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Approved by Shareholder
on 11 July 2012

**Company Registration No. 30136319
SF000900**

**National Westminster International
Holdings B.V.**

Report and Financial Statements

31 December 2011



**Group Secretariat
The Royal Bank of Scotland Ltd
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ**

National Westminster International Holdings B.V.

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National Westminster International Holdings B.V.

Officers and professional advisers

Directors

Rajan Kapoor
Ian Michael Merriman
Richard Grahame Solomon

Secretary

Andrew James Nicholson

Statutory seat

Kokermolen 16
3994 DH Houten
The Netherlands

Registered office

24/25 St Andrew Square
Edinburgh
EH2 1AF

Auditor

Deloitte Accountants B.V.
The Netherlands

National Westminster International Holdings B.V.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011.

ACTIVITIES AND BUSINESS REVIEW

Activity

National Westminster International Holdings B.V. (the 'Company') is a wholly-owned subsidiary of National Westminster Bank Plc and operates as an intermediate holding company within The Royal Bank of Scotland Group plc (the 'Group').

The Company is a member of 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 the Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at www.rbs.com.

Review of the year

Business review

The directors are satisfied with the company's performance in the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth. Post balance sheet events are described in note 22 to the financial statements.

Financial performance

The Company's financial performance is presented in the statement of comprehensive income on page 4.

The profit before tax for the year was £9,721,984 (2010: £329,190,448). Dividends received were £17,104,138 (2010: £330,315,208), interest received was £743,035 (2010: £232,763) and interest paid was £40,560 (2010: £253,314). Impairment provisions made during the year on investment in group undertakings were £3,754,315 (2010: £nil). A dividend of £135,000,000 was paid on 29 March 2011 to National Westminster Bank plc, its immediate parent company (2010: £195,000,000). No further dividends are proposed in respect of 2011.

At the end of the year, the balance sheet showed total assets of £1,023,605,544 (2010: £1,158,228,497), including investment in group undertakings of £428,098,690 (2010: £446,422,372).

Principal risks and uncertainties

The Company is funded by facilities from National Westminster Bank Plc, its immediate parent company.

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this Company are currency risk, liquidity and cash flow risk. These risks are mitigated by the routine monitoring of key management information. Refer to Note 20.

Going concern

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the interim financial statements of The Royal Bank of Scotland Group plc for the three months ended 31 March 2012, approved on 3 May 2012, which were prepared on a going concern basis.

National Westminster International Holdings B.V.

Directors' Report

Risks

As the Company is a holding company, the primary risks are related to the value of National Westminster International Holdings B.V. and its subsidiaries. In particular this is influenced by the economic environment affecting the banking industry.

Financing & Solvency

The Company relies mainly on debt financing by its shareholders. Investments and costs are primarily financed by the issuance of loans by the shareholders.

Employees

The Company had no employees in 2011 and 2010 and does not expect to change this in the future.

Research and development

Due to the fact that the Company was incorporated with the objective of holding shares in the share capital of its subsidiaries, it did not engage in any research and development activities during 2011 and 2010 and it is not expected to do so in the future.

OUTLOOK FOR 2012

The Company expects to continue its activities as an intermediate holding company. The result of the Company will be influenced by the results of its subsidiaries and related transactions.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1.

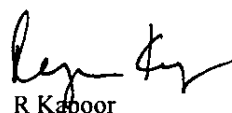
From 1 January 2011 to date the following changes have taken place:

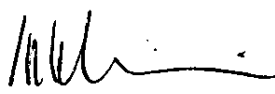
	Appointed	Resigned
Directors		
Ian Merriman	21 February 2011	
Christopher David Barnes Kyle		21 February 2011
Secretary		
Andrew James Nicholson	18 July 2011	
Alan Ewing Mills		18 July 2011

AUDITOR

Deloitte Accountants B.V. have expressed their willingness to continue in office as auditor.

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


R Kapoor


I Merriman


R Solomon

29 June 2012

Approved by shareholder on

... 11 July 2012

National Westminster International Holdings B.V.

Statement of comprehensive income

For the financial year ended 31 December 2011

	Notes	31 December 2011 £	31 December 2010 £
Interest income on deposits with and loans to group companies	3	743,035	232,763
Interest expense on loans with group companies	4	(40,560)	(253,314)
NET INTEREST INCOME / (EXPENSE)		702,475	(20,551)
Dividends received from subsidiaries	5	17,104,138	330,315,208
Loss on liquidation of investment subsidiary	6	(2,006,889)	-
Net foreign exchange (loss)	6	(2,323,425)	(1,104,209)
Impairment loss on subsidiary	7	(3,754,315)	-
PROFIT BEFORE TAXATION		9,721,984	329,190,448
Taxation credit	8	1,873,890	267,653
PROFIT FOR THE YEAR		11,595,874	329,458,101
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to owners of the Company		11,595,874	329,458,101

The results above arose wholly from continuing operations.

The notes on page 8 to 20 form an integral part of the financial statements.

National Westminster International Holdings B.V.

Balance sheet

At 31 December 2011

After appropriation of result

	Notes	31 December 2011 £	31 December 2010 £
Non current assets			
Investments in subsidiaries	9	428,098,690	446,422,372
Investments in associate	10	520,494,280	520,494,280
Deferred tax assets	11	111,277	150,224
		<u>948,704,247</u>	<u>967,066,876</u>
Current assets			
Derivatives at fair value	12	2,657,690	-
Cash and cash equivalents	13	71,776,029	190,815,531
Accrued income and other assets	14	467,578	346,090
		<u>74,901,297</u>	<u>191,161,621</u>
Total assets		<u>1,023,605,544</u>	<u>1,158,228,497</u>
Shareholder's Equity			
Called-up share capital	15	15,949	15,949
Share premium		874,896,881	874,896,881
Retained earnings		148,428,895	271,833,021
TOTAL EQUITY		<u>1,023,341,725</u>	<u>1,146,745,851</u>
Current liabilities			
Derivatives at fair value	12	263,819	11,482,646
Total liabilities		<u>263,819</u>	<u>11,482,646</u>
Total equity and liabilities		<u>1,023,605,544</u>	<u>1,158,228,497</u>

The notes on page 8 to 20 form an integral part of the financial statements.

National Westminster International Holdings B.V.

Statement of changes in equity Year ended 31 December 2011

	Called up share capital £	Share premium £	Retained earnings £	Total £
Balance at 1 January 2010	15,949	874,896,881	72,374,920	947,287,750
Total comprehensive income for the year	-	-	329,458,101	329,458,101
Interim dividend paid	-	-	(195,000,000)	(195,000,000)
Capital contribution	-	-	65,000,000	65,000,000
Balance at 31 December 2010	15,949	874,896,881	271,833,021	1,146,745,851
Balance at 1 January 2011	15,949	874,896,881	271,833,021	1,146,745,851
Total comprehensive income for the year	-	-	11,595,874	11,595,874
Interim dividend paid	-	-	(135,000,000)	(135,000,000)
Balance at 31 December 2011	15,949	874,896,881	148,428,895	1,023,341,725

The notes on page 8 to 20 form an integral part of the financial statements.

National Westminster International Holdings B.V.

Cash flow statement

Year ended 31 December 2011

	2011 £	2010 £
Operating activities		
Profit before tax	9,721,984	329,190,448
Adjustments with respect to:		
- Net foreign exchange loss	2,323,425	1,103,653
- Change in deferred tax assets	38,947	-
- Impairment on subsidiary	3,754,315	-
- Loss on liquidation of subsidiary	2,006,889	-
Operating cash flows before movements in working capital	17,845,560	330,294,101
Changes in working capital:		
Decrease in payables to Group companies	-	(51,501,493)
Increase in accrued income and other assets	(121,488)	-
Net movements in derivatives	(3,563,580)	-
	14,160,492	278,792,608
Taxes received (paid)	1,800,006	(56,338)
Net cash inflow from operating activities	15,960,498	278,736,270
Financing activities		
Interim dividend paid	(135,000,000)	(195,000,000)
Capital contribution	-	65,000,000
Net cash outflow from financing activities	(135,000,000)	(130,000,000)
Net (decrease)/increase in cash and cash equivalents	(119,039,502)	148,736,270
Cash and cash equivalents at the beginning of the year	190,815,531	42,079,261
Cash and cash equivalents at the end of the year	13 71,776,029	190,815,531
Interest paid	801,645	169,975
Interest received	(40,560)	(261,482)

The notes on page 8 to 20 form an integral part of the financial statements.

National Westminster International Holdings B.V.

Notes to the accounts

1. Accounting policies

Basis of preparation

These financial statements, which should be read in conjunction with the Directors' Report, have been prepared on the going concern basis and in accordance with financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code and International Financial Reporting Standards (IFRS) as adopted by the European Union. They have been prepared on the historical cost basis except for the revaluation of investment in subsidiaries denominated in foreign currency which is adjusted for foreign exchange differences and derivative financial instruments which are designated at fair value through profit and loss.

The company's financial statements are presented in sterling which is the functional currency of the company.

Adoption of new and revised Standards

The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit; these must be presented in other comprehensive income.

In December 2010, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments: Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures. If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative periods or to provide the additional disclosures. The additional transition disclosures must be given if implementation takes place after 2012.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments and will have a significant effect on the Company's financial statements. The Company is assessing the effect of IFRS 9 which will depend on the outcome of the other phases of the IASB's IAS 39 replacement project and on the outcome the IASB's tentative decision at its December 2011 meeting to reconsider the following topics:

- additional application guidance to clarify how the instrument characteristics test was intended to be applied.
- bifurcation of financial assets, after considering any additional guidance for the instrument characteristics test.
- expanded use of other comprehensive income or a third business model for some debt instruments.

'Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)' was published by the IASB in October 2010. This replaces IFRS 7's existing derecognition disclosure requirements with disclosures about (a) transferred assets that are not derecognised in their entirety and (b) transferred assets that are derecognised in their entirety but where an entity has continuing involvement in the transferred asset. The amendments are effective for annual periods beginning on or after 1 July 2011.

The IASB issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability. The amendment and consequential withdrawal of SIC 21 'Deferred Tax: Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012, is not expected to have a material effect on the Company.

National Westminster International Holdings B.V.

Notes to the accounts

1. Accounting policies (continued)

Adoption of new and revised Standards (continued)

In May 2011, the IASB issued six new or revised standards:

IFRS 10 'Consolidated Financial Statements' which replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. The new standard adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity.

IAS 27 'Separate Financial Statements' which comprises those parts of the existing IAS 27 that dealt with separate financial statements.

IFRS 11 'Joint Arrangements', which supersedes IAS 31 'Interests in Joint Ventures', distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method.

IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

IFRS 13 'Fair Value Measurement' which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements.

The standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is reviewing the standards to determine their effect on the Company's financial reporting.

In June 2011, the IASB issued amendments to two standards:

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those that are subject to subsequent reclassification. The amendments are effective for annual periods beginning on or after 1 July 2012. Earlier application is permitted.

Amendments IAS 19 'Employee Benefits' require the immediate recognition of all actuarial gains and losses eliminating the 'corridor approach'; interest cost to be calculated on the net pension liability or asset at the appropriate corporate bond rate; and all past service costs to be recognised immediately when a scheme is curtailed or amended.

These amendments are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is reviewing the amendments to determine their effect on the Company's financial reporting.

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' and 'Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)'. The amendment to IAS 32 adds application guidance on the meaning of 'a legally enforceable right to set off' and on simultaneous settlement. IFRS 7 is amended to require disclosures facilitating comparisons between those entities reporting under IFRS and those reporting under US GAAP. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

National Westminster International Holdings B.V.

Notes to the accounts

1. Accounting policies (continued)

Going concern

The Company has borrowing facilities from its parent entity National Westminster Bank Plc and can borrow additional funds to meet current liabilities as required. The company received on 24 September 2010 a GBP 65 million capital contribution in cash from its immediate parent company which restored its liquidity position. No further capital contributions were made during 2010 and 2011.

Consolidated financial statements

The financial statements contain information about National Westminster International Holdings B.V. as an individual company and do not contain consolidated financial information. The company is exempt under IAS 27 Consolidated and Separate Financial Statements and section 408 of the Dutch Civil Code from the requirement to prepare consolidated financial statements as the company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland.

Foreign exchange

The company is considered to be an extension of its ultimate parent, The Royal Bank of Scotland Group plc, a UK based company, and accordingly the functional currency of the company is Sterling.

All monetary assets and liabilities denominated in currencies other than Sterling are translated into Sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Translation differences are taken to the income statement. Non-monetary items denominated in foreign currencies are translated into Sterling at the applicable foreign exchange rates ruling on the date of transaction.

Investments in subsidiaries and associates

In accordance with IAS 27.38, the investments in subsidiaries and associates are carried at cost less accumulated impairment.

Revenue recognition

Interest income is accounted for using the effective interest rate 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.

Dividend income is recognised when the paying entity is obliged to make the payment.

Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement 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 calculated using tax

National Westminster International Holdings B.V.

Notes to the accounts

1. Accounting policies (continued)

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.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash is recognised when received and cash equivalents are recognised when the investment/deposit is made.

Derivatives and hedging

Derivative financial instruments are recognised initially, and subsequently measured, at fair value, with movements recognised in income. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

The company uses derivative financial instruments to hedge exposure to adverse foreign exchange rate movements on its investments in subsidiaries denominated in currencies other than sterling. These hedges are accounted for as fair value hedges. It does not hold or issue derivative financial instruments for speculative purposes.

Financial assets

On initial recognition, financial assets are classified into held-to-maturity investments; held-for-trading; designated as at fair value through profit or loss; loans and receivables; or available-for-sale financial assets.

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, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. 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 less any impairment losses.

Financial liabilities

On initial recognition financial liabilities are classified into held-for-trading; designated as at fair value through profit or loss; or amortised cost.

Amortised cost

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method.

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company for 31 December 2011 and 2010 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The company's principal accounting policies are set out in note 1. The Netherlands company law and accounting standards require the directors, in preparing the company's financial statements, to select suitable accounting policies, apply them consistently and make judgments and estimates that are reasonable and prudent. Where accounting standards are not specific and management have to select a policy, International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires them to adopt policies that will result in information that is relevant, reliable, free from bias, prudent and complete in all material respects.

There are no particular judgements and assumptions involved in the company's accounting policies that are considered by the Board to be significant to the portrayal of its financial condition except for impairment of subsidiaries (refer to Note 9).

National Westminster International Holdings B.V.

Notes to the accounts

3. Interest income

	2011 £	2010 £
Interest income on loans to group companies	743,035	232,763
	<u>743,035</u>	<u>232,763</u>

During the accounting period the company had interest income of £743,035 (2010: £232,763) on intra group loans. This comprises interest received and receivable on deposits placed with National Westminster Bank Plc.

The audit fee for the year was £7,000 (2010: £7,000) and has been borne by another company in the Group.

The company employed no staff during the year (2010: nil). The directors did not receive any remuneration for their qualifying services to the company during the year (2010: £nil).

4. Interest expense

	2011 £	2010 £
Interest expense on deposits from group companies	40,560	253,314
	<u>40,560</u>	<u>253,314</u>

Interest paid was £40,560 (2010: £253,314). This comprises interest paid on deposits taken from National Westminster Bank Plc.

5. Dividend received

	2011 £	2010 £
Dividend income from investments in subsidiaries	17,104,138	330,315,208
	<u>17,104,138</u>	<u>330,315,208</u>

6. Other expense

	2011 £	2010 £
Loss on liquidation of investments in subsidiaries	(2,006,889)	-
Net foreign exchange translation losses	(2,323,425)	(1,104,209)
	<u>(4,330,314)</u>	<u>(1,104,209)</u>

National Westminster International Holdings B.V.

Notes to the accounts

7. Impairment losses on investments in subsidiary

The following impairment losses were charged to income during the year.

	2011 £	2010 £
Impairment losses on investments in subsidiary	(3,754,315)	-
	<u>(3,754,315)</u>	<u>-</u>

8. Tax Credit

	2011 £	2010 £
Current taxation		
UK corporation tax credit for the year	(458,921)	(346,090)
(Over)/under provision in respect of prior periods	<u>(1,453,916)</u>	<u>41,714</u>
Current tax credit for the period	(1,912,837)	(304,376)
Deferred taxation		
Charge for the year	38,947	36,723
(Over)/under provision in respect of prior periods	<u>-</u>	<u>-</u>
	<u>38,947</u>	<u>36,723</u>
Tax credit for the year	<u>(1,873,890)</u>	<u>(267,653)</u>

The actual tax credit differs from the expected tax charge computed by applying the blended UK corporation tax of 26.5% (2010: 28%) as follows:

	2011 £	2010 £
Expected tax charge	2,575,660	92,173,325
Non taxable items	(3,005,100)	(92,488,258)
Reduction in deferred tax asset following change in rate of UK Corporation Tax	9,466	5,566
Adjustments in respect of prior periods	<u>(1,453,916)</u>	<u>41,714</u>
Actual tax credit	<u>(1,873,890)</u>	<u>(267,653)</u>

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce the UK Corporation Tax of 28% in four annual decrements of 1% with effect from 1 April 2011. Two additional 1% decrements were announced by the UK Government in subsequent Budgets on 23 March 2011 and 21 March 2012. The first 1% decrement was enacted on 27 July 2010, the second on 29 March 2011, the third on 5 July 2011 and the fourth on 26 March 2012 bringing the UK Corporation Tax Rate to 24% with effect from 1 April 2012. Existing temporary differences may therefore unwind in periods subject to these reduced tax rates. Accordingly, the closing deferred tax assets and liabilities have been calculated at the rate of 25%.

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

National Westminster International Holdings B.V.

Notes to the accounts

9. Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment. Movements during the year were as follows:

	2011 £	2010 £
At 1 January	446,422,372	457,362,002
Foreign exchange movement	(12,517,051)	(10,939,630)
Disposals	(2,052,316)	-
Impairments	(3,754,315)	-
At 31 December	<u>428,098,690</u>	<u>446,422,372</u>

The investment in Compagnie d'Enterprises Industrielles et Commerciales N.V was disposed during the year as the entity was liquidated.

In 2011 an impairment of £3,754,315 was recorded for investments in subsidiaries. This impairment was based on an assessment of the recoverable amount evaluated on its estimated fair value less costs to sell. To estimate the fair value of the investment, the carrying value of the individual assets and liabilities of the subsidiary has been used as a basis.

The subsidiary undertakings of the company as at 31 December 2011 are shown below.

	Ownership and voting right
National Westminster Services (Ireland) Limited, Dublin, Ireland	100.0%
National Westminster Finance Australia Pty Limited, Melbourne, Australia	100.0%
National Westminster Reinsurance Limited, Dublin, Ireland	100.0%
RBS Deutschland Holdings GmbH, Frankfurt, Germany	100.0%
RBS Netherlands Holdings B.V., Houten, The Netherlands	100.0%

10. Investment in associate

	2011 £	2010 £
Investment in associate	<u>520,494,280</u>	<u>520,494,280</u>
	<u>520,494,280</u>	<u>520,494,280</u>

Investment in associate as at 31 December 2011 and 2010 comprise the following shareholding:

	Ownership and voting right
The Royal Bank of Scotland International (Holdings) Limited, Jersey	43.5%
The investment continues to be held at historic cost. The Royal Bank of Scotland International (Holdings) Limited is a wholly owned subsidiary of the Group.	

National Westminster International Holdings B.V.

Notes to the accounts

11. Deferred tax

The deferred tax asset recognised by the company and the movements thereon are:

	2011 £	2010 £
Balance as at 1 January	150,224	186,947
Charge to income statement	(38,947)	(36,723)
Balance as at 31 December	<u>111,277</u>	<u>150,224</u>

The Finance Act 2011 has reduced the corporation tax rate from 27% to 25% with effect from 1 April 2012. As a consequence the closing deferred tax assets and / or liabilities have been recognised at an effective rate of 25%

12. Derivatives

	2011			2010		
	Notional amount £	Asset £	Liability £	Notional amount £	Asset £	Liability £
Exchange rate contract	420,140,054	2,657,690	263,819	422,827,407	-	11,482,646
	<u>420,140,054</u>	<u>2,657,690</u>	<u>263,819</u>	<u>422,827,407</u>	<u>-</u>	<u>11,482,646</u>

The company enters into derivative instruments solely for hedging purposes for managing foreign exchange exposures on investments in group undertakings.

The fair value of an instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced liquidation or sale. The fair value of derivatives is determined using market prices prevailing at the balance sheet date.

13. Cash and cash equivalents

	2011 £	2010 £
Cash on deposit with National Westminster Bank Plc	71,776,029	190,815,531
	<u>71,776,029</u>	<u>190,815,531</u>

This mainly comprises deposits placed with National Westminster Bank Plc which are denominated in GBP and EUR.

National Westminster International Holdings B.V.

Notes to the accounts

14. Accrued income and other assets

	2011 £	2010 £
Current Tax Asset	458,921	346,090
Other assets	8,657	-
	<u>467,578</u>	<u>346,090</u>

15. Share capital

	2011 €	2010 €
Authorised		
Ordinary shares of EUR 450 each:	<u>90,000</u>	<u>90,000</u>
	£	£
Allotted, called up and fully paid		
At 31 December	<u>15,949</u>	<u>15,949</u>

The authorised share capital of the Company amounts to EUR 90,000 comprising 200 shares of EUR 450 each, of which 48 shares have been issued and fully paid.

16. Related party transactions

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is 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 arms' length basis; they include the payment of taxes, including UK corporation tax. As at 31 December balances due from the UK Government and UK Government controlled bodies were £570,198 (2010: £496,314)

Transactions with The Royal Bank of Scotland Group reflected in the income statement and the balance sheet are as follows. No balances are secured.

	2011 £	2010 £
Income statement impact		
Interest income	743,035	232,763
Interest expense	(40,560)	(253,314)
Gains / (losses) from forward FX contracts	<u>13,876,517</u>	<u>(13,877,457)</u>
Balance owed to the company		
Cash and cash equivalents	<u>71,776,029</u>	<u>190,815,531</u>

National Westminster International Holdings B.V.

Notes to the accounts

17. Capital management

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders; and
- to provide adequate return to shareholders by monitoring the risk level of its activities.

Capital is not managed for FSA purposes at the company level but net equity levels are monitored and if required support from The Royal Bank of Scotland Group is obtained. The net equity that is managed at 31 December 2011 and at 31 December 2010 was as follows:

	2011 £	2010 £
Total assets	1,023,605,544	1,158,228,497
Less: total liabilities	(263,819)	(11,482,646)
Net equity	<u>1,023,341,725</u>	<u>1,146,745,851</u>

The movement in the net equity is a result of the interim dividend payment of £135,000,000 and the net profit of £11,595,874.

18. Categories of financial instruments

The following table analyses the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments; Recognition and Measurement". Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

	2011		2010	
	Carrying value £	Fair value £	Carrying value £	Fair value £
Financial assets				
Cash and cash equivalents at amortised cost	71,776,029	71,776,029	190,815,531	190,815,531
Derivatives at fair value through profit or loss	2,657,690	2,657,690	-	-
Accrued income and other assets at amortised cost	467,578	467,578	346,090	346,090
Financial liabilities				
Derivatives at fair value through profit or loss	<u>263,819</u>	<u>263,819</u>	<u>11,482,646</u>	<u>11,482,646</u>

National Westminster International Holdings B.V.

Notes to the accounts

19. Financial instruments

The following table details the Company's remaining contractual maturity for its derivative and non derivative financial assets and liabilities.

This table has been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The amounts for derivatives are based on discounted net cash inflows/(outflows) on those derivatives that require gross settlement.

	2011		2010	
	Less than one year £	Undated £	Less than one year £	Undated £
Assets				
Derivatives at fair value	2,657,690	-	-	-
Cash (at demand)	-	71,776,029	-	190,815,531
	<u>2,657,690</u>	<u>71,776,029</u>	<u>-</u>	<u>190,815,531</u>
Liabilities				
Derivatives at fair value	(263,819)	-	(11,482,645)	-
	<u>(263,819)</u>	<u>-</u>	<u>(11,482,645)</u>	<u>-</u>

20. Financial risk management

Financial risk

The company is a member of The Royal Bank of Scotland Group plc. As such, the company benefits from services provided by specialist teams, risk management procedures and controls which are applied consistently across the Group.

The most important components of financial risk are market risk, credit risk and liquidity risk. The management of these risks is explained below.

Market risk

Market risk encompasses any adverse movement in the value of financial instruments as a consequence of market movements such as interest rates, credit spreads, foreign exchange rates, equity prices and property valuations.

The principal market risks that the company is exposed to are changes in fair values of financial instruments.

Interest rate risk

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

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

Interest received and receivable on financial assets including deposits placed with National Westminster Bank Plc are placed on short term maturities earning interest at EUR and GBP Libor. These are amounts due from group undertakings and do not have significant interest rate risk.

National Westminster International Holdings B.V.

Notes to the accounts

20. Financial risk management (continued)

Currency risk

The company has a EUR open currency position. The open unhedged currency position consists of a EUR deposit placed with National Westminster Bank Plc of £52,459,499 (2010: £41,632,273) included in cash and cash equivalents in the balance sheet. Currency risks on the investments in subsidiaries held in EUR and AUD are hedged using currency forward contracts.

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

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 Royal Bank of Scotland Group plc is the principal counterparty to the Company and the short term S&P rating is A-2. No amounts are past due but impaired.

Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch. Liquidity risk is mitigated by the routine monitoring of key management information.

The Company is a subsidiary of The Royal Bank of Scotland Group plc which provides the Company with access to all central resources it needs. It is thus funded by facilities from National Westminster Bank Plc.

IFRS 7 Disclosure

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments (derivatives at fair value) recognized at fair value are grouped into level 2.

21. Immediate and ultimate parent company

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government.

The Company's immediate parent company and the smallest subgroup into which the Company is consolidated is National Westminster Bank Plc, a company incorporated in the United Kingdom and part of The Royal Bank of Scotland Group plc. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The Company's ultimate holding company and parent of the largest group into which the Company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

National Westminster International Holdings B.V.

Notes to the accounts

22. Post balance sheet events

There have been no post balance sheet events.

National Westminster International Holdings B.V.

Other Information

OTHER INFORMATION

Auditor's report

The auditors' report is recorded on the next page.

Statutory profit appropriation

The profit is at the disposal of the General Meeting of Shareholders

Proposal for profit appropriation

The General Meeting of the Shareholders will be advised to add the profit for the year of GBP 11,595,874 to the general reserves. This proposal has been reflected in the financial statements.

Post balance sheet events

There were no other post balance sheet events.

Independent auditor's report

To: The Shareholder of National Westminster International Holdings B.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of National Westminster International Holdings B.V., Amsterdam, the Netherlands, which comprise the balance sheet as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a



basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of National Westminster International Holdings B.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Directors' Report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 29 June 2012

Deloitte Accountants B.V.

Already signed: M.B. Hengeveld