

ISLE OF MAN BANK LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2009

ISLE OF MAN BANK LIMITED

ANNUAL REPORT AND ACCOUNTS 2009

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ISLE OF MAN BANK LIMITED

COMPANY INFORMATION

REGISTERED OFFICE

2 Athol Street
Douglas
Isle of Man
IM99 1AN

DIRECTORS

George Anthony SCHOFIELD
Geoffrey Keith GELLING
Paul Thomas SMITH
Victoria Kate McENEANEY
Stephen John CAMM
Ronald John GORDON
Alistair James BISHOP
Adrian John GILL

SECRETARY

Kenneth Ian MADDRELL

AUDITORS

Deloitte & Touche
Douglas
Isle of Man

ISLE OF MAN BANK LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited financial statements for Isle of Man Bank Limited (the "Company") for the year ended 31 December 2009.

ACTIVITIES

The Company provides an extensive range of banking and other financial services.

PLACE OF INCORPORATION

The Company is incorporated in the Isle of Man.

ASSETS

In the opinion of the Directors and from their knowledge of the Company's affairs, the assets shown in the Company's Statement of Financial Position were realisable in the ordinary course of business at amounts not less than the totals shown, after making allowance for all appropriate costs, including the cost of realisation and financing.

RESULTS AND BUSINESS REVIEW

The profit before taxation for the year amounted to £21,276,000 (2008: £24,879,000). The retained profit for the year of £19,909,000 (2008: £23,111,000) was transferred to reserves.

Throughout 2009 there has been continual volatility in the financial markets and this looks set to extend into 2010. During 2009 The Royal Bank of Scotland Group plc (RBSG), the ultimate parent of the Company, has received support from the UK Government through HM Treasury which subscribed for shares that provided it with control of The Royal Bank of Scotland Group plc (RBSG). UK Financial Investments Limited is managing the UK Government's shareholding and is now the majority shareholder of Royal Bank of Scotland Group.

The Company's principal business activities are banking services including the taking of deposits and lending in the Isle of Man. Deposits not used to provide third party lending are placed with The Royal Bank of Scotland Group entities (RBSG). The financial position of these entities and hence ultimate recoverability of these placements is a key exposure to the Company.

The prevailing market and economic conditions also pose risks for the Company. These include the level of defaults from customers on outstanding advances as well as the degree of uncertainty in the valuation of other financial assets and liabilities. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, note 21 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Directors are satisfied with the financial position of the Company and believe that they are appropriately placed to manage its business risks successfully, despite the current uncertain economic outlook. After making enquiries, the Directors believe there are adequate resources for the Company to continue in operational existence for the foreseeable future and that there are sufficient funds to support the current and planned activities and accordingly they continue to adopt the going concern basis in preparing the financial statements.

The purpose of this report is to provide information to the members of the Company and it is addressed to them as such. Forward looking statements by their nature involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such statements.

DIVIDENDS

The Directors did not declare or pay any dividends for the year ended 31 December 2009 (2008: £20,000,000).

EMPLOYEES

The average number of persons employed during the year was 147 (2008: 164) and the aggregate remuneration paid or payable to such employees for the year was £5,909,000 (2008: £6,078,000).

ISLE OF MAN BANK LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS AND SECRETARY

The current Directors and Secretary of the Company as at 31 December 2009 are shown on page 3. Changes made during 2009 are shown below:

James Leonard MORRIS	Resigned	18 March 2009
Alistair James BISHOP	Appointed	15 June 2009
Adrian John GILL	Appointed	24 November 2009

Changes made during 2010 are shown below:

Geoffrey Keith GELLING	Resigned	26 January 2010
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Isle of Man company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They are also responsible for the system of internal control, for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

In accordance with Section 12(2) of the Isle of Man Companies Act 1982 the auditors, Deloitte & Touche, offer themselves for reappointment at the forthcoming Annual General Meeting.

RISK MANAGEMENT & DERIVATIVES

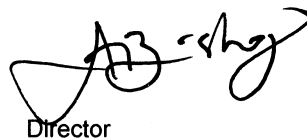
The Board has delegated its authority for day to day risk management to the executive management sitting on committees as detailed in note 21. The Board approves any changes in interbank lending lines and in limits governing currency and interest rate exposures. The Board policy is not to enter into derivative transactions for trading purposes, but to undertake such contracts to hedge or reduce the volatility in interest income and foreign exchange. The Company's actual derivative transactions are outlined in note 13 to these financial statements. Further details of the Company's risk management policies are highlighted in note 21.

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



Director

04 March 2010



Director

