International **Services** teams provide round the clock customer support in the form of account opening, telephone banking and payments. Services also provides support to the whole business through its Business Change, Technology Services, Property Services and Supplier Management teams.

The whole RBS International business is supported by locally based specialist **Functions**, comprising of our dedicated Finance, Legal, Human Resources, Risk and Compliance teams.

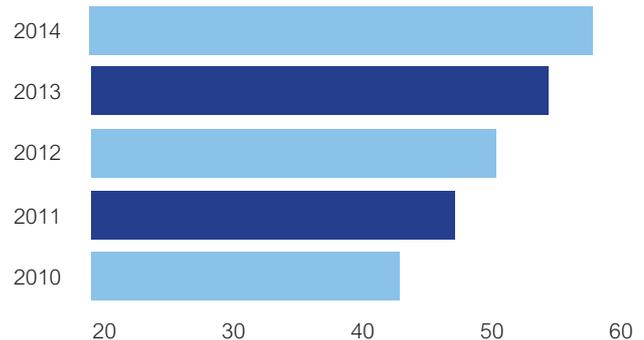
RBS International Executive Committee (ExCo)



Pre tax operating profit 2009 – 2014 (£m)



Average Net Promoter Score 2010 - 2014¹



¹ Unweighted full year scores. Number and frequency of surveys vary between business areas

RBS International Summary Financial Statement



The information contained within this Summary financial statement is taken from the Company's Annual Report and Accounts 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) (Jersey) Order 2002, 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

Adrian Gill
Michael Morley
Stephen Camm
Philip Taylor
Stephen Reilly
Lynn Cleary

SECRETARY

Christopher Ian Nicol

REGISTERED OFFICE

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

Independent Auditor's Statement to the members of The Royal Bank of Scotland International Limited

We have examined the Summary financial statement for the year ended 31 December 2014 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) (Jersey) Order 2002. 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 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, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 within the Annual Review and Summary financial statements with the full Annual Report and Accounts and its compliance with the relevant requirements of the Banking Business (General Provisions) (Jersey) Order 2002 and the regulations made thereunder.

We also read the other information contained in the Annual Review and Summary financial statement as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board.

Our report on the Company's full annual financial statements describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the Summary financial statement is consistent with the full Annual Report and Accounts of The Royal Bank of Scotland International Limited for the year ended 31 December 2014 and complies with the applicable requirements of the Banking Business (General Provisions) (Jersey) Order 2002, and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements, 24 February 2015, and the date of this statement.



Deloitte LLP

Chartered Accountants St Helier, Jersey 13 May 2015

Summary income statement

	2014 £'000s	2013 £'000s
Profit before tax	254,870	220,534
Tax on profit	(24,614)	(22,502)
Profit for the year	230,256	198,032

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

Summary Balance Sheet as at 31 December 2014

Assets	Notes	2014 £'000s	2013 £'000s
Cash and balances at central banks		51,848	41,954
Assets held for sale		2,405	-
Loans and advances to banks	1	16,256,991	17,025,871
Loans and advances to customers		5,427,236	4,689,769
Available for sale investments		964	964
Equity shares		10	10
Derivatives		27,067	20,261
Investment in subsidiary companies		12	12
Property, plant and equipment		41,559	51,848
Intangible assets		828	-
Prepayments, accrued income and other assets		3,199	1,066
Deferred tax assets		4,204	998
Total assets		21,816,323	21,832,753
Liabilities			
Deposits by bank		597,830	459,348
Customer accounts		19,413,790	19,552,656
Derivatives		34,622	25,848
Accruals, deferred income and other liabilities		35,572	32,538
Current taxation liabilities		17,765	17,156
Retirement benefit liabilities		52,922	24,733
Total liabilities		20,152,501	20,112,279
Equity			
Shareholder's equity:			
Called up share capital	2	96,540	96,540
Reserves	3	1,567,282	1,623,934
Total equity	3	1,663,822	1,720,474
Total liabilities and equity		21,816,323	21,832,753

The accounts were approved by the Board of Directors on 24 February 2015 and signed on its behalf by Adrian Gill and Lynn Cleary.

The notes on pages 12 to 13 form part of the Summary financial statement.

Notes to the summary accounts

1. Loans and advances to banks

	2014 £'000s	2013 £'000s
Designated at fair value through profit or loss	831,016	1,197,770
Loans and receivables	15,425,975	15,828,101
	16,256,991	17,025,871
Amounts above include:		
Amounts due from Group banking companies	16,236,308	17,023,061

2. Called up share capital

	Allotted, called up and fully paid 31 December 2014 £'000s	Allotted, called up and fully paid 31 December 2013 £'000s	Authorised 31 December 2014 £'000s	Authorised 31 December 2013 £'000s
Equity shares				
Ordinary shares of £1	96,540	96,540	300,000	300,000

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.

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 shareholdings in banks are managed by UK Financial Investments Limited, a Company wholly-owned by the UK Government.

3. Reserves and total equity

	2014 £'000s	2013 £'000s
Share premium account		
At 1 January and 31 December	4,976	4,976
Available-for-sale reserves		
At 1 January	(381)	(59)
Unrealised loss in the year	-	(322)
At 31 December	(381)	(381)
Retained earnings		
At 1 January	1,619,339	1,728,293
Actuarial (losses)/gains recognised in defined benefit pension schemes*	(39,725)	4,713
Deferred taxation on actuarial gains recognised in defined benefit schemes	2,817	(1,669)
Payment of ordinary dividends	(250,000)	(310,000)
Profit attributable ordinary shareholders	230,256	198,032
At 31 December	1,562,687	1,619,369
Total reserves	1,567,282	1,623,934
Called up share capital	96,540	96,540
Closing total equity	1,663,822	1,720,474

*An Actuarial loss in the current period has been driven by changes to financial assumptions offset by Actuarial gains due to experience gains.

4. Commitments and contingencies

Contingent Liabilities

Various	280,575	403,076
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Commitments

Undrawn formal standby facilities, credit lines and other commitments to lend	2,410,874	2,338,806
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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 in accordance with RBS Group policies.

5. Regulatory information

	2014	2013
Risk Asset Ratio	13.8%	15.6%
Credit Rating		
Long term Issuer Default Rating (IDR)	A	A
Short term Issuer Default Rating (IDR)	F1	F1

RBS International's ratings are assigned by Fitch and are the same as those allocated to its ultimate parent, The Royal Bank of Scotland plc (RBS).

Important addresses

The Royal Bank of Scotland International Limited

Registered Office

The Royal Bank of Scotland International Limited (RBS International). Registered Office: P.O. Box 64, Royal Bank House, 71 Bath Street, St. Helier, Jersey JE4 8PJ. Regulated by the Jersey Financial Services Commission.

Guernsey

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

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 and registered with the Insurance and Pensions Authority in respect of general business.

Gibraltar

NatWest is the registered business name of The Royal Bank of Scotland International Limited under the Business Names Registration Act. Gibraltar business address: National Westminster House, PO Box 707, 57 Line Wall Road, Gibraltar. Regulated and authorised by the Financial Services Commission, Gibraltar to undertake Banking and Investment Business from 55 and 57 Line Wall Road and 1 Corral Road, Gibraltar.

Website

www.rbsinternational.com

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