

TERMS OF REFERENCE: BALANCE SHEET MANAGEMENT COMMITTEE

1. CONSTITUTION & AUTHORITY

The Committee has been established by resolution of the Board on 24 June 2003 and is to be known as the Balance Sheet Management Committee. The Committee is authorised by the Board to undertake the duties detailed within these terms of reference. These terms of reference may be amended by the Committee from time to time, subject to approval by the Board.

2. OBJECTIVES

To oversee Treasury and Balance Sheet Management matters in advance of any recommendation to the Board.

3. MEMBERSHIP

The membership of the Committee approved by the Board on 23 May 2006 is:-

N J Cosh (chair)
R D Kent
Group Finance Director
Group Product & Marketing Director
Director of Treasury & Wholesale Banking

4. QUORUM

A quorum will require one Non-Executive Director and one Executive Director present and voting on the matter for decision. Should only one Non-Executive Director be present, he has the right of veto on any proposal and cannot therefore be outvoted by attending Executive members. The Company Secretary is Secretary to the Committee.

5. ROLE

- (a) To consider and approve secured and securitised funding transactions and the establishment or renewal of Medium Term Funding Programmes in line with Treasury Policy statements
- (b) To consider and approve Treasury new business initiatives prior to submission to the Board
- (c) To consider Balance Sheet Management issues and approve any proposals prior to submission to the Board for approval including:
 - review of capital management and balance sheet strategy
 - the raising of capital
 - dividend policy
- (d) To review Treasury and Lending Policy Statements prior to submission to the Board
- (e) To review/monitor the effect of these and other initiatives on the Group's credit rating.

6. PROCEEDINGS

Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Company's Articles of Association regulating the meetings and proceedings of Directors.

The Secretary of the Committee shall circulate the Minutes of the meetings of the Committee to all members of the Committee, to members of ALCO and, if the Chairman so decides, to all members of the Board.

7. **EXCLUSIONS**

- (a) The approval of matters otherwise reserved to the Board.
- (b) Consideration of matters dealt with by other sub-committees of the Board or items of an executive management nature dealt with by the various Executive Management Committees (eg EXCO, ALCO, or Group Risk Committee).

8. **FREQUENCY OF MEETINGS**

Meetings shall be held at least quarterly and otherwise as required to satisfy the operational requirements of Treasury and Lending.