

BOARD CREDIT RISK COMMITTEE

Responsibility

The Credit Risk Committee shall develop and recommend to the board oversight processes that will assist the board in fulfilling its responsibilities related to the association's credit and risk management practices. The committee will establish credit and risk management policies consistent with the Association's credit philosophy and recommend changes from time to time as the risk profile of the Association changes. The committee will monitor the performance of the loan portfolio through reports provided by Association management and in conjunction with the full board, take appropriate action if the direction or performance is not consistent with the Association's business plan.

The committee shall be provided with such resources as needed to fulfill its responsibilities, including outside consultants, as appropriate.

Membership

The committee shall consist of three or more members of the board appointed by the chairman of the board on an annual basis. The Committee Chairman and Vice Chairman will be appointed by the Board Chairman annually. Members of the committee should have a working knowledge with general business and/or basic finance and accounting practices. In addition, the Chairman of the Board may participate on a non-voting basis.

Meetings

The committee will meet at least six times a year with additional meetings as deemed appropriate. The committee will have access to the Chief Lending Officer and/or Chief Credit Officer and the Special Asset Manager. Depending on the findings of credit reviews, audits, or FCA examinations, the committee may meet from time to time jointly with the Audit Committee. At a minimum, the Credit Risk and Audit Committees will meet jointly at least annually.

The committee will meet in executive session at each meeting and shall reserve for such sessions all matters it determines should be discussed and voted on in executive session, including any matter that may be required by FCA regulations to be determined in executive session.

Minutes

Actions taken and/or issues discussed at each meeting will be reported to the full board. Minutes will be prepared and submitted to the committee for review and approval.

Specific Duties

- Review Association credit and risk management policies at their renewal date or as the situation dictates in the event of new or revised regulations, implementation of new lending initiatives or as a measure to control or reduce overall risk. Approve and recommend to the board all new or revised credit policies.
- Monitor credit risk, credit management performance and portfolio performance through reports generated by the Association lending and special assets

functions. In addition to Association generated reports, all audits, reviews, and examinations of the portfolio will be reviewed by the committee to determine appropriate action.

- Review compliance with and changes to Association underwriting standards.
- Review at least quarterly, all Association hold limits and monitor any exceptions. Review and approve revisions to the hold limits as recommended by management and report to the full board.
- Review with management significant credit risk exposures and the steps management has taken to manage those risks including progress towards reducing exposures that do not meet the Association's business plan objectives.
- Provide input into the scope of the Association internal credit reviews and coordinate with the Audit Committee a joint exit conference with the third-party completing the reviews.
- Review management's methodology for establishing the allowance for loan loss. Coordinate with the Audit Committee and jointly determine that the allowance methodology is consistent with FCA regulations, generally accepted accounting principles and Association policies and procedures.
- Review the type and quality of reporting to the board to ensure the board is advised of any matters of significance related to credit and risk management.
- Conduct an annual evaluation of the committee's performance and make recommendations to the chairman of the board.