

August 2015

To Whom It May Concern,

Statement on the Observance of Anti-Money Laundering Requirements

The Royal Bank of Scotland Group plc is committed to participating in international efforts to counter money laundering and terrorism financing.

The Royal Bank of Scotland Group plc (RBSG) includes The Royal Bank of Scotland plc (RBS plc) and The Royal Bank of Scotland N.V. (RBS NV), any of their direct or indirect subsidiaries and/or any entities in which it has a stake of more than 50% and/or management control.

The RBSG and RBS plc have their headquarters at 36 St Andrew Square, Edinburgh, EH2 2YB. RBS Plc is regulated and supervised by the Financial Conduct Authority (FCA).

The RBS NV is headquartered at Gustav Mahlerlaan 350, 1082 PP Amsterdam, Netherlands and is regulated and supervised by De Nederlandsche Bank N.V. ('Dutch Central Bank').

Both the UK and the Netherlands are member countries of the Financial Action Task Force ('FATF'), and have enacted anti-money laundering legislation that incorporates the recommendations of the FATF and requirements of the European Union Directives concerning the fight against money laundering and terrorism financing.

Anti-Money Laundering Programme

To facilitate compliance with anti-money laundering laws, RBSG, RBS plc and RBS NV have developed and implemented an anti-money laundering programme, consisting of policies, procedures, internal controls and systems. This programme includes, but is not limited to:

- The identification of potential AML risks relevant to each bank's activities;
- Global and local AML policies and procedures to ensure compliance with AML laws and regulations;
- Customer identification and verification;
- The identification of beneficial owners;
- The identification and risk assessment of Politically Exposed Persons (PEPs);
- Enhanced due diligence for increased risk clients;
- Internal procedures for monitoring and reporting suspicious activities;
- Relevant procedures for onward transmission of suspicious activities to the designated and appropriate financial intelligence unit (FIU);
- Screening customers against relevant financial sanctions lists;
- The retention of relevant records;
- The provision of advice and management reports to senior management regarding regulations and compliance with these regulations;
- Regular staff training and awareness, including training of senior management;
- The promotion of effective compliance through a comprehensive range of independent assurance testing and audit activity to provide appropriate oversight and follow-up actions in the event of non-compliance;
- The management of regulatory inquiries and incidents;
- The appointment of global and local designated compliance personnel responsible for coordinating day-to-day compliance.

Where RBS plc and RBS NV operate within a country or jurisdiction whose local regulations or laws impose higher standards for client acceptance and anti-money laundering than the RBSG global anti-money laundering policy, the requirements and standards of the local regulations will be met.

Compliance with Policy is monitored across RBS using a number of methods including audit and focused reviews by AML specialists. In addition, RBS has a variety of automated systems and controls designed to monitor various elements of AML compliance, including payments, transactions and customer identification and Due Diligence.

Sanctions, Screening and Transaction Monitoring/Filtering

The RBSG, RBS plc and RBS NV comply with the requirements of the EU, HMT and US sanctions regimes globally. In addition, in all countries where RBS plc and RBS NV operate, local law and sanctions lists are also complied with.

RBSG has transaction monitoring systems in place designed to detect unusual transactions. Transaction alerts detected by these systems are analysed within a reasonable period of time. The notification procedures for suspicious transactions to the relevant authorities are in line with local legal requirements.

Correspondent Banking

The AML policy and associated guidelines describe the risks associated with correspondent banking relationships and provides a framework of core requirements and procedures. All correspondent banking relationships are subject to appropriate customer due diligence and review. The RBSG, RBS plc and RBS NV apply S311 of the USA PATRIOT act and do not maintain or open accounts with shell banks or have anonymous accounts.

Regulatory actions against The Royal Bank of Scotland Group

Whilst RBSG has a comprehensive AML programme it recognises that on occasion it may not meet the high standards it expects and works with Regulators to investigate and remedy any deficiencies. RBSG is committed to the fight against crime and regularly reviews and updates its AML Programme and procedures accordingly.

1) The Federal Reserve Bank of Boston issued a Cease and Desist Order on RBS Group's USA Branches on 27 July 2011. The Cease & Desist requires RBS to improve risk management, and compliance in RBS U.S. branches through an improvement in AML/Sanctions controls and the addressing of identified BSA and OFAC compliance issues. In advance of this Order being served, RBS reviewed, revised and reissued its Anti-Money Laundering policy on 2 June 2011.

2) In March 2012, Coutts & Co reached a settlement with the Financial Services Authority (FSA) to pay a fine of £8.75 million following an investigation into Coutts & Co's anti-money laundering (AML) systems and controls in relation to high risk clients. The fine relates to activity undertaken between December 2007 and November 2010. Coutts & Co has reviewed its AML procedures and, as noted by the FSA, has implemented a number of improvements.

3) The Federal Reserve Bank of Boston issued a Cease and Desist Order and a civil money penalty of US\$ 50 million on RBSG and RBS plc on 11 December 2013. In a separate action, the New York State Department of Financial Services announced a settlement of US\$50 million with RBS plc. The U.S. Department of Treasury's Office of Foreign Assets Control announced a settlement of US\$33 million, which was deemed satisfied by the civil money penalty issued by the Federal Reserve. The Cease & Desist requires RBS to improve their programmes for compliance with U.S. economic sanctions. In advance of this Order being served, RBS conducted a voluntary review of its U.S. dollar transactions and has undertaken enhancements to its OFAC compliance systems and controls.

Further information

If you have any questions or require further information regarding The RBS Anti-Money Laundering programme, please contact:

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