

European Commission formally approves Alternative Remedies Package in relation to RBS's remaining State Aid commitments

18 September 2017

RBS has received confirmation that an alternative remedies package announced on 26 July 2017 (the “Alternative Remedies Package”), regarding the business previously described as Williams & Glyn, has now been formally approved by the European Commission (“EC”) in the form proposed.

The Alternative Remedies Package forms the basis of a new agreement in relation to RBS's remaining State Aid commitments and replaces the existing requirement to divest the business previously described as Williams & Glyn by 31 December 2017.

The Alternative Remedies Package is focused on the following two remedies to promote competition in the market for banking services to small and medium-sized enterprises (“SMEs”) in the UK:

- A £425m Capability and Innovation Fund that will grant funding to a range of competitors in the UK banking and financial technology sectors; and
- A £350m Incentivised Switching Scheme which will provide funding for eligible challenger bodies to help them incentivise SME customers of the business previously described as Williams & Glyn to switch their accounts and loans from RBS paid in the form of “dowries” to the receiving bank. In addition, under the terms of the Alternative Remedies Package, should the uptake within the Incentivised Switching Scheme not be sufficient, RBS may be required to make a further contribution, capped at £50m.

An Independent Body (the “IB”) will be established to administer the Alternative Remedies Package. RBS will make an upfront contribution of £20m to cover certain operational expenses of the IB relating to the Alternative Remedies Package.

RBS has agreed to provide separate indemnities to each of the IB and Her Majesty's Treasury (HMT) to cover liabilities that may be incurred in implementing the Alternative Remedies Package. Whilst no such liabilities may ever arise, these indemnities collectively are capped at a maximum amount of £320m. Accordingly, the Alternative Remedies Package remains consistent with the £800m provision that RBS took in relation to the expected costs of the package in H2 2016 and H1 2017.

Ross McEwan, RBS CEO, said “We are pleased that we now have final approval from the European Commission for the Alternative Remedies Package. This allows us to resolve our final State Aid divestment obligation and brings welcome clarity for our customers and staff.

It also builds on the progress we have made already this year in resolving our major legacy issues through reaching a settlement with the Federal Housing Finance Agency, and resolving the 2008 Rights Issue litigation. We remain committed to resolving our last remaining major legacy issue, the investigation into our historic US RMBS activities.”

This transaction is a smaller related party transaction, with HMT, under LR 11.1.10R.

Investor Relations

+44 (0)20 7672 1758

Media relations

+44 (0)131 523 4205

Forward Looking Statements

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MAR

This announcement contains information that qualified or may have qualified as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR). For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is made by Matt Waymark, Head of Investor Relations for The Royal Bank of Scotland Group.

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