

A strong and transparent credit policy

A credit scoring model supported by a transparent process of investigation and oversight - disclosed to investors

A unified process covering credit approval and portfolio management

Benefiting from access to both public and non public information

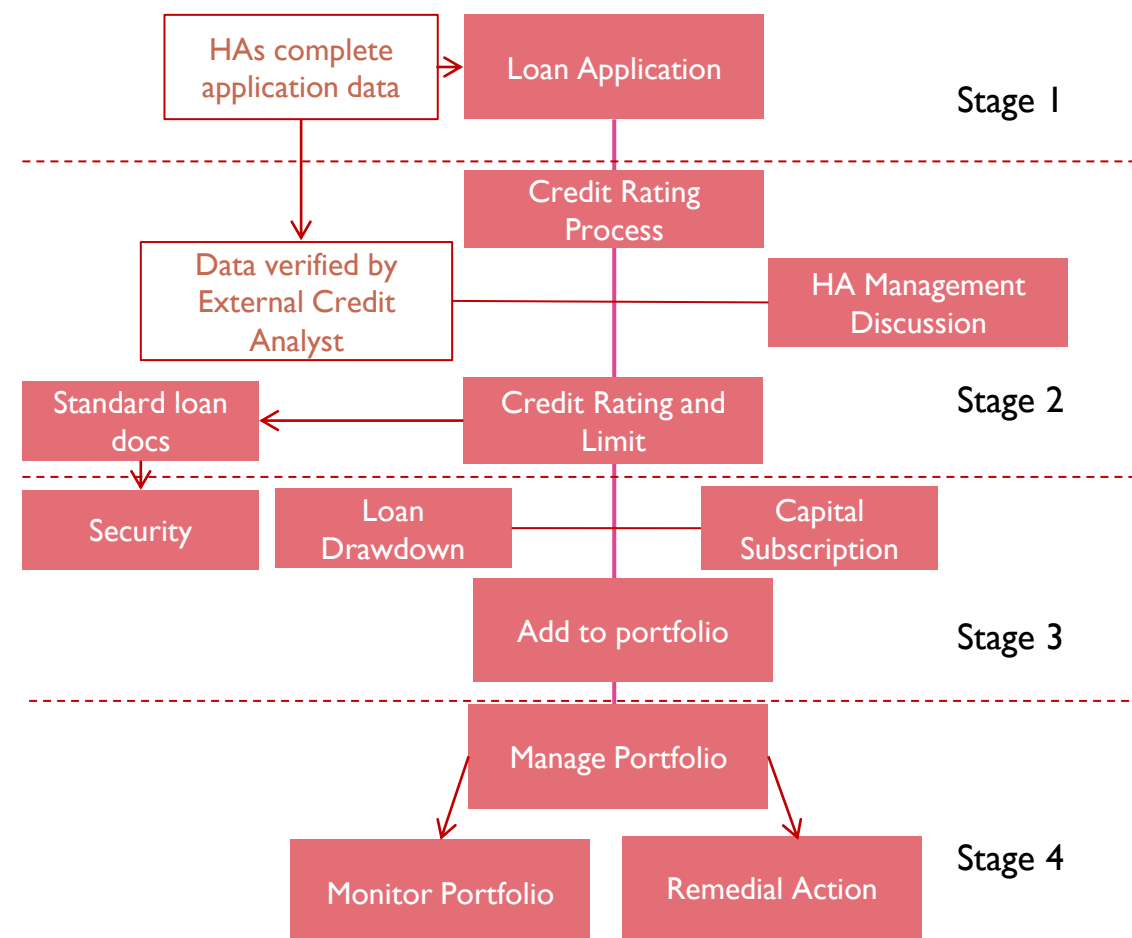
- last 5 years of audited accounts
- next 5 years approved regulatory business plan (FFR)
- quarterly management accounts with performance v. budget
- Quarterly regulatory return and development sales report
- credit review/downgrade on significant deviation

Credit model using Rating Agency metrics

- 8 key financial ratios over 10 year historic/ forecast data
- grading borrowers into 4 categories (lending levels)
- supported by independent credit report from external credit analyst covering financial / non-financial criteria
- overseen by a specialist credit committee, approved by the board
- rating updated at least annually and whenever materially changed

Holistic portfolio management

- feeds into a publicly disclosed portfolio management policy
- borrower diversification, single name exposure limits
- lending limits on each category / bias to better credits
- mechanism to adjust for credit deterioration



With dynamic credit management

Each borrower allocated an initial Lending Level

- Determines individual loan limits, and
- Feeds into the portfolio loan limits

Portfolio loan limits control borrowings at each level

- L1 - unlimited, L2 - 60%, L3 - 30%, L4 - 20%
- (The board has limited discretion to merge Levels)

Loan Limits are continuously monitored

- Quarterly against budget
- Annually (or more often) against the business plan/ financial forecasts

Material changes in performance affect the Lending Level

- Raised/lowered as appropriate

Changes to the Lending Level

- Affects the loan portfolio, restricting future borrowing
- Alters the borrowers individual loan limit

If the borrower exceeds its new lending limit

- It must pledge cash against the loan

Means effective action is taken to protect loan credit quality

