

# **TERMS OF REFERENCE**

## **Assets and Liabilities Committee**

### **SCOPE**

The Assets and Liabilities Committee [the 'Committee' or 'ALCO'] shall assist the board in discharging its supervision responsibilities by overseeing all matters as specified in this Terms of Reference. The ALCO shall support the board in evaluating the adequacy and monitoring the implementation of La Prudence Leasing Finance Co. Ltd [the 'Company' or 'LPLF'] policies and procedures with regard to the risk appetite, risk monitoring, capital and liquidity management of the Company.

### **MEMBERSHIP**

1. The Committee shall be appointed by the Board from amongst the Independent and/or Non-Executive Directors of the Company and shall consist of not less than three members. It is recommended that the members of the Committee shall have employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
2. Any member so appointed shall hold office only until the next Annual General Meeting of the Company. A quorum shall consist of the majority of the members.
3. The Chairman of the Committee, who shall be a member of the Committee, shall be appointed by the Board and shall be an independent Director.

### **ATTENDANCE AT MEETINGS**

The following Officers attend meetings of the ALCO: CEO, Head of Operations and Finance and Risk Manager.

The Company Secretary shall be the secretary of the Committee.

### **VOTING**

Questions arising at any meeting shall be determined by a majority of votes of the members present.

### **RESOLUTIONS IN WRITING**

A resolution in writing signed by all of the members shall be as valid and effectual as if it had been passed at a meeting of the Committee.

Any such resolution may be contained in a single document or may consist of several documents all in like form.

## **FREQUENCY OF MEETINGS**

At least once every Quarter prior to the respective board meeting, or as may be required to discharge any of its duties.

## **AUTHORITY**

The Committee is authorised by the Board to investigate any activity within its terms of reference.

It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorized to review the policies and procedures in relation to ALCO matters.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **DUTIES**

The duties of the Committee shall oversee the implementation of policies and procedures for managing the Committee's interest rate, Liquidity and similar market risks relating to the Company's financial position and associated activities. The duties shall include but shall not be exclusive to:

### *Asset and Liability impacts of current operating plans, and market updates*

- (a) To review industry trends with respect to product innovations that influence the business practice of LPLF
- (b) To analyse the operating plans by asset and liability mix, growth and good books and bad books and margin and explain variations between actual and projected plans.

### *Liquidity and Funding Risk*

- (a) To review liquidity limits (liquidity ratio) and monitor the liquidity position of the Company and liquidity management activities undertaken by the LPLF, including funding activities, contingency funding and any other relevant liquidity measurements the Committee deems appropriate;
- (b) To review and approve liquidity risk tolerances by reviewing how the Bank's inability to meet its obligations as they become due may affect the Committee's profitability, capital and operations;
- (c) To review the maturity calendar between credit and debit products (liquidity mismatch);
- (d) To ensure availability of a liquidity contingency plan.

### Interest Rate Risk

- (a) To review market rates that influence the operation of LPLF. Rates shall include debit and credit products and transaction fees and other charges;
- (b) To monitor and undertake separate analyses of interest rate risk using various methods, including but not restricted to variances, net interest income sensitivity and scenarios stress-testing;
- (c) To monitor trends in the economy in general and interest rates in particular with a view toward limiting any potential adverse impact on LPLF's financial performance;
- (d) To review and approve interest rate risk tolerances by studying how movements in interest rates impacts the Company's earnings and capital compared to the budgeted earnings and capital.

### Capital Risk

- (a) To monitor the capital position of the Company and the capital management activities undertaken by the Company to ensure that capital levels are maintained in accordance with regulatory requirements and management instructions;
- (b) To review the limits on capital ratios.

### Market risk (investments)

- (a) To review limits of investment activities in loan, overdrafts, government and other securities (as applicable);
- (b) To review status of the investments, including performance, appreciation or depreciation, quality, maturity profile and action taken by management with respect thereto;
- (c) To review financial risk exposures facing the Company and the steps management is taking to monitor and control such exposures;
- (d) To review and monitor maximum exposure with other financial institutions.

### Other Risk

- (a) To review and monitor treasury policy and strategy, including the treasury operations and fund management processes;
- (b) To reviews the limits of interest rate risk, liquidity and capital levels;
- (c) To ensure compliance with regulatory requirements and internal policies with respect to asset and liability management processes.

Other Duties:

- (a) To ensure timely submission of returns to the regulatory authorities;
- (b) To review next year's budget prior to the end of the actual financial year;
- (c) To review actual financial performance against budgeted performance;
- (d) To review actual capital expenditure vis-à-vis budgeted expenditure;
- (e) To establish methods for measuring risk appetite and positions.

**REPORTING PROCEDURES**

The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

The Committee shall report back to the Board on their findings, decisions and recommendations on the matters set out herein.

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