

# From Global Restructuring Group ('GRG') to RBS Restructuring

## Explaining how RBS has changed the way it supports customers in financial distress

The Restructuring mandate, operating model and culture has changed considerably in recent years.

RBS Restructuring function has a single, clear purpose:

- To protect the bank's capital. Where practicable it will do this by working with commercial and corporate customers to support their turnaround and recovery strategies and enable a return to mainstream banking.
- It will always aim to recover capital in a fair and efficient manner.

## £5bn to over £70bn



## Real Estate accounted for 60% of all cases in GRG

At its peak in August 2011, approximately **60% of cases managed by GRG** were related to commercial real estate and other property-based lending such as hotels, care homes and construction.

## Rapid rise in SME customers

There was an unprecedented increase in SMEs within GRG, **rising to a case load of 5,044 customers in August 2011 up from 1,356 at the start of 2008**. In the space of three years, GRG's headcount to support SMEs increased significantly from c.55 to over 250.

## Important role for the bank

**RBS lost more than £2bn from lending to SME customers and £50bn overall. Despite these challenging circumstances, GRG played an important role for SME customers and the bank.**

Between 2011-2013, GRG advanced **over £100 million of new lending to SMEs**, successfully restructured thousands of SMEs and in doing so safeguarded tens of thousands of jobs.

## £77bn of assets

At its peak, GRG managed **£77bn of assets and 12,500 connections** across 20 countries and 49 offices.

Restructuring works closely with Commercial and Private Banking. Customers retain their mainstream relationship manager as they go through restructuring.

**Key changes designed to improve our customers experience are:**

	Now: RBS Restructuring	Then: GRG
<b>Purpose and mandate</b>	<ul style="list-style-type: none"> <li>To protect the bank's capital. Where practicable it will do this by working with commercial and corporate customers to support their turnaround and recovery strategies and enable a return to mainstream banking.</li> <li>It will always aim to recover capital in a fair and efficient manner.</li> </ul>	<ul style="list-style-type: none"> <li>Restore customers to acceptable credit condition</li> <li>Obtain return for increased risk</li> <li>Minimise losses and maximise recoveries</li> <li>GRG had ultimate right to invoke transfer into their area</li> </ul>
<b>Consistency of relationship</b>	<ul style="list-style-type: none"> <li>Customer keeps their mainstream banking relationship manager throughout the restructuring process</li> </ul>	<ul style="list-style-type: none"> <li>Mainstream banking relationship ended on transfer to GRG</li> </ul>
<b>Transparency of pricing</b>	<ul style="list-style-type: none"> <li>Pricing based on mainstream pricing risk models</li> <li>Simplified pricing and products for SME customers – discontinued PPFAs and equity instruments</li> <li>90 days' grace provided before charging interest at default rate</li> <li>30 days' notice in writing of any changes to fees</li> </ul>	<ul style="list-style-type: none"> <li>Bespoke pricing within guidelines for senior, mezzanine and equity risk</li> <li>Deferred return and recovery instruments e.g. Property Participation Fee Agreements (PPFA) and equity</li> <li>Bespoke fee structures including ratcheted 'risk fees' and management fees</li> </ul>
<b>Potential conflicts of interest</b>	<ul style="list-style-type: none"> <li>Wind down of West Register substantially complete</li> <li>Unpaid secondments ended with small number of paid legal secondees retained</li> </ul>	<ul style="list-style-type: none"> <li>West Register as purchaser of last resort</li> <li>Secondees from professional services firms</li> </ul>
<b>Clear and consistent communications with customers</b>	<ul style="list-style-type: none"> <li>Standard letters re-written in clear and simple language</li> </ul>	<ul style="list-style-type: none"> <li>Standard letters based on legal terminology</li> </ul>