

FX Dynamic Guarantee US\$ Class Series 3 Notes and
FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of

RBS FX Notes (Series 3) Limited

Audited Financial statements
For the year-ended 31 December 2013

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Audited financial statements for the year ended 31 December 2013

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FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Directors, officers and other information

Directors	Roderick M. Forrest Nicholas J. Hoskins
Registered office	Victoria Place 31 Victoria Street Hamilton HM 10 Bermuda
Guarantor	The Royal Bank of Scotland N.V. 250 Bishopsgate London EC2M 4AA United Kingdom
Administrator, registrar, and transfer agent	Custom House Global Fund Services Limited Tigne Towers Tigne Street Sliema, SLM 3172 Malta
Payment bank	<i>(from May 2012)</i> The Royal Bank of Scotland International Limited Royal Bank House, 2 Victoria St Douglas, Isle of Man IM99 1NJ United Kingdom <i>(until May 2012)</i> First Caribbean Bank De Ruyterkade 61 P.O. Box 3144 Curacao Netherlands Antilles
Auditors	Doran & Associates 4 th Floor, Crescent House Hartstonge Street Limerick Ireland
Company secretary and legal advisor	MQ Services Ltd Victoria Place, 1 st Floor 31 Victoria Street Hamilton HM 10 Bermuda

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Directors' report

The Directors present the financial statements of the FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes, segregated accounts of RBS FX Notes (Series 3) Limited, (the "Note Accounts") for the year ended 31 December 2013.

Principal activities and business review

The Company is a limited liability company incorporated under the laws of Bermuda and registered as a segregated accounts company in accordance with the Segregated Accounts Companies Act 2000 (the "SAC Act"). The Company has established two segregated accounts, being the Note Accounts "US\$ Class" and "EUR Class", which offer two separate classes of Notes denominated in US Dollars ("US\$") and Euro ("EUR") respectively. These financial statements are those of the Note Accounts. The objective of the Company was to achieve medium-term gains in the net asset value of the Company, to be achieved through investing the proceeds of the issue of the Notes in shares of Prime Investments Managed Account Master Limited (the "Master Company"). The Master Company was incorporated in Bermuda on 24 September 2003 with limited liability and registered as a segregated accounts company under the SAC Act.

In respect of the Notes, the Company invested the proceeds of the US\$ Class in the Class G Shares issued by the Master Company and the proceeds of the EUR Class in the Class H Shares issued by the Master Company. The objective of the Master Company in respect of the Class G Shares and the Class H Shares was to achieve medium-term capital gains in the net asset value of the funds through the implementation of a quantitatively driven currency investment process. In June 2009, the Note Accounts redeemed out of the Class G and Class H Shares of the Master Company and both classes of Notes entered stop-trigger trading. The Note Accounts were therefore no longer pursuing their investment objectives. At 31 December 2013 and 2012 both of the Note Accounts held investments in zero-coupon deposits with the objective of capital preservation.

Future developments

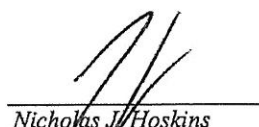
The Directors anticipate that the Company will continue to operate until the maturity of the existing Notes in issue, being 23 June 2014. The Directors anticipate that the Note Accounts will continue in stop-trigger trading until the maturity of the Notes. Refer to note 18 for details of any material subsequent events.

Principal risks and uncertainties

The principal risks and uncertainties, including details of the Company's risk management objectives and policies and exposure to price risk, credit risk, liquidity risk and cash flow risk are disclosed in note 14 to the financial statements.



Roderick M. Forrest
Director



Nicholas J. Hoskins
Director

30 April 2014

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of Directors' responsibilities

The Directors have assumed responsibility for the preparation of the financial statements. In preparing the financial statements, the Directors:

- ensure that the financial statements comply with the Memorandum and Articles of Association and International Financial Reporting Standards subject to any material departures disclosed and explained in the financial statements;
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate

The Directors are also required to keep proper accounting records and to manage the company in accordance with its Prospectus and Articles of Association. The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The Company is subject to Bermudan statute in the form of the Segregated Accounts Companies Act 2000, in addition to the listing requirements of NYSE Euronext Amsterdam and the Netherlands Act on Financial Supervision.

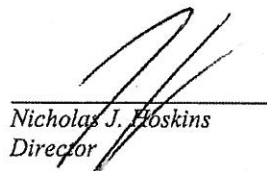
Responsibility statement

The Directors confirm that to the best of their knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and the loss for the year of the Note Accounts in accordance with International Financial Reporting Standards; and
- The Directors' report gives a true and fair view of the state of affairs of the Note Accounts as at 31 December 2013, the course of business during the financial year then ended, and describes the substantial risks with which the Note Accounts are confronted.



Roderick M. Forrest
Director



Nicholas J. Hoskins
Director

30 April 2014

Independent auditors' report

To the noteholders of

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

We have audited the accompanying statement of financial position of the FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes, segregated accounts of RBS FX Notes (Series 3) Limited, (the "Note Accounts") as at 31 December 2013 and the related statement of comprehensive income, statement of changes in net assets attributable to noteholders and statement of cash flows for the year then ended, and notes 1 - 20 to the financial statements.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable, but not absolute, 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 judgement, 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 controls relevant to the Note Account'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 Note Account's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We read all the financial and non-financial information in the financial statements on pages 1 to 34 to identify material inconsistencies with the audited financial statements on pages 6 to 34 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis of qualified audit opinion

We were not able to confirm the identity of the guarantee claims agent. We have been unable to establish which entity if any is performing the role. Accordingly, we are unable to conclude as to the validity and completeness of the claim agent fee expense and associated payable.

Independent auditors' report *(continued)*

To the noteholders of

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Qualified opinion

In our opinion, except for the possible effects of the matter described overleaf, the financial statements give a true and fair view of the financial position of the Note Accounts as of 31 December 2013 and of the Note Accounts' financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

The audited financial statements have been prepared on a termination basis where all assets are classified as current and are stated at estimated recoverable amounts and all liabilities are classified as falling due within one year with full provision made for estimated costs of termination to be borne by the Note Accounts.



Stephen Doran

For and on behalf of Doran & Associates

Chartered Certified Accountants and

Statutory Auditors

4th Floor, Crescent House

Hartstonge Street

Limerick

Date: 30 April 2014

**FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee
EUR Class Series 3 Notes**

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of financial position

as at 31 December 2013

	<i>Note</i>	RBS FX Notes Series III US\$ 31 December 2013 US\$	RBS FX Notes Series III US\$ 31 December 2012 US\$
Assets			
Cash and cash equivalents	4	111,783	136,655
Investments in zero-coupon deposits	14	3,282,807	3,362,673
Other receivables and prepaid expenses		-	10,840
Total assets		3,394,590	3,510,168
Liabilities			
Management fees payable	6	227,604	227,604
Guarantee fees payable	7	75,455	38,682
Other payables and accruals		31,152	25,284
Closure fees payable	5	23,500	-
Audit fees payable	11	12,754	10,397
Total liabilities (excluding net assets attributable to noteholders)		370,465	301,967
Net assets attributable to noteholders		3,024,125	3,208,201
Net asset value per Note			
Number of Notes in issue at 31 December	12	3,124,000	3,214,000
Net asset value per Note at 31 December	19	US\$0.9680	US\$0.9982

The audited financial statements set out on pages 6 to 34 were approved by the Board of Directors on 30 April 2014 and signed on its behalf by:


Roderick M. Forrest
Director


Nicholas J. Hoskins
Director

The accompanying notes form an integral part of these audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of financial position (*continued*)

as at 31 December 2013

	<i>Note</i>	RBS FX Notes Series III EUR 31 December 2013 EUR	RBS FX Notes Series III EUR 31 December 2012 EUR
Assets			
Cash and cash equivalents	4	127,954	111,639
Investments in zero-coupon deposits	14	2,051,980	2,432,806
Other receivables and prepaid expenses		-	35,683
Total assets		2,179,934	2,580,128
Liabilities			
Management fees payable	6	219,033	219,033
Guarantee fees payable	7	52,246	28,222
Other payables and accruals		34,954	43,618
Closure fees payable	5	18,004	-
Audit fees payable	11	9,250	9,250
Total liabilities (excluding net assets attributable to noteholders)		333,487	300,123
Net assets attributable to noteholders		1,846,447	2,280,005
Net asset value per Note			
Number of Notes in issue at 31 December	12	1,953,000	2,322,000
Net asset value per Note at 31 December	19	EUR0.9454	EUR0.9819

The accompanying notes form an integral part of these audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of comprehensive income for the year ended 31 December 2013

	<i>Note</i>	RBS FX Notes Series III US\$ 31 December 2013 US\$	RBS FX Notes Series III US\$ 31 December 2012 US\$
Investment income			
Movement in investments held at fair value through profit or loss		14,333	53,733
Total investment income		14,333	53,733
Expenses			
Guarantee fees	7	36,773	40,474
Closure fees	5	23,500	-
Administration fees	8	12,500	12,500
Audit fees	11	12,296	23,484
Other operating expenses	11	8,118	20,387
Corporate secretarial fees	8	7,782	9,751
Claim agent fees	10	7,500	7,500
Bank charges		919	1,678
Total expenses		109,388	115,774
Change in net assets attributable to noteholders from operations		(95,055)	(62,041)

The accompanying notes are an integral part of these audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of comprehensive income *(continued)* for the year ended 31 December 2013

	<i>Note</i>	RBS FX Notes Series III EUR 31 December 2013 EUR	RBS FX Notes Series III EUR 31 December 2012 EUR
Investment income			
Movement in investments held at fair value through profit or loss		5,939	72,243
Total investment income		5,939	72,243
Expenses			
Guarantee fees	7	24,024	28,091
Closure fees	5	18,004	-
Administration fees	8	9,464	9,643
Audit fees	11	9,250	20,233
Other operating expenses	11	6,157	14,442
Corporate secretarial fees	8	5,934	7,547
Claim agent fees	10	5,661	5,786
Bank charges		1,075	769
Total expenses		79,569	86,511
Change in net assets attributable to noteholders from operations		(73,630)	(14,268)

The accompanying notes are an integral part of these audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of changes in net assets attributable to noteholders

for the year ended 31 December 2013

	RBS FX Notes Series III US\$ 31 December 2013 US\$	RBS FX Notes Series III US\$ 31 December 2012 US\$
Operating activities		
Change in net asset attributable to noteholders from operations	(95,055)	(62,041)
Redemption of notes during the year	(89,021)	(548,497)
Decrease in net assets attributable to noteholders during the year	(184,076)	(610,538)
Net assets attributable to noteholders at the beginning of the year	3,208,201	3,818,739
Net assets attributable to noteholders at the end of the year	3,024,125	3,208,201

The accompanying notes are an integral part of these audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of changes in net assets attributable to noteholders *(continued)*
for the year ended 31 December 2013

	RBS FX Notes Series III EUR 31 December 2013 EUR	RBS FX Notes Series III EUR 31 December 2012 EUR
Operating activities		
Change in net asset attributable to noteholders from operations	(73,630)	(14,268)
Redemption of notes during the year	(359,928)	(120,243)
Decrease in net assets attributable to noteholders during the year	(433,558)	(134,511)
Net assets attributable to noteholders at the beginning of the year	2,280,005	2,414,516
Net assets attributable to noteholders at the end of the year	1,846,447	2,280,005

The accompanying notes are an integral part of these audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of cash flows

for the year ended 31 December 2013

	RBS FX Notes Series III US\$ 31 December 2013 US\$	RBS FX Notes Series III US\$ 31 December 2012 US\$
Cash flows from operating activities		
Change in net assets attributable to noteholders from operations	(95,055)	(62,041)
Changes in operating assets and liabilities		
Decrease in investments in zero-coupon deposits	79,866	515,021
Decrease in other receivables and prepaid expenses	10,840	20,122
Increase in total fees payable	68,498	3,337
Net cash provided by operating activities	64,149	476,439
Financing activities		
Payments on redemption of notes	(89,021)	(548,497)
Net cash used in financing activities	(89,021)	(548,497)
Net decrease in cash and cash equivalents	(24,872)	(72,058)
Cash and cash equivalents at beginning of year	136,655	208,713
Cash and cash equivalents at end of year	111,783	136,655

The accompanying notes are an integral part of these audited financial statements.

**FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee
EUR Class Series 3 Notes**

segregated accounts of RBS FX Notes (Series 3) Limited

Statement of cash flows (*continued*)
for the year ended 31 December 2013

	RBS FX Notes Series III EUR 31 December 2013 EUR	RBS FX Notes Series III EUR 31 December 2012 EUR
Cash flows from operating activities		
Change in net assets attributable to noteholders from operations	(73,630)	(14,268)
Changes in operating assets and liabilities		
Decrease in investment in zero-coupon deposits	380,826	54,310
Decrease in other receivables and prepaid expenses	35,683	124,323
Increase/(decrease) in total fees payable	33,364	(258,453)
Net cash provided by/(used in) operating activities	376,243	(94,088)
Financing activities		
Payments on redemption of notes	(359,928)	(120,243)
Net cash used in financing activities	(359,928)	(120,243)
Net increase/(decrease) in cash and cash equivalents	16,315	(214,331)
Cash and cash equivalents at beginning of year	111,639	325,970
Cash and cash equivalents at end of year	127,954	111,639

The accompanying notes are an integral part of these audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Notes

to and forming part of the audited financial statements for the year ended 31 December 2013

1 Company information

RBS FX Notes (Series 3) Limited, formerly ABN Amro FX Notes (Series 3) Limited, (the “Company”), is a limited liability company incorporated under the laws of Bermuda and registered as a segregated accounts company in accordance with the Segregated Accounts Companies Act 2000 (the “SAC Act”). The Company maintains its registered office in Bermuda. The Company has established two segregated accounts, being the Note Accounts “US\$ Class” and “EUR Class”, which offer two separate classes of Notes denominated in US Dollars (“US\$”) and Euro (“EUR”) respectively. These audited financial statements are those of the Note Accounts.

The objective of the Company was to achieve medium-term capital gains in the net asset value of the Notes, to be achieved through investing the proceeds of the issue of the Notes in shares of Prime Investments Managed Account Master Limited (the “Master Company”). The Master Company was incorporated in Bermuda on 24 September 2003 with limited liability and registered as a segregated accounts company under the SAC Act.

In respect of the Notes, the Company invested the proceeds of the US\$ Class in the Class G Shares issued by the Master Company and the proceeds of the EUR Class in the Class H Shares issued by the Master Company. The objective of the Master Company in respect of the Class G Shares and the Class H Shares was to achieve medium-term capital gains in the net asset value of the funds through the implementation of a quantitatively driven currency investment process. The Master Company has multiple additional share classes. In June 2009, the Note Accounts redeemed out of the Class G Shares and Class H Shares of the Master Company and both classes of Notes entered a stop trading trigger event. The Note Accounts were therefore no longer pursuing their investment objectives. At 31 December 2013 and 2012 the Note Accounts hold investments in zero-coupon deposits with the objective of capital preservation.

Royal Bank of Scotland N.V., (the “Guarantor”) acts as Guarantor to the Company. The role of the Bank as Guarantor is detailed in note 12. Custom House Global Fund Services Limited acts as the administrator (the “Administrator”) of the Company.

At 31 December 2013, the Company had no employees.

The US\$ Class and EUR Class Notes of the Company are listed on NYSE Euronext Amsterdam. The home member state to whose transparency laws the Company is subject is The Netherlands. The competent authority responsible for the ongoing supervision of the Company is The Netherlands Authority for the Financial Markets.

The audited financial statements were approved by the Board of Directors on 30 April 2014.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Notes

to and forming part of the audited financial statements for the year ended 31 December 2013
(continued)

2 Significant accounting policies

(a) Statement of compliance

These audited financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by International Accounting Standards Board ("IASB"). The accounting policies have been applied consistently by the Company and are consistent with those used in the previous year, except for changes, if any, resulting from amendments to IFRS.

(b) Basis of preparation

The audited financial statements are presented in the functional currencies of the Note Accounts, being US\$ in the case of the US\$ Class and EUR in the case of the EUR Class, and rounded to the nearest US\$/EUR. They are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non financial assets and liabilities are stated at amortised cost.

The Note Accounts will mature on 23 June 2014, accordingly these audited financial statements have not been prepared on a going concern basis. The audited financial statements have been prepared on a termination basis where all assets are classified as current and are stated at estimated recoverable amounts and all liabilities are classified as falling due within one year with full provision made for estimated costs of termination to be borne by the Note Accounts.

(c) Investment transactions and valuations

(i) Measurement and recognition

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), all of the Note Accounts' investments in zero-coupon deposits have been designated at fair value through profit or loss upon initial recognition. Such treatment is permitted where financial assets are managed and their performance evaluated on a fair value basis.

Under IAS 39, derivatives are always classified as held for trading.

All other financial assets not designated as at fair value through profit or loss are classified as loans and receivables and are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities that are not designated as at fair value through profit or loss comprise of management fees payable and all other liabilities. These are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

The Notes issued by the Company have been designated as at fair value through profit or loss because doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the liabilities at amortised cost, since the Notes are presented at their redemption amount determined as the value of the residual assets of the Company after deducting all of its other liabilities.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Notes

to and forming part of the audited financial statements for the year ended 31 December 2013

(continued)

2 Significant accounting policies *(continued)*

(c) Investment transactions and valuations *(continued)*

(i) Measurement and recognition (continued)

The Note Accounts recognise financial assets or liabilities designated at fair value through profit or loss upon initial recognition on the date they commit to purchase the instruments. From this date any gains and losses arising from the changes in fair value of the assets and liabilities are recorded. Financial instruments are initially measured at fair value, which is the fair value of the consideration given or received. Financial instruments are subsequently re-measured at fair value.

The fair value of listed financial instruments is based on their quoted market price at the reporting date without any deduction for estimated future selling costs. Pricing is based on quoted bid prices for long securities and quoted offer prices for short securities and if unavailable, by reference to the last reported traded price. For unlisted securities, valuation is estimated by reference to prices obtained from brokers and other pricing sources. The fair value of the zero-coupon deposits is determined by reference to prices provided by the Guarantor, which calculates the cancellation value based on the contractual terms of the instruments. At 31 December 2013, the zero-coupon deposits are valued at their estimated realisable value.

The value of cash in hand or on deposit and other receivables and prepaid expenses will be deemed to be the full amount unless it is unlikely to be paid or received in full.

Gains and losses arising from a change in the fair value of the investments designated at fair value through profit or loss are recognised in the statement of comprehensive income.

(ii) Derecognition

The Note Accounts derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. The Note Accounts use the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(d) Receivables

Receivables are stated at their nominal amount. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Notes

to and forming part of the audited financial statements for the year ended 31 December 2013

(continued)

2 Significant accounting policies *(continued)*

(e) Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to US\$/EUR at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to US\$/EUR at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to financial assets and liabilities at fair value through profit or loss are included in movement in investments held at fair value through profit or loss.

(f) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income as they accrue, using the historical effective interest rate of the asset. Interest income includes the amortisation of any discount or premium, transaction costs (in the case of financial instruments other than those classified at fair value through profit or loss) or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income and expense items related to investments at fair value through profit or loss is included in movement in investment held at fair value through profit or loss.

(g) Expenses

All expenses, including management fees, and guarantee fees, are recognised in the statement of comprehensive income on an accruals basis.

(h) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

(i) Taxation

The Company and the Master Company have obtained from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, as amended, an undertaking that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 28 March 2016 be applicable to the Company and the Master Company or to any of their operations or to the shares, debentures or other obligations of the Company and the Master Company, except in so far as such tax applies to persons ordinarily resident in Bermuda.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Notes

to and forming part of the audited financial statements for the year ended 31 December 2013
(continued)

2 Significant accounting policies (continued)

(j) Standards, interpretations and amendments issued but not yet effective

A number of new standards, interpretations and amendments to published standards, that may be relevant to investment funds, that have been issued to date are not yet effective for the audited financial statements of the Company for the year ended 31 December 2013, and have not been applied nor early adopted in preparing these audited financial statements.

The standards, interpretations and amendments issued but not yet effective at the date of the issuance of the Company's audited financial statements are listed below:

Standard:	Narrative:	Effective date Annual periods beginning on or after
IAS 32 (amendment)	Financial Instruments: Presentation – clarifies the requirements for offsetting financial instruments	01 January 2014
IFRS 9	Financial Instruments: classification and measurement	Open – yet to be announced

Other than as set out above, the Directors anticipate that the adoption of IFRSs that were in issue at the date of authorisation of these audited financial statements, but not yet effective, will have no material impact on the audited financial statements of the Company in the year of initial application.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of these audited financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The key judgement relates to the preparation of the audited financial statements on a termination basis. As detailed in note 2(b), all assets have been classified as current and are stated at estimated recoverable amounts and all liabilities are classified as falling due within one year with full provision made for estimated costs of termination to be borne by the Note Accounts.

Another judgement is the classification of the Notes as liabilities as opposed to equity instruments, and the selection of the classification of investments and the associated valuation policy. Investments have been classified as designated at fair value through profit and loss in line with note 2(c) and are measured at fair value. Further information on the risks related to the investments is included in note 14.

4 Cash and cash equivalents

Bank balances held with Royal Bank of Scotland International at 31 December 2013 amounted to US\$ 111,783 (2012: US\$ 136,655) in respect of the US\$ Class and EUR 127,954 (2012: EUR 111,639) in respect of the EUR Class.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Notes

to and forming part of the audited financial statements for the year ended 31 December 2013

(continued)

5 Closure fees

The Note Accounts will mature on 23 June 2014, accordingly these audited financial statements have not been prepared on going concern basis. The Directors have therefore made a full provision for estimated costs of termination to be borne by the Note Accounts. The amounts in respect of closure fees charged during the year and outstanding at the reporting date are disclosed in the statement of comprehensive income and the statement of financial position, respectively.

6 Management fees

Fortis Investment Management Netherlands N.V., now BNP Paribas Investment Partners, acted as Investment Manager to the Company. As consideration for the Investment Manager's services to the Company, a management fee was payable by the US\$ Class and the EUR Class at a rate of 2% per annum on the base net asset value of the Class G and Class H Shares respectively.

There were no management fees accrued during the year, as following the redemption of both the US\$ Class and the EUR Class in the underlying classes of the Master Company in June 2009, the Investment Manager is no longer acting for or charging fees to the Company. The management fees payable represent amounts due to the former Investment Manager of the Company in respect of unpaid management fees from prior periods. The amount due in respect of the US\$ Class as at 31 December 2013 is US\$ 227,604 (2012: US\$ 227,604), and the amount due in respect of the EUR Class as at 31 December 2013 is EUR 219,033 (2012: EUR 219,033).

7 Guarantee fees

Royal Bank of Scotland N.V., formerly ABN Amro Bank N.V., (the "Guarantor") acts as Guarantor in respect of the notes.

Each Note Account pays a guarantee fee to the Guarantor on a quarterly basis at a rate of 1.15% per annum on the greater of the number of Notes of the relevant Note account in issue, and the relevant net asset value per Note. In addition, each Note Account paid to the Guarantor a Facilitation fee on a quarterly basis up to 30 June 2010 at a rate determined by the Guarantor two business days before each issue date, within an expected range of 0.55% - 0.65% of the number of Notes of the relevant Note Accounts in issue.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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to and forming part of the audited financial statements for the year ended 31 December 2013

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7 Guarantee fees *(continued)*

The amounts in respect of guarantee fees charged during the year and outstanding at the reporting date are disclosed in the statement of comprehensive income and the statement of financial position, respectively. The amounts outstanding at the reporting date will be netted against the amounts due from the Guarantor on maturity of the notes on 23 June 2014 (refer to note 12).

8 Administration and corporate secretarial fees

Under the terms of the administration agreement dated 05 August 2010 with an effective date of 01 January 2009, the Company appointed Custom House Global Fund Services Limited as the administrator of the Company.

The Note Accounts pay the administrator's fees annually in arrears in the amount of 0.1% of the net asset value of the Note Accounts. The agreement makes provision for a minimum annual administration fee equal to US\$ 12,500 for each Note Account, which applies from 01 January 2010.

In addition, the administrator is entitled to charge EUR 6,000 or currency equivalent per annum for the preparation of the audited financial statements of the Company.

Under the terms of the corporate secretarial services agreement dated 06 May 2004, MQ Services Limited provides corporate secretarial services to the Company. The minimum annual fee for such services is US\$ 10,500.

The amounts in respect of Administration and Corporate Secretarial fees charged during the year are disclosed in the statement of comprehensive income. The amount outstanding at the reporting date is included within other payables and accruals in the statement of financial position.

9 Directors' fees

The Directors of the Company reserve the right to charge all or any of their reasonable fees and expenses to the Company, subject to an annual limit of US\$ 5,000 (or equivalent) per Director.

10 Claim agent fees

For the year ended 31 December 2013 claim agent fees of US\$ 7,500 (2012: US\$ 7,500) and EUR 5,661 (2012: EUR 5,786) were charged to the Note Accounts. The amount outstanding at the reporting date is included within other payables and accruals in the statement of financial position and amounts to US\$ 24,375 (2012: US\$16,875) and EUR 17,677 (2012: EUR 12,787).

11 Other operating expenses and audit fees

Other operating expenses include transactions fees and commissions as well as regulatory fees and other incidental expenses.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

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to and forming part of the audited financial statements for the year ended 31 December 2013

(continued)

11 Other operating expenses and audit fees (continued)

Audit fees for each of the Note Accounts in respect of the year ended 31 December 2013 are disclosed in the statement of comprehensive income. Audit fees payable at 31 December 2013 and 2012 are presented in the statement of financial position.

12 Notes

The Company has established two segregated accounts, namely the Note Account (US\$ Class) and the Note Account (EUR Class), which offered two separate Classes of Notes.

The offering amount in respect of the US\$ Class and EUR Class was US\$25,000,000 and EUR 25,000,000 respectively. The minimum subscription per investor was US\$ Class 10,000 Notes and EUR Class 10,000 Notes. The face value of the Notes is US\$1 per US\$ Class and EUR1 per EUR Class.

The Notes will mature on the 23 June 2014 (the "Maturity Date") unless redeemed earlier. The minimum redemption is US\$ Class 10,000 Notes and EUR Class 10,000 Notes. The Company redemption policy only allows for redemption on the last business day of each month and Note holders must provide 10 business days notice. Redemption penalties were deducted from the proceeds of the redemption of Notes by the Note Accounts, being an amount equal to a percentage of the face value of each Note being redeemed. The amount outstanding in respect of redemption penalties in the Note Account (EUR Class) amounts to EUR 12,573 (2012: EUR 12,573) and is included within other payables and accruals. There is no amount outstanding in respect of redemption penalties the Note Account (US\$ Class).

The Notes are guaranteed by the London Branch of Royal Bank of Scotland N.V. (the "Guarantor") in respect of 100% of the face value of each Note. The guarantees are only available in respect of the Notes outstanding as at the maturity date and are not applicable to any Notes which are redeemed prior to the maturity date.

Each Note constitutes unsubordinated and unsecured obligations of the relevant Note Account of the Company and shall at all times rank pari passu and without preference amongst themselves.

Movement in the number of Notes in issue representing the US\$ Class for the year ended 31 December 2013 was as follows:

Share class	Notes at beginning of the year	Notes issued	Notes redeemed	Notes at end of the year
Notes	3,214,000	-	(90,000)	3,124,000

Movement in the number of Notes in issue representing the EUR Class for the year ended 31 December 2013 was as follows:

Share class	Notes at beginning of the year	Notes issued	Notes redeemed	Notes at end of the year
Notes	2,322,000	-	(369,000)	1,953,000

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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to and forming part of the audited financial statements for the year ended 31 December 2013

(continued)

12 Notes (continued)

Movement in the number of Notes in issue representing the US\$ Class for the year ended 31 December 2012 was as follows:

Share class	Notes at beginning of the year	Notes issued	Notes redeemed	Notes at end of the year
Notes	3,759,000	-	(545,000)	3,214,000

Movement in the number of Notes in issue representing the EUR Class for the year ended 31 December 2012 was as follows:

Share class	Notes at beginning of the year	Notes issued	Notes redeemed	Notes at end of the year
Notes	2,444,000	-	(122,000)	2,322,000

13 Share capital

The Company was incorporated on 11 May 2004 in Bermuda with limited liability under Bermuda Law. An aggregate of 12,000 ordinary shares with a nominal value of US\$1 per share were issued by the Company. The ordinary shares are owned by RBS FX Notes (Series 3) Purpose Trust, formerly ABN AMRO FX Notes Purpose Trust (the "Trust"), a Bermudan purpose trust, as share trustee. The ordinary shares carry 100% of the voting rights. The Trust has foregone all rights to the assets of the Company other than to the nominal value of the 12,000 voting shares.

There were no movements in ordinary shares in issue during the years ended 31 December 2013 and 2012.

14 Financial instrument disclosures and associated risks

The objective of the Note Accounts via their investment in the Master Company was to achieve medium-term capital gains in the net asset value of the funds through the implementation of a quantitatively driven currency investment process. In June 2009, the Note Accounts redeemed out of the Class G and Class H Shares of the Master Company on occurrence of a stop trading trigger event. The Note Accounts are therefore no longer pursuing their investment objectives. At 31 December 2013 and 2012 the Note Accounts hold investments in zero-coupon deposits with the objective of capital preservation.

The Note Accounts are exposed to market risk, credit risk and liquidity risk arising from the financial instruments they hold. The nature and extent of the risks at the reporting date and the risk management policies employed by the Note Accounts are discussed below/overleaf.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

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to and forming part of the audited financial statements for the year ended 31 December 2013

(continued)

14 Financial instrument disclosures and associated risks (continued)

(a) Market risk (continued)

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices will affect the positions held by the Note Accounts. The Note Accounts will mature on 23 June 2014 accordingly, these audited financial statements have not been prepared on a going concern basis. At 31 December 2013, all financial assets and liabilities designated at fair value are measured at fair value, which equates to their estimated realisable value, and therefore changes in market conditions may directly affect investment income.

(i) Currency risk

The Note Accounts may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Note Accounts are exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Note Accounts' assets or liabilities denominated in currencies other than US\$/EUR. At 31 December 2013 and 2012, the Note accounts have no material exposure to currency risk.

(ii) Interest rate risk

A portion of the Note Accounts' financial assets throughout the year consisted of cash and cash equivalents. These assets yield an immaterial amount of interest income and therefore the Note Accounts are not subject to a significant degree of cash flow interest rate risk.

The Note Accounts also invested in zero-coupon deposits. As a result, the Note Accounts are subject to fair value interest rate risk due to fluctuations in the prevailing rate of market interest rates impacting on the fair value of the investments in zero-coupon deposits. The Guarantor monitored the term to maturity and effective interest rate of the interest bearing instruments in order to assess the risk of the Note Accounts to fluctuations in the prevailing levels of market interest rates.

The following tables detail the Note Accounts' exposure to cash flow interest rate risk of RBS FX Notes Series III (US\$). It includes the Note Accounts' assets and liabilities at their carrying amounts, categorised by the earlier of the contractual re-pricing or maturity date.

Series III US\$ Class at 31 December 2013

All amounts stated in US\$

	Less than 1 month	1 month to 1 year	Non-interest bearing	Total
Assets				
<i>Designated at fair value through profit or loss</i>				
Investments in zero-coupon deposits	-	-	3,282,807*	3,282,807
<i>Loans & receivables</i>	-	-	-	-
Cash and cash equivalents	111,783	-	-	111,783
Total assets	111,783	-	3,282,807	3,394,590

*Investments in zero-coupon deposits are classified as non-interest bearing as they are zero-coupon deposits and there is no cash flow interest rate risk. At 31 December 2013, the zero-coupon deposits are valued at their estimated realisable value.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

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(continued)

14 Financial instrument disclosures and associated risks (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Series III US\$ Class at 31 December 2013 (continued)

All amounts stated in US\$

	Less than 1 month	1 month to 1 year	Non-interest bearing	Total
Liabilities excluding net assets attributable to noteholders				
<i>Financial liabilities measured at amortised cost</i>				
Management fees payable	-	-	227,604	227,604
Guarantee fees payable	-	-	75,455	75,455
Other payables and accruals	-	-	31,152	31,152
Closure fees payable	-	-	23,500	23,500
Audit fees payable	-	-	12,754	12,754
Total liabilities	-	-	370,465	370,465
Total interest sensitivity gap	111,783			

Series III US\$ Class at 31 December 2012

	Less than 1 month	1 month to 1 year	Non-interest bearing	Total
Assets				
<i>Designated at fair value through profit or loss</i>				
Investments in zero-coupon deposits	-	-	3,362,673*	3,362,673
<i>Loans & receivables</i>				
Cash and cash equivalents	136,655	-	-	136,655
Other receivables and prepaid expenses	-	-	10,840	10,840
Total assets	136,655	-	3,373,513	3,510,168
Liabilities excluding net assets attributable to noteholders				
<i>Financial liabilities measured at amortised cost</i>				
Management fees payable	-	-	227,604	227,604
Guarantee fees payable	-	-	38,682	38,682
Other payables and accruals	-	-	25,284	25,284
Audit fees payable	-	-	10,397	10,397
Total liabilities	-	-	301,967	301,967
Total interest sensitivity gap	136,655			

*Investments in zero-coupon deposits are classified as non-interest bearing as they are zero-coupon deposits and there is no cash flow interest rate risk.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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14 Financial instrument disclosures and associated risks (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The following tables detail the Note Accounts' exposure to cash flow interest rate risk of RBS FX Notes Series III (EUR). It includes the Note Accounts' assets and liabilities at their carrying amounts, categorised by the earlier of the contractual re-pricing or maturity date.

Series III EUR Class at 31 December 2013

All amounts stated in EUR

	Less than 1 month	1 month to 1 year	Non-interest bearing	Total
Assets				
<i>Designated at fair value through profit or loss</i>				
Investments in zero-coupon-deposits	-	-	2,051,980*	2,051,980
<i>Loans & receivables</i>				
Cash and cash equivalents	127,954	-	-	127,954
Total assets	127,954	-	2,051,980	2,179,934
Liabilities excluding net assets attributable to noteholders				
<i>Financial liabilities measured at amortised cost</i>				
Management fees payable	-	-	219,033	219,033
Guarantee fees payable	-	-	52,246	52,246
Other payables and accruals	-	-	34,954	34,954
Closure fees	-	-	18,004	18,004
Audit fees payable	-	-	9,250	9,250
Total liabilities	-	-	333,487	333,487
Total interest sensitivity gap	127,954			

*Investments in zero-coupon deposits are classified as non-interest bearing as they are zero-coupon deposits and there is no cash flow interest rate risk. At 31 December 2013, the zero-coupon deposits are valued at their estimated realisable value.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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(continued)

14 Financial instrument disclosures and associated risks (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Series III EUR Class at 31 December 2012

All amounts stated in EUR

	Less than 1 month	1 month to 1 year	Non-interest bearing	Total
Assets				
<i>Designated at fair value through profit or loss</i>				
Investments in zero-coupon deposits	-	-	2,432,806*	2,432,806
<i>Loans & receivables</i>				
Cash and cash equivalents	111,639	-	-	111,639
Other receivables and prepaid expenses	-	-	35,683	35,683
Total assets	111,639	-	2,468,489	2,580,128
Liabilities excluding net assets attributable to noteholders				
<i>Financial liabilities measured at amortised cost</i>				
Management fees payable	-	-	219,033	219,033
Guarantee fees payable	-	-	28,222	28,222
Other payables and accruals	-	-	43,618	43,618
Audit fees payable	-	-	9,250	9,250
Total liabilities	-	-	300,123	300,123
Total interest sensitivity gap	111,639			

*Investments in zero-coupon deposits are classified as non-interest bearing as they are zero-coupon deposits and there is no cash flow interest rate risk.

Interest rate sensitivity

As the Note Accounts are not exposed to a material amount of cash flow interest rate risk, a sensitivity analysis is not presented.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

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14 Financial instrument disclosures and associated risks *(continued)*

(a) Market risk *(continued)*

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As a material element of the Note Accounts' financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, any changes in market conditions may directly affect net investment income.

On the occurrence of a stop trading trigger event, the Note Accounts have invested in zero-coupon deposits with a risk profile consistent with the Note Accounts' objective of capital preservation. As such the Note Accounts are not exposed to a significant amount of price risk as 31 December 2013 or 2012. The Note Accounts will mature on 23 June 2014 accordingly, these audited financial statements have not been prepared on a going concern basis. At 31 December 2013, the zero-coupon deposits are valued at their estimated realisable value.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Note Accounts.

The Note Accounts are exposed to credit risk through their investments in zero-coupon deposits. The Note Accounts hold investments in zero-coupon deposits issued by Royal Bank of Scotland, which has a credit rating of "A-" as determined by Standard and Poor's.

At 31 December 2013, cash and cash equivalents are held at Royal Bank of Scotland International Limited. Bankruptcy or insolvency at the Royal Bank of Scotland International may cause the Company's rights with respect to cash and cash equivalents to be delayed or limited. Royal Bank of Scotland International Limited has a credit rating of "A-" as determined by Standard and Poor's.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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(continued)

14 Financial instrument disclosures and associated risks (continued)

(b) Credit risk (continued)

The carrying amount of financial assets best represents the maximum credit risk exposure at the 31 December 2013:

	RBS FX Notes Series III US\$ 31 December 2013	RBS FX Notes Series III EUR 31 December 2013
	US\$	EUR
Cash balances held on deposit with payment bank	111,783	127,954
Investments in zero-coupon deposits	3,282,807	2,051,980
	3,394,590	2,179,934

The carrying amount of financial assets best represents the maximum credit risk exposure at the 31 December 2012:

	RBS FX Notes Series III US\$ 31 December 2012	RBS FX Notes Series III EUR 31 December 2012
	US\$	EUR
Cash balances held on deposit with payment bank	136,655	111,639
Investments in zero-coupon deposits	3,362,673	2,432,806
	3,499,328	2,544,445

The Notes are guaranteed by the London Branch of Royal Bank of Scotland N.V. in respect of 100% of the face value of each Note. The guarantees are only available in respect of the Notes outstanding as at the maturity date and are not applicable to any Notes which are redeemed prior to the maturity date. Noteholders are therefore exposed to the credit risk of the Guarantor.

(c) Liquidity risk

The Note Accounts' offering document provides for the redemption of Notes and they are therefore exposed to the liquidity risk of meeting noteholder redemptions. The Note Accounts' redemption policy allows for redemptions on the last day of each month and noteholders must provide 10 business days notice. The Directors of the Company reserves the right to limit the aggregate of all individual redemptions to 20% of the relevant NAV of the Note Account. If redemption requests in excess of this are received, such requests may be scaled down pro-rata and any balance carried forward.

A portion of the Note Accounts' assets are maintained as cash and cash equivalents in order to meet unexpected redemptions.

The zero-coupon deposits are realisable on demand and are due to mature on 23 June 2014.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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14 Financial instrument disclosures and associated risks (continued)

(c) Liquidity risk (continued)

The following tables show the remaining contractual, undiscounted cash flows of the Company's liabilities at the reporting date.

Series III US\$ Class at 31 December 2013

All amounts stated in US\$	Less than 1 month	1-3 months	3 months to 1 year	No stated maturity
Financial liabilities				
Management fees payable	-	-	227,604	-
Guarantee fees payable	75,455	-	-	-
Other payables and accruals	31,152	-	-	-
Closure fees payable	23,500	-	-	-
Audit fees payable	12,754	-	-	-
Net assets attributable to noteholders	3,024,125	-	-	-

Series III EUR Class at 31 December 2013

All amounts stated in EUR	Less than 1 month	1-3 months	3 months to 1 year	No stated maturity
Financial liabilities				
Management fees payable	-	-	219,033	-
Guarantee fees payable	52,246	-	-	-
Other payables and accruals	34,954	-	-	-
Closure fees	18,004	-	-	-
Audit fees payable	9,250	-	-	-
Net assets attributable to noteholders	1,846,447	-	-	-

The following table shows the remaining contractual, undiscounted cash flows of the Company's liabilities at the 31 December 2012.

US\$ Class at 31 December 2012

All amounts stated in US\$	Less than 1 month	1-3 months	3 months to 1 year	No stated maturity
Financial liabilities				
Management fees payable	-	-	227,604	-
Guarantee fees payable	38,682	-	-	-
Other payables and accruals	25,284	-	-	-
Audit fees payable	10,397	-	-	-
Net assets attributable to noteholders	3,208,201	-	-	-

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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14 Financial instrument disclosures and associated risks (continued)

(c) Liquidity risk (continued)

EUR Class at 31 December 2012

All amounts stated in EUR

	Less than 1 month	1-3 months	3 months to 1 year	No stated maturity
Financial liabilities				
Management fees payable	-	-	219,033	-
Guarantee fees payable	28,222	-	-	-
Other payables and accruals	43,618	-	-	-
Audit fees payable	9,250	-	-	-
Net assets attributable to noteholders	2,280,005	-	-	-

15 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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); and
- 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).

Fair value measurements at 31 December 2013:

Series III US\$ Class at 31 December 2013

	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
Assets				
<i>Financial assets designated at fair value through profit or loss</i>				
Investments in zero-coupon deposits	3,282,807	-	3,282,807	-
	3,282,807	-	3,282,807	-

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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(continued)

15 Fair value measurements recognised in the statement of financial position (continued)

Series III EUR Class at 31 December 2013

	Total EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
<u>Assets</u>				
<i>Financial assets designated at fair value through profit or loss</i>				
Investments in zero-coupon deposits	2,051,980	-	2,051,980	-
	2,051,980	-	2,051,980	-

Fair value measurements at 31 December 2012:

Series III US\$ Class at 31 December 2012

	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$
<u>Assets</u>				
<i>Financial assets designated at fair value through profit or loss</i>				
Investments in zero-coupon deposits	3,362,673	-	3,362,673	-
	3,362,673	-	3,362,673	-

Series III EUR Class at 31 December 2012

	Total EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
<u>Assets</u>				
<i>Financial assets designated at fair value through profit or loss</i>				
Investments in zero-coupon deposits	2,432,806	-	2,432,806	-
	2,432,806	-	2,432,806	-

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

There were no transfers between levels in the year.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

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(continued)

15 Fair value measurements recognised in the statement of financial position *(continued)*

Valuation methods

All of the Note Accounts' investments in zero-coupon deposits are carried at fair value on the statement of financial position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. The major methods and assumptions used in estimating the fair values of financial instruments are set out below.

Investments in zero-coupon deposits

The fair value of the investments in zero-coupon deposits is determined by reference to prices provided by the Guarantor, which calculates the cancellation value based on the contractual terms of the instruments. At 31 December 2013, the zero-coupon deposits are valued at their estimated realisable value. The Note Accounts' investments in zero-coupon deposits are therefore categorised in level 2 of the fair value hierarchy.

16 Related party transactions

Royal Bank of Scotland N.V. is a related party of the company and acts as the Guarantor, and earned guarantee fees during the year (refer to note 7). The Note Accounts' investments are held in custody by Royal Bank of Scotland N.V., which is also the Guarantor.

Directors' fees are disclosed in note 9.

Roderick M. Forrest and Nicholas J. Hoskins, Directors of the Company, are also Directors of MQ Services Limited. MQ Services Limited provides corporate secretarial services to the fund. Corporate secretarial fees paid to MQ Services during the year are disclosed in note 8.

There were no other related party transactions.

17 Contingency

As disclosed in note 12, the Notes are guaranteed by the London Branch of Royal Bank of Scotland N.V. in respect of 100% of the face value of each Note. The guarantees are only available in respect of the Notes outstanding as at the maturity date and are not applicable to any Notes which are redeemed prior to the maturity date.

18 Subsequent events

There were no material subsequent events which necessitate revision of the figures included in the audited financial statements.

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

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19 Reconciliation of audited net asset value to net asset value as reported to the noteholders in the calculation of the dealing net asset value

The Note Accounts will mature on 23 June 2014, accordingly these audited financial statements have not been prepared on going concern basis. The investment in zero-coupon deposits in the statement of financial position has been written down to its realisable value and a full provision has been made for estimated costs of termination to be borne by the Note Accounts.

Also, during the audit of the financial statements for the year ended 31 December 2013, additional audit adjustments were identified and actioned. These adjustments primarily related to the adjustments of under/over accruals.

The table below reconciles the resulting differences between the net asset value as reported to noteholders and the net asset value per the audited financial statements.

	RBS FX Notes Series III US\$ 31-Dec-13 US\$	RBS FX Notes Series III US\$ 31-Dec-12 US\$
Net assets per the audited financial statements	3,024,125	3,208,201
Effect of audit adjustments brought forward	(13,118)	(24,343)
Audit adjustments in the current year	10,840	4,581
	(2,278)	
Adjustment in relation to termination basis of accounting	23,500	-
Net assets as reported to noteholders	3,045,347	3,188,439
	US\$	US\$
<i>A reconciliation of the net asset value per note is as follows:</i>		
Net asset value per note as per the audited financial statements	0.9680	0.9982
Effect of audit adjustments brought forward	(0.0042)	(0.0076)
Audit adjustments in the current year	0.0035	0.0035
	(0.0007)	
Adjustment in relation to termination basis of accounting	0.0075	-
Net asset value per note as reported to noteholders	0.9748	0.9941

FX Dynamic Guarantee US\$ Class Series 3 Notes and FX Dynamic Guarantee EUR Class Series 3 Notes

segregated accounts of RBS FX Notes (Series 3) Limited

Notes

to and forming part of the audited financial statements for the year ended 31 December 2013

(continued)

19 Reconciliation of audited net asset value to net asset value as reported to the noteholders in the calculation of the dealing net asset value (continued)

	RBS FX Notes Series III EUR 31-Dec-13 EUR	RBS FX Notes Series III EUR 31-Dec-12 EUR
Net assets per the audited financial statements	1,846,447	2,280,005
Effect of audit adjustments brought forward	7,773	(18,425)
Audit adjustments in the current year	(8,214)	22,213
	(441)	
Adjustment in relation to termination basis of accounting	18,004	-
Net assets as reported to noteholders	1,864,010	2,283,793
	EUR	EUR
<i>A reconciliation of the net asset value per note is as follows:</i>		
Net asset value per note as per the audited financial statements	0.9454	0.9819
Effect of audit adjustments brought forward	0.0040	(0.0079)
Audit adjustments in the current year	(0.0042)	0.0113
	(0.0002)	
Adjustment in relation to termination basis of accounting	0.0092	-
Net asset value per note as reported to noteholders	0.9544	0.9853

20 Approval of financial statements

The financial statements were approved by the Board of Directors on 30 April 2014.