

BANK OF SCOTLAND INTERNATIONAL LIMITED
SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

BANK OF SCOTLAND INTERNATIONAL LIMITED

Directors:

Chairman: P R Grant Resigned 22 July 2008
A Seale Appointed 22 July 2008

Managing Director: J E C Gairdner Appointed 21 April 2008
A R Wilcox Resigned 21 April 2008

Other Directors: R J Caldwell Resigned 31 January 2008
H Le Norcy Resigned 28 February 2008
M D Chaytor Appointed 28 February 2008
N D Smith Appointed 6 October 2008
G Smith (Alternate to R J Caldwell) Appointed 29 January 2009
G Smith
A Titchen
W A Raeburn

Secretary: V N Karran

Independent Auditors: KPMG Channel Islands Limited
Chartered Accountants
5 St Andrew's Place
Charing Cross
St Helier
Jersey
JE4 8WQ

Registered Office: P O Box 519
Halifax House
31/33 New Street
St Helier
Jersey
Channel Islands
JE4 5UB

The information contained within these summary financial statements has been prepared in accordance with the requirements of the Banking Business (Jersey) Law 1991. Additional information to allow for a full understanding of the results of the Company and state of affairs of the Company has been submitted to the Jersey Financial Services Commission as required by the Banking Business (Jersey) Law 1991. In accordance with the Banking Business (General Provisions) (Jersey) Order 2002, Bank of Scotland International Limited has decided to adopt the summarised form of financial statements.



KPMG Channel Islands Limited
P.O. Box 453
St Helier
Jersey JE4 8WQ
Channel Islands

Tel +44 (0) 1534 888891
Fax +44 (0) 1534 888892
kpmg.jersey.je

**Statement of the independent auditors to the members of
Bank of Scotland International Limited**

Pursuant to Banking Business (General Provisions) (Jersey) Order 2002

We have examined the summary financial statements set out on pages 3 to 8.

This statement is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a statement 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 work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summary financial statements in accordance with applicable Jersey law. Our responsibility is to report to you our opinion on the consistency of the summary financial statements with the full annual financial statements and directors' report and its compliance with relevant requirements of the Banking Business (General Provisions) (Jersey) Order 2002 and guidance notes issued by the Jersey Financial Services Commission, applicable to the summary financial statements.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 "The auditor's statement on the summary financial statement" issued by the UK Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion, the summary financial statements are consistent with the full annual financial statements and directors' report of Bank of Scotland International Limited for the year ended 31 December 2008 and comply with the requirements of the Banking Business (General Provisions) (Jersey) Order 2002 and guidance notes issued by the Jersey Financial Services Commission, applicable to the summary financial statements.

KPMG Channel Islands Limited

Chartered Accountants
6 March 2009

BANK OF SCOTLAND INTERNATIONAL LIMITED
SUMMARY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £000	2007 £000
Interest Income	322,631	318,827
Interest expense	<u>(305,037)</u>	<u>(290,340)</u>
Net interest income	17,594	28,487
Margin on foreign exchange transactions	3,602	2,759
Other fees and commissions	<u>3,812</u>	<u>2,524</u>
Total income	25,008	33,770
General administrative expenses	(8,230)	(7,718)
Impairment write back	3	1
	<hr/>	<hr/>
Profit before taxation	16,781	26,053
Taxation	<u>(2,829)</u>	<u>(3,856)</u>
Profit for the year	13,952	22,197
Retained profit brought forward	<u>150,910</u>	<u>128,713</u>
Retained profit carried forward	<u>164,862</u>	<u>150,910</u>

Continuing operations: all the items dealt with in arriving at the profit before taxation for 2008 and 2007 relate to continuing operations.

The summary financial statements do not contain sufficient information to allow as full an understanding of the results and state of affairs of the company as would be provided by the full Directors' report and financial statements. The full Directors Report and Financial Statements are available on request from the Company.

The notes on pages 6 to 8 form part of the Summary Financial Statements.

BANK OF SCOTLAND INTERNATIONAL LIMITED
SUMMARY BALANCE SHEET AS AT 31 DECEMBER 2008

	2008	2007
	£000	£000
Assets		
Cash and cash equivalents	7,061	4,943
Amounts due from group undertakings	4,904,273	5,993,902
Loans and advances to customers	200,469	194,343
Debtors and other receivables	1,754	1,395
Property and equipment	574	713
Intangible assets	1,158	1,282
Shares in group undertakings	1	1
	5,115,290	6,196,579
Total Assets		
 Liabilities		
Deposits by group undertakings	295,052	261,073
Customer accounts	4,599,126	5,734,254
Creditors and other payables	14,373	7,426
Deferred tax	249	296
Current taxation	2,617	3,609
	4,911,417	6,006,658
 Shareholders' equity		
Share capital	39,011	39,011
Retained earnings	164,862	150,910
	203,873	189,921
Total Shareholders' Equity and Liabilities	5,115,290	6,196,579

These financial statements were approved and authorised for issue by the Board of Directors on 6 March 2009 and were signed on its behalf by:


DIRECTOR


DIRECTOR

The summary financial statements do not contain sufficient information to allow as full an understanding of the results and state of affairs of the company as would be provided by the full Directors' report and financial statements. The full Directors Report and Financial Statements are available on request from the Company.

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BANK OF SCOTLAND INTERNATIONAL LIMITED
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. PARENT UNDERTAKING

As at 31 December 2008 the Company's immediate parent company was Bank of Scotland plc. The company regarded by the directors as the ultimate parent company at 31 December 2008 was HBOS plc, a limited liability company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Bank of Scotland plc was the parent undertaking of the smallest such group of undertakings.

From 16 January 2009, Bank of Scotland International Limited's ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group) which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated accounts for the year ended 31 December 2009. Copies of the annual report and Financial Statements of Lloyds TSB Group plc for the year ended 31 December 2008 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN.

Prior to 16 January 2009, HBOS plc was the ultimate parent undertaking of Bank of Scotland International Limited. Copies of the annual report and Financial Statements of HBOS plc for the year ended 31 December 2008 may be obtained from HBOS plc's registered office at The Mound, Edinburgh, EH1 1YZ.

2. GOING CONCERN

During 2008, global financial markets experienced difficult conditions which have been characterised by a marked reduction in liquidity. As a consequence of this, governments and central banks carried out a series of actions to address the lack of liquidity within their respective banking systems. In the UK these actions have included the introduction by the Bank of England of liquidity support, through schemes (collectively "Bank of England facilities") such as the extended Long-Term Repo open market operations and the Special Liquidity Scheme ('SLS') whereby banks and building societies can exchange eligible securities for UK Treasury bills; and the creation of a credit guarantee scheme by HM Treasury, providing a government guarantee for certain short and medium term senior debt securities issued by eligible banks. During 2008 HBOS plc has made use of these measures in order to maintain and improve a stable funding position.

In the context of this continued turbulence and uncertainty in the financial markets, combined with a deteriorating global economic outlook, HBOS plc has also taken steps to strengthen its capital position in order to provide a buffer against further shocks to the financial systems and to ensure that it remains competitive. On 15 January 2009, in conjunction with the takeover of HBOS plc by Lloyds TSB Group plc (Note 6 Events After the Balance Sheet Date), HBOS plc raised £11,345m (net after costs) in preference and ordinary share capital.

On 16 January 2009, following completion of the acquisition of the HBOS plc Group by Lloyds Banking Group plc, the Group became a wholly owned subsidiary and became dependent upon the ultimate parent and its banking subsidiaries for its capital and liquidity funding needs.

BANK OF SCOTLAND INTERNATIONAL LIMITED
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 (cont'd)

2. GOING CONCERN (continued)

There is a risk despite the substantial measures taken so far by governments that further deterioration in the markets could occur. In addition the economic conditions in the UK are deteriorating more quickly than previously anticipated placing further strain on the Lloyds Banking Group's capital resources. The key dependencies on successfully funding the Lloyds Banking Group's balance sheet include the continued functioning of the money and capital markets at their current levels; the continued access of the Lloyds Banking Group to central bank and Government sponsored liquidity facilities including access to HM Treasury's credit guarantee scheme and access to the Bank of England's various facilities; limited further deterioration in the Lloyds Banking Group's credit ratings; and no significant or sudden withdrawal of deposits resulting in increased reliance on money markets or Government support schemes.

The Company places most of its assets with HBOS plc group companies (now Lloyds Banking Group plc) (96% of total assets as at 31 December 2008). The Company's solvency is therefore dependent on the continued solvency of Lloyds Banking Group plc. Based upon projections prepared by Lloyds Banking Group plc management which take into account the acquisition on 16 January 2009 of HBOS plc and its subsidiaries (Note 25) together with the Lloyds Banking Group's current ability to fund in the market and the assumption that announced government sponsored schemes will continue to be available, the directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Company has received confirmation that it is the current intention of Lloyds Banking Group plc to ensure that the Company, as a subsidiary of HBOS plc, should have at all times for the foreseeable future access to adequate resources to continue to trade and meet their liabilities as they fall due. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

3. CONTINGENT LIABILITIES

The Company has issued letters of credit to third parties on behalf of customers totalling £41.348m (2007: £41.348m). These are secured by way of charges over assets held by the Company on behalf of the customers and an additional indemnity from the Company's parent. The Company has limited risk in relation to these letters of credit as it holds cash security and an indemnity.

The Company holds an Isle of Man Banking licence and as a result is a member of the Isle of Man Depositors Compensation Scheme ("the Scheme"). The Scheme would create a liability on the Company to participate in the compensation of depositors should it be activated.

As of the date of approval of the Summary Financial Statements, no decision has been taken by the Isle of Man authorities with regards to the potential liquidation of Kaupthing Singer & Friedlander (Isle of Man) Limited. Accordingly the scheme has not been activated and no provision for a possible liability has been recognised by the Company at 31 December 2008.

**BANK OF SCOTLAND INTERNATIONAL LIMITED
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 (cont'd)**

4. SHARES IN GROUP UNDERTAKINGS

		Nature of Business	Percentage Owned	2008 £'000	2007 £'000
Subsidiary					
Bank of Scotland	Nominee Company		100%	<u>1</u>	<u>1</u>
Offshore Nominees (Jersey) Limited					

5. SHARE CAPITAL

	2008 £000	2007 £000
Authorised ordinary shares of £1 each	<u>39,011</u>	<u>39,011</u>
Issued and fully paid ordinary shares of £1 each	<u>39,011</u>	<u>39,011</u>

6. EVENTS AFTER BALANCE SHEET DATE

On 18 September 2008, with the support of the UK Government, the boards of HBOS plc ('HBOS') and Lloyds TSB Group plc ('Lloyds TSB') announced that they had reached agreement on the terms of the recommended acquisition of HBOS by Lloyds TSB. The terms of the acquisition were subsequently amended, as announced on 13 October 2008, at the same time as the announcement of the participation by HBOS and Lloyds TSB in the Government's action plan to recapitalise some of the major UK banks. The acquisition was to be implemented by means of a scheme of arrangement with a separate scheme of arrangements in relation to preference shares, under sections 895 to 899 of the Companies Act 2006.

On 12 January 2009 the Court of Session in Edinburgh, Scotland made an order sanctioning the scheme of arrangement for the acquisition and the preference share scheme of arrangement. The last day of trading in HBOS ordinary and preference shares was 14 January 2009.

On 15 January 2009 HBOS raised £11.5bn of capital (before costs and expenses) through an issue of £8.5bn of new ordinary shares under a placing with HM Treasury subject to clawback by existing shareholders, and an issue to HM Treasury of £3bn of new preference shares. Lloyds TSB raised £4.5bn (before costs and expenses) through an issue of £3.5bn of new ordinary shares under a placing with HM Treasury subject to clawback by existing shareholders, and an issue to HM Treasury of £1bn of new preference shares.

**BANK OF SCOTLAND INTERNATIONAL LIMITED
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008 (cont'd)**

6. EVENTS AFTER BALANCE SHEET DATE (continued)

On 16 January 2009 the Lloyds TSB acquisition of HBOS completed following final court approval and Lloyds TSB was renamed Lloyds Banking Group plc. The exchange of HBOS shares for Lloyds Banking Group shares took place at an exchange ratio of 0.605 of a new Lloyds Banking Group share for every one HBOS share held. As a result, the UK Government through HM Treasury owned approximately 43.4% of the enlarged ordinary share capital of Lloyds Banking Group. In addition, each class of preference share issued by HBOS, including the preference shares issued to HM Treasury in the capital raising was replaced with an equal number of new Lloyds Banking Group preference shares.

HBOS ordinary and preference shares were de-listed from the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange was cancelled on 19 January 2009 when trading in the new Lloyds Banking Group shares commenced.