

Notification of changes to Isle of Man Bank Limited

Customer Guide and FAQs

Contents

What's happening?	1
How does this impact you?	2
What happens next?	4
Ways to make your views known	5
Further information about our structure	6
Further information about the Scheme	8
Protect yourself from fraud	8
Frequently Asked Questions	9
Need more help?	12
Summary of the Scheme and the Independent Auditor's Report	13

What's happening?

We're changing the structure of our business

We previously wrote to you outlining our intention to move the Isle of Man Bank business from its current legal entity, Isle of Man Bank Limited, to the Isle of Man branch of The Royal Bank of Scotland International Limited ("RBS International Limited"). This process is referred to as the "Transfer".

This guide provides you with further information about the Transfer but does not provide legal or tax advice. If you have questions or concerns about your individual circumstances after reading this information, you may wish to seek independent professional advice.

Understanding our current structure

Isle of Man Bank Limited and RBS International Limited are both owned by The Royal Bank of Scotland International (Holdings) Limited, which is in turn owned by The Royal Bank of Scotland Group plc.

After the Transfer, the Isle of Man Bank business will be part of the Isle of Man branch of RBS International Limited but will continue to trade as Isle of Man Bank. This is how our sister brands NatWest International, RBS International and Coutts Crown Dependencies operate today.

To find out more about our current organisation, please read the 'Further Information about our structure' section on page 6.

What do these changes mean?

The proposed Transfer means the Isle of Man Bank business will move from its current legal entity, Isle of Man Bank Limited, to the Isle of Man branch of RBS International Limited.

We recognise the importance of Isle of Man Bank to our customers and community as well as our staff. That's why the business will continue to trade as 'Isle of Man Bank' and we'll continue to use and develop the Isle of Man Bank brand.

This change is subject to approval from the High Court of Justice of the Isle of Man ("the Court"). The Isle of Man Financial Services Authority ("Isle of Man FSA") must also provide consent as part of the approval process.

Why are you planning to make these changes?

Making these changes will allow us to respond to changes in the trading environment to simplify our bank and continue the Isle of Man Bank business, brand, products and services.

How will these changes be made?

The Transfer will be undertaken using an Isle of Man legal process referred to as a Scheme (the "Scheme") under section 3A of, and Schedule 1A to, the Financial Services Act 2008.

We've applied to the Court for approval of the Scheme. The Court will only approve the Scheme if it is satisfied that all of the legal requirements have been met and that in all circumstances of the case, it is appropriate to sanction the Scheme.

A summary of the Scheme and the Independent Auditor's Report (the "Scheme Summary") is included on page 13 of this guide. You'll also find details here of how to request a full copy of the Scheme document, the Independent Auditor's Report and the application to Court to approve the Scheme.

When will the Transfer happen?

If the Isle of Man FSA provides consent and the Court approves the Scheme, the Transfer will take effect from 00.01am on 28th May 2019 (the “Effective Date”).

If there are any changes to this time or date, we’ll publish them on our dedicated webpage: iombank.com/transfer

How does this impact you?

The Scheme will allow us to reorganise the way our business is structured with minimal impact for our customers.

From the Effective Date, your account(s) and any products and services you have with Isle of Man Bank will move to the Isle of Man branch of RBS International Limited.

They will be owned, managed and serviced by RBS International Limited trading as Isle of Man Bank and the business in the Isle of Man will still be regulated by the Isle of Man FSA.

What stays the same?

Your account(s) will still be held and maintained in the Isle of Man and your services will still be provided from the Isle of Man. There are no planned changes to your Terms and Conditions (Terms), but these may vary before and after the Transfer in line with standard business practice.

Your accounts and services

You can still use the same bank accounts you have today with no changes to your account number(s) or sort code(s). You can continue to use the same cards, cheque books and paying-in books. No new cards, cheque books or paying-in books will be issued as a result of the proposed Transfer.

There will be no changes to your products and services. This includes your online/mobile banking services. If you have a Gold account with us, there will be no changes to your existing Gold customer benefits such as travel insurance.

Interest rates, tariffs and charges won’t change as a result of the Transfer but may vary before and after in line with standard business practice.

Our brand and contacts

We’ll continue to trade as Isle of Man Bank so you won’t see any changes to our brand.

There will be no changes to our contact details. You can use the same branches as you do today and your usual points of contact will stay the same. If you have a relationship manager, they’ll continue to support you.

What changes?

You’ll see a change to our company name and registration details on the communications and documents you receive from us. This is because they’ll be updated to reflect our change in legal entity.

Please read the following pages carefully to ensure you understand how the Transfer could impact you depending on your individual circumstances.

Depositors' Compensation Scheme protection

The information in this section will only be relevant to you if you have existing deposits with Isle of Man Bank Limited and the Isle of Man branch of RBS International Limited whether trading as NatWest International, RBS International or Coutts Crown Dependencies.

The Isle of Man Depositors' Compensation Scheme (the "DCS") offers protection for eligible deposits in the unlikely event that a bank licensed in the Isle of Man fails. The DCS offers protection for eligible protected deposits of up to a maximum of £50,000 per depositor per covered bank for individuals and a maximum of £20,000 per depositor per covered bank for certain other classes of depositor.

If you already have deposits with the Isle of Man branch of RBS International Limited, the Transfer may reduce the maximum value of compensation available to you through the DCS.

This is because if you have deposits with Isle of Man Bank Limited and the Isle of Man branch of RBS International Limited today, your deposits are covered separately in each legal entity by the DCS.

After the Transfer, these deposits will be held with the same legal entity and will be covered by a single DCS protection limit.

Following the Transfer any new accounts opened with RBS International Limited trading as Isle of Man Bank, will also be covered by the DCS if you're eligible.

The UK's Financial Services Compensation Scheme and the Jersey Bank Depositors' Compensation Scheme don't cover deposits or services provided by Isle of Man Bank Limited or RBS International Limited trading as Isle of Man Bank.

Further information about the DCS can be found on the Isle of Man FSA website at: [https://www. iomfma.im/consumer-material/isle-of-man-depositors-compensation-scheme-dcs/](https://www.iomfma.im/consumer-material/isle-of-man-depositors-compensation-scheme-dcs/)

Tax implications

These structural changes shouldn't impact your tax position (unless you have received a dedicated letter informing you otherwise); however we recommend you seek independent professional tax advice if you have questions or concerns.

Set off rights - using money in your account to repay money you owe us

Under your existing Terms, if you've borrowed money from us (for example, through a loan or overdraft) and the money or repayments are due for payment, we may take money from your Isle of Man Bank account to repay some or all of the money you owe us (including any fees or interest). This is called "set off".

Set off rights apply to products and services held within the same legal entity. This means, in our current structure, set off rights only apply between products and services you have with Isle of Man Bank Limited.

Under the Transfer, products and services held with Isle of Man Bank Limited will transfer to RBS International Limited trading as Isle of Man Bank. This means, if you already have products and services with RBS International Limited, whether trading as NatWest International, RBS International or Coutts Crown Dependencies (and whether in the Isle of Man or other jurisdictions), new set off rights may arise between those products and services and your Isle of Man Bank products and services.

For example, if you have a loan with Isle of Man Bank and funds in a personal account with NatWest International, after the Transfer, we may take money from your NatWest International account to repay some or all of the money you owe us if you fail to repay the loan when it is due. This also works in reverse. If you haven't repaid a loan with NatWest International, we may use money from your Isle of Man Bank account to repay some or all of the money you owe us.

Under the terms of the Scheme, any new set off rights which arise for RBS International Limited as a result of the Transfer will only start to apply three months after the Effective Date.

If you guarantee or provide third party security to support someone else's borrowing, then set off rights will not be applied for the duration of the existing borrowing agreements.

Set off rights are in accordance with your existing Terms. You can read these in full on the product pages of our website.

Disapplication of new all monies, consolidation and cross default rights

There are a number of rights in your existing Terms that outline what happens if you have borrowing and fail to repay the loan when it's due.

An "all monies" right allows a mortgage or charge to be used as security for all debts owed to the lender, not just the specific loan or mortgage.

A "consolidation" right permits a lender to retain the security until all debts owed to the lender have been repaid.

A "cross default" right provides for a customer to be deemed automatically in breach of the borrowing or account Terms and Conditions if in breach of certain other agreements.

If, immediately before the Transfer, you have loans or other products and services with both Isle of Man Bank Limited and RBS International Limited, the Transfer could cause RBS International Limited to gain new rights of the types outlined above because, after the Transfer, those loans or products and services will be with the same legal entity.

To ensure that you are not affected by this, the Scheme provides that, after the Transfer, the rights outlined above in agreements transferring from Isle of Man Bank Limited will not apply to debts under existing agreements with RBS International Limited and the rights outlined above in existing agreements with RBS International Limited will not apply to debts under agreements transferring from Isle of Man Bank Limited.

Bespoke cheques for Non-Personal customers

If you print and issue bespoke cheques, any new cheques printed after the Effective Date must reflect the change in our legal entity. Existing cheques printed before the Effective Date will remain valid.

Please contact your relationship manager if you have any questions about making these changes to bespoke cheques.

What happens next?

We've applied to the High Court of Justice of the Isle of Man for approval of the Scheme.

The Court hearing is expected to take place at 10am on 21st May 2019 at the High Court of Justice of the Isle of Man, Deemsters Walk, Bucks Road, Isle of Man, IM1 3AR.

If the Court approves the Scheme at this hearing, we'll transfer the business of Isle of Man Bank Limited to the Isle of Man branch of RBS International Limited trading as Isle of Man Bank on the Effective Date - 00.01am on 28th May 2019.

If there are any changes to the time or date of the Court hearing or Effective Date, we'll publish these on our dedicated website: iombank.com/transfer

We'll keep you informed throughout this journey and let you know the outcome of the Court hearing by updating our website.

If you think you'll be adversely affected by the Scheme, you have the right to object and have your views considered by the Court.

Please continue to the 'Ways to make your views known' section to find out how you can object to the Transfer.

Ways to make your views known

If you think you'll be adversely affected by the Scheme, you have the right to object and have this objection considered by the Court. You can make your views known by objecting in writing by 14th May 2019 or by attending the Court hearing either in person or through representation by an advocate (at your own cost).

In writing

You can write to us clearly stating your reasons for objecting and why you think you'll be adversely affected by the Scheme. Your objection and how it's been handled will be drawn to the attention of the Court.

If objecting in writing please ensure:

- o You mark your letter "Transfer Objection – NOT ATTENDING HEARING"
- o Your letter reaches us at the address below before 14th May 2019

Attending Court in person

Alternatively, you can attend the Court hearing in person or be represented by an advocate (at your own cost).

If you plan to appear at the hearing please:

- o Register your intention to attend by writing to the address below by 14th May 2019
- o In this letter, clearly state your objection and why you think you'll be adversely affected
- o Mark your letter "Transfer Objection – ATTENDING HEARING"

All written correspondence about the Scheme should be sent to:

Isle of Man Bank Transfer Proposal

2 Athol Street

Douglas

Isle of Man

IM99 1AN

Further information about our structure

As explained at the start of this guide, in our current structure, Isle of Man Bank Limited and RBS International Limited are both owned by The Royal Bank of Scotland International (Holdings) Limited.

After the Transfer, the Isle of Man Bank business will be part of RBS International Limited but continue to trade as Isle of Man Bank. See below for an illustration of how our brands currently fit within the wider RBS structure.

Isle of Man Bank Limited is incorporated in the Isle of Man and licensed and regulated by the Isle of Man FSA.

RBS International Limited is incorporated in Jersey and regulated by the Jersey Financial Services Commission ("JFSC"). It is also registered in the Isle of Man and licensed and regulated by the Isle of Man FSA.

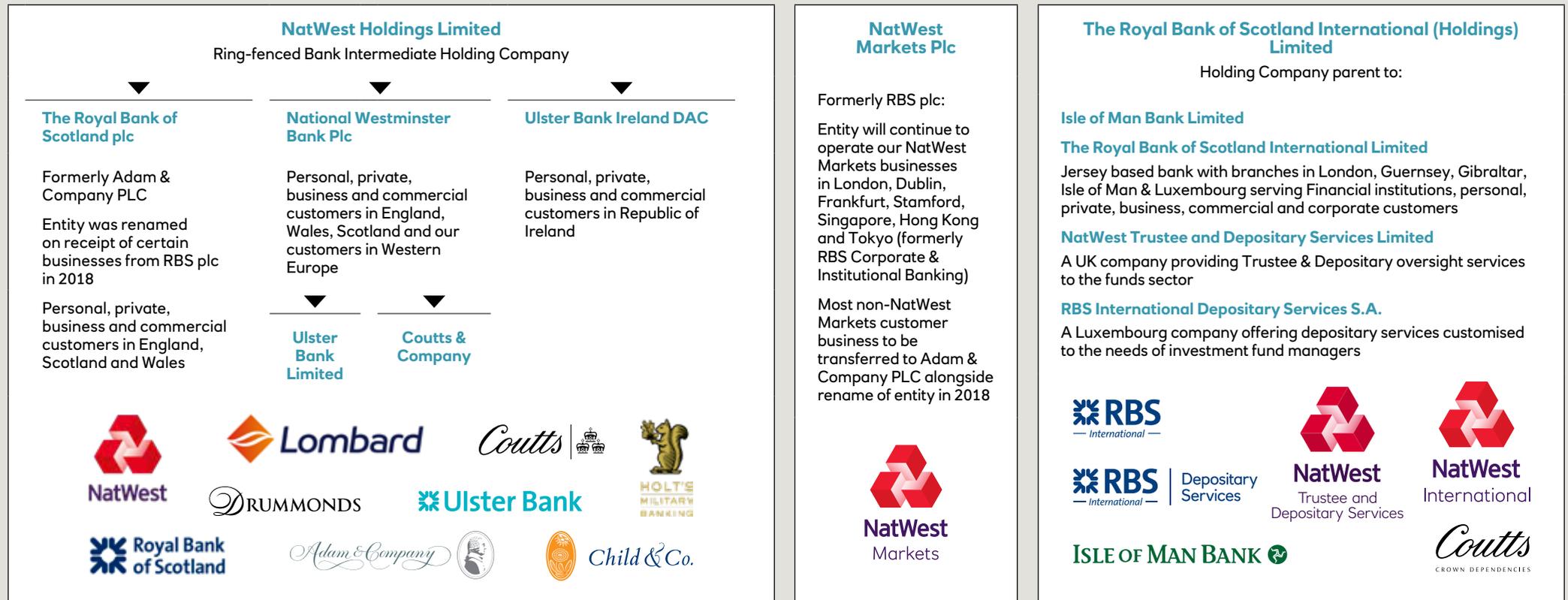
Following the Transfer, the Isle of Man Bank business and all activities under the trading name 'Isle of Man Bank' will still be regulated by the Isle of Man FSA.

Credit ratings

Isle of Man Bank Limited does not have a credit rating. As of May 2018, RBS International Limited is rated A by Fitch Ratings with a stable outlook and BBB+ by Standard & Poor's with positive outlook.

We don't expect the Scheme to impact on the rating of RBS International Limited. Further information about these ratings and associated research can be found online at: <https://investors.rbs.com/fixd-income-investors/credit-ratings.aspx>

The Royal Bank of Scotland Group plc



Further information about the Scheme

Independent Auditor's Report

The Scheme has been reviewed independently by KPMG Audit LLC (the "Independent Auditor"). A summary of the Independent Auditor's Report is included in the Scheme Summary for your information (the "Report").

Scheme Documents

Full copies of the Scheme Document, the Report and the application to the Court to approve the Scheme are available free of charge by contacting us using the details on page 13 of this guide. Alternatively, you can collect copies of these documents from our branches at:

- Athol Street, Douglas
- Regent Street, Douglas
- Market Square, Castletown
- Station Road, Port Erin
- Parliament Street, Ramsey
- Atholl Street, Peel

Protect yourself from fraud

At a time when changes are happening in the banking industry, you should be especially wary of banking and online scams.

Further information about the Transfer will be shared via our website. We may contact you by phone or email with information about the Transfer if we don't have a valid postal address for you in our records.

We will not call or email you asking for your personal information, account details or the PIN for your bank or credit card.

Steps you can take to protect yourself:

- Beware of calls out of the blue claiming to be from your bank
- Remember, we will not call or email you asking for your personal information, account details or PIN for your bank or credit card
- If you receive a call asking for this information, end the call immediately
- It is best to call your bank back using the number on your card or bank statement instead of a number provided in a text or email

Find out more ways to protect yourself from banking and online account scams at:

www.fca.org.uk/consumers/banking-online-account-scams

Frequently Asked Questions

1. Will I still be banking with Isle of Man Bank?

The legal entity that you're banking with will change to RBS International Limited but your account(s) will stay in the Isle of Man, we'll continue to trade as Isle of Man Bank and our branding won't change as a result of the transfer.

RBS International Limited is regulated by the JFSC in Jersey and the Isle of Man FSA. After the Transfer, business carried out in the Isle of Man under the trading name Isle of Man Bank will continue to be regulated by the Isle of Man FSA.

2. Will my account number and sort code change?

No. There will be no changes to your account details as a result of the Transfer.

3. Can I continue to use my account as I do today?

Yes. There will be no changes to the way your account(s) operate as a result of the Transfer. You'll continue to receive statements as you do at the moment and you can still use existing cards, cheque books and online/mobile banking services etc. No new cards, cheque books or paying-in books will be issued as a result of the proposed Transfer.

4. Will there be any change to how I pay in and withdraw money?

No. Your account will operate in the same way as it does today.

5. Can I still use online and/or mobile banking services?

Yes. You'll still be able to use your online and/or mobile banking services with the same log in details as you do today.

6. What happens to my regular payments such as Direct Debits or standing orders?

Payments will continue to debit and credit from your account(s) as normal. The standard Direct Debit guarantee will continue to apply as it does today.

7. Will there be any changes to my products or services?

No. There are no planned changes to the interest rates, tariffs, charges or features of our products or services as a result of this Transfer. These may vary before and after in line with standard business practice.

8. Are there any changes to my Isle of Man Bank mortgage and/or loan?

Our intention is to transfer all loans and security arrangements from Isle of Man Bank Limited to RBS International Limited trading as Isle of Man Bank.

Your mortgage / loan account number will stay the same and you should continue making your regular payments as normal.

In exceptional circumstances, it may be necessary for you to complete additional legal documents to complete the transfer of your security arrangements to RBS International Limited. If this is required, you can expect to hear from us separately by way of letter and we'll aim to support you fully in undertaking any actions.

9. How safe are my deposits with RBS International?

RBS International Limited is a core part of The Royal Bank of Scotland Group, one of the largest banks in the UK. RBS International Limited has been profitable every year since it was formed in 1996.

RBS International Limited has an A rating from Fitch with a stable outlook and a BBB+ rating from Standard & Poor's with a positive outlook. RBS International Limited will continue to be regulated by the Isle of Man FSA and your deposits will continue to be covered by the Isle of Man Depositors' Compensation Scheme if eligible under the terms of that scheme.

The Independent Auditor of the Scheme has considered all of the changes taking place and analysis of the Transfer undertaken by the bank, including the potential adverse effects in paragraph 4.2(e) of the summary of its Report on page 16 of this guide. The Independent Auditor has concluded that nothing has come to its attention that could indicate the proposed Transfer would appear to disadvantage the customers or creditors of Isle of Man Bank Limited as a whole.

Should you have any concerns please do get in touch so that we can discuss these further and the options available to you which, if you remain unhappy about the Transfer, include transferring your deposits to another bank. If you move funds within three months of the Effective Date, you will not incur a charge or loss of interest on fixed term or notice accounts.

10. Are there any changes to my Terms and Conditions?

There are no planned changes to your existing Terms and Conditions. Once the Transfer is complete, RBS International Limited will be the legal entity providing accounts and services instead of Isle of Man Bank Limited.

Although there are no changes to Terms and Conditions, three months after the Effective Date, new set off rights may apply to all products and services you have with RBS International Limited. Please see the 'Set off rights- using money in your account to repay money you owe us' section on page 3 of this guide for further information.

Any references to "we", "us" and "our" in documentation about your Isle of Man Bank accounts or services should be read as references to RBS International Limited trading as Isle of Man Bank from the Effective Date.

11. Will my usual points of contact stay the same?

Yes. You can use the same branches as you do today and your usual points of contact will stay the same. If you have a relationship manager, they'll continue to support you.

Our contact details will also stay the same. These are detailed on page 12 of this guide.

12. What happens if I apply for a new account or have recently made an application?

There are no changes to the way you can apply for a new account. You can contact us using the information at the end of this guide or by applying online at iombank.com

Any new applications will continue to be processed by Isle of Man Bank Limited up until the Effective Date. If the Scheme is approved, your new account and any related contracts and services will be included in the Transfer to RBS International trading as Isle of Man Bank on the Effective Date.

13. Will any branches be closed as a result of this change?

No branch closures are planned as a result of these structural changes and you'll still deal with the same people in the same way as you do today.

14. What happens to my personal data?

Any information that Isle of Man Bank Limited currently holds about you, your accounts or services will transfer to RBS International Limited trading as Isle of Man Bank on the Effective Date.

RBS International Limited will use and process your information in the same way and for the same purposes as Isle of Man Bank Limited does today as set out in our Privacy Policy and Terms & Conditions available on our website at iombank.com/iom/global/terms-and-conditions.ashx

Your marketing preferences won't change as a result of the Transfer.

15. What regulatory authorities will be responsible for the supervision of Isle of Man Bank?

Isle of Man Bank Limited is licensed and regulated by the Isle of Man FSA for the relevant activities it carries out in the Isle of Man. After the Transfer, the relevant activities carried out by RBS International Limited trading as Isle of Man Bank will continue to be regulated by the Isle of Man FSA.

The Jersey Financial Services Commission (JFSC) in Jersey is the lead regulatory authority for RBS International Limited.

16. How can I make a complaint?

If you think you'll be adversely affected by the Scheme, please contact us directly or follow the steps outlined in the 'Ways to make your views known' section of this guide to make a formal objection.

If you wish to make a complaint about something other than the Scheme, you can get in touch with us via your usual contact, by phone, through our website or in writing. More information about how to complain is available on our website: iombank.com/iom/contact/how-to-complain

If you have a query or wish to make a complaint about the Scheme please turn to page 12 of this guide for our contact information. Alternatively, details of how to formally object are published on page 5.

17. What happens to any existing complaints?

Any complaints relating to accounts, business or services due to be transferred as part of the Scheme still classified as open or unresolved on the Effective Date will be transferred and resolved by RBS International Limited trading as Isle of Man Bank.

Existing complaints against Isle of Man Bank Limited that have been referred to the Isle of Man Financial Services Ombudsman and have not been resolved before the Effective Date, will continue to be reviewed by the Ombudsman. Any adjudication will be settled by RBS International Limited trading as Isle of Man Bank.

18. Will the Isle of Man Financial Ombudsman still cover the financial services you provide?

Yes. The Isle of Man Financial Ombudsman will cover the services provided by RBS International Limited trading as Isle of Man Bank.

Need more help?

If you have any questions or require further information, please get in touch with your usual point of contact or use the contact information below:

Call

Queries and complaints relating to the Scheme: +44 (0)1624 637099

Call us from 9:00am to 5:00pm Monday to Friday.

For any other queries or complaints: +44 (0)1624 637000

Call us from 7:00am to 7:00pm Monday to Friday and 8.00am to 1.00pm on Saturday except public holidays.

Write

Isle of Man Bank Transfer Proposal,
2 Athol Street
Douglas
Isle of Man
IM99 1AN

Visit our branches

- Athol Street, Douglas
- Regent Street, Douglas
- Market Square, Castletown
- Station Road, Port Erin
- Parliament Street, Ramsey
- Atholl Street, Peel

Branch opening hours are Monday - Friday 9.30am to 4.30pm. The Regent Street, Douglas branch is also open on Saturdays 9.30am to 1.30pm.

You can also visit our mobile branch “Penny” that serves Onchan, Laxey, Kirk Michael, Ballaugh, Cooil Business Park and Ballasalla.

There’s also further information available on our website: iombank.com/transfer

Summary of the Scheme and the Independent Auditor's Report

1. Background

- 1.1 The Royal Bank of Scotland International (Holdings) Limited (**RBSI Holdings**) and its subsidiaries (together **RBS International**) wishes to re-organise its business in the Isle of Man to transfer all the business carried on by Isle of Man Bank Limited (**IOMBL**) as a going concern to The Royal Bank of Scotland International Limited (**RBSI**), acting through its branch in the Isle of Man (**RBSI, Isle of Man Branch**), in accordance with the terms of the Scheme.
- 1.2 RBS International has taken the decision to reorganise its business in the Isle of Man to simplify its operations and reduce the number of regulated entities it operates. The proposed changes will ensure that its operations in the Isle of Man are more efficient and sustainable.
- 1.3 The proposed transfer involves the transfer of the Transferring Business from IOMBL to RBSI, Isle of Man Branch. The Transferring Business (as more particularly defined in the Scheme) comprises all the business of IOMBL. All the Client accounts of IOMBL (including deposit accounts and loan accounts) which are referred to as **Transferring Accounts** are proposed to be transferred.
- 1.4 It is, therefore, proposed that subject to and in accordance with section 3A of and Schedule 1A to the FSA 2008, the Transferring Business shall by an Order of the Court transfer (**Transfer**) to RBSI, Isle of Man Branch as a going concern on, and with effect from, 00.01 hours on 28th May 2019 (as more particularly defined as the **Effective Date** in Schedule 1 of the Scheme) in accordance with the terms of the Scheme.
- 1.5 IOMBL is licensed by the Isle of Man Financial Services Authority (**IOMFSA**) to carry on regulated activities of class 1 (1) (deposit taking) and class 2(3) investment business under the Financial Services Act 2008 (**FSA 2008**). IOMBL is also registered with the IOMFSA as an insurance intermediary under the Insurance Act 2008 of the Isle of Man.
- 1.6 RBSI, Isle of Man Branch is licensed to carry on class 1(1) deposit taking business and classes 2(3), (6) and (7) investment business under the FSA 2008 and is also registered with the IOMFSA as an insurance intermediary under the Insurance Act 2008 of the Isle of Man.
- 1.7 As a client of IOMBL we are proposing to transfer your account(s) and any related contracts which form part of the Transferring Business from IOMBL to RBSI, Isle of Man Branch. There will be no material changes to the products and services you currently receive as a result of the Transfer. The deposit and lending interest rates, tariffs and charges applicable to you immediately before the Transfer will also remain the same immediately following the Transfer.
- 1.8 The legal process for the Transfer is referred to as a scheme (**Scheme**). This Statement summarises the terms of the Scheme and summarises a report prepared by KPMG Audit LLC (**Independent Auditor**) on the likely effects of the Scheme on the clients of IOMBL and RBSI, Isle of Man Branch (**Report**).
- 1.9 In order to implement the Scheme, we must obtain approval from the High Court of Justice in the Isle of Man (**Court**), and the IOMFSA must consent to the Scheme. IOMBL and RBSI, Isle of Man Branch have issued a claim form seeking an Order of the Court sanctioning the Scheme. The Court will only approve the Scheme if it is satisfied that all of the legal requirements have been met and that in all circumstances of the case, it is appropriate to sanction the Scheme. If the Court approves the Scheme, we expect that your account(s) and contracts relating to the Transferring Business will transfer without the need for any further action being taken by you. However, if we consider that any further action is required then we will write to you again with further details.

2. How you can raise any questions or concerns about The Scheme

- 2.1 If you have any questions or concerns about the Scheme, please call, email or write to us using the contact details in this guide.

2.2 **If you believe that you will be adversely affected by the Transfer, you have the right to raise your concerns by appearing at Court in person or by a representative such as a lawyer (at your own cost). The Court hearing to request approval of the Scheme is expected to take place at 10am on 21st May 2019 at the High Court of Justice of the Isle of Man, Deemsters Walk, Bucks Road, Douglas, Isle of Man. Any updates regarding the Transfer or the Court hearing will be posted on our website iombank.com**

3. Summary of the main terms of The Scheme

3.1 Any bank, deposit or loan accounts held by you with IOMBL along with any related contracts, will transfer from IOMBL to RBSI, Isle of Man Branch. The Transfer will be implemented through the Scheme pursuant to Section 3A of, and Schedule 1A to, the FSA 2008.

3.2 If the Court approves the Scheme, it is intended that the Scheme will become effective on the Effective Date being 00.01 hours on 28 May 2019. Any changes to this time or date will be published on the dedicated webpage: iombank.com/transfer

3.3 Subject to Paragraph 3.4 below, the terms of the Scheme include that upon the Transfer, and with effect from the Effective Date:

3.3.1 **cheques and other payment instructions:** any negotiable instrument, cheque, warrant, draft, letter of credit or order for payment of money, drawn on or by, or given to, or accepted or endorsed by, IOMBL, or payable at any place of business of IOMBL, whether so drawn, given, accepted, endorsed or payable before, on or after the Effective Date, shall have the same effect as if it had been drawn on or by, given to or accepted or endorsed by RBSI, Isle of Man Branch or, as the case may be, as if the place of business at which it is payable were a place of business of RBSI, Isle of Man Branch;

3.3.2 **continuity of contracts:** each transferring contract will have effect as if made with RBSI, Isle of Man Branch and as if RBSI, Isle of Man Branch had always been a party to it instead of IOMBL and, subject to the terms of the Scheme, each transferring contract shall be subject to the same terms and conditions as applicable immediately prior to the Transfer (save for some minor changes as explained at Paragraph 3.3.3 below) and RBSI, Isle of Man Branch shall have the same rights and obligations under each transferring contract as IOMBL had immediately prior to the Transfer, and accordingly the rights and obligations of IOMBL in respect of each contract will be extinguished;

3.3.3 **changes to account terms and conditions:** there are no planned changes to your account terms and conditions as a result of the Scheme, except for some minor consequential amendments; for example, references to IOMBL will become references to RBSI, Isle of Man Branch;

3.3.4 **continuity in proceedings:** any claim, counterclaim, complaint, petition, suit, appeal or other legal process relating to or attributable to the Transferring Business by or on behalf of, against or with IOMBL will be continued by or on behalf of, against or with RBSI, Isle of Man Branch and RBSI, Isle of Man Branch will be entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set off that were or would have been available to IOMBL in relation to such proceedings, subject to any formalities which may be necessary;

3.3.5 **documents in custody:** the custody of any document, record, goods or other thing held by IOMBL as bailee or in any other similar capacity will pass to RBSI, Isle of Man Branch;

3.3.6 **personal data:** RBSI, Isle of Man Branch will become the data controller in respect of all personal data and corresponding consents relating to the Transferring Business. The existing privacy terms and conditions will apply following the Transfer;

3.3.7 **privacy and confidentiality:** RBSI, Isle of Man Branch will, in relation to the Transferring Business, owe to any person the same duties of confidentiality and privacy as those which IOMBL owed in relation to the Transferring Business; and

3.3.8 **Transferring Business:** each and every part of the Transferring Business, including

related assets, liabilities and contractual arrangements, will be transferred by the Scheme as a going concern from IOMBL to RBSI, Isle of Man Branch, with very limited exceptions, in accordance with the terms of the Scheme.

3.4 Residual or Excluded Assets and Liabilities

- 3.4.1 The Scheme includes additional provisions dealing with certain residual assets and liabilities that are intended to transfer but, for whatever reason, do not transfer to RBSI, Isle of Man Branch on the Effective Date (for example, where non-Isle of Man law requirements have not yet been met).
- 3.4.2 The Scheme provides that these be held on trust by IOMBL for RBSI, Isle of Man Branch as residual assets or residual liabilities until the applicable residual transfer date under the terms of the Scheme.
- 3.4.3 The Scheme also excludes certain assets and liabilities of IOMBL from the Transfer including those which the parties agree in writing prior to the Effective Date shall be excluded. Some assets and liabilities may be excluded because it is intended that they transfer by other means on or about the Effective Date. Other assets and liabilities may be excluded because it is intended that they transfer after the Effective Date.

3.5 Amendment of Scheme

IOMBL and RBSI, Isle of Man Branch can agree to amend the terms of the Scheme before it is approved by the Court. IOMBL and RBSI, Isle of Man Branch can also amend the terms of the Scheme (including amending the Effective Date) after the Court hearing to approve the Scheme provided that the IOMFSA is notified of, and provides no objection to, the proposed amendment and the Court approves it. In the case of minor or technical amendments, or any amendment to correct manifest error, the amendment can be made without the approval of the Court provided that the IOMFSA has been notified of, and has provided no objection to, the amendment.

4. Summary of the report of The Independent Auditor

- 4.1 IOMBL and RBSI, Isle of Man Branch have prepared certain regulatory returns on a pre-transfer and post-transfer basis (**Returns**) and RBSI has prepared a capital plan (**Capital Plan**). The Returns and Capital Plan are intended to demonstrate the impact of the transfer on the capital adequacy, liquidity and financial position of IOMBL and RBSI, Isle of Man Branch had the transfer of business taken place in accordance with the terms of the Scheme as at 30 June 2018.
- 4.2 KPMG Audit LLC (**Independent Auditor**) has examined the Returns and the Capital Plan (together the **Financial Information**) and considered the effects of the Scheme on the financial position, liquidity and capital adequacy of IOMBL and RBSI, Isle of Man Branch by reference to the Financial Information. The Independent Auditor has prepared a report dated 22nd February 2019 (**Report**) which concludes, based on the facts and assumptions set out in the Report and the examination carried out by them, that:
 - (a) **Financial information:** in the Independent Auditor's opinion, in all material respects, the information contained in the Returns examined by the Independent Auditor has been completely and accurately extracted from the underlying accounting and other records of RBSI, RBSI, Isle of Man Branch and IOMBL and has, where applicable, been prepared on a basis that is consistent with the current instructions issued by the IOMFSA. Based on the work undertaken, nothing has come to the attention of the Independent Auditor that would indicate that the Capital Plan has not been completely and accurately extracted from the underlying accounting and other records of RBSI, RBSI, Isle of Man Branch and IOMBL.
 - (b) **Capital adequacy ratios:** The Returns present a Common Equity Tier 1 (**CET1**) ratio for IOMBL, pre-transfer, of 14.49% as at 30 June 2018, which exceeds the minimum capital requirement set by the IOMFSA.

As a deposit-taking branch, RBSI, Isle of Man Branch is not required by the IOMFSA to maintain and monitor its own capital. The Independent Auditor has considered the pre-transfer prudential return prepared by RBSI as at 30 June 2018 which was submitted to the

Jersey Financial Services Commission (**JFSC**). This return presents a CET1 ratio of 23.07%, exceeding the minimum capital requirements set by the JFSC.

IOMBL intends to cease carrying on deposit-taking business following the Transfer and hence post transfer returns containing a capital adequacy ratio have not been prepared.

RBSI has prepared forecast profit and loss accounts and balance sheets for the three years ending 31 December 2019, 2020, and 2021, on a post-transfer basis. These indicate that no significant changes are anticipated to RBSI's capital position, which is forecast to be in excess of the required regulatory minimum for the three years ending 31 December 2019, 2020, and 2021.

- (c) **Liquidity ratios:** For IOMBL, the Returns present cumulative net cash flow as a percentage of total deposits within <8 days and <1 month of 60.02% and 46.34% respectively, which are within the limits set by the IOMFSA.

As a deposit-taking branch, RBSI, Isle of Man Branch is not required to monitor maximum mismatch limits for the purposes of prudential returns reporting to the IOMFSA. For comparison, the Independent Auditor has considered the impacts of the pre-transfer prudential return prepared by RBSI as at 30 June 2018 which was submitted to the JFSC. This return presents cumulative net cash flow as a percentage of total deposits within <8 days and <1 month of 32% and 6% respectively, which are within the limits set by the JFSC.

RBSI has prepared forecast profit and loss accounts and balance sheets for each of the three years ending 31 December 2019, 2020, and 2021, on a post-transfer basis, which indicate that RBSI will continue to have positive cash and cash equivalent balances and net assets for each of those years.

The JFSC has introduced the Liquidity Coverage Ratio (LCR) from 1 January 2019. This will represent the primary regime under which the balances transferring as a result of the Scheme will be monitored. RBSI expects the move to the LCR regime to introduce a higher level of prudence on the liquidity measurement of RBSI, versus the previous Liquidity Mismatch Ratio approach. RBSI has calculated an LCR position of 127% as at 31 December 2018, in excess of the required regulatory minimum of 100%. The prepared forecasts for each of the three years ending 31 December 2019, 2020, and 2021 also indicate that RBSI will operate in excess of the regulatory minimum ratio of 100%.

- (d) **Conclusion:** Based on the work undertaken on the documents examined (including the Scheme Documents, the Returns, and the Capital Plan), nothing has come to the attention of the Independent Auditor that could indicate a materially adverse effect on IOMBL's or RBSI, Isle of Man Branch's financial position, or that could indicate that RBSI, Isle of Man Branch or IOMBL would not have the ability to meet its liabilities following the transfer of business pursuant to the Scheme.
- (e) In reaching the conclusion below, the considerations of the Independent Auditor have included the following matters which IOMBL and RBSI, Isle of Man Branch have addressed in their impact assessment of the Scheme:

Rights of set off and additional windfall rights: As a result of the Transfer, RBSI will potentially gain additional rights of set off which it would not have had before the Effective Date. The Independent Auditor notes that RBSI has committed to waive these additional rights of set off for a period of three months from the Effective Date to enable affected customers to make alternative arrangements should they so wish. In some circumstances RBSI might also gain rights of set off, as a result of the Transfer, in relation to guarantors and/or third party security providers. The Independent Auditor notes that RBSI have committed to disapply these rights of set off for the duration of existing borrowing agreements. The Independent Auditor also notes that RBSI intend to disapply other windfall rights (all monies, consolidation and cross default rights) that it might gain as a result of the Transfer.

Isle of Man Depositors' Compensation Scheme (DCS): The DCS applies to customers of IOMBL prior to the Transfer and will continue to apply to those customers following the Transfer.

Following the Transfer, some customers with deposits currently held at both IOMBL and RBSI, Isle of Man Branch may see a reduction in the maximum value of compensation available to them, as DCS compensation limits apply to the total value of all deposits held with one legal entity and their deposits with IOMBL will move to RBSI, Isle of Man Branch. The Independent Auditor understands that in order to mitigate this impact RBSI will send targeted communications to affected customers and, upon request from an affected customer, transfer any balance to a new bank in the Isle of Man, without any charge or loss of interest within three months from the Transfer.

Creditor Hierarchy considerations: A specific resolution and recovery regime for banking companies in Jersey will be introduced by the Bank (Recovery and Resolution) (Jersey) Law 2017 when it is brought into force. However, based on the depositor preference laws currently in effect in the Isle of Man and Jersey, whilst eligible protected deposits will continue to be protected under the DCS, the right of the DCS (or depositors eligible under the DCS who have not made a claim for DCS compensation) to recover such deposits that are being transferred as part of the Scheme will move to a more junior position as a matter of Jersey law in the creditor hierarchy as a result of the Scheme.

IOMBL and RBSI, Isle of Man Branch recognise that this represents a potential adverse effect for depositors. However, IOMBL and RBSI, Isle of Man Branch have considered a number of mitigating factors including the go-forward business model of RBSI which sees intra-group lending significantly curtailed, the credit fundamentals of the business, opinions from rating agencies and the fact that RBSI forms part of the wider recovery and resolution protocol for the RBS Group which includes the 'single point of entry' approach to resolution which will be adopted by the UK resolution authority for group as a whole.

Any potential adverse effect only crystallises should RBSI enter into insolvency. When considering the mitigating factors IOMBL and RBSI, Isle of Man Branch have concluded that the prospect of RBSI entering insolvency is sufficiently remote so as to not create a material detriment.

Conclusion: based on the facts outlined in the documents detailed in Appendix A of the Report, in the Independent Auditor's opinion nothing has come to its attention that could indicate the proposed transfer of business in accordance with the Scheme would appear to disadvantage the customers or creditors of IOMBL as a whole.

4.2 A copy of the Report will be submitted to the Court in support of the Scheme.

5. How you can obtain more detailed information about The Scheme

5.1 A copy of the full terms of the Scheme, the Report and the application to the Court to approve the Scheme are available to you for inspection and/or collection up to the Effective Date from the offices of IOMBL and RBSI, Isle of Man Branch at

- Athol Street, Douglas
- Regent Street, Douglas
- Market Square, Castletown
- Station Road, Port Erin
- Parliament Street, Ramsey
- Atholl Street, Peel

Branch opening hours are Monday - Friday 9.30am to 4.30pm. The Regent Street, Douglas branch is also open on Saturdays 9.30am to 1.30pm.

5.2 Any updates regarding the Transfer, Court hearing and its approval will be posted on our website at iombank.com

Isle of Man Bank Limited (IOMB). Registered Company Number: 1C Isle of Man. Registered Office: 2 Athol Street, Douglas, Isle of Man, IM99 1AN. Tel. 01624 637000. Licensed by the Isle of Man Financial Services Authority in respect of Deposit Taking, Investment Business and registered as a General Insurance Intermediary. Calls may be recorded.