

SWANSEA
BUILDING SOCIETY

Established 1923

**Terms of Reference
Assets and
Liabilities
Committee (ALCO)
and Credit Risk
Committee**

The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, Reference No. 206066

Swansea Building Society

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Terms of Reference Assets and Liabilities Committee (ALCO) and Credit Risk Committee

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Terms of Reference

Purpose

- 1 The Committee will consider the detailed Society performance figures and make recommendations to the Board on:
 - the adequacy of the Society's performance in delivering operating margin and growing its capital reserves;
 - the forecast liquidity for the Society, funding options for operations, treasury management and liquidity management;
 - compliance with Regulator monitored ratios and targets for capital and liquidity;
 - changes desirable in account management, policies, procedures and products to improve performance and deliver the Strategy set out;
 - product governance arrangements, in particular the approval and withdrawal of products;
 - the Society's loan book performance in relation to credit risk and keeping the Society within its credit risk appetite;
 - provisioning for mortgage credit losses;
 - Lending policy and lending mandate.
 - Internal liquidity adequacy assessment process
 - Internal capital adequacy assessment process
 - Model Risk Policy

Membership

- 1 ALCO shall be a Sub-Committee of the Board composed as follows: a The Chair, who shall be a Non-Executive Director; b Two further Non-Executive Directors; c The Chief Executive, Finance Director and Financial Controller.

- 2 The Society Chairman may not be a member but is invited to attend meetings unless the Committee deems that this is inappropriate.
- 3 The Director of Risk and Compliance may not be a member but is invited to all meetings as an observer.
- 4 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 5 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Secretary

The Society secretary or his nominee shall act as the secretary of the Committee.

Quorum

The quorum necessary for the transaction of business shall be four members, of whom at least 2 must be Non-Executive members and 1 Executive member.

Frequency of Meetings

The Committee shall meet for the dispatch of business as often as it shall find necessary. At present this is monthly with the exception of August. The

Committee shall have access to all reports produced for or on behalf of the regulators. The Committee shall convene at short notice as required should urgent product related issues be identified.

Notice of Meetings

- 1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the Committee Chairman.
- 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 three 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.

Minutes of Meetings

- 1 The secretary shall minute the proceedings of all meetings, including recording the names of those present and in attendance.
- 2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

Annual General Meeting

The Committee should carry out the duties below for the Society as appropriate.

Duties

The Committee should carry out the duties below for the Society as appropriate.

- 1 Examine the current operational performance, figures and trends, including:
 - Savings and mortgage flows;
 - Net interest margin;
 - Operational and mortgage credit losses;
 - Twelve month cash flow projections;
 - Quarterly review of 3-year budgets and forecasts; in order to form a view on the adequacy of reserves generation, capital and liquidity;
 - Quarterly oversight of credit risk across the entire loan lifecycle for different areas of the mortgage book such as residential and buy to let.
- 2 Review all key ratios that reflect the strength and safety of the Society, including those monitored by regulators:
 - Basel III Pillar 1, 2A and 2B assessments and Tier 1 capital ratio and surplus above TCR and comparisons to total minimum capital requirement;
 - Arrears;
 - Concentration risk and large exposures of mortgages
 - Stressed mortgage rate targets for mortgage affordability assessments;
 - Liquidity, adequacy of stress testing assumptions conclusions

- and the Liquidity Coverage Ratio;
 - Large shareholdings position;
 - Counterparty credit risk;
 - Potential impact of market data on these ratios;
 - Monthly review of GAP analysis.
- 3 Discuss products and delivery in the context of conclusions from points 1 and 2 above, including:
 - Performance and trends for each of the branches;
 - Any changes desirable to savers products based on members MI;
 - Any changes desirable to mortgage products based on members MI.
 - 4 Review changes to the Product Governance cycle and subsequently provide product approval/withdrawal recommendations to the board which have considered:
 - the risks associated with any new product recommendations.
 - the appropriateness of the continued sale of existing products.
 - any feedback provided in relation to product governance from the Conduct Committee.
 - 5 Consider any changes in policies or procedures needed in the light of conclusions from points 1-3 above or from specific recommendations made by the Executive team, Internal Auditors or by Regulators.

Reporting Responsibilities

- 1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 2 The Committee shall make agreed recommendations to the Society

Board and propose revisions to the Society Risk Register for any new risks identified or changes apparent in existing risks from the considerations above.

Other matters

The committee shall:

- 1 Have access to sufficient resources in order to carry out its duties, including access to the Society secretariat for assistance as required.
- 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.
- 3 Give due consideration to laws and regulations, the provisions of the code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 4 Annually evaluate the performance of ALCO and review the ALCO Terms of Reference, reporting the results to Board.

Authority and Powers

The Committee is authorised by the Board to:

- 1 Commission any additional work or analysis needed to fulfil its purpose;
- 2 Seek any information it requires from any employee or officer. All employees and officers are directed to co-operate with any reasonable request

for attendance or information made by the Committee.

- 3 Commission the Internal Audit (IA) function to access any Society data systems, documents and records required to ensure accuracy and completeness of information provided to ALCO and Credit Risk Committee – and to seek information and explanation from any member of staff for any matter under examination.
- 4 To obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference.

