



NatWest
Group

The Royal Bank of Scotland International Limited Interim Results 2024

The Royal Bank of Scotland International Limited

Results for the period ended 30 June 2024

The Royal Bank of Scotland International Limited (RBSI Ltd) is one of the largest banks operating in the Channel Islands, Isle of Man and Gibraltar. It also has wholesale branches in Luxembourg and the United Kingdom (UK). It provides a comprehensive range of financial services through its International Retail & Commercial Banking (IRCB) and Institutional Banking (IB) customer segments. IRCB provides loan and deposit products and services to personal, private, business, and commercial customers. IB provides services to European fund asset managers, fund administrators and corporate service providers.

The ultimate holding company of RBSI Ltd is NatWest Group plc. RBSI Ltd uses the relationship with NatWest Group and its subsidiaries to continue to improve on the quality and efficiency of the services and products provided. RBSI Ltd is part of the Commercial & Institutional segment of NatWest Group, providing opportunities to deepen our customer relationships and help drive sustainable growth.

Financial review

We delivered a strong set of results for the first half of the year, balancing financial performance with a robust capital and liquidity position.

RBSI Ltd reported an operating profit before tax of £316 million for the period ending 30 June 2024 (30 June 2023 – £305 million). RBSI Ltd's return on tangible equity was 38.4% (30 June 2023 – 34.0%).

	Half year ended	
	30 June 2024	30 June 2023
Performance key metrics and ratios		
Total income	£477m	£484m
Operating profit before tax	£316m	£305m
Net interest margin	2.26%	2.24%
Return on tangible equity (RoTE)	38.4%	34.0%
	As at	
	30 June 2024	31 December 2023
Loans to customers - amortised cost	£14.4bn	£14.5bn
Customer deposits	£33.6bn	£32.9bn
Loan:deposit ratio	43%	44%
Assets under management (AuM)	£2.7bn	£2.5bn
RBSI Ltd regulatory metrics		
Liquidity portfolio	£20.5bn	£20.3bn
Risk-weighted assets (RWAs)	£7.4bn	£7.7bn
Common Equity Tier 1 (CET1) ratio	17.6%	17.5%
Tier 1 capital ratio	21.7%	21.4%
Leverage ratio (1)	3.9%	4.0%
Liquidity coverage ratio (LCR)	146%	146%

(1) Leverage ratio is Tier 1 capital as a percentage of on and off balance sheet exposures in line with current Jersey Financial Services Commission (JFSC) guidance. The primary driver of the leverage ratio is short term deposit balances, which RBSI Ltd typically holds in high quality liquid assets. Excluding unencumbered central bank balances would result in a leverage ratio of 6.7%.

Income

Income decreased by 1% or £7 million compared with H1 2023 to £477 million, reflecting both lower fee income and interest income. Interest income was impacted by lower customer balances, additional wholesale funding costs and increased term deposit products.

Operating expenses

Operating expenses increased by 5% or £8 million to £172 million, predominantly reflecting higher staff costs and increased investment spend.

Impairments

Net impairment releases of £11 million in H1 2024 (H1 2023 - £15 million charge) were driven by provision releases across Stages 1, 2 and 3. Levels of default remained stable and at low levels across the portfolio. Total loan impairment provisions stood at £57 million with expected credit losses (ECL) coverage ratio at 0.36% (31 December 2023 – 0.42%). Key disclosures underlying our credit provisions are outlined in Note 6 of this announcement.

Financial review continued

Loans to customers – amortised cost

Loans to customers decreased by £0.1 billion during H1 2024 to £14.4 billion reflecting customer repayments within our IB segment.

	30 June 2024 £bn	31 December 2023 £bn
Institutional Banking	10.7	10.8
Of which: leveraged funds	7.9	8.0
International Retail & Commercial Banking	3.7	3.7
Of which: residential mortgages	1.4	1.4
Of which: buy to let mortgages	0.7	0.7

Climate and sustainable funding and financing (CSFF) continued to perform well, and up to 30 June 2024 we delivered an additional £0.4 billion towards the NatWest Group target, taking our total contributions to £5.0 billion since July 2021.

Customer deposits

Customer deposits increased by £0.7 billion during H1 2024 to £33.6 billion and we continued to see increases in fixed term deposits.

	30 June 2024 £bn	31 December 2023 £bn
Institutional Banking	22.4	21.8
International Retail & Commercial Banking	11.2	11.1

Capital and liquidity management

CET1 ratio of 17.6% was 10bp higher than 31 December 2023 impacted by lower RWAs and the addition of attributable profit, offset with dividend payments.

RWAs decreased by £0.3 billion during H1 2024 to £7.4 billion. The movement was driven by a £0.2 billion decrease in credit risk RWAs and £0.1 billion decrease in market risk RWAs.

RBSI Ltd's loan:deposit ratio was 43% as at 30 June 2024 (31 December 2023 – 44%).

The LCR was 146% (31 December 2023 – 146%). This remained broadly stable, reflecting underlying balance sheet trends.

Customer deposits represent our primary funding source. To support diversification of funding sources RBSI Ltd has targeted wholesale funding. At H1 2024 this comprised £0.8 billion of commercial paper, £0.2 billion of term borrowing via US private placement and £1.0 billion term syndicated loan transactions.

Further disclosures on our prudential regulatory measures are available in the RBSI Ltd Pillar 3 document published on the NatWest Group and RBSI Ltd websites.

Credit ratings

RBSI Ltd had the following credit ratings at 30 June 2024, unchanged from December 2023.

S&P	A / A-1 (Stable)
Moody's	A1 / P-1 (Stable)
Fitch	A / F1 (Stable)

Moody's Senior Unsecured Debt rating is A2. The outlook with all three agencies remains stable.

Condensed income statement

For the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Interest receivable	965	786
Interest payable	(543)	(361)
Net interest income	422	425
Fees and commissions receivable	42	43
Fees and commissions payable	(18)	(14)
Other operating income	31	30
Non-interest income	55	59
Total income	477	484
Staff costs	(76)	(66)
Premises and equipment	(8)	(9)
Other administrative expenses	(77)	(80)
Depreciation and amortisation	(11)	(9)
Operating expenses	(172)	(164)
Profit before impairment releases/losses	305	320
Impairment releases/(losses)	11	(15)
Operating profit before tax	316	305
Tax charge	(49)	(50)
Profit for the period	267	255

Condensed statement of comprehensive income

For the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Profit for the period	267	255
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
FVOCI financial assets	6	(2)
Cash flow hedges (1)	(32)	(83)
Tax	2	8
Other comprehensive losses after tax	(24)	(77)
Total comprehensive income for the period	243	178

(1) Refer to footnote 1 of the consolidated statement of changes in equity.

Condensed balance sheet

As at 30 June 2024 (unaudited)

	30 June 2024 £m	31 December 2023 £m
Assets		
Cash and balances at central banks	17,498	17,697
Derivatives	160	169
Loans to banks - amortised cost	1,334	1,214
Loans to customers - amortised cost	14,361	14,500
Amounts due from holding company and fellow subsidiaries	1,665	1,028
Other financial assets	3,235	2,934
Other assets	187	192
Total assets	38,440	37,734
Liabilities		
Bank deposits	1,221	844
Customer deposits	33,596	32,939
Amounts due to holding company and fellow subsidiaries	465	494
Derivatives	311	414
Other financial liabilities	1,011	1,114
Other liabilities	197	228
Total liabilities	36,801	36,033
Equity attributable to controlling interests	1,639	1,701
Total liabilities and equity	38,440	37,734

Condensed statement of changes in equity

For the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Called-up share capital - at beginning and end of period	97	97
Paid-in equity - at beginning and end of period	300	300
Share premium account - at beginning and end of period	5	5
FVOCI reserve - at beginning of period	(14)	(4)
Unrealised gains/(losses)	4	(2)
Realised losses	2	-
Tax	(1)	-
At end of period	(9)	(6)
Cash flow hedging reserve - at beginning of period	(141)	(287)
Amount recognised in equity (1)	(110)	(136)
Amount transferred from equity to earnings	78	53
Tax	3	8
At end of period	(170)	(362)
Retained earnings - at beginning of period	1,454	1,597
Profit attributable to ordinary shareholders and other equity owners	267	255
Paid-in equity dividends paid	(10)	(10)
Ordinary dividends paid	(295)	(250)
At end of period	1,416	1,592
Equity attributable to controlling interests at end of period	1,639	1,626
Attributable to:		
Ordinary shareholders	1,339	1,326
Paid-in equity holders	300	300
	1,639	1,626

(1) The change in the cash flow hedging reserve is driven from realised accrued interest transferred into the income statement. This is offset by a loss from an increase in swap rates compared to 31 December 2023, resulting in an overall loss. The portfolio of hedging instruments is predominantly receive fixed swaps.

Condensed cash flow statement

For the period ended 30 June 2024 (unaudited)

	Half year ended	
	30 June 2024 £m	30 June 2023 £m
Operating activities		
Operating profit before tax	316	305
Adjustments for non-cash and other items	298	478
Net cash flows from trading activities	614	783
Changes in operating assets and liabilities	828	1,948
Net cash flows from operating activities before tax	1,442	2,731
Income taxes paid	(54)	(30)
Net cash flows from operating activities	1,388	2,701
Net cash flows from investing activities	(314)	239
Net cash flows from financing activities	(315)	(270)
Effects of exchange rate changes on cash and cash equivalents	(201)	(357)
Net increase in cash and cash equivalents	558	2,313
Cash and cash equivalents at beginning of period	19,929	19,173
Cash and cash equivalents at end of period	20,487	21,486

Notes

1. Presentation of condensed financial statements

The condensed financial statements should be read in conjunction with The Royal Bank of Scotland International Limited's 2023 Annual Report and Accounts. The accounting policies are the same as those applied in the financial statements.

The directors have prepared the condensed financial statements on a going concern basis after assessing the principal risks, forecasts, projections, and other relevant evidence over the twelve months from the date they are approved and in accordance with IAS 34 'Interim Financial Reporting', as adopted by the International Accounting Standards Board (IASB).

Amendments to IFRS effective from 1 January 2024 had no material effect on the condensed financial statements.

2. Net interest income

	Half year ended	
	30 June 2024	30 June 2023
	£m	£m
Interest receivable on assets:		
Balances at central banks and loans to banks - amortised cost	427	314
Loans to customers - amortised cost	478	441
Amounts due from holding company and fellow subsidiaries	22	9
Other financial assets - debt securities	38	22
Interest receivable	965	786
Interest payable on liabilities:		
Balances with banks	51	24
Customer deposits: demand	143	111
Customer deposits: savings	141	84
Customer deposits: other time	166	105
Other financial liabilities	27	16
Amounts due to holding company and fellow subsidiaries	15	21
Interest payable	543	361
Net interest income	422	425

3. Non-interest income

	Half year ended	
	30 June 2024	30 June 2023
	£m	£m
Fees and commissions receivable		
- payment services	9	9
- credit & debit card fees	4	2
- lending (credit facilities)	26	28
- investment management	2	2
- other services	1	2
Fees and commissions payable (1)	(18)	(14)
Other operating income (2)	31	30
Total non-interest income	55	59

(1) Fees and commissions payable primarily include intercompany balances for revenue sharing.

(2) Other operating income primarily includes income from economic hedging activity, impacted by mark to market movements.

Notes

4. Tax

The table below shows the reconciliation between the actual tax charge and the tax charge that would result from applying the standard Jersey corporation tax rate of 10% (2023:10%) to RBSI Ltd's profit before tax.

	Half year ended	
	30 June 2024	30 June 2023
	£m	£m
Expected tax charge	31	31
Rate differences on current tax (1)	18	19
Actual tax charge	49	50

(1) RBSI Ltd operates in a number of jurisdictions with tax rates that differ to the Jersey tax rate, namely Guernsey 10% (2023 – 10%), Isle of Man 13.75% (2023 – 10%), Gibraltar 12.5% (2023 – 12.5%), UK 28% (2023 – 27.75%) and Luxembourg 24.94% (2023 – 24.94%).

Net deferred tax assets

Net deferred tax assets of £15 million recognised at 31 December 2023 have increased to £18 million at 30 June 2024 due to cash flow hedging movements.

5. Financial instruments - classification

The following tables analyse financial assets and liabilities in accordance with the categories of financial instruments in IFRS 9.

	MFVTPL £m	FVOCI £m	Amortised cost £m	Other assets £m	Total £m
Assets					
Cash and balances at central banks			17,498		17,498
Derivatives	160				160
Loans to banks - amortised cost (1)			1,334		1,334
Loans to customers - amortised cost (1)			14,361		14,361
Amounts due from holding company and fellow subsidiaries	151	-	1,503	11	1,665
Other financial assets	-	1,266	1,969		3,235
Other assets				187	187
30 June 2024	311	1,266	36,665	198	38,440
Cash and balances at central banks			17,697		17,697
Derivatives	169				169
Loans to banks - amortised cost (1)			1,214		1,214
Loans to customers - amortised cost (1)			14,500		14,500
Amounts due from holding company and fellow subsidiaries	252	-	766	10	1,028
Other financial assets	-	784	2,150		2,934
Other assets				192	192
31 December 2023	421	784	36,327	202	37,734
		Held-for- trading £m	Amortised cost £m	Other liabilities £m	Total £m
Liabilities					
Banks deposits (1,2)			1,221		1,221
Customer deposits (1)			33,596		33,596
Amounts due to holding company and fellow subsidiaries		-	431	34	465
Derivatives		311			311
Other financial liabilities (3)		-	1,011		1,011
Other liabilities (4)			31	166	197
30 June 2024		311	36,290	200	36,801
Banks deposits (1,2)			844		844
Customer deposits (1)			32,939		32,939
Amounts due to holding company and fellow subsidiaries		-	460	34	494
Derivatives		414			414
Other financial liabilities (3)		-	1,114		1,114
Other liabilities (4)			34	194	228
31 December 2023		414	35,391	228	36,033

(1) RBSI Ltd balance sheet lines include instruments that are subject to IAS 32 netting, or contracts covered by legally enforceable master netting agreements with the right to offset assets and liabilities with the same counterparty, subject to certain conditions. Netting applied primarily relates to IAS 32 netting for reverse repo and repo contracts. Total netting adjustments recorded are:

- Loans to banks and bank deposits: £1,031 million (31 December 2023 - £855 million).
- Loans to customers and customer deposits: £207 million (31 December 2023 - £221 million).

(2) Includes syndicated loans of £989 million (31 December 2023 - £588 million).

(3) Includes US 4(a)2 private placements of £233 million (31 December 2023 - £232 million) and commercial paper issuance of £778 million (31 December 2023 - £879 million).

(4) Includes lease liabilities of £31 million (31 December 2023 - £32 million), held at amortised cost.

Notes

5. Financial instruments - valuation

Disclosures relating to the control environment, valuation techniques and related aspects pertaining to financial instruments measured at fair value are included in The Royal Bank of Scotland International Limited's 2023 Annual Report and Accounts. Valuation and input methodologies at 30 June 2024 are consistent with those described in Note 7 to The Royal Bank of Scotland International Limited's 2023 Annual Report and Accounts.

Fair value hierarchy

The table below shows the assets and liabilities held split by fair value hierarchy level. Level 1 are considered the most liquid instruments, and level 3 the most illiquid, valued using expert judgment and hence carry the most significant price uncertainty.

	30 June 2024			31 December 2023		
	Level 1 £m	Level 2 £m	Total £m	Level 1 £m	Level 2 £m	Total £m
Assets						
Derivatives	-	160	160	-	169	169
Amounts due from holding company and fellow subsidiaries	-	151	151	-	252	252
Other financial assets - securities	1,266	-	1,266	784	-	784
Total financial assets at fair value	1,266	311	1,577	784	421	1,205
As % of total fair value assets	80%	20%		65%	35%	
Liabilities						
Derivatives	-	311	311	-	414	414
Total financial liabilities at fair value	-	311	311	-	414	414
As % of total fair value liabilities	-	100%		-	100%	

- (1) Level 1 – Instruments valued using unadjusted quoted prices in active and liquid markets, for identical financial instruments. Examples include government bonds, listed equity shares and certain exchange-traded derivatives.
Level 2 – Instruments valued using valuation techniques that have observable inputs. Observable inputs are those that are readily available with limited adjustments required. Examples include most government agency securities, investment-grade corporate bonds, certain mortgage products - including CLOs, most bank loans, repos and reverse repos, state and municipal obligations, most notes issued, certain money market securities, loan commitments and most OTC derivatives.
Level 3 – Instruments valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Examples include non-derivative instruments which trade infrequently, certain syndicated and commercial mortgage loans, private equity, and derivatives with unobservable model inputs.
- (2) Transfers between levels are deemed to have occurred at the beginning of the quarter in which the instruments were transferred.

Notes

5. Financial instruments – valuation continued

Fair value of financial instruments carried at amortised cost

The following table shows the carrying values and the fair values of financial instruments on the balance sheet carried at amortised cost.

	Carrying value £m	Fair value £m	Fair value hierarchy level			Items where fair value approximates carrying value £m
			Level 1 £m	Level 2 £m	Level 3 £m	
30 June 2024						
Financial assets						
Cash and balances at central banks	17,498	17,498	-	-	-	17,498
Loans to banks - amortised cost	1,334	1,334	-	-	-	1,334
Loans to customers - amortised cost	14,361	14,214	-	-	14,214	-
Amounts due from holding company and fellow subsidiaries	1,503	1,503	-	-	1,503	-
Other financial assets - securities	1,969	1,841	1,841	-	-	-

31 December 2023

Financial assets						
Cash and balances at central banks	17,697	17,697	-	-	-	17,697
Loans to banks - amortised cost	1,214	1,214	-	-	-	1,214
Loans to customers - amortised cost	14,500	14,536	-	-	14,536	-
Amounts due from holding company and fellow subsidiaries	766	766	-	-	766	-
Other financial assets - securities	2,150	2,004	2,004	-	-	-

30 June 2024

Financial liabilities						
Bank deposits	1,221	1,221	-	-	1,071	150
Customer deposits	33,596	33,596	-	-	10,824	22,772
Other financial liabilities - debt securities in issue	1,011	1,011	-	1,011	-	-
Amounts due to holding company and fellow subsidiaries	431	431	-	-	431	-

31 December 2023

Financial liabilities						
Bank deposits	844	844	-	-	666	178
Customer deposits	32,939	32,939	-	-	11,080	21,859
Other financial liabilities - debt securities in issue	1,114	1,114	-	1,114	-	-
Amounts due to holding company and fellow subsidiaries	460	460	-	-	460	-

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

Short term financial instruments

For certain short-term financial instruments: cash and balances at central banks, items in the course of collection from other banks, settlement balances, items in the course of transmission to other banks and customer demand deposits, carrying value is a reasonable approximation of fair value.

Loans to banks and customers

In estimating the fair value of net loans to customers and banks measured at amortised cost, RBSI Ltd's loans are segregated into appropriate portfolios reflecting the characteristics of the constituent loans. Two principal methods are used to estimate fair value; contractual cash flows and expected cash flows.

Other financial assets

The majority of other financial assets consist of debt securities which are valued using quoted prices in active markets, or using quoted prices for similar assets in active markets. Fair values of the rest are determined using discounted cash flow valuation techniques.

Deposits by banks and customer accounts

The fair values of deposits are estimated using discounted cash flow valuation techniques.

Debt securities in issue

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

Notes

6. Loan impairment provisions

Economic loss drivers

Introduction

The portfolio segmentation and selection of economic loss drivers for IFRS 9 follows the approach used in stress testing. To enable robust modelling, the forecasting models for each portfolio segment (defined by product or asset class and where relevant, industry sector and region) are based on a selected, small number of economic variables (typically three to four) that best explain the movements in portfolio loss rates. The process to select economic loss drivers involves empirical analysis and expert judgement.

The most significant economic loss drivers for the personal portfolios include unemployment rate and house price index and these are applied to credit portfolios across all jurisdictions.

In addition to some of these loss drivers, world gross domestic product (GDP) is a primary loss driver for the Wholesale portfolios.

Economic scenarios

At 30 June 2024, the range of anticipated future economic conditions was defined by a set of four internally developed scenarios and their respective probabilities. In addition to the base case, they comprised upside, downside and extreme downside scenarios. The scenarios primarily reflected the current risks faced by the economy, particularly in relation to the path of inflation and interest rates.

For 30 June 2024, the four scenarios were deemed appropriate in capturing the uncertainty in economic forecasts and the non-linearity in outcomes under different scenarios. These four scenarios were developed to provide sufficient coverage across potential rises in unemployment, inflation, asset price declines and the degree of permanent damage to the economy, around which there remains pronounced levels of uncertainty.

Upside – This scenario assumes robust growth as inflation falls sharply and rates are lowered quicker than expected. Consumer spending is supported by quicker recovery in household income, and further helped by higher consumer confidence, fiscal support and strong business investment. The labour market remains resilient with the unemployment rate falling. The housing market shows robust growth.

Compared to 31 December 2023, the upside scenario remains similarly configured, exploring a more benign set of economic outcomes, including a stronger performing stock market, real estate prices, and supported by a stronger global growth backdrop, relative to the base case view.

Base case – Continued declining inflation allows an easing cycle to start in the second half of 2024. The unemployment rate rises modestly over 2024 but there are no wide-spread job losses. Inflation remains very close to the current level of 2% through the forecast period. Economic output also experiences modest but stable growth in contrast to the stagnation of recent years. The housing market experiences modest nominal price increase. Housing market activity gradually strengthens as interest rates fall and real incomes recover.

Since 31 December 2023, the economic outlook has improved as household incomes continued to recover, and the labour market remained resilient. The declining inflation trend has continued, albeit the progress was slower than expected. As a result, rates are expected to remain higher-for-longer than previously expected. The unemployment rate still rises but the peak is marginally lower and is underpinned by a resilient labour market. House prices were assumed to decline previously in 2024, but there has been a better-than-expected recovery in early 2024 and prices are now expected to show a modest increase.

Downside – Core inflation remains persistently high leading to resurgent inflation. The economy experiences a recession as consumer confidence weakens due to a fall in real incomes. Interest rates are raised higher than the base case and remain higher-for-longer. High rates are assumed to have a more significant impact on the labour market. Unemployment is higher than the base case scenario while house prices lose approximately ten percent of their value.

Compared to 31 December 2023, the downside scenario is similarly configured and explores risks associated with high inflation and significantly higher interest rates across the period.

Extreme downside – This scenario assumes a significant economic downturn with a loss of consumer confidence leading to a deep economic recession. This results in widespread job losses with the unemployment rate rising above the levels seen during the 2008 financial crisis, further compounding consumer weakness. Rates are cut sharply in response to the demand shock, leading to some support to the recovery. House prices lose approximately a third of their value.

Compared to 31 December 2023, the extreme downside is similarly configured with an extreme set of economic outcomes, low interest rates, very sharp falls in asset prices and a marked deterioration in the labour market.

Notes

6. Loan impairment provisions continued

Main macroeconomic variables

The main macroeconomic variables for each of the four scenarios used for expected credit loss (ECL) modelling are set out in the main macroeconomic variables table below.

	30 June 2024					31 December 2023				
	Upside	Base case	Downside	Extreme downside	Weighted average	Upside	Base case	Downside	Extreme downside	Weighted average
Five-year summary	%	%	%	%	%	%	%	%	%	%
GDP	1.9	1.2	0.6	(0.2)	1.1	1.8	1.0	0.5	(0.3)	0.9
Unemployment rate	3.5	4.3	5.4	7.1	4.7	3.5	4.6	5.2	6.8	4.8
House price index	5.3	3.3	1.0	(4.2)	2.5	3.9	0.3	(0.4)	(5.7)	0.3
Commercial real estate price	4.4	1.2	(0.7)	(5.1)	0.8	3.1	(0.2)	(2.0)	(6.8)	(0.6)
Consumer price index	1.1	2.1	4.8	1.3	2.3	1.7	2.6	5.2	1.8	2.8
Bank of England base rate	3.3	3.7	5.7	2.6	3.8	3.8	3.7	5.6	2.9	4.0
Stock price index	4.7	3.3	1.3	0.2	2.8	4.8	3.3	1.2	(0.4)	2.8
World GDP	3.7	3.1	2.7	1.8	3.0	3.7	3.2	2.7	1.8	3.0
Probability weight	22.0	45.0	19.4	13.6		21.2	45.0	20.4	13.4	

(1) The five-year summary runs from 2024-2028 for 30 June 2024 and from 2023-27 for 31 December 2023.

(2) The table shows compound annual growth rate (CAGR) for GDP, average levels for the unemployment rate and Bank of England base rate and Q4 to Q4 CAGR for other parameters.

Probability weightings of scenarios

RBSI Ltd's quantitative approach to IFRS 9 multiple economic scenarios (MES) involves selecting a suitable set of discrete scenarios to characterise the distribution of risks in the economic outlook and assigning appropriate probability weights. This quantitative approach is used for 30 June 2024.

The approach involves comparing GDP paths for RBSI Ltd's scenarios against a set of 1,000 model runs, following which, a percentile in the distribution is established that most closely corresponded to the scenario. Probability weight for base case is set first based on judgement, while probability weights for the alternate scenarios are assigned based on these percentiles scores.

The assigned probability weights were judged to be aligned with the subjective assessment of balance of the risks in the economy. The weights were broadly comparable to those used at 31 December 2023 but with slightly less downside skew. This is reasonable as the inflation outturn since then has been encouraging, with inflation continuing to decline and a reduced risk of stagflation. However, the risks of persistent inflation remain elevated and there is considerable uncertainty in the economic outlook, particularly with respect to persistence and the range of outcomes on inflation. Given that backdrop, RBSI Ltd judges it appropriate that downside-biased scenarios have higher combined probability weights than the upside-biased scenario. It presents good coverage to the range of outcomes assumed in the scenarios, including the potential for a robust recovery on the upside and exceptionally challenging outcomes on the downside. A 22% weighting was applied to the upside scenario, a 45% weighting applied to the base case scenario, a 19.4% weighting applied to the downside scenario and a 13.6% weighting applied to the extreme downside scenario.

Notes

6. Loan impairment provisions continued

Economic loss drivers

Annual figures

	Upside %	Base case %	Downside %	Extreme downside %	Weighted average %
GDP - annual growth					
2024	1.7	0.7	0.1	—	0.7
2025	3.9	1.2	(0.9)	(4.0)	0.7
2026	1.4	1.4	1.1	0.9	1.3
2027	1.2	1.4	1.3	1.2	1.3
2028	1.2	1.4	1.3	1.2	1.3
2029	1.3	1.4	1.3	1.3	1.3

Unemployment rate - annual average

2024	4.2	4.4	4.6	4.8	4.4
2025	3.4	4.4	5.7	7.8	4.9
2026	3.2	4.3	5.7	8.3	4.9
2027	3.3	4.3	5.5	7.7	4.7
2028	3.3	4.2	5.4	7.1	4.6
2029	3.3	4.2	5.3	6.8	4.6

House price index - four quarter change

2024	6.8	3.1	(1.2)	(3.3)	2.2
2025	8.9	3.1	(6.0)	(13.2)	0.6
2026	4.5	3.4	1.0	(14.5)	1.3
2027	3.1	3.4	6.6	5.4	4.1
2028	3.5	3.4	5.2	6.8	4.1
2029	3.4	3.4	3.4	3.4	3.4

Commercial real estate price - four quarter change

2024	6.2	(1.3)	(4.2)	(7.7)	(1.1)
2025	5.5	1.7	(8.0)	(30.8)	(3.4)
2026	4.6	2.0	3.1	3.3	3.0
2027	3.8	2.2	3.4	7.8	3.3
2028	1.8	1.5	3.0	8.5	2.5
2029	1.4	1.4	1.4	1.4	1.4

Consumer price index - four quarter change

2024	1.4	2.1	5.7	0.1	2.4
2025	0.5	2.1	6.7	0.5	2.5
2026	1.3	2.0	4.4	2.0	2.4
2027	1.2	2.0	3.8	2.0	2.2
2028	1.1	2.0	3.7	2.0	2.2
2029	2.0	2.0	2.0	2.0	2.0

Bank of England base rate - annual average

2024	4.83	5.10	5.50	4.69	5.06
2025	3.46	4.06	6.35	2.38	4.14
2026	2.85	3.08	5.83	2.00	3.42
2027	2.75	3.00	5.50	2.00	3.29
2028	2.75	3.00	5.19	2.06	3.24
2029	2.75	3.00	5.00	2.25	3.23

Stock price index - four quarter change

2024	6.8	3.3	(11.0)	(27.7)	(2.9)
2025	5.7	3.3	(1.5)	(7.4)	1.9
2026	4.1	3.3	8.6	21.2	6.0
2027	3.6	3.3	6.5	12.9	4.9
2028	3.2	3.3	5.3	10.2	4.4
2029	3.3	3.3	3.3	3.3	3.3

Notes

6. Loan impairment provisions continued

Worst points

	30 June 2024					31 December 2023				
	Downside		Extreme downside		Weighted average	Downside		Extreme downside		Weighted average
	%	Quarter	%	Quarter	%	%	Quarter	%	Quarter	%
GDP	(0.9)	Q1 2025	(4.2)	Q2 2025	0.6	(1.2)	Q3 2024	(4.5)	Q4 2024	0.3
Unemployment rate - peak	5.8	Q3 2025	8.5	Q4 2025	5.0	5.8	Q1 2025	8.5	Q2 2025	5.2
House price index	(8.0)	Q2 2026	(28.2)	Q4 2026	1.1	(12.5)	Q4 2025	(31.7)	Q2 2026	(6.5)
Commercial real estate price	(11.9)	Q3 2025	(36.5)	Q1 2026	(4.4)	(16.6)	Q1 2025	(39.9)	Q3 2025	(10.2)
Consumer price index										
- highest four quarter change	8.5	Q2 2025	3.5	Q1 2024	3.5	10.3	Q1 2023	10.3	Q1 2023	10.3
Bank of England base rate										
- extreme level	6.5	Q2 2025	5.3	Q1 2024	5.3	6.5	Q4 2024	5.3	Q4 2023	5.3
Stock price index	(16.0)	Q2 2025	(40.5)	Q2 2025	(4.2)	(14.3)	Q4 2024	(39.3)	Q4 2024	(2.4)

(1) Unless specified otherwise, the figures show falls relative to the starting period. The calculations are performed over five years, with a starting point of Q4 2023 for 30 June 2024 scenarios and Q4 2022 for 31 December 2023 scenarios.

Use of the scenarios in Personal lending

Personal lending follows a discrete scenario approach. The probability of default (PD), exposure at default (EAD), loss given default (LGD) and resultant ECL for each discrete scenario is calculated using product specific economic response models. Probability weighted averages across the suite of economic scenarios are then calculated for each of the model outputs, with the weighted PD being used for staging purposes.

Use of the scenarios in Wholesale lending

Wholesale lending follows a continuous scenario approach to calculate ECL. PD and LGD values arising from multiple economic forecasts (based on the concept of credit cycle indices) are simulated around the central projection. The central projection is a weighted average of economic scenarios with the scenarios translated into credit cycle indices using the Wholesale economic response models.

Economic uncertainty

The high inflation environment alongside high interest rates is presenting significant headwinds for some businesses and consumers, in many cases compounding. These cost pressures remain a feature of the economic environment, though they are expected to moderate over 2024 and 2025 in the base case scenario. RBSI Ltd has considered where these are most likely to affect the customer base, with the cost of borrowing during 2023 and 2024 for both businesses and consumers presenting an additional affordability challenge.

The effects of these risks are not expected to be fully captured by forward-looking credit modelling, particularly given the high inflation environment, low unemployment base case outlook. Any incremental ECL effects for these risks will be captured via post model adjustments and are detailed further in the Governance and post model adjustments section.

Notes

6. Loan impairment provisions continued

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to NatWest Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Various post model adjustments were applied where management judged they were necessary to ensure an adequate level of overall ECL provision. All post model adjustments were subject to review, challenge and approval through model or provisioning committees.

Post model adjustments will remain a key focus area of NatWest Group's ongoing ECL adequacy assessment process. A holistic framework has been established including reviewing a range of economic data, external benchmark information and portfolio performance trends with a particular focus on segments of the portfolio (both commercial and consumer) that are likely to be more susceptible to high inflation, high interest rates and supply chain disruption.

ECL post model adjustments

The table below shows ECL post model adjustments.

	30 June 2024 £m	31 December 2023 £m
Deferred model calibrations	1	3
Economic uncertainty	4	7
Other adjustments	-	1
Total	5	11
<i>Of which:</i>		
Stage 1	3	5
Stage 2	2	6
Stage 3	-	-

Measurement uncertainty and ECL sensitivity analysis

The recognition and measurement of ECL is complex and involves the use of significant judgment and estimation, particularly in times of economic volatility and uncertainty. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9. The ECL provision is sensitive to the model inputs and economic assumptions underlying the estimate.

The impact arising from the base case, upside, downside and extreme downside scenarios was simulated. These scenarios are used in the methodology for Personal multiple economic scenarios as described in the Economic loss drivers section. In the simulations, RBSI Ltd has assumed that the economic macro variables associated with these scenarios replace the existing base case economic assumptions, giving them a 100% probability weighting and therefore serving as a single economic scenario.

These scenarios were applied to all modelled portfolios in the analysis below, with the simulation impacting both PDs and LGDs. Post model adjustments included in the ECL estimates that were modelled were sensitised in line with the modelled ECL movements, but those that were judgmental in nature, primarily those for deferred model calibrations and economic uncertainty, were not (refer to the Governance and post model adjustments section) on the basis these would be re-evaluated by management through ECL governance for any new economic scenario outlook and not be subject to an automated calculation. As expected, the scenarios create differing impacts on ECL by portfolio and the impacts are deemed reasonable. In this simulation, it is assumed that existing modelled relationships between key economic variables and loss drivers hold, but in practice other factors would also have an impact, for example, potential customer behaviour changes and policy changes by lenders that might impact on the wider availability of credit.

The focus of the simulations is on ECL provisioning requirements on performing exposures in Stage 1 and Stage 2. The simulations are run on a stand-alone basis and are independent of each other; the potential ECL impacts reflect the simulated impact at 30 June 2024. Scenario impacts on SICR should be considered when evaluating the ECL movements of Stage 1 and Stage 2. In all scenarios the total exposure was the same but exposure by stage varied in each scenario.

Stage 3 provisions are not subject to the same level of measurement uncertainty – default is an observed event as at the balance sheet date. Stage 3 provisions therefore were not considered in this analysis.

RBSI Ltd's core criterion to identify a SICR is founded on PD deterioration. Under the simulations, PDs change and result in exposures moving between Stage 1 and Stage 2 contributing to the ECL impact.

6. Loan impairment provisions continued

- If the economics were as negative as observed in the extreme downside (i.e. 100% probability weighting), total Stage 1 and Stage 2 ECL was simulated to increase. In this scenario, Stage 2 exposure increased and was the key driver of the simulated ECL rise. The movement in Stage 2 balances in the other simulations was far less significant and the impact to ECL less material.
- In the Wholesale portfolio, there was a significant increase in ECL under the extreme downside scenario. The Wholesale property ECL increase was mainly due to commercial real estate prices which showed negative growth particularly in 2025 and significant deterioration in the stock index in 2024 and 2025. The non-property increase was mainly due to GDP contraction in 2025 and significant deterioration in the stock index.
- Given that continued uncertainty remained due to persistent inflation, high interest rates and liquidity concerns at H1 2024, RBSI Ltd utilised a framework of quantitative and qualitative measures to support the levels of ECL coverage. This included economic data, credit performance insights, supply chain contagion analysis and problem debt trends. This was particularly important for consideration of post model adjustments.
- As the effects of these economic risks evolve during 2024, there is a risk of further credit deterioration. However, the income statement effect of this should have been mitigated by the forward-looking provisions retained on the balance sheet at 30 June 2024.
- There are a number of key factors that could drive further downside to impairments, through deteriorating economic and credit metrics and increased stage migration as credit risk increases for more customers. Such factors which could impact the IFRS 9 models, include an adverse deterioration in unemployment and GDP in the economies in which RBSI Ltd operates.

The table below shows gross loans and ECL, by stage, within the scope of the IFRS 9 ECL framework.

- (1) Amounts due from holding companies and fellow subsidiaries (inter-group) are all considered as Stage 1.
- (2) ECL provisions coverage is ECL provisions divided by loans – amortised cost.
- (3) ECL provisions coverage and ECL loss rates are calculated on third party loans and related ECL provisions and charge respectively.
- (4) ECL loss rate is calculated as annualised third party ECL charge divided by loans – amortised cost.
- (5) The table shows gross loans only and excludes amounts that are outside the scope of the ECL framework. Other financial assets within the scope of the IFRS 9 ECL framework were cash and balances at central banks totalling £17.5 billion (31 December 2023 – £17.7 billion) and debt securities of £3.2 billion (31 December 2023 – £2.9 billion).

Notes

6. Loan impairment provisions continued

Flow statement

The flow statement that follows show the main ECL and related income statement movements. It also shows the changes in ECL as well as the changes in related financial assets used in determining ECL. Due to differences in scope, exposures may differ from those reported in other tables, principally in relation to exposures in Stage 1 and Stage 2. These differences do not have a material ECL effect. Other points to note:

- Financial assets include treasury liquidity portfolios, comprising balances at central banks and debt securities, as well as loans. Both modelled and non-modelled portfolios are included.
- Stage transfers (for example, exposures moving from Stage 1 into Stage 2) are a key feature of the ECL movements, with the net re-measurement cost of transitioning to a worse stage being a primary driver of income statement charges. Similarly, there is an ECL benefit for accounts improving stage.
- Changes in risk parameters shows the reassessment of the ECL within a given stage, including any ECL overlays and residual income statement gains or losses at the point of write-off or accounting write-down.
- Other (P&L only items) includes any subsequent changes in the value of written-down assets (for example, fortuitous recoveries) along with other direct write-off items such as direct recovery costs. Other (P&L only items) affects the income statement but does not affect balance sheet ECL movements.
- Amounts written-off represent the gross asset written-down against accounts with ECL, including the net asset write-down for any debt sale activity.
- The effect of any change in post model adjustments during the year is typically reported under changes in risk parameters, as are any effects arising from changes to the underlying models. Refer to the section on Governance and post model adjustments for further details.
- All movements are captured monthly and aggregated. Interest suspended post default is included within Stage 3 ECL with the movement in the value of suspended interest during the year reported under currency translation and other adjustments.

	Stage 1		Stage 2		Stage 3		Total	
	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL	Financial assets	ECL
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	37,097	16	721	12	128	39	37,946	67
Currency translation and other adjustments	(87)	-	(1)	-	-	5	(88)	5
Transfers from Stage 1 to Stage 2	(282)	(1)	282	1	-	-	-	-
Transfers from Stage 2 to Stage 1	246	4	(246)	(4)	-	-	-	-
Transfers to Stage 3	-	-	(22)	(1)	22	1	-	-
Transfers from Stage 3	2	-	3	-	(5)	-	-	-
Other exposure and related changes	180	(7)	(327)	(3)	(2)	(1)	(149)	(11)
Amounts written-off	-	-	-	-	(1)	(1)	(1)	(1)
Unwinding of discount	-	-	-	-	-	(3)	-	(3)
At 30 June 2024	37,156	12	410	5	142	40	37,708	57
Net carrying amount	37,144	-	405	-	102	-	37,651	-
At 1 January 2023	40,083	16	870	9	132	30	41,085	55
2023 movements	(5,442)	(2)	(14)	7	39	10	(5,417)	15
At 30 June 2023	34,641	14	856	16	171	40	35,668	70
Net carrying amount	34,627	-	840	-	131	-	35,598	-

(1) Related financial asset movements are one month in arrears relative to the balance sheet reporting dates, as these are the balances used to calculate the modelled ECL (i.e. reported financial assets at 1 January 2024 in the flow statements reflect 30 November 2023 positions, and 30 June 2024 reported figures reflect 31 May 2024 positions).

Notes

7. Contingent liabilities and commitments

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 30 June 2024. Although RBSI Ltd is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of RBSI Ltd's expectation of future losses.

	30 June 2024 £m	31 December 2023 £m
Contingent liabilities and commitments		
Guarantees	299	337
Other contingent liabilities	32	30
Standby facilities, credit lines and other commitments	9,549	9,410
Total	9,880	9,777

Commitments and contingent obligations are subject to RBSI Ltd's normal credit approval processes.

8. Litigation and regulatory matters

As a participant in the financial services industry, RBSI Ltd operates in a highly regulated environment. At any moment in time it is likely that RBSI Ltd will be party to legal proceedings and involved in regulatory matters, including as the subject of investigations and other regulatory and government action ('Matters') in the jurisdictions it operates in. Such Matters are subject to many uncertainties and their outcome is often difficult to predict, particularly in the early stages.

The directors of RBSI Ltd have reviewed actual and known potential claims and proceedings and, after consulting with the relevant legal advisers are satisfied that the outcome of these claims and proceedings will not have a material adverse effect on RBSI Ltd's net assets, results of operations or cash flows.

RBSI Ltd recognises a provision for a liability in relation to such Matters when it is probable that an outflow of economic benefits will be required to settle an obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation. In many such Matters, it is not possible to determine whether any loss is probable or to estimate reliably the amount of any loss, either as a direct consequence of the relevant proceedings and regulatory matters or as a result of adverse impacts or restrictions on RBSI Ltd's reputation, business and operations.

RBSI Ltd has engaged, and will continue to engage, in discussions with relevant regulatory authorities, on an ongoing and regular basis, and in response to informal and formal inquiries or investigations regarding operational, systems and control evaluations and issues including those related to compliance with applicable laws and regulations. RBSI Ltd is cooperating fully with the matters described below.

For a discussion of certain risks associated with RBSI Ltd's litigation and regulatory matters (including the Matters), see the Risk Factor relating to legal, regulatory and conduct risk set out on page 22.

RBSI Ltd reliance regime and referral to enforcement

In January 2023, the Jersey Financial Services Commission (JFSC) notified RBSI Ltd that it had been referred to its Enforcement Division in relation to RBSI Ltd's operation of the reliance regime. The reliance regime is specific to certain Crown Dependencies and enables RBSI Ltd to rely on regulated third parties for specific due diligence information. RBSI Ltd has provided information to the JFSC at its request.

Notes

9. Related parties

UK Government

The UK Government's shareholding in NatWest Group plc is managed by UK Government Investments Limited, a company wholly owned by the UK Government. At 30 June 2024 HM Treasury's holding in NatWest Group plc's ordinary shares was 20.92% (31 December 2023 - 37.97%). As a result, the UK Government through HM Treasury is no longer the controlling shareholder of NatWest Group plc as per UK listing rules. The UK Government and UK Government-controlled bodies remain related parties of the NatWest Group.

At 12 July 2024 HM Treasury's holding in NatWest Group plc's ordinary shares fell below 20% to 19.97%.

RBSI Ltd enters into transactions with many of these bodies. Transactions include the payment of: taxes – principally UK corporation tax and value added tax; national insurance contributions; local authority rates; regulatory fees and levies; together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

Bank of England facilities

RBSI Ltd may participate in a number of schemes operated by the Bank of England in the normal course of business.

Other related parties

(a) In their roles as providers of finance, RBSI Ltd provide development and other types of capital support to businesses. These investments are made in the normal course of business.

(b) RBSI Ltd is recharged from other NatWest Group entities, mainly NWB Plc which provides the majority of shared services (including technology) and operational processes.

(c) In accordance with IAS 24, transactions or balances between RBSI Ltd that have been eliminated on consolidation are not reported.

Full details of RBSI Ltd's related party transactions for the year ended 31 December 2023 are included in The Royal Bank of Scotland International Limited 2023 Annual Report and Accounts.

RBSI Ltd's financial assets and liabilities include amounts due from/to the holding company and fellow subsidiaries as below:

	30 June 2024				31 December 2023			
	Holding company £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m	Holding company £m	Fellow subsidiaries £m	Subsidiaries £m	Total £m
Assets								
Loans to banks - amortised cost	-	1,503	-	1,503	-	766	-	766
Other financial assets	-	151	-	151	-	252	-	252
Other assets	-	5	6	11	-	5	5	10
Amounts due from holding company and fellow subsidiaries	-	1,659	6	1,665	-	1,023	5	1,028
Derivatives (1)	-	157	-	157	-	164	-	164
Liabilities								
Bank deposits	-	88	-	88	-	89	-	89
Customer deposits	-	64	-	64	28	64	-	92
Subordinated liabilities	279	-	-	279	279	-	-	279
Other liabilities	4	30	-	34	5	29	-	34
Amounts due to holding company and fellow subsidiaries	283	182	-	465	312	182	-	494
Derivatives (1)	-	309	-	309	-	407	-	407

(1) Intercompany derivatives are included within derivative classification on the balance sheet.

10. Post balance sheet events

Other than as disclosed in this document, there have been no significant events between the 30 June 2024 and the date of approval of this announcement which would require a change to, or additional disclosure in the announcement.

11. Date of approval

This announcement was approved by the Board of Directors on 25 July 2024.

Royal Bank of Scotland International Limited Summary Risk Factors

Summary of Principal Risks and Uncertainties

Set out below is a summary of the principal risks and uncertainties for the remaining six months of the financial year which could adversely affect RBSI Ltd. This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties; a fuller description of these and other risk factors is included on pages 7 to 11 of the Royal Bank of Scotland International Limited 2023 Annual Report and Accounts. Any of the risks identified may have a material adverse effect on RBSI Ltd's business, operations, financial condition or prospects.

Economic and political risk

- RBSI Ltd, its customers and its counterparties face continued economic and political risks and uncertainty in the UK and global markets, including as a result of high inflation, rising interest rates, supply chain disruption and the Russian invasion of Ukraine.
- Government and regulatory intervention in the financial services industry is expected to remain high for the foreseeable future, which may in turn place additional constraints on RBSI Ltd.
- Changes in interest rates have affected and will continue to affect RBSI Ltd's business and results.
- Changes in foreign currency exchange rates may affect RBSI Ltd's results and financial position.

Strategic risk

- RBSI Ltd is subject to strategic risks including as part of NatWest Group's Commercial and Institutional business segment.
- RBSI Ltd continues to implement its strategy, which carries significant execution and operational risks and may not achieve its stated aims and targeted outcomes.

Financial resilience risk

- RBSI Ltd operates in markets that are highly competitive, with increasing competitive pressures and technology disruption.
- RBSI Ltd has exposure to counterparty and borrower risk.
- RBSI Ltd may not be able to adequately access sources of liquidity and funding.
- An inability to grow or any material decrease in RBSI Ltd's deposits could, particularly if accompanied by one of the other factors described above, adversely affect RBSI Ltd's ability to satisfy its liquidity or funding needs. In turn, this could require RBSI Ltd to adapt its funding plans or change its operations.
- The introduction of Basel 3 amendments may result in additional supervisory and prudential expectations, including an increase in risk weighted assets. The details of Basel 3 amendments in Jersey remain subject to regulatory uncertainty on both quantum and timing.
- RBSI Ltd may be adversely affected if NatWest Group fails to meet the requirements of regulatory stress tests.
- RBSI Ltd could incur losses or be required to maintain higher levels of capital as a result of limitations or failure of various models.
- RBSI Ltd's financial statements are sensitive to the underlying accounting policies, judgments, estimates and assumptions.
- Changes in accounting standards may materially impact RBSI Ltd's financial results.

Climate and sustainability-related risks

- RBSI Ltd and its customers, suppliers and counterparties face significant climate and sustainability-related risks, including in transitioning to a net zero economy, which may adversely impact RBSI Ltd.
- NatWest Group's climate change related strategy, ambitions, targets and transition plan entail significant execution and reputational risk and are unlikely to be achieved without significant and timely government policy, technology and customer behavioural changes.
- Any delay or failure by RBSI Ltd to contribute to setting, making progress against or meeting its climate-related ambitions and targets may adversely affect RBSI Ltd's reputation or its ability to manage climate-related risks.
- There are significant limitations related to accessing reliable and comparable climate and other sustainability-related data as a result of lack of standardisation, consistency and completeness which, amongst other factors, contribute to substantial uncertainties in accurately modelling and reporting on climate and sustainability information.
- Increasing levels of climate, environmental, human rights and other sustainability-related laws, regulation and oversight which are constantly evolving may adversely affect RBSI Ltd.

Royal Bank of Scotland International Limited Summary Risk Factors continued

Summary of Principal Risks and Uncertainties continued

Operational and IT resilience risk

- Operational risks (including reliance on third party suppliers and outsourcing of certain activities) are inherent in RBSI Ltd's businesses.
- RBSI Ltd is subject to increasingly sophisticated and frequent cyberattacks.
- RBSI Ltd's operations and strategy are highly dependent on the accuracy and effective use of data as well as its complex IT systems (including those that enable remote working) and any IT failure could adversely affect RBSI Ltd.
- RBSI Ltd relies on attracting, retaining, developing and remunerating diverse senior management and skilled personnel, and is required to maintain good employee relations.
- A failure in RBSI Ltd's risk management framework could adversely affect RBSI Ltd, including its ability to achieve its strategic objectives.
- RBSI Ltd's operations are subject to inherent reputational risk.

Legal, regulatory and conduct risk

- RBSI Ltd is subject to extensive laws, regulations, guidelines, corporate governance practice and disclosure requirements, administrative actions and policies in each jurisdiction in which it operates, which are continually evolving and which represent ongoing compliance and conduct risks.
- Regulatory developments may also result in an increased number of regulatory investigations and proceedings and have increased the risks relating to RBSI Ltd's ability to comply with the applicable body of rules and regulations in the manner and within the timeframes required.

Statement of directors' responsibilities

We, the directors listed below, confirm that to the best of our knowledge:

- the condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB);
- the condensed financial statements complies with the Companies (Jersey) Law 1991, the Banking Business (Jersey) Law 1991, the Financial Services (General Insurance Mediation Business (Accounts, Audits, Reports and Solvency)) (Jersey) Order 2005, the Financial Services (Trust Company and Investment Business (Accounts, Audits and Reports)) (Jersey) Order 2007 and the Financial Services (Fund Services Business (Accounts, Audits and Reports)) (Jersey) Order 2007, the Financial Services (Jersey) Law 1998 and their Codes of Practice.

By order of the Board

Robert Horrocks
Chief Financial Officer

25 July 2024

Board of directors

Chair

James McConville

Executive directors

Oliver Holbourn
Robert Horrocks

Non-executive directors

Christine Hilary Ashton
Aaron Le Cornu
Bruce Mark Cannon
Carinne Withey

Additional Information

Presentation of information

The Royal Bank of Scotland International Limited (RBSI Ltd) is a wholly-owned subsidiary of The Royal Bank of Scotland International (Holdings) Limited (RBSIH). NatWest Group plc is the ultimate holding company of RBSI Ltd. The term 'NatWest Group' refers to NatWest Group plc and its subsidiaries.

RBSI Ltd publishes its financial statements in the functional currency, pounds sterling (£ or sterling) and all values are rounded to the nearest million pound, except when otherwise indicated. The abbreviations £m and £bn represent millions and thousands of millions of pounds sterling, respectively.

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of Companies (Jersey) Law 1991 and other applicable local laws. The statutory accounts for the year ended 31 December 2023 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Companies (Jersey) Law 1991.

Forward-looking statements

This document may contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as RBSI Ltd's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to RBSI Ltd in respect of, but not limited to: its economic and political risks (including as a result of weak economic activity and interest rates, supply chain disruption and geopolitical developments); changes in interest rates; fluctuations in currency exchange rates; the constantly evolving oversight and regulatory environment (including its regulatory capital position and related requirements); its risk exposure to operational risk (including its conduct risk, cyber, data and IT risk, financial crime risk, key person risk); its strategic risks (including as part of NatWest Group's Commercial & Institutional business segment, and as a result of NatWest Group's climate and sustainability-related targets); its counterparty and borrower risk (including its impairment losses and credit exposures under certain specified scenarios); its access to sources of liquidity and funding. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions, the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or RBSI Ltd's actual results are discussed in RBSI Ltd's 2023 Annual Report and Accounts, RBSI Ltd's Interim Results for H1 2024, and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and RBSI Ltd does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.