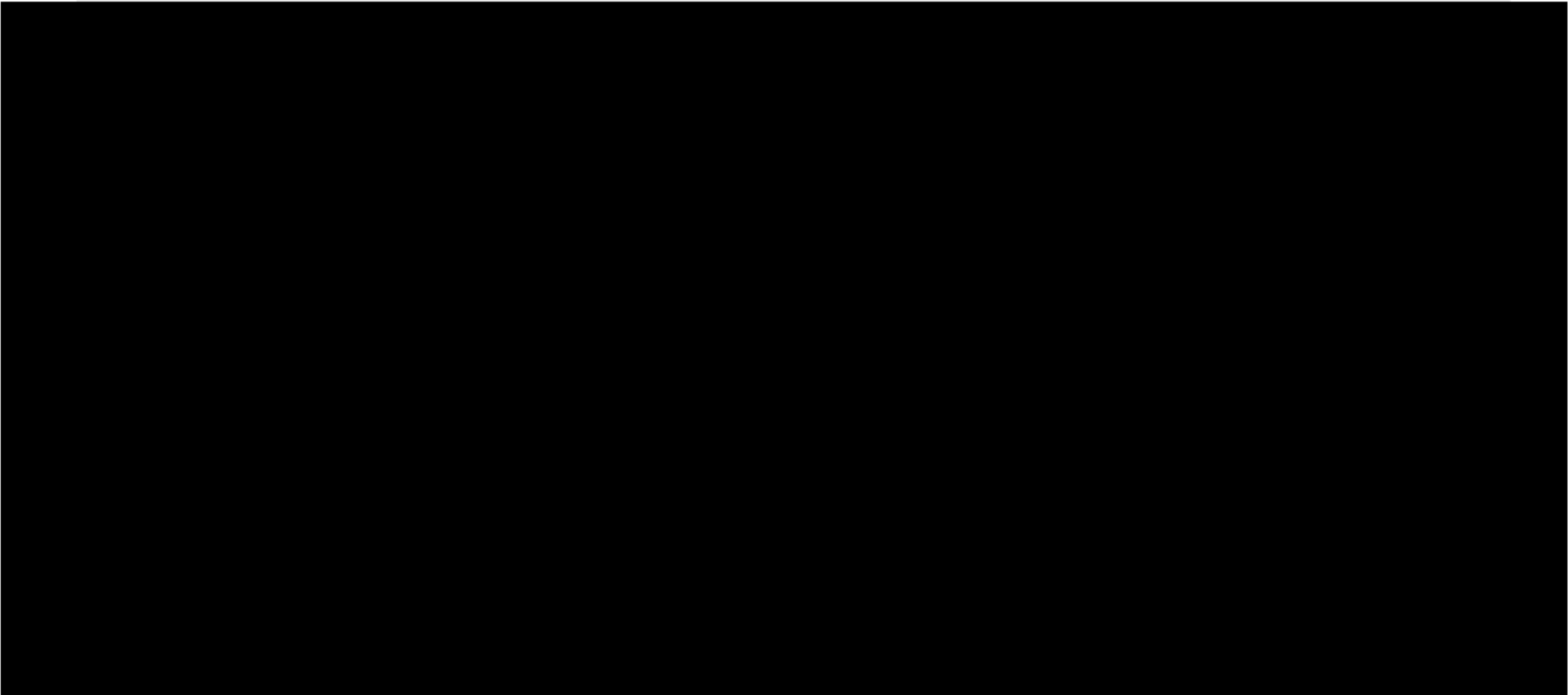




**The Royal Bank
of Scotland**

Global Restructuring Group

High Level Controls Document



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1 Introduction

As a Company listed on the London Stock Exchange, with certain principal subsidiaries (including The Royal Bank of Scotland plc and National Westminster Bank Plc) which are authorised institutions under the Financial Services and Markets Act 2000, The Royal Bank of Scotland Group plc (“the Group”) is required to codify in a written report for the Financial Services Authority (“FSA”) its control procedures, including the way in which the formal Board and Committee structure and approval systems operate. The Group’s divisions also fall under the same obligation.

Global Restructuring Group (GRG) as a Division therefore falls under these obligations.

The GRG High Level Controls Document is maintained by the business on behalf of the Division. The GRG Executive Committee will review annually the High Level Controls Document (normally in May of each year to coincide with Group commitments to the FSA). Any material changes to the report during the course of the year will also require the GRG Executive Committee to review and approve. Businesses and Support Functions within the Division are required to advise Group Secretariat of any changes to the content of the report outside the annual review cycle as soon as possible to ensure that the document remains relevant / current.

1.1 Purpose of Document

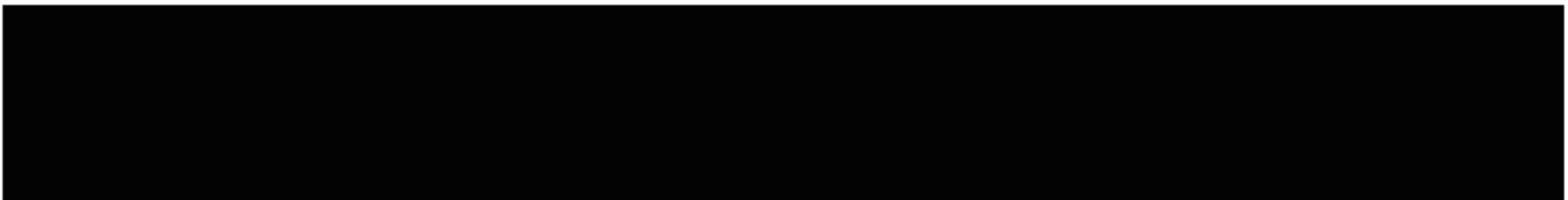
This document sets out the high level controls that exist within GRG, including the reporting structure and Terms of Reference for the Senior Committees. These controls are fully aligned to the Document on High Level Controls for the Group that is submitted to the FSA.

Controls, policies and procedures specific to GRG’s businesses and functions continue to be developed and are being documented separately within their own policies / procedures manuals.

2 GRG Overview

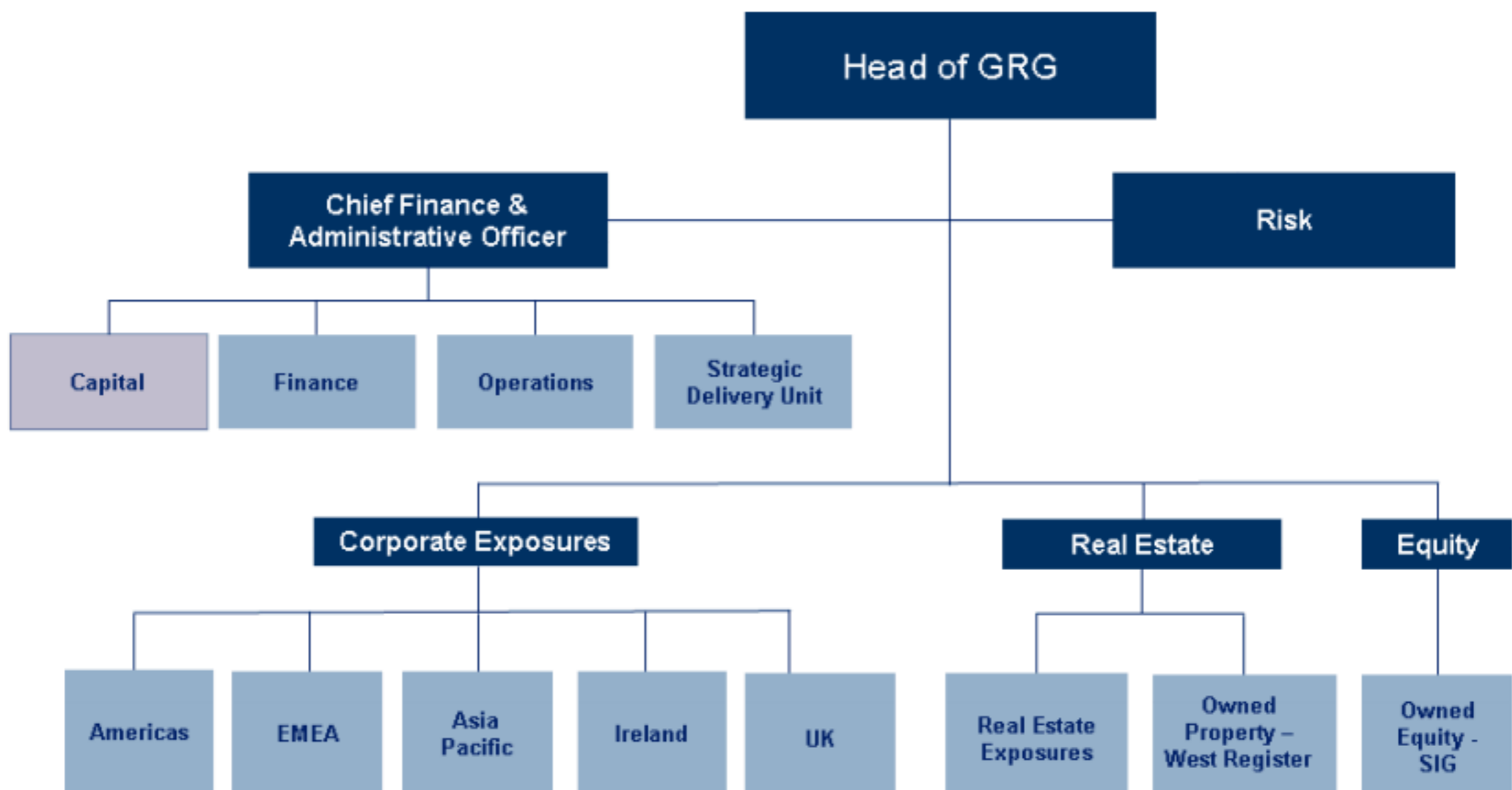
GRG's aim is to be the recognised leading edge of a wider rescue culture and a major contributor to the Group's bottom line. GRG manages relationships and provides customer focused financial service to a global client base, its prime function being to undertake positive and active management of the Bank's problem lending portfolio. The Division seeks to:

- Add value to exposure management with the aim of returning accounts to the originating Group Business Unit / Subsidiary in a "satisfactory" condition;
- Execute effective asset management by maintaining focus on mitigating losses, matching risk with reward and restoring and rejuvenating trading businesses where possible.
- Maximise debt recoveries and obtain sustainable fees as a component of minimising losses and enhancing revenue opportunities. Whilst remaining customer focused, this is achieved by continued effort on cross-sell, generating fees through innovative solutions and supporting the return of profitable core relationships back to the bank for future growth.
- Focusing on business restructuring not just financial restructuring



GRG undertakes both the management of customer relationships and the credit function.

2.1 GRG Organisational Structure



The Division is led by the Head of GRG, who reports to the Head of Restructuring and Risk.

The Division has five business units which are responsible for the management of the problem lending portfolio. A summary of the principal Business Units and support and control functions is given below. Section 2.3 details the respective Business Locations for each of the Business Units.

2.2 Business Units

GRG undertakes both the management of customer relationships and the credit function.

2.2.1 Corporate Restructuring Unit

CRU is responsible for the relationship and credit management of all corporate connections where RBS' exposure is more than £20m **OR** where the customer is "multi-banked" through Bi-Lateral or Syndicated facilities **OR** where it is a quoted PLC.

Cases are transferred to the London based CRU Team from both MIB and CBD and are, in the main, UK-based corporates, although it does manage some European connections particularly if the loan was originated in the London market.

In the main its cases are either large private equity owned businesses or fully listed UK plcs. The average exposure is around £50m on each case.

CRU only deals with cases that are not in insolvency (RECS) and do not deal with pure Real Estate exposures although it would deal with house-building companies or hotel companies.

Regional teams in EMEA, APAC and US broadly mirror the CRU London operating model.

2.2.2 Business Restructuring Group (BRG)

UK corporate and commercial connections where the exposure exceeds £1m are managed by teams within BRG units located across a number of regional offices – London, Birmingham, Manchester, Edinburgh, Cambridge, Bristol and Leeds. Exposures below £1m are credit managed by Strategy Management Unit (SMU) located in Manchester and Edinburgh.

2.2.3 Recoveries

Connections where insolvency procedures are in place are managed by Recoveries teams in UK Regional Offices.

2.2.4 Real Estate Restructuring (RER)

RER specialise in exposures relating to real estate owners, occupiers, investors and developers. The Property Ventures team invests in equity and mezzanine instruments, as well as joint venture and significantly adds to the solutions delivered to UK customers.

2.2.5 Strategic Investment Group (SIG)

SIG performs a number of roles:

- Advising debt teams within GRG on the structuring, documentation and execution of equity investments and other forms of upside instrument negotiated by GRG in the course of debt re-structuring. Ensuring that the rewards from such instruments are commensurate with the risk.
- Ensuring that all internal policies and procedures relating to the approval of equity investments are complied with.
- Taking ongoing management responsibility for all equity investments and other forms of upside instrument negotiated by GRG in the course of debt re-structuring, including appointment of Directors, investment monitoring, attendance at Board meetings and recommendations regarding exit/hold strategy.
- Investing in small company venture capital opportunities at the mezzanine debt level.
- Managing a portfolio of equity and regional venture capital fund investments which formed a part of the historic Royal Bank Private Equity business prior to a re-organisation in 2002.

SIG is based in UK, with a principal locus in London and a presence in each of Birmingham, Leeds, Manchester and Edinburgh. SIG also has representatives in EMEA (including Ireland), Americas and Asia Pacific.

2.2.6 West Register

West Register is used to acquire property assets from distressed situations where taking ownership is determined to be the best way to maximise the Bank's recovery.

West Register is mandated to consider purchasing any property asset where the property loan is distressed and where the property is being offered for sale. West Register is particularly interested in assets where there is potential to increase value through active asset management and where today's realisation value through a sale in the market does not create optimal recovery for the Bank. The only assets West Register will not consider are those valued below £250,000 (with the exception of plots of land).

West Register Property is solely a buy in vehicle and works closely with the Property Advisory Unit within BRG. The West Register team also consults with the various Recoveries teams and the Real Estate Restructuring team to help determine optimal recovery strategy for distressed property loans.

Once acquired, the West Register team work to create additional value through active asset management of the property assets with a view to exiting when market conditions are more opportune.

The UK team is primarily based in London, with a small operation in Edinburgh.

RBS operates West Register Property vehicles regionally across the Group, in the Americas, EMEA (including Ireland) and Asia Pacific, all of which report individually to their local GRG management.

Business Locations

The businesses within each group are located in accordance with particular regulatory, jurisdictional and business requirements. In summary, the business footprint is as follows:

Business unit	UK	Ireland	EMEA	Americas	Asia Pacific
Corporate Restructuring Unit	✓	✓	✓	✓	✓
Business Restructuring Group	✓	✓			
Recoveries & Litigation	✓	✓	✓		
Real Estate	✓		✓	✓	
Strategic Investments Group	✓	✓	✓	✓	✓
West Register	✓	✓	✓	✓	✓

2.3 Support and Control Functions

ADD IN DECLAN'S NEW ROLE AS CHIEF FINANCE AND ADMINISTRATIVE OFFICER

2.3.1 Chief Operating Officer

The Chief Operating Officer (COO) reports directly to the Chief Finance and Administrative Officer. The COO is accountable for ensuring the operational smooth running of GRG and various first line of defence risk and control activities, including the following:

- Change management
- Business management and administration (including management of the Strategy & Credit Review process)
- Operational control (first line of defence)
- Core operational processes and Business Unit support (including some credit processes)
- Assurance Testing
- Loss Data Collection
- Technical Learning & Development
- Internal Communications

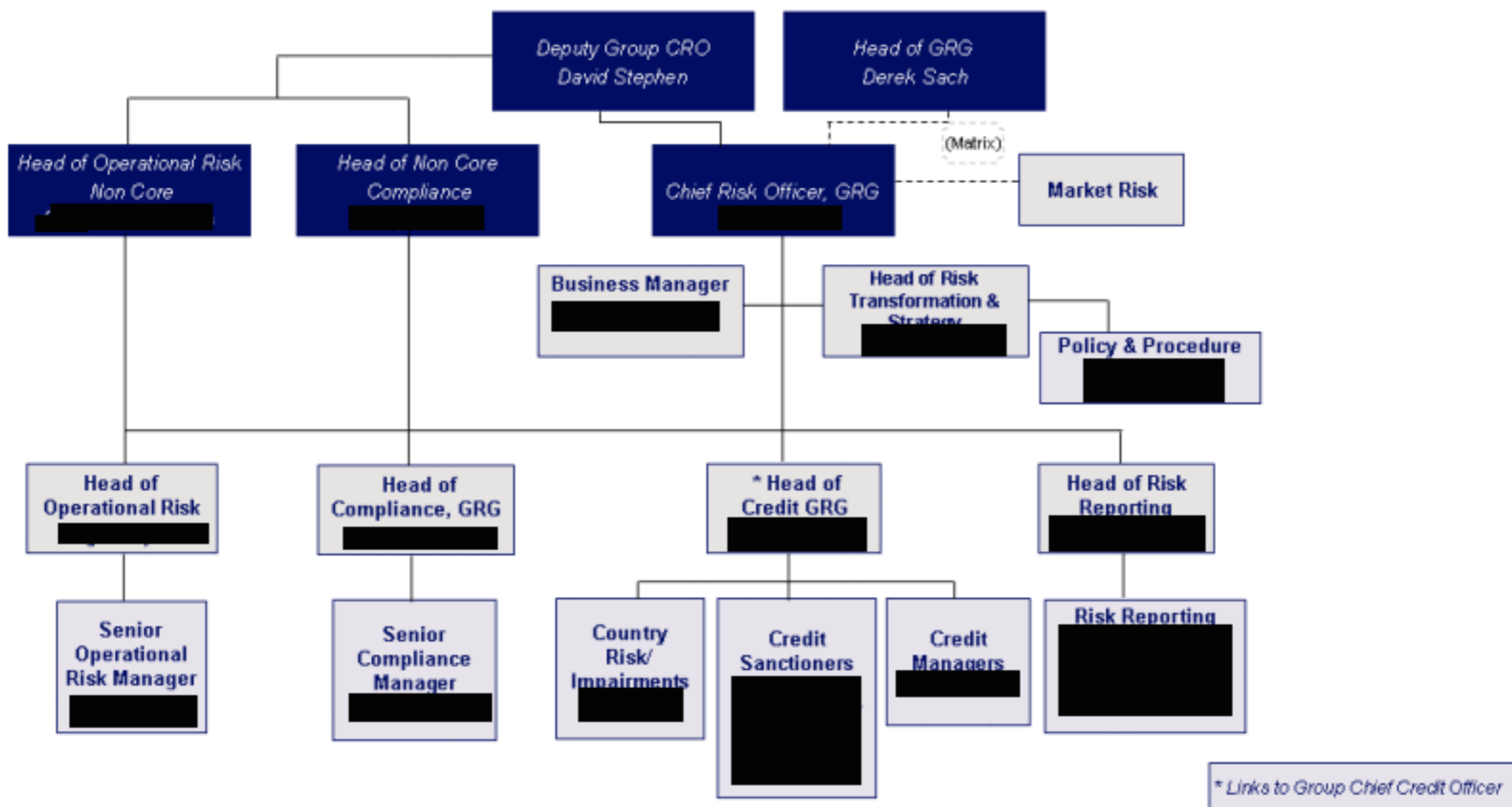
2.3.2 Risk

The Deputy Group Chief Risk Officer has delegated Credit Authority, up to Direct Risk Limits of £500m, to the Chief Risk Officer, GRG and all risk management decisions made within GRG must align with the RBS Group Risk Management Policy.

The Chief Risk Officer, GRG reports directly into the Deputy Group Chief Risk Officer with a dotted line to the Head of GRG. The Chief Risk Officer, GRG is accountable for ensuring that robust second line of defence is implemented across GRG globally, comprising of the following:

- Credit sanctioning for cases with aggregable exposures in excess of £20m
- Risk Transformation
- Policy & Procedures
- Operational Risk
- Regulatory Risk & Compliance
- APS Assurance and Data Quality
- Risk Data Quality
- Liaising with Group Risk on Credit Quality Assurance
- Liaising with Non-Core Division on Market Risk issues
- Delegating, reviewing and approving credit authorities to GRG personnel
- Risk reporting

2.3.3 GRG Risk Organisational Structure



2.3.4 Finance

The Finance Director, GRG has a reporting line to the Chief Finance and Administrative Officer and also to the Risk & Restructuring Chief Financial Officer.

Specific responsibilities include:

- Providing support and guidance to plan and manage the overall performance of GRG in achieving its financial targets and objectives, and challenging the business to deliver, where necessary;
- Delivering accurate and timely financial and management information for GRG;
- Providing accounting operations
- Providing a cost control monitoring framework
- Implementing and ensuring adherence to Group accounting policies;
- Providing key business information to the GRG Executive Committee, the Restructuring & Risk Division Board and the Group Board, as required
- APS Reporting

2.3.5 Human Resources

Human Resources have responsibility for shaping and delivering GRG people strategies and optimising contribution in order to achieve GRG business goals, with a focus on people retention and morale.

Key activities include:

- Integration and business reorganisation
- Resourcing and recruitment proposition
- Retention
- Harnessing staff commitment and engagement
- Developing talent
- Managing performance and developing capability
- Operational excellence
- Developing GRG reward proposition

An HR Business Partner is aligned to GRG and is supported by a pool of HR consultants. The HR Business Partner has direct reporting line into HR and an indirect reporting line to the Head of GRG.

2.3.6 Legal support

Legal support and control is provided by Group Legal Services, through the General Counsel and Director, Group Legal with nominated Relationship Managers supported by a Core Team of senior lawyers. Support is given on a wide range of matters including:

- Structuring and complex transactions;
- Policy issues and strategic initiatives;
- Use of external legal firms and the provision of legal secondees; and
- Compliance with competition law

2.3.7 Compliance support

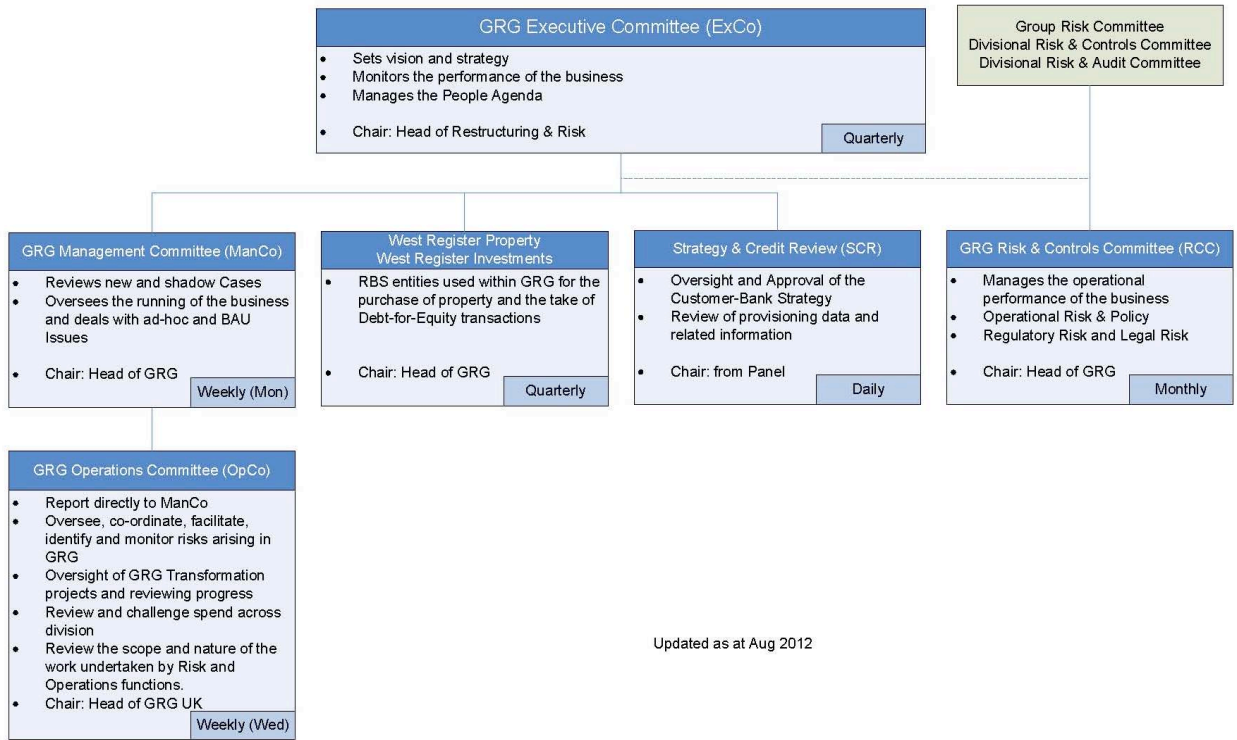
Compliance support is provided by both Divisional Regulatory Risk & Compliance teams and our in-house Regulatory Risk & Compliance team, whose responsibilities cover the second line of defence, including:

- Compliance monitoring
- Identification, assessment, management and reporting of regulatory risks
- Management of remediation actions
- Liaison with Group Regulatory Risk
- Advise and liaison on Asset Protection Scheme (APS) Compliance

3 High Level Governance Structure

3.1 Overview

The high level GRG Executive Committee and senior committees are structured as set out below.



3.2 GRG Executive Committee ('GRG ExCo')

The GRG Executive Committee assists the Head of GRG, in leading and directing the business in order to create a sustainable competitive position and build significant customer and shareholder value within acceptable parameters of risk. It also oversees the investment spend in line with the agreed limits and strategy set.

The GRG Executive Committee meets quarterly with ad hoc meetings convened as necessary and has delegated authority from the Restructuring & Risk Division Board to make decisions with respect to the GRG Business.

3.3 GRG Management Committee ('GRG ManCo')

The GRG Management Committee is responsible for ensuring the overall strategy of the ExCo is being delivered, including people resourcing and retention, determining and reviewing the key financial objectives, considering emerging issues that may be material to the division and the realisation of its agreed strategy and instigating actions required to address such emerging issues.

It is responsible for managing the people agenda, providing clear leadership and management of employees to achieve the business's goals and creating an environment where employees are engaged and motivated and that service delivery is at or above agreed levels.

It also has authority over the day to day management of the business. New connections being transferred into GRG are reviewed, and "Shadow" cases are reviewed to track progress on cases which will potentially transfer to GRG. Appropriate and effective resource allocation is reviewed to ensure that the business is adequately staffed to meet its objectives.

Manco members are; Derek Sach, Ian Roberts, Declan Hourican, Laura Barlow, Aubrey Adams, John Davison. Manco is, from time to time, attended by other senior leaders* as appropriate.

*being: Ad Noordzij, Joy McAdam, Pete Ballard, Tim Stewart, Helen Gordon, Dave Clark, Kelly Page, Kavita Gopinathan, Neil Bradley.

3.4 Operations Committee ('GRG OpCo')

On behalf of the GRG Management Committee, the GRG Operations Committee ensures that the activities of risk, finance and operations are closely and effectively aligned with the GRG strategic objectives and co-ordinated with the business heads/relationship managers.

The Committee also enhances the effectiveness and efficiency of all functional support in GRG through close co-ordination with the business heads and donor divisions.

The responsibilities and authorities of the committee extend to RBS NV.

The committee has approval authority over decisions affecting the risk and/or financial position of RBS NV, subject to specific conditions for RBS NV as stipulated above under Quorum and Decision Making Process, and in accordance with the requirements as specified in the High Level Control Document for RBS NV Risk Management.

The Operations Committee reports directly to the GRG Management Committee, and is accountable for the following:-

- Oversight of GRG Transformation and Change projects and reviewing progress
- Reviewing the scope, nature and delivery of the work undertaken by Finance, Risk & Operations functions
- Review support provided by Group Functions (HR, Legal, Business Services etc)
- Oversight of reporting to GRG Management Committee and GRG Executive Committee, including key metrics
- Provide performance dashboard to GRG Management Committee highlighting achievements/risks against strategic objectives and strategic plan
- Agree the format and content of relevant reports to be submitted to the GRG Management Committee and GRG Management Forum
- To consider issues that need to be raised at GRG Management Committee/Management Forum
- Discuss overall prioritisation of workstreams, and the resourcing required to deliver these
- Assess progress with current projects work stack, and identify/discuss any potential risks and issues
- Consider potential new projects
- Oversee interaction with donor divisions. Monitor and prioritise third party requests for data, information, GRG time, e.g. from NCD, APS, Group Risk, GIA, FSA etc
- Agree communications for the coming week/fortnight, in terms of content, format, frequency etc
- Discuss wider resourcing issues and plans to address resource constraints
- Reviewing resource allocation and headcount to ensure that it is appropriate and effective and the business is adequately staffed to meet its objectives. Approval of additional headcount requires the sign-off of the Head of GRG
- Ensure that GRG worldwide requirements are considered in all of the above
- Managing the people agenda, supporting the Business Heads to provide clear leadership and management of employees to achieve the business's goals and creating an environment where employees are engaged and motivated and that service delivery is at or above agreed levels;

3.5 Risk & Controls Committee ('RCC')

The GRG Risk & Controls Committee has authority over the control framework in GRG. It provides oversight as to the appropriateness and execution of the control framework. It has the authority to modify or annul decisions made relative to the control framework including the approval of investment.

The GRG Risk & Controls Committee reports to the GRG Executive Committee. It is accountable for the efficient execution of the control framework and undertakes to escalate the risks and issues detailed above to the Divisional Risk Committee as appropriate.

The RCC operates under delegated authority of the GRG Executive Committee and meets monthly.

The main responsibilities of the Committee include:

- Acting in support of the second line of defence to oversee, co-ordinate, facilitate the effective identification and monitoring of risks impacting the division
- Carrying out on behalf of the GRG Executive Committee its responsibilities relating to internal control, financial reporting controls, risk assessment and regulatory compliance
- Ensuring that appropriate risk management strategies, policies and processes are implemented to enable the division and each business within the division to comply with its obligations relating to risk assessment, risk controls, regulatory compliance and supervision
- Reviewing reports, findings and recommendations from each business area and any other relevant forum, noting any significant issues in the period under review; and to note work planned for the next period
- Assisting on such other matters as may be referred to it by the GRG Executive Committee or the Restructuring and GRG Divisional Audit Committee
- Escalating issues to the GRG Executive Committee and Restructuring and GRG Divisional Audit Committee as appropriate.
- Ensuring the Control Environment Certification Policy is followed.
- Ensuring that action is taken and tracked where either the framework itself or the efficiency of the framework is deemed to require management action.
- Ensuring that adequate resource is dedicated to managing the risks of the business within thresholds agreed.

The Committee will make available to the GRG Executive Committee and the Restructuring and GRG Divisional Audit Committee the minutes of the meeting as required.

3.6 Strategy & Credit Review Committee ('SCR')

All "live" GRG Connections are subject to a full credit review and formal submission sanctioned at the appropriate level and at least on an annual basis. GRG also operates its own Strategy and Credit Review by a panel of senior GRG members, at least once annually.

The purpose is to review the strategy being pursued and provides an opportunity for senior and experienced members of the team to review the case strategy. SCRs also review the credit grading, Loss Given Default (LGD), provisions and stress loss management.

The GRG SCR Committee has authority to consider, approve, review and challenge all strategy proposals and issues falling within the scope of the committee and to make recommendations to or escalate for further consideration those matters requiring referral to the GRG Executive Committee, Head of GRG or Divisional Risk Committee, at the discretion of the chairman.

GRG also submits connections to the relevant Divisional and Case Strategy Review Forum (CSRFB) where total exposure levels are above £20m, or potential/actual provision movements in excess of £5m are proposed or other significant issues warrant high level review.

The Non-Core Division has right of attendance to opine and input into case strategy but the final decision stands with the Chair and as such ultimately with GRG.

3.7 Subsidiary Companies

A record of all current subsidiaries and Joint Ventures controlled by GRG is maintained by Group Secretariat. Group Secretariat provides Company Secretariat services to GRG. Company Secretariat services for some non-UK subsidiaries will be provided by the local in-house lawyers, or a local external law firm or other such agent.

The Head of GRG and the Chief Finance and Administrative Officer, GRG are responsible for an appropriate level of statutory accounting and signing off the statutory accounts respectively.

Separate legal entities are incorporated in accordance with instructions issued by Group Secretariat.

Approvals for capital injections into subsidiary companies are sought in accordance with Group Finance instructions as set out in the Group Finance Policies and Procedures documents. Proposals are subject to the approval of the Portfolio & Investment Committee and the Capital & Finance Committee.

4 Detailed Governance Structure

4.1 Head of GRG

The Head of GRG is appointed by the Head of Restructuring & Risk.

The Head of GRG has delegated authority from the Restructuring & Risk Division to make decisions in respect of Global Restructuring Group as and when the need to do so arises. Such decisions include issues that do not otherwise fit within the normal control framework and are normally subject to discretionary limits set by the Restructuring & Risk Division. These decisions would normally be within the remit of the GRG Executive Committee but may be made by the Head of GRG alone if they need to be made quickly and without the existing committee framework. The authorisation limits for such decisions, for project and non-project expenditure, are detailed in the GRG Executive Committee Terms of Reference.

Where, exceptionally, it is not possible to seek prior approval for the decisions defined above, the Head of GRG can seek sign off at the next GRG Executive Committee and ratification from the Head of Restructuring & Risk Division if the Head of GRG deems necessary or escalate the decision immediately to the Head of Restructuring & Risk for approval.

The Head of GRG has delegated Business Authority (as defined in GRG Credit Authorities and Approvals) from the Head of Restructuring and Risk up to Direct Risk Limits of £500m and is authorised to delegate authority to Business Approvers in GRG.

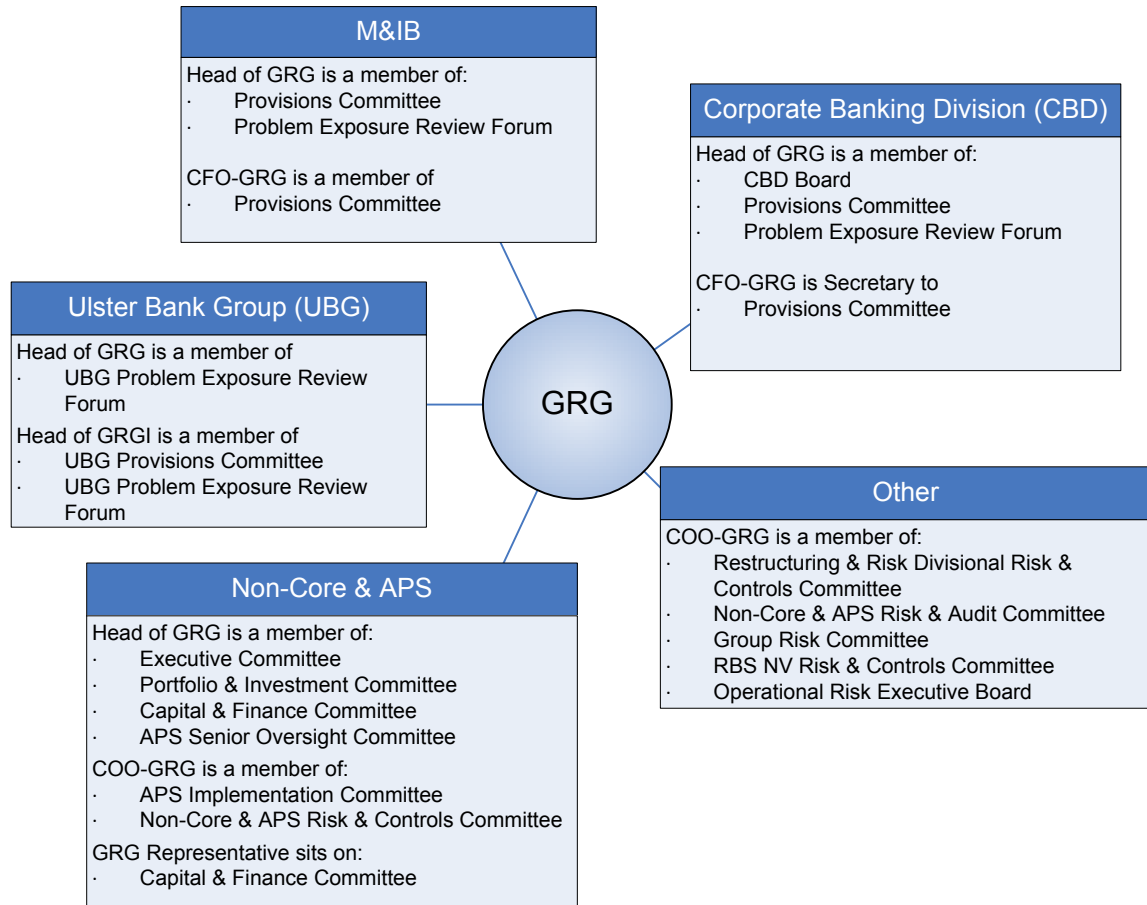
The Head of GRG, together with the ExCo, is accountable for:

- Strategy and direction of GRG;
- Business performance;
- Effective use of resources;
- Effective risk management;
- Regulatory compliance;
- Managing the people agenda;
- Ensuring delivery is at or above agreed levels; and
- Delegating and reviewing Business Approver authority within GRG.
- Reporting on all of the above, as required.

5 GRG representation on other committees

5.1 Overview

GRG is represented at a number of committees and other fora, as shown below:



6 Group Policy Framework

All other terms within the RBS Group High Level Controls Document shall apply to GRG. However terms relating to Asset and Liability Management will not apply to GRG as GRG does not have control of its own balance sheet as it's assets under management remain on the balance sheet of the originating Divisions respectively.

All other requirements and terms contained in the Group Policy Framework shall apply to GRG, unless specifically wavered or detailed otherwise.

Additionally GRG, where specifically requested by reference in policy, shall comply with any additional Divisional policies and requirements. Any new or changes to Divisional policies and as such requirement for GRG to comply must be agreed and approved in advance of implementation.

GRG will attend Divisional Committees as agreed and required by their respective Terms of Reference. Any new or changes to Divisional Committees attendance requirements for GRG must be agreed and approved in advance of implementation.

All Regional, Country or Jurisdiction requirements shall also apply to GRG, unless specifically wavered or detailed otherwise.

GRG also has its own Policy and Procedures Manual which sets out any additional requirements for GRG to those above.