

**Leeds Building Society
Board Credit Committee
Terms of Reference**

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

- 2.1 Members of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chairman of the Board, other directors, compliance, and internal and external audit may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.3 The Board shall appoint the Committee chairman. In the absence of the Committee chairman and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Membership

- Non-Executive Director – Robin Ashton (Chairman)
- Chief Executive
- Finance Director
- Director of Strategy
- Sales & Marketing Director
- General Manger - Finance (Chairman of Management Credit Committee)
- Chief Risk Officer
- Non-Executive Director – Ian Robertson
- Non-Executive Director – Les Platts
- Secretary – Sarah Bentley

3. Quorum

The quorum necessary for the transaction of business shall be at least four members who must include one non-Executive Director, one Executive Director, the Chief Risk Officer or his nominated deputy and one other Committee member. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

The Committee shall meet at least six times a year at appropriate times and otherwise as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be scheduled in the Board calendar. Ad hoc meetings shall be convened by the Secretary of the Committee at the request of any of its members.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive

directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.

6. Minutes of Meetings

- 6.1 The secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated to the Chairman promptly. Once approved, the secretary will include the minutes in the Board papers for the next meeting, with a summary of the key items for noting.

7. Duties

The Committee shall

- 7.1 Provide oversight of the risk management framework for controlling credit risks arising from ongoing residential lending activities and historic commercial lending exposures.
- 7.2 Monitor actual and forecast residential lending exposures against policy limits and risk appetite.
- 7.3 Assess management's recommendations for changes to the following policies and present to the Board for approval, and review the policies at least once a year, and present the policies, including any revisions, to the Board for approval:
 - the Residential Lending Policy
 - the Residential Arrears and Possessions Policy
 - the Forbearance Policy.
- 7.4 Review annually the Society's Commercial Lending mandate structure, assess management's recommendations for change and present the mandate structure, including any revisions, to the Board for approval.
- 7.5 Monitor the residential and commercial portfolio quality and, in particular:
 - arrears performance/trends (including regional, criteria and niche lending impacts)
 - loan to value ratios and negative equity exposures
 - expected losses and loss emergence compared to forecast including large losses
 - underlying credit risk arising from potential borrower financial stress and impact of external factors (such as interest rates, unemployment, house price falls)
- 7.6 Receive the minutes of the monthly Management Credit Committee to ensure that policies, procedures and controls are operating in managing the following effectively and provide appropriate challenge:
 - Adherence to the Residential Lending Policy
 - Adherence to the Residential Arrears and Possessions Policy
 - Adherence to the Forbearance Policy
 - Adherence to the Commercial Lending mandate structure
 - Residential and commercial loans in arrears/possession
 - Loans not in default but with underlying potential impairment characteristics
 - Emerging credit risk issues through appropriate forward-looking management information
 - Recoveries after crystallisation of losses.
- 7.7 Approve and monitor the credit risk elements of the Society's ICAAP and, in particular the impact of the Group Risk Committee defined stressing scenarios

- 7.8 Review at least annually the performance of the application scorecard, EAD and LGD models and the impact on any IRB rating system in line with FSA guidance.
- 7.9 Review, for adequacy, the mortgage insurance policy on an annual basis.
- 7.10 Consider recommendations from the MCC on the implementation of the approach to evaluating affordability for new residential lending decisions.
- 7.11 Consider and approve the loss inputs into the Society's mortgage product EVA model.

8. Reporting responsibilities

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9. Other Matters

The Committee shall

- 9.1 have access to sufficient resources in order to carry out its duties, including access to the Society's Secretariat for assistance as required
- 9.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
- 9.3 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

10. Authority

The Committee is authorised to

- 10.1 maintain credit risk within Board approved limits;
- 10.2 set and agree the terms of reference for credit risk model development;
- 10.3 sanction new lending and loan renewals/restructures in accordance with Board delegated authorities
- 10.4 approve the design, selection, implementation, oversight and performance of any rating systems employed to deliver an IRB approach.
- 10.5 seek any information it requires from any employee of the Society in order to perform its duties
- 10.6 obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.

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