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## **Board Credit Committee Terms of Reference and Constitution**

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### **1. Constitution**

The Board has established a sub-committee to be known as the Board Credit Committee (BCC) to support it in achieving its objectives and responsibilities. BCC reports directly to the Board.

### **2. Membership**

- GM Finance & Risk (Chairman)
- Chief Executive
- Deputy Chief Executive & Finance Director
- Operations Director
- General Manager Marketing & Business Development
- Head of Commercial Lending
- Two Non-Executive Directors

The Chairman of BCC is appointed by the Board.

### **3. Quorum**

For a quorum to be established, a minimum of four of the members must be present who must include one Non-Executive Director, one Executive Director, the Head of Commercial Lending (or his alternate) and one other committee member.

### **4. Frequency of Meetings**

Meetings should be held on a quarterly basis.

The Chairman of BCC may also convene meetings of the committee if in his judgement a loan proposal or issue arises that must be sanctioned/addressed before the next scheduled meeting.

### **5. Authority**

BCC is authorised by the Board to:

- a) Maintain credit risk within Board approved limits;
- b) Maintain lending policy, risk control and profitability to assist in delivering the corporate plan;
- c) Set and agree the terms of reference for credit risk model development;
- d) Approve the design, selection, implementation, oversight and performance of any rating systems employed to deliver an IRB approach;
- e) Provide an oversight role in relation to the operation of the Commercial Lending business. This will include ensuring that there are adequate resources in place (staff numbers, experience and skills) and that the systems established by management to identify, assess, manage and monitor commercial loans are effective; and
- f) To sanction new lending up to £5m per borrower.

### **6. Objectives**

The objectives of BCC shall be:

1. Provide challenge and oversight of choices and validation required to reflect the optimal solution available for credit risk assessments;
2. Monitor the credit risk:
  - Portfolio quality;
  - Models (including application scorecard, behavioural model, EAD and LGD models and any IRB rating system);
  - Drivers, both internal and external; and
  - Stress testing impacts (as a minimum to include the stresses defined by

GRC);

3. Review at least annually any IRB rating system in line with FSA guidance;
4. Approve and monitor the credit risk elements to the Society's ICAAP;
5. Recommend to the Board, for approval and inclusion within policy, any new lending product area, market or lending jurisdiction;
6. Annually review the Lending Policies and present them to the Board for approval;
7. Monitor lending areas for alignment to the Board risk appetite;
8. Review, for adequacy, the mortgage insurance policy on an annual basis;
9. Approve and monitor the credit risk inputs to the pricing model;
- 1 Update the Board with regards to the Society's credit risks; and
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- 1 Provide appropriate training to members of the committee with regards to the
1. models, lending controls and committee structure.

#### **7. Communication**

The Secretary of BCC will circulate the agenda and papers for meetings at least two days before the meeting.

Formal minutes, approved by the Chairman of BCC, shall be submitted to the main Board following each meeting of BCC.

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