

Company Registered No: 00546470

RBS GTS SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012



**RBS Secretariat
The Royal Bank of Scotland Group plc
Gogarburn
P O Box 1000
Edinburgh
EH12 1HQ**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R J Lawrence
S J Mould

SECRETARY

K L A Fernandes

REGISTERED OFFICE

250 Bishopsgate
London
EC2M 4AA

AUDITOR

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Registered in England and Wales

DIRECTORS' REPORT

The directors of RBS GTS Services Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW**Principal activity**

The principal activity of the Company is to provide services to The Royal Bank of Scotland plc ("RBS plc") relating to the processing of trade operations

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("the Group") which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of the Group review these matters on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at www.rbs.com

Business review

The directors are satisfied with the Company's performance in the year. The Company will be guided by its ultimate parent company in seeking further opportunities for growth.

Financial Performance**Preparation and presentation of accounts**

As explained in the note 1, in the year ended 31 December 2012 the Company has changed from reporting under IFRS adopted by the European Union to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early. This change has not had a material effect on the financial statements.

The Company's financial performance is presented in the Profit and Loss Account on page 7.

The operating profit before tax for the year was £54,300 (2011 £14,520). The retained profit for the year was £40,907 (2011 £10,745).

At the end of the year, the total assets were £1,216,819 (2011 £257,520).

Dividends

The directors do not recommend the payment of a dividend (2011 £nil).

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks other than equity and credit risk.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee (GALCO).

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The financial liabilities of the Company consist of amounts due to Group undertakings. The amounts due to Group undertakings do not have any significant interest rate risk as they are due primarily on demand.

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling.

DIRECTORS' REPORT (continued)**Principal risks and uncertainties (continued)****Credit risk**

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company

The key principles of the Group's Credit Risk Management Framework are set out below

- Approval of all credit exposure is granted prior to any advance or extension of credit
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return
- Credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with Group companies

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. It is undertaken within limits and other policy parameters set by GALCO

The Company has no material liquidity risk

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities

The Company has no material market risk as the exposure is within the Group undertakings

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis

DIRECTORS AND SECRETARY

The present directors and secretary who have served throughout the year and subsequently, are listed on page 1

DIRECTORS' REPORT (continued)**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

DIRECTOR' INDEMNITIES

In terms of section 236 of the Companies Act 2006, S J Mould has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

DISCLOSURE OF INFORMATION TO AUDITOR

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

- in so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor

Approved by the Board of Directors and signed on its behalf



R J Lawrence

Director

Date 13 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS GTS SERVICES LIMITED

We have audited the financial statements of RBS GTS Services Limited ("the Company") for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

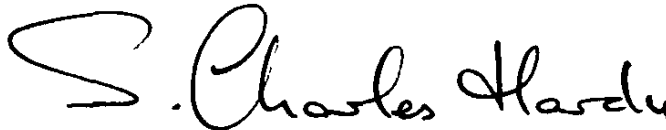
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS GTS SERVICES LIMITED
(continued)**

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink that reads "S. Charles Hardy". The signature is written in a cursive style with a large, sweeping "S" at the beginning.

Simon Hardy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date 13 September 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

	Notes	2012 £	2011 £
Income from continuing operations			
Operating income	2	959,299	256,520
Operating expenses	3	(904,999)	(242,000)
Profit before tax		54,300	14,520
Tax charge	4	(13,393)	(3,775)
Profit and total comprehensive profit for the financial year		40,907	10,745

The accompanying notes form an integral part of these financial statements

BALANCE SHEET

As at 31 December 2012

	Notes	2012 £	2011 £
Assets			
Current assets			
Amounts due from Group undertakings		1,215,819	256,520
Cash at bank	5	1,000	1,000
Total assets		1,216,819	257,520
Creditors: amounts falling due within one year			
Amounts due to Group undertakings		1,146,999	242,000
Current tax liabilities		17,168	3,775
Total liabilities		1,164,167	245,775
Equity: capital and reserves			
Share capital	7	1,000	1,000
Profit and loss account		51,652	10,745
Total shareholders' funds		52,652	11,745
Total liabilities and shareholders' funds		1,216,819	257,520

The accompanying notes form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 13 September 2013 and signed on its behalf



R J Lawrence
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Share Capital	Profit and loss account	Total
	£	£	£
At 1 January 2011	1,000	-	1,000
Profit for the year	-	10,745	10,745
At 31 December 2011	1,000	10,745	11,745
Profit for the year	-	40,907	40,907
At 31 December 2012	1,000	51,652	52,652

Total comprehensive income for the year was £40,907 (2011 £10,745) and was wholly attributable to the owners of the Company

The accompanying notes form an integral part of these financial statements

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

These financial statements have been prepared on a going concern basis and in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 (Reduced Disclosure Framework). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

Accordingly, in the year ended 31 December 2012 the Company has changed from reporting under IFRS adopted by the European Union to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early. This change has not had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 8.

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

Adoption of new and revised accounting standards

There are a number of changes to IFRS that were effective from 1 January 2012. They have had no material effect on the Company's financial statements for the year ended 31 December 2012.

b) Foreign currencies

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date.

c) Revenue recognition

Interest income on financial assets that are classified as loans and receivables other than those at fair value through profit or loss are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Fees in respect of services are recognised as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable. Fees charged for managing investments are recognised as revenue as the services are provided. Incremental costs that are directly attributable to securing an investment management contract are deferred and charged as expense as the related revenue is recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

d) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the Balance Sheet date

e) Staff costs

The staff are employed by the Company and the directors employed by RBS plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions

Staff costs are charged to the Company from the Group on an annual basis. This charge includes short-term employee benefits, such as salaries, paid absences, and other benefits, accounted for on an accruals basis over the period in which the employees provide the related services. Group employees may receive variable compensation satisfied by cash, by debt instruments issued by the Group or by shares in Group. Variable compensation that is settled in cash or debt instruments is charged to profit or loss over the period from the start of the year to which the variable compensation relates to the expected settlement date taking account of forfeiture and claw back criteria

f) Financial assets

On initial recognition, financial assets are classified into loans and receivables

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method (see policy c) less any impairment losses

2 Operating income

	2012 £	2011 £
Fees receivable from Group undertaking	959,299	256,520

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Operating expenses

	2012 £	2011 £
Staff costs recharge	904,999	242,000

Staff costs, number of employees and directors' emoluments

Directors were employed by The Royal Bank of Scotland plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The directors of the Company do not receive remuneration for specific services provided to the Company.

The staff are employed by the Company and the costs are charged to the Company (see accounting policy e).

The auditor's remuneration for statutory audit work for the Company of £7,000 was borne by The Royal Bank of Scotland plc (2011 £5,000, borne by RBS Management Services (UK) Limited).

4. Taxation

	2012 £	2011 £
Current taxation:		
UK corporation tax charge for the year	13,374	3,775
Under provision in respect of prior periods	19	-
Tax charge for the year	13,393	3,775

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 24.5% (2011 26%) as follows

	2012 £	2011 £
Profit before tax.	54,300	14,520
Expected tax charge	13,302	3,775
Non deductible items	72	-
Adjustments in respect of prior periods	19	-
Actual tax charge for the year	13,393	3,775

The changes to tax rates and capital allowances proposed in the Budgets on 22 June 2010, 23 March 2011 and 21 March 2012 are not expected to have a material effect on the company.

5. Cash at Bank

	2012 £	2011 £
Cash at bank	1,000	1,000

6. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings, loans from Group undertakings and subordinated loans. The Company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base. It is not separately regulated. The Group has complied with the FSA's capital requirements throughout the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Share capital

	2012 £	2011 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

8. Related parties

UK Government

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group Plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

The Company enters into transactions with these bodies on an arm's length basis, they include the payment of taxes including UK corporation tax.

Group Undertakings

The Company's immediate parent company is The Royal Bank of Scotland NV which is incorporated and registered in the Netherlands.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the UK and registered in Scotland. As at 31 December 2012, The Royal Bank of Scotland Group plc heads both the largest and the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

9 Post balance sheet events

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.