

20th March 2019

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Ref:

Further information regarding planned changes to Isle of Man Bank Limited

We recently wrote to you outlining our intention to move the Isle of Man Bank business to the Isle of Man branch of The Royal Bank of Scotland International Limited (“RBS International Limited”).

Our aim is to minimise the impact of these changes on our customers. Where there may be an impact this communication will provide further information to support those directly affected.

Please read this letter and the enclosed guide carefully as they contain important information.

What’s happening?

We intend to move the Isle of Man Bank business from its current legal entity, Isle of Man Bank Limited, to RBS International Limited (the “Transfer”). Both entities are already owned by The Royal Bank of Scotland International (Holdings) Limited.

We recognise the importance of Isle of Man Bank to our customers and community as well as our staff. In view of this, 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.

Making these changes will enable us to simplify the bank and continue investment in the Isle of Man Bank business, brand, products, services and customer proposition.

To complete the Transfer, we’re seeking approval from the High Court of Justice of the Isle of Man (“the Court”) using a legal process referred to as a Scheme (the “Scheme”). The Isle of Man Financial Services Authority (“Isle of Man FSA”) must also consent as part of the approval process.

What does this mean for me?

As part of the Transfer, your account(s) and any products and services you have with Isle of Man Bank Limited will move to RBS International Limited trading as Isle of Man Bank. There are no changes to your account number(s) or sort code(s).

Although your account(s) will move to a different legal entity within our group structure, they'll stay in the Isle of Man. You'll still be able to use the same services, cards and cheque books and deal with the same people in the way you do today. There are no changes to your products or services as a result of the Transfer.

Changes that only apply if you hold accounts with both Isle of Man Bank and RBS International or NatWest International or Coutts Crown Dependencies:

Isle of Man Depositors' Compensation Scheme ("DCS") protection

The DCS offers protection for eligible deposits of up to £50,000 for individuals and £20,000 for depositors such as companies, trusts, charities and partnerships in the event that an Isle of Man bank should fail.

Although there is no change to your entitlement to claim this compensation, if you already have deposits with RBS International, NatWest International or Coutts Crown Dependencies, the Transfer may impact the maximum value of compensation available to you through the DCS.

This is because Isle of Man Bank will be part of the same legal entity (RBS International Limited) as RBS International, NatWest International and Coutts Crown Dependencies, following the Transfer. The DCS compensation limits apply to the total value of all deposits held with one legal entity.

For example, in our current structure, an individual would be entitled to claim a maximum of £50,000 for eligible deposits they hold with Isle of Man Bank Limited. They could also claim up to a further £50,000 for deposits they have with NatWest International, part of RBS International Limited. This is because deposits are spread across two different legal entities.

After the Transfer, deposits in Isle of Man Bank accounts will move to RBS International Limited. This means the total amount of compensation available will be a maximum of £50,000 even if the deposits are spread across multiple brands within the entity (i.e. Isle of Man Bank and RBS International, NatWest International or Coutts Crown Dependencies).

If you are impacted in this way, you can transfer deposits to another bank to maintain current levels of DCS coverage at any point in the future. Moreover, if you decide to move funds because of the Transfer within three months of the Effective Date (defined below), you will not incur a charge or loss of interest on fixed term or notice accounts.

Further information about the DCS can be found on the Isle of Man FSA website at: <https://www.iomfsa.im/consumer-material/isle-of-man-depositors-compensation-scheme-dcs/>

We recommend you seek independent professional advice if you have concerns about your entitlement or compensation.

Disapplication of set off rights for three months

Under your existing terms, if you've borrowed money from us (for example, through a loan or overdraft) and the money or repayments are overdue 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 in any jurisdiction, whether trading as NatWest International, RBS International or Coutts Crown Dependencies, 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 (defined below). If you are impacted in this way you can transfer deposits to another bank at any point. Moreover, if you decide to move funds because of the Transfer within three months of the Effective Date, you will not incur a charge or loss of interest on fixed term or notice accounts.

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

If you would like to discuss this matter further with us, please get in touch with your usual point of contact or refer to the contact details at the end of this letter.

Please ensure that you understand these changes and how they affect your existing banking arrangements. The enclosed guide provides further information about the DCS, the Scheme and the Transfer and includes a summary of a report prepared by an independent auditor.

Tax implications

A withholding tax (“WHT”) is a tax levied on cross border lending transactions on any interest paid by an individual outside their country of residence.

The transfer of the Isle of Man Bank business to RBS International Limited may impact your lending transactions should Ireland be your country of residence. This is because Ireland does not have a Double Tax Agreement (“DTA”) in place with Jersey, where RBS International Limited is incorporated.

As a result, interest due to RBS International Limited may be subject to withholding tax under Irish domestic tax rules.

If this applies to you, we can provide the financial information necessary for you to declare withholding tax when submitting returns to the local government. We recommend you seek independent professional advice to clarify your withholding tax obligations.

What happens next?

We have 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 will transfer the business of Isle of Man Bank Limited to RBS International Limited trading as Isle of Man Bank at 00.01am on 28th May 2019 (the “Effective Date”).

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

We will keep you informed throughout this journey and inform you as to the outcome of the Court hearing by confirming our progress on our website.

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 your views considered by the Court.

You can make your views known by objecting in writing before 14th May 2019. Alternatively, you can attend the court hearing on 21st May 2019 in person or be represented by an advocate (at your own cost). Your objection and how it's been handled will be drawn to the attention of the Court.

If objecting in writing, send a letter to the address below clearly stating your reasons for objecting and why you think you'll be adversely affected by the Scheme.

If you plan to appear at the court hearing, please register your intention to attend and state your reasons for objecting by writing to the address below:

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

Further information about this process is available on page 5 of the enclosed guide.

Need help or more information?

Please refer to the enclosed guide or visit our dedicated webpage: iombank.com/transfer

If you'd like to discuss any of this information, please get in touch with your usual point of contact, call our dedicated helpline on +44 (0)1624 637099 or visit us in branch.

Yours sincerely,



Paul Smith
Managing Director, Isle of Man Bank