

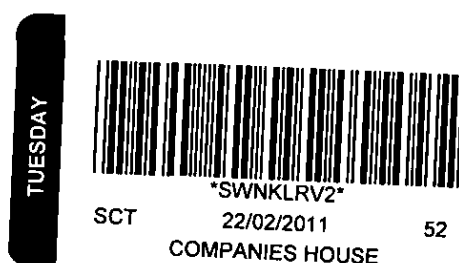


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National Westminster International Holdings B.V.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2009



Group Secretariat  
The Royal Bank of Scotland Group plc  
House F, PO Box 1000,  
Gogarburn, Edinburgh EH12 1HQ

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**OFFICERS AND PROFESSIONAL ADVISERS**

**Directors:** Rajan Kapoor  
Christopher David Barnes Kyle  
Richard Grahame Solomon

**Secretary:** Alan Ewing Mills

**Statutory seat:** Amsterdam  
The Netherlands

**Registered office:** 24/25 St Andrew Square  
Edinburgh  
EH2 1AF

**Auditors:** Deloitte Accountants B.V.  
The Netherlands

## MANAGEMENT BOARD REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009.

### REGISTERED OFFICE

The registered office of the Company is 24/25 St Andrew Square, Edinburgh EH2 1AF.

### 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 Company is a member of The Royal Bank of Scotland 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 Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from the Company Secretary, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's web site at [www.rbs.com](http://www.rbs.com).

### REVIEW OF THE YEAR

The directors are satisfied with the development of the Company's activities during the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth.

The Company's financial performance is presented in the Income Statement on Page 4. At the end of the year, the financial position showed total assets of £1,022,527,229 (2008: £1,051,783,734) and equity of £947,287,750 (2008: £947,472,824). An interim dividend was declared and paid during the year of £580,000,000 (2008: £nil).

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

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 six months ended 30 June 2010, approved on 5 August 2010, which were prepared on a going concern basis.

### DIRECTORS' RESPONSIBILITIES

In preparing the financial statements, the directors have accepted responsibility to

- prepare financial statements that present fairly the financial position, financial performance and cash flows of the Company in accordance with International Financial Reporting Standards ('IFRS') as adopted for use by the European Union, except for where deviations are required under the Dutch Civil Code as disclosed in Note 1,
- 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, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

## MANAGEMENT BOARD REPORT (CONTINUED)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors have accepted responsibility for the system of international control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## FINANCIAL RISK MANAGEMENT

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 17.

## DIRECTORS AND SECRETARY

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

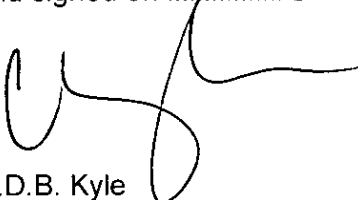
From 1 January 2009 to date the following changes have taken place:

Directors	Appointed	Resigned
Richard Grahame Solomon	14 January 2010	-


## OUTLOOK FOR 2010

The Company expects to continue its activities as an intermediate holding company. The Company received on 24th September 2010, a GBP 65 million capital contribution in cash from its immediate parent company which restored its liquidity position. The result of the Company will be influenced by the results of its subsidiaries and related transactions.

Approved by the Board of Directors  
and signed on 16/12/10

  
C.D.B. Kyle

  
R. Kapoor

  
R. Solomon

Approved by Shareholders on 13/11/11

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

	Notes	31 December 2009 £	31 December 2008 £
<b>Interest income</b>			
Interest income on deposits with and loans to Group companies	2	271,692	946,955
<b>Interest expense</b>			
Interest expense on loans with Group companies	2	(633,969)	(631,484)
<b>NET INTEREST INCOME / (EXPENSE)</b>		<b>(362,277)</b>	<b>315,471</b>
Administrative expenses	2	(18,576)	(6,000)
Dividends received from subsidiaries		580,412,170	17,982,461
Derivatives revaluation gain / (loss)		39,104,005	(29,116,058)
Foreign exchange gain / (loss)		(44,546,176)	38,061,464
Gain on liquidation of subsidiary	6	5,043,579	-
<b>PROFIT BEFORE TAXATION</b>		<b>579,632,725</b>	<b>27,237,338</b>
Taxation credit / (charge)	3	182,201	(2,848,539)
<b>PROFIT FOR THE YEAR</b>		<b>579,814,926</b>	<b>24,388,799</b>
Other comprehensive income/loss for the year		-	-
<b>Total Comprehensive income for the year attributable to owners of the Company</b>		<b>579,814,926</b>	<b>24,388,799</b>

The results above arose wholly from continuing operations.

The notes on page 8 to 18 form an integral part of the financial statements.

**BALANCE SHEET**

**AT 31 DECEMBER 2009**  
**After appropriation of result**

	Notes	31 December 2009 £	31 December 2008 £
<b>Non current assets</b>			
Investments in subsidiaries	6	457,362,002	489,199,869
Investments in associate	7	520,494,280	520,494,280
Deferred tax assets	8	186,947	218,104
		<u>978,043,229</u>	<u>1,009,912,253</u>
<b>Current assets</b>			
Derivatives at fair value	9	2,404,739	-
Receivables from Group companies	4	-	17,811
Other assets		-	93,248
Cash and cash equivalents	5	42,079,261	41,760,422
		<u>44,484,000</u>	<u>41,871,481</u>
<b>Total assets</b>		<u><b>1,022,527,229</b></u>	<u><b>1,051,783,734</b></u>
<b>Current liabilities</b>			
Other liabilities		10,483	12,000
Derivatives at fair value	9	-	36,699,266
Amounts due to Group companies		75,214,372	64,757,398
Tax liabilities		14,624	2,842,246
		<u>75,239,479</u>	<u>104,310,910</u>
<b>Total liabilities</b>		<u><b>75,239,479</b></u>	<u><b>104,310,910</b></u>
<b>NET ASSETS</b>		<u><b>947,287,750</b></u>	<u><b>947,472,824</b></u>
<b>SHAREHOLDER'S EQUITY</b>			
Called-up share capital	10	15,949	15,949
Share premium		874,896,881	874,896,881
Retained earnings	11	72,374,920	72,559,994
		<u>947,287,750</u>	<u>947,472,824</u>
<b>TOTAL EQUITY</b>		<u><b>947,287,750</b></u>	<u><b>947,472,824</b></u>

The notes on page 8 to 18 form an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER**

	Called-up share capital £	Share premium £	Retained earnings £	Total £
Balance at 1 January 2008	15,949	874,896,881	48,171,195	923,084,025
Total comprehensive income for the year	-	-	24,388,799	24,388,799
<b>Balance at 31 December 2008</b>	<b>15,949</b>	<b>874,896,881</b>	<b>72,559,994</b>	<b>947,472,824</b>
Balance at 1 January 2009	15,949	874,896,881	72,559,994	947,472,824
Total comprehensive income for the year	-	-	579,814,926	579,814,926
Interim dividend paid	-	-	(580,000,000)	(580,000,000)
<b>Balance at 31 December 2009</b>	<b>15,949</b>	<b>874,896,881</b>	<b>72,374,920</b>	<b>947,287,750</b>



**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

	Notes	31 December 2009 £	31 December 2008 £
<b>Net cash inflow from operating activities</b>	12	<u>580,318,839</u>	<u>9,368,414</u>
<b>Financing activity</b>			
Interim dividend paid		<u>(580,000,000)</u>	<u>-</u>
<b>Net cash outflow from financing activities</b>		<u>(580,000,000)</u>	<u>-</u>
<b>Net cash inflow during the year</b>		<b>318,839</b>	<b>9,368,414</b>
Cash and cash equivalents at the beginning of the year		<u>41,760,422</u>	<u>32,392,008</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>42,079,261</b></u>	<u><b>41,760,422</b></u>

The notes on page 8 to 18 form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

#### a) Basis of preparation

These financial statements, which should be read in conjunction with the Management Board Report, have been prepared on a 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). 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 financial instruments.

#### b) Going concern

The entity has negative current assets position but has overall net assets and equity. 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<sup>th</sup> September 2010 a GBP 65 million capital contribution in cash from its immediate parent company which restored its liquidity position.

#### c) Adoption of new and revised Standards

The Company has adopted the revisions to IAS 1 'Presentation of Financial Statements' which introduced a number of changes in the format and content of the Company's financial statements including a statement. The Company has also adopted 'Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments Disclosure)'. These amendments expand the disclosures required about fair value measurement and liquidity risk. The Company has also adopted IAS 23 (revised 2007) Borrowing Costs in the current year. Adoption of IAS 23 has not had any significant impact on the financial statements.

At the date of approval of these financial statements, although the following Standards and Interpretations were in issue, they were not yet effective and the Company has not chosen to adopt them early where permitted by EU Accounting Regulations:

IFRIC 9 Embedded Derivatives

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 19 Extinguish Financial Liabilities with Equity Instruments

IFRS 2 (Amended) Group Cash-Settled Share-based payment Transactions

IFRS 1 (Amended) Additional Exemptions for First-time Adopters

IFRS 1 (Amended) Limited Exemptions from Comparative IFRS 7 Disclosures for First – Time adopters

IAS 32 (Amended) Financial Instruments Presentation

IAS 39 (Amended) Financial Instruments Recognition and Measurement

IAS 24 (Revised 2009) Related Party Disclosures

The directors anticipate that the adoption of these Standards and Interpretations in future periods should not have a material impact on the financial statements of the Company when the relevant standards come into effect.

The IASB issued IFRS 9 'Financial Instruments' in October 2010 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments: Recognition and Measurement' in respect of financial assets and liabilities. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost while keeping categories for liabilities broadly the same. Only financial assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding 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 with changes in value generally taken to profit or loss. The IASB will add impairment and hedging requirements to the standard before it becomes effective for annual periods beginning on or after 1 January 2013; early application is permitted.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

This standard makes major changes to the framework for the classification and measurement of financial assets and will have a significant effect on the Group's Financial Statements. The Group is assessing this impact which is likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project.

**d) Foreign exchange**

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 currencies other than Sterling are recorded at the average rates ruling during the month that the transactions occurred. Translation differences are taken to the income statement.

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

**e) Investments**

Investments in subsidiaries and associates are accounted for at cost less allowance for impairment. The investments in subsidiaries denominated in foreign currency are entered into a foreign exchange fair value hedging relationship. Refer note 1 j for further details on the applicable accounting policies.

**f) Revenue recognition**

Interest income is accounted for using the effective interest rate method. Dividend income is recognised when the Company's right to receive the dividend has been established.

**g) Consolidated and separate financial statements**

Under IAS 27 'Consolidated and Separate Financial Statements', the Company is an intermediate holding company and as such exempted from the obligation to prepare and deliver consolidated financial statements. These financial statements therefore present information about it as an individual undertaking and not about its group.

**h) Taxation**

Provision is made for taxation at current or substantively enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate. Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes, except in relation to overseas earnings where remittance is controlled by the Group, and goodwill. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

**i) 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.

**j) Derivatives and hedging**

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.

Derivative financial instruments are recognised initially, and subsequently measured at fair value with gains and losses arising from changes in their fair value being recognised directly in profit and loss. Derivative fair values are determined from quoted prices in an active market 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, using observable inputs.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

k) **Critical accounting estimates and judgements.**

The reported results of the Company for 31 December 2009 and 2008 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.

**2. Income statement**

During the accounting period the company had interest income of £271,692 (2008: £946,955) on intra group loans. Interest paid was £633,969 (2008: £631,484). This comprises interest received and receivable on deposits placed with National Westminster Bank Plc which are denominated in GBP and EUR, bearing interest at average rates of 1.5% and 1.6% (2008: 3.38% and 4.11%) respectively, and GBP loans charging interest at an average rate of 1.22% (2008: 2.22%).

The audit fee for the year was £6,100 (2008: £6,000). This is the amount related to the audit of the financial statements by Deloitte Accountants BV.

The company employed no staff during the year (2008: nil). The directors did not receive any remuneration for their qualifying services to the company during the year (2008: £nil).

**3. Tax on profit**

<b>(a) Analysis of tax charge in the year</b>	<b>2009 £</b>	<b>2008 £</b>
<i>Current taxation:</i>		
Charge / (credit) for the year	(164,027)	2,748,162
(Over) / under provision in respect of prior periods	(49,331)	69,220
<b>Current tax charge / (credit) for the period</b>	<b>(213,358)</b>	<b>2,817,382</b>
<i>Deferred taxation:</i>		
Charge for the year	31,157	31,157
<b>Tax charge / (credit) for the year</b>	<b>(182,201)</b>	<b>2,848,539</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## (b) Factors affecting tax credit for the period

The company is considered to be a UK resident for tax purposes. The tax credit assessed for the period is different from the standard rate of corporation tax in the UK (28% (2008: 28.5%)). The differences are explained below:

	2009 £	2008 £
Profit on ordinary activities before tax	579,632,725	27,237,338
Nominal tax charge computed by applying the UK corporation tax rate of 28% (2008: 28.5%)	162,297,163	7,761,897
Less: profit in 2008 relating to 2007	-	(81,217)
	162,297,163	7,680,680
<i>Effects of:</i>		
Reduction in deferred tax liability following change in rate of UK Corporation Tax	-	(554)
Foreign profits taxed at other rates	(30,033)	-
Foreign profits exempted from UK Corporation Tax	(162,400,000)	(4,900,807)
Adjustments in respect of previous periods	(49,331)	69,220
<b>Current tax charge / (credit) for the period</b>	<b>(182,201)</b>	<b>2,848,539</b>

## 4. Receivables from Group companies

	2009 £	2008 £
Receivables from Group companies	-	17,811
	-	17,811

These include interest receivable on deposits placed with National Westminster Bank Plc which are denominated in GBP and EUR, bearing interest at average rates of 1.50% (GBP 2008: 5.63%) and (EUR 2008: 4.11%) respectively.

## 5. Cash and cash equivalents

This mainly comprises deposits placed with National Westminster Bank Plc and are denominated in GBP and EUR, bearing interest at average rates of 1.00% (2008: 3.38%) and 0.50% (2008: 4.11%) respectively. The amount also includes cash in bank of £1 million (2008: £17 million).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 6. Investments in subsidiary undertakings

	2009	2008
	£	£
Balance as at 1 January	489,199,869	380,121,178
Foreign exchange movement	(31,837,867)	109,078,691
<b>Balance as at 31 December</b>	<b>457,362,002</b>	<b>489,199,869</b>

During the year the Company received £5,043,579 from the liquidation of National Westminster SA. This entity was recognised at a nil carrying value in the Company.

Subsidiaries as at 31 December 2009 and 2008 comprise the following shareholdings:

	Participation
Compagnie d'Enterprises Industrielles et Commerciales N.V., Etterbeek, Belgium	100.0%
NatWest Services (Ireland) Limited, Dublin, Ireland	100.0%
National Westminster Finance Australia 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%

## 7. Investment in associate

	2009	2008
	£	£
Balance as at 1 January	520,494,280	520,494,280
<b>Balance as at 31 December</b>	<b>520,494,280</b>	<b>520,494,280</b>

Associates as at 31 December 2009 and 2008 comprise the following shareholding:

	Participation
The Royal Bank of Scotland International (Holdings) Ltd, Jersey	43.5%

## 8. Deferred tax asset

	Notional amounts	Fair value assets
	£	£
Balance as at 1 January 2009	218,104	218,104
Charge to income statement	(31,157)	(31,157)
<b>Balance as at 31 December 2009</b>	<b>186,947</b>	<b>186,947</b>

Deferred tax liabilities of £114 million (2008 - £114 million) have not been recognised in respect of retained earnings of overseas subsidiaries and held-over gains on the incorporation of overseas branches. Retained earnings of overseas subsidiaries are expected to be reinvested indefinitely or remitted to the UK free from further taxation. No taxation is expected to arise in the foreseeable future in respect of held-over gains.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 9. Derivatives at fair value

	Notional amounts £	Fair value – assets £
<b>31 December 2009</b>		
Exchange rate contracts:		
Contract or underlying principal amount		
- for hedging purposes	<u>448,215,434</u>	<u>2,404,739</u>
<b>31 December 2008</b>		
Exchange rate contracts:		
Contract or underlying principal amount		
- for hedging purposes	<u>440,288,883</u>	<u>36,699,266</u>

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

## 10. Called up share capital

Ordinary shares	2009	2008
Ordinary shares of EUR 450 each:	€	€
Authorised:	<u>90,000</u>	<u>90,000</u>
Allotted, called up and fully paid:	£	£
<b>At 31 December</b>	<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.

## 11. Retained earnings

	2009 £	2008 £
Balance as at 1 January	72,559,994	48,171,195
Profit for the year	579,814,926	24,388,799
Interim dividend paid	<u>(580,000,000)</u>	<u>-</u>
<b>Balance as at 31 December</b>	<u>72,374,920</u>	<u>72,559,994</u>

The retained earnings include a non-distributable legal reserve for the cumulative currency translation adjustment related to the share capital which is dominated in EUR for an amount of £5,155 as per 31 December 2009 (£ 5,102 per 31 December 2008).

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. Reconciliation of profit before tax to operating cash flows

	2009 £	2008 £
<b>Profit before tax</b>	579,632,725	27,237,338
Adjustments with respect to:		
- Derivative revaluation	(39,104,005)	29,116,058
- Foreign exchange adjustment	(1,517)	
- Foreign exchange (gain) / loss on investments	31,837,867	(109,078,691)
	<u>572,365,070</u>	<u>(52,725,295)</u>
- Changes in working capital:		
Decrease in receivables from Group companies	17,811	35,687
Increase in other assets	93,248	(93,248)
Decrease in other operating liabilities	-	6,000
Increase in payables from Group companies	10,456,974	64,757,398
	<u>582,933,103</u>	<u>11,980,542</u>
Taxes paid	(2,614,264)	(2,612,128)
<b>Net cash inflow from operating activities</b>	<u><b>580,318,839</b></u>	<u><b>9,368,414</b></u>

## 13. Related party transactions

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

	2009 £	2008 £
Income statement impact		
- Interest income	271,692	946,955
- Interest expense	(633,969)	(631,484)
- Gains / (losses) from forward FX contracts	<u>39,104,005</u>	<u>(29,116,058)</u>
	<b>2009 £</b>	<b>2008 £</b>
Balance owed to the company		
- Interest receivables on deposits	-	17,811
- Cash and cash equivalents	<u>42,079,261</u>	<u>41,760,422</u>
Balance owed by the company – money market loans	<u>75,214,372</u>	<u>64,757,398</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. 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 plc is obtained. The net equity that is managed at 31 December 2009 and at 31 December 2008 was as follows:

	2009 £	2008 £
Total assets	1,022,527,229	1,051,783,734
Less: total liabilities	(75,239,479)	(104,310,910)
<b>Net equity</b>	<b>947,287,750</b>	<b>947,472,824</b>

The movement in the net equity is a result of the interim dividend payment of £580,000,000 made during the year and the net profit of £578,337,486.

## 15. Categories of financial instruments

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.

	2009 £	2008 £
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents) at amortised cost	42,079,261	41,871,481
Derivatives at fair value	2,404,739	-
<b>Financial liabilities</b>		
Derivatives at fair value	-	36,699,266
Amounts due to Group companies at amortised cost	75,214,372	64,757,398
Tax liabilities at amortised cost	14,624	2,842,246

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. 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 undiscounted net cash inflows/(outflows) on those derivatives that require gross settlement.

	2009		2008	
	Less than one year £	Undated £	Less than one year £	Undated £
<b>Assets</b>				
Receivables from Group companies	-	-	17,811	-
Derivatives at fair value	2,404,739	-	-	-
Other assets	-	-	93,248	-
Cash (at demand)	-	42,079,261	-	41,760,422
	<u>2,404,739</u>	<u>42,079,261</u>	<u>111,059</u>	<u>41,760,422</u>
<b>Liabilities</b>				
Amount due to group undertakings	75,214,372	-	64,757,398	-
Derivatives at fair value	-	-	36,699,266	-
	<u>75,214,372</u>	<u>-</u>	<u>101,456,664</u>	<u>-</u>

## 17. Financial instrument and principal risks and uncertainties

## 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

Interest received and receivable on deposits placed with National Westminster Bank Plc which is denominated in GBP and EUR, bearing interest at average rates of 1.50%.

If the average interest rates increase by 10%, net interest income would increase by £ 362,277. Adversely if average interest rates decrease by 10%, net interest income would decrease by £ 362,277.

**17. Financial instrument and principal risks and uncertainties (continued)**

**Currency risk**

The company does have a EUR open currency position. The open unhedged currency position consists of a EUR loan deposit with The Royal Bank of Scotland plc of £ 41,140,878.

**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 Royal Bank of Scotland plc is the principal counterparty to the company and the short term S&P rating is A-1. 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.

**18. 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.

**19. Post balance sheet events**

The company received on 24<sup>th</sup> September 2010 a £ 65 million capital contribution in cash from its immediate parent company which restored its liquidity position.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

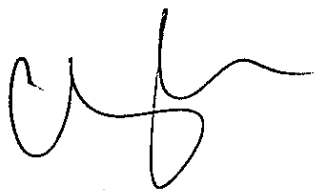
### 20. Immediate and ultimate parent company

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.

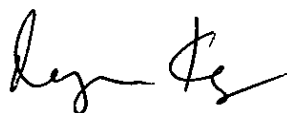
The company's immediate parent company and the smallest subgroup into which the company is consolidated is National Westminster Bank Plc, a company incorporated in the United Kingdom and part of The Royal Bank of Scotland Group plc. Copies of the consolidated financial statements for this subgroup can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

The company's ultimate holding company, ultimate controlling party, and the 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.

### 21. Signed on 16/12/10



C.D.B. Kyle



R. Kapoor



R. Solomon

## **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 579,814,926 to the general reserves. This proposal has been reflected in the financial statements.

### **Post balance sheet events**

The company received on 24<sup>th</sup> September 2010 a £.65 million capital contribution in cash from its immediate parent company which restored its liquidity position.

## Independent auditor's report

To the Shareholders of  
National Westminster International Holdings B.V.

### Report on the financial statements

We have audited the accompanying financial statements 2009 of National Westminster International Holdings B.V., Amsterdam, which comprise the balance sheet as at December 31, 2009 the statement of comprehensive income, statement of changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's responsibility

Management is responsible for the preparation and fair presentation of the 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 management board 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 presentation 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 Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

December 16, 2010

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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 December 31, 2009 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 part at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board 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 management board 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, December 16, 2010

Deloitte Accountants B.V.

already signed: M.B. Hengeveld