Pillar 3 Disclosures
2017-18

Contents

1. Introduction

The purpose of this document is to disclose key information regarding the Chorley Building Society's (Society) approach to risk management, quality and quantity of capital resources and capital requirements that must be maintained at all times with the intention of protecting the interests of its members and other stakeholders.

In common with all other building societies in the UK, the Society operates under the regulatory framework established by the European Union Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR). Collectively these are known as CRD IV, which became effective on 1 January 2014 and are implemented by the Prudential Regulation Authority (PRA).

The aim of CRD IV is to ensure that banks, building societies and investment firms hold adequate capital to protect the interests of their members and depositors.

The CRD IV framework comprises three elements referred to as 'Pillars':

- **Pillar 1:**
  Minimum capital requirements required to meet credit, market and operational risks.

  The Society meets the capital requirements prescribed for credit and operational risks by adopting the Standardised approach (SA) the Basic Indicator Approach respectively.

- **Pillar 2R**:
  This represents the additional capital requirements assessed by the Society and its regulatory supervisors based on the specific risks not covered by Pillar 1.

  Pillar 2B:
  This represents regulatory capital buffers which are maintained to cover potential capital requirements in certain stressed conditions.

  The Society undertakes an Internal Capital Adequacy Assessment Process (ICAAP) and the regulator undertakes a Supervisory Review and Evaluation Process (SREP) in assessing the amount of Pillar 2 capital to hold.

- **Pillar 3:**
  This is the disclosure of key information in relation to the Society's approach to risk management, quality and quantity of capital resources and capital requirements.

1.2. Frequency, Basis and Location of Disclosure

The Society publishes its Pillar 3 disclosures on an annual basis in light of its characteristics, size, scale and complexity. The Society operates as a solo entity with no subsidiaries, if it materially diversifies away from its business model or if the risk profile materially changes, it will consider publishing an update to this disclosure document in accordance with CRR Article 433.

This document has been prepared in accordance with the requirements of the CRR Articles 431-455.

The Society's Pillar 3 disclosure and Internal Capital Adequacy Assessment Process (ICAAP) is approved by the Board of Directors on an annual basis, however risk and capital adequacy is monitored on an ongoing basis.

In addition, the Society is subject to a formal external regulatory capital review, known as a Supervisory Review and Evaluation Process (SREP) which last took place in 2016.

This disclosure document is published in conjunction with the Society's annual financial statements each year.

Unless otherwise stated, all financial data contained within this document is correct as at 5 February 2018.

The disclosure report is available on the Society's website www.chorleybs.co.uk.

The Society's Financial Services Registration number is 206023.

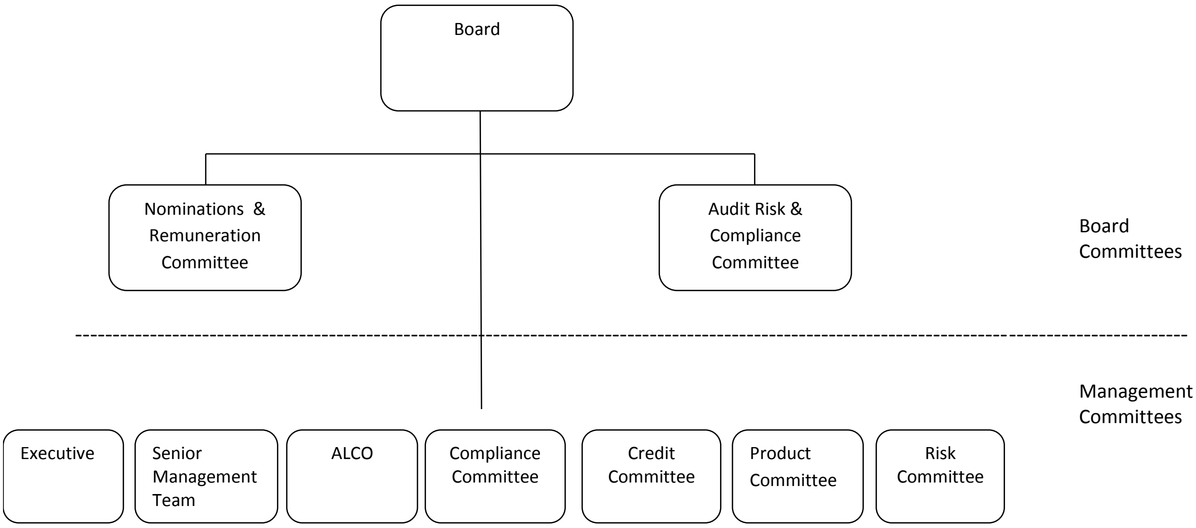
If the reader of this disclosure document requires further explanation an application should be made in writing to the Society Secretary at The Chorley and District Building Society, Key House, Foxhole Road, Chorley, Lancashire PR7 1NZ.

2. Risk Management Objectives and Policies

The Board is ultimately accountable for determining the Society's risk management framework and this is achieved through appropriately delegated authorities, sub-committees, policies, procedures and systems & controls.

The governance structure is as follows:

BOARD AND MANAGEMENT COMMITTEE STRUCTURE 1 JANUARY 2018



2.1. Governance Arrangements

Board of Directors (Board)
The Board is responsible for effectively managing risk through a formal risk management framework, including relevant risk management and risk appetite policies The Board has established its own Terms of Reference that include a formal schedule of matters reserved to it which can be found on the Society's website.

The Board operates two sub-committees under delegated authority comprising, the Audit Risk & Compliance and the Nominations & Remuneration Committee, of which directors form the constitution.

As at 5 February 2018, the Board comprised four executive and five Non-Executive directors. There are ten meetings a year with additional meetings as often as necessary to discharge the duties effectively. A full description of each Director's background and relevant experience is included in the annual report.

Non-Executive director appointments are made on merit, based on the specific skills, competencies and experience required according to the Society's succession plan. The Board considers equality and diversity on the Board although it has adopted the principle that appointments should be made on merit. The Society is committed to promoting equality and diversity and promoting a culture that actively values difference and recognises that people from different backgrounds and experiences can bring valuable insights to the workplace and enhance the way the Society works.

Vacancies are widely advertised and all directors must meet and maintain the regulatory fitness and proprietary standards and must be authorised by the Financial Conduct Authority (FCA). The rules of the Society clearly set out the procedure for nominating a director and the Society welcomes nominations from suitably qualified individuals.

The Nominations & Remuneration Committee leads the process for Board appointments although the Board as a whole makes the final decision.

Audit Risk & Compliance Committee
The Audit Risk & Compliance Committee is a sub-committee of the Board, consists solely of Non-Executive directors, meets at least four times a year and considers all aspects of audit, risk and compliance. It is responsible for assessing the adequacy and effectiveness of internal controls, the accuracy and completeness of financial information, reviewing accounting policies, audit reports and agreeing the annual internal audit and compliance plans. It recommends the acceptance of the annual report to the Board. It monitors the relationship with internal and external auditors and is responsible for recommending appointment, re-appointment or removal of the internal and external auditors.

The Chief Executive, Deputy Chief Executive Secretary & Treasurer, Finance Director and Head of Compliance, attend each meeting of the Committee and representatives of the Society's Internal Auditors and External Auditors attend by invitation. The Board is satisfied that the composition of the Committee provides recent and relevant financial experience.

Nominations & Remuneration Committee
The Nominations & Remuneration Committee is a sub-committee of the Board consisting of solely Non-Executive directors. It meets at least once a year or as frequently as is required to fulfil its duties and considers matters relating to Board & management succession, staff performance and remuneration. It leads the process for Board appointments and makes recommendations to the Board. It considers the balance and diversity of skills, knowledge and experience of the Board and Executive team, the requirements of the business and recommends change where appropriate. It is responsible for the Remuneration Policy.

The Chief Executive, attends each meeting of the Committee although he is not involved in matters relating to his own remuneration.

Assets & Liabilities Committee (ALCO)
The Assets & Liabilities Committee is a management committee reporting to the Board, chaired by the Chief Executive, which meets on a monthly basis and is responsible for monitoring the structure of the Society's assets and liabilities, controlling financial, liquidity and treasury risks and reviewing control procedures including limits, reporting lines and mandates. The Committee focuses on liquidity risk, interest rate risk, counterparty credit risk, funding risk, basis risk and refinancing risk.

Two Non-Executive directors, the Chief Executive (Chair), Deputy Chief Executive Secretary & Treasurer and Finance Director are members and attend each meeting of the Committee.

Credit Risk Committee
The Credit Committee is a management committee reporting to the Board. It meets quarterly or as frequently as is required to fulfil its duties and considers matters relating to the Lending Policy Statement and credit risk within the mortgage area.

The Customer Services Director is chair of the Committee.

Product Committee
The Product Committee is a management committee reporting to the Board, meets on a monthly basis or as frequently, as is required to fulfil its duties, ensuring the Society's products, services, distribution channels and marketing campaigns are appropriate and compliant. The Committee also assesses product profitability at both the design stage and the end of product life stage.

The Chief Executive, Finance Director (Chair) and Customer Services Director are members of the Committee.

Risk Committee
The Risk Committee is a management committee reporting to the Board and meets on a quarterly basis or as frequently as is required to fulfil its duties. The Committee is responsible for reviewing the Risk Management Framework including Risk Appetite Policy Statement and monitors risk based activity through departmental risk registers, identifying and controlling risks on a monthly basis.

The Chief Executive (Chair), Finance Director and Customer Services Director are members of the Committee.

Compliance Committee
The Compliance Committee is a management committee reporting to the Board and meets monthly or as frequently as is required to fulfil its duties. The Committee is responsible for reviewing the Society's compliance activities.

The Chief Executive, Finance Director and Customer Services Director are members of the Committee.

The full terms of reference for the Board and all sub-committees are available on the Society's website in the 'About Us' section.

2.2. Risk Management Framework

The Society documents its approach to managing risk in its Risk Management Policy Statement. This is reviewed and approved by the Audit Risk & Compliance Committee.

In managing risk, the Society operates a "Three Lines of Defence" model summarised as follows:

- The first line of defence lies within operational staff in each business area whereby risks are identified, controls are put into place and assessed. Each business area is responsible for updating and monitoring the risk register.

- The second line of defence lies within the oversight functions which set the direction and define policies comprising, Risk, Compliance, Finance and the HR Function where oversight is through management committees and Board sub-committees.

  Departmental risk registers and compliance reviews are examined by the Risk and Compliance Committees and presented to the Audit Risk & Compliance Committee.

- The third line of defence lies with internal audit to provide the Society with independent assurance.

Internal audit undertakes a programme of risk-based audits on an annual basis from a rolling three-year audit plan which includes all aspects of both first and second lines of defence.

Each audit, examines the Society's control environment, tests that controls are robust, and that they work effectively in accordance with the Society's policies and procedures, laws and regulations, and reviews the Society's records and reports for accuracy and reliability.

The Audit Risk and Compliance Committee approve the annual Internal Audit Plan and receive regular updates on the progress made against the plan and the results of each audit visit.

2.3. Risk Appetite

The Society's Risk Appetite Statement is:

"We will not knowingly take risk positions that threaten our ability to remain an independent Building Society that is able to continue to provide long term value to our members. In addition, we will conduct our activities in a manner that safeguards the Society's investing members' balances whilst maintaining at all times capital required to meet the higher of the ICAAP or the regulatory Total Capital Requirements (TCR) including both regulatory and internal buffers"

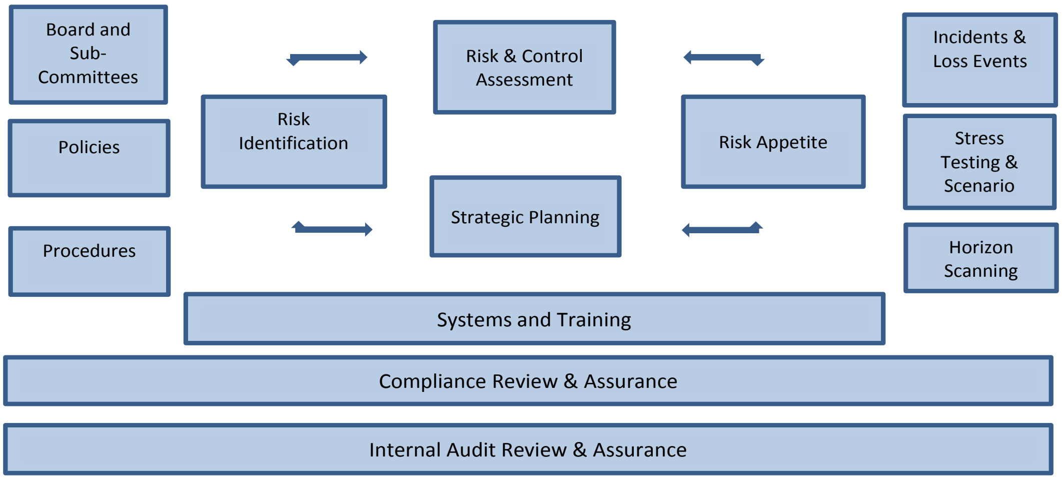
Implicit within this risk appetite statement are the assumptions that the Society will not take decisions which might:

- Result in a year-end financial loss being reported, which would weaken the capital position;
- Damage the business model or threaten market position;
- Affect adversely reputation or reduce confidence in the Society amongst key stakeholders such as members, staff, the community in which we operate, business partners, suppliers, the media and the appropriate regulator;
- Reduce liquidity to a level where the Liquidity Coverage Ratio (LCR) or Net Stable Funding Ratio (NSFR) cannot be met;
- Adversely impact funding capability;
- Endanger compliance with legislation, regulations, industry guidance or codes of conduct.

Furthermore, the Board reviews its risk appetite on an annual basis in line with the Society's Corporate Plan, ICAAP supported by stress and scenario testing results to help ensure that the Society retains an appropriate quantity and quality of capital resources and capital requirements at all times with the intention of protecting the interests of its members and other stakeholders.

The Society's risk appetite is documented in the Risk Appetite Policy Statement which is reviewed, at least annually, by the Risk & Compliance Committee and the Audit Risk & Compliance Committee and approved by the Board.

The structure of the operating framework is depicted below:



2.4. Principal Business Risks

2.4.1. Credit Risk

This is the risk that borrowers or counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due.

Mortgages

The Society manages the risk associated with mortgage borrowers through a Board-approved Lending Policy which includes a full status check and affordability assessment of the borrower and a full valuation of the proposed security by a suitably qualified valuer. Mortgages are closely monitored following completion, with appropriate and timely action taken on those mortgages which fall into arrears. The Credit Risk Committee reviews trends and indicators by monitoring product and sector limits, together with detailed analyses of arrears and loan to value ratios.

The Lending Policy Statement is reviewed by the Credit Risk Committee and recommended to the Board for approval. Policy limits and risk appetites are monitored through the Risk Dashboard Report which is prepared monthly and presented to the Board, Audit Risk & Compliance Committee, Credit Risk Committee and Risk & Compliance Committees.

Treasury Counterparties

The credit risk associated with treasury counterparties is addressed by the Assets & Liabilities Committee (ALCO) which ensures that holdings are restricted to UK Government debt instruments, UK banks with high quality credit ratings, UK Building Societies and the Bank of England. The Treasury Policy Statement includes limits on credit exposures to individual and groups of counterparties. The Society has no treasury exposure to any counterparty outside the UK.

The Treasury Policy statement is reviewed by ALCO and the Audit Risk & Compliance Committee and recommended for approval by the Board on an annual basis.

2.4.2. Liquidity Risk

This is the risk that the Society is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

The Society's Treasury Policy Statement ensures sufficient funds in liquid form are available at all times to cover cash flow imbalances and fluctuations in funding, maintain public confidence in the solvency of the Society and enable it to meet its financial and regulatory obligations. Stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows.

The liquidity position is managed daily by the treasury function and liquidity risk is monitored by the ALCO which meets monthly to monitor the amount and composition of liquidity, the credit ratings of counterparties used and to ensure compliance with regulations.

The risk framework for managing Liquidity risk is documented in the Society's Treasury Policy Statement and processes, systems and controls are described in the Individual Liquidity Adequacy Assessment Process (ILAAP).

These documents are reviewed by ALCO and recommended for approval to the Board on an annual basis.

2.4.3. Market Risk

This is the risk that the value of, or income arising from, the Society's assets and liabilities changes adversely due to movements in market prices across commodity, credit, equity, foreign exchange and interest rate factors. Other than being exposed to interest rate risk, the Society does not have a Pillar 1 exposure to market risk.

2.4.4. Interest Rate Risk

The Society is susceptible to interest rate risk due to the differing interest rate characteristics and maturity profile of its mortgage and savings products. The risk, including basis risk, is managed using Board approved limits, offsetting assets and liabilities and the use of financial derivative instruments where appropriate in accordance with the Treasury Policy Statement, which is regularly reviewed annually by ALCO and approved by the Board.

The Society is exposed to interest rate risk, arising from changes in the prices and interest rates of its financial instruments. The Society does not take speculative views on future interest rate movements when investing surplus funds nor does it hold a trading book.

Interest rate risk is present within the interest basis (basis risk) of assets and liabilities. Basis risk is the risk that assets and liabilities re-price in relation to a different reference rate e.g. re-pricing against bank rate or libor.

The Society's assets and liability interest characteristics include administered rates, fixed rates, bank base rate linked and non-interest bearing.

Controlling basis risk enables the Society to control its margin and facilitates more controlled decision-making. The basis risk appetite is set in the Society's Risk Appetite Policy Statement.

The Society has adopted the "matched" approach to Financial Risk Management as defined in section 2 of the PRA's supervisory statement SS20/15; Supervising Building Societies Treasury and Lending Activities. This means that the Society has a balance sheet where the assets and liabilities are held entirely in sterling and predominantly on administered rates, and uses hedging contracts (or internal matching of assets and liabilities with similar interest rate and maturity features), to neutralize any significant interest rate or basis risk arising from the non-administered rate elements of the balance sheet, on a tranche by tranche, product by product basis.

The Society faces the following interest rate risks in its balance sheet:

- Assets and liabilities that re-price on different days at different rates;
- Loss on financial instruments arising from a movement in market prices;
- Matched interest basis may change between an asset and a liability or between a hedge and the hedged asset (basis risk);
- Administered rates; which allow the Society to control the rates on mortgages and shares;
- Fixed rates; where the rate is set for a pre-determined rate and period of time on mortgages, shares, treasury investments and funding;
- Bank Base Rate (BBR); where the control is with the Bank of England in setting bank base rate, we are affected by the impact on products linked to BBR e.g. tracker rate products;
- Non-interest-bearing balance sheet items that do not attract an interest rate. Reserves, other assets and liabilities and fixed assets.

The Society manages interest rate risk in the following ways:

- Overall management of interest rate risk is controlled by the Board through the ALCO;
- Fixed rate mortgages and fixed rate savings are matched off against each other month by month of their maturity in the first instance;
- Risk appetite limits are set for monthly mismatches in any one month, in any one quarter in any one year and an overall mismatch position;
- Regulatory reporting (gap reports) are produced monthly for monitoring purposes;
- Gap limits are set to allow for flexibility in the timing differences on interest re-pricing of assets and liabilities;
- Gap re-pricing is subject to an interest rate shock of 2%. These risks are quantified within the Treasury Policy Statement;
- Products are priced with due consideration given to the effects of interest rate risk demonstrated in the product proposal;
- The offer of long term fixed rate shares with an equivalent long term fixed rate mortgage and/or to set limits on the extent of any mismatch arising;
- Setting maximum limits for maturity mismatches permitted for treasury instruments;
- Limiting base rate linked “tracker” mortgages, each of which is subject to a floor, are considered against base rate linked shares;
- Basis risk (interest basis) within assets and liabilities is monitored monthly;
- Risk appetite limits are set against the exposure to basis risk.

2.4.5. Operational Risk

This is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The operational risks faced by the Society are assessed on a regular basis and an appropriate system of control exists to mitigate these risks. This is documented in the Board approved Operational Resilience Policy Statement. The Audit Risk & Compliance Committee is responsible for assessing the effectiveness of the system of inspection and control. The controls are reviewed by the Society's internal auditors on an ongoing and rotational basis.

2.4.5.1. Brexit Risk

This is the risk that a significant amount of uncertainty remains regarding the future relationship between the United Kingdom and Europe. As a UK organisation, the Society has no exposure to the EU. However, the wider economic implications may have an impact on the Society. This risk is regularly reviewed by the Board.

2.4.5.2. Cyber Risk

This is the risk of financial loss, disruption or damage arising from failure of the information technology systems. The frequency and sophistication of cyber-attacks is increasing. The Society has implemented a Cyber Security Policy Statement and a Cyber Incident Response Plan detailing the activities, responsibilities and chain of command capabilities that the Society would employ upon the detection or alert relating to a cyber incident. This risk is regularly reviewed by the Board.

2.4.6. Regulatory Risk

This is the risk that changing laws, the volume and complexity of regulatory requirements and the risk of non-compliance with increased regulatory requirements may impact the Society's ability to compete and grow. The Society has an internal Compliance function to identify and monitor regulatory changes to allow management to respond in an appropriate manner, this risk is regularly reviewed by the Board and Senior Management.

With a long history of compliance with all regulatory matters and a project management system for new regulatory matters, the Society acknowledges that external influences pose a potential risk and this is captured through risk registers.

2.4.7. Conduct Risk

This is the risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business. The Board has primary responsibility for ensuring that the manner in which the Society conducts dealings with its customers is fair and in their interests. This culture is embedded throughout the business and the Society considers all matters that impact upon the fair treatment of our members, including product design and terms and conditions, complaints, fees and charges and ensuring that staff are trained and suitably qualified.

In addressing conduct risk the Society has developed a Conduct Risk Dashboard to facilitate monitoring and review of conduct risks, this is monitored and reviewed by the Board on a quarterly basis.

2.4.8. Strategic Risk

Strategic risk is the risk that the Society is not able to continue in business or that it may not be able to carry out its business plans and/or strategy.

The Society undertakes an annual strategy review as part of the Corporate Plan, which considers prevailing market/economic conditions, both generally and specifically relating to the Society together with the regulatory environment. The review of Strategy incorporates a re-assessment of the business model, values, culture, vision, tactics, objectives and future aspirations including and the risks it is facing and the risk framework it is willing to accept. To supplement the annual plan, the Society produces regular profitability and capital updates to monitor sustainability through profitability, efficiency, liquidity and capital strength. The Society formally assesses itself against Going Concern criteria set out by the Financial Reporting Council, which forms part of the external audit each year.

2.4.9. Concentration Risk

Concentration risk is the risk of losses arising from a lack of diversification in the Society's business. This includes single or connected large exposures as well as product, geographical and sources of distribution concentrations.

The Society addresses concentration risk by setting risk appetite limits for each concentration. Each limit is set against a trigger limit, used as an early warning indicator. The Society measures limits against actual exposures through the Risk Dashboard report, which is produced monthly for review by the Board, ALCO, Mortgage Credit Risk Committee, Risk & Compliance and the Audit, Risk & Compliance Committee.

3. Capital Resources

The Society's capital resources 5 February 2018 as calculated in accordance with CRD IV is as follows:

Capital Resources	5 Feb 2018 £000s	6 Feb 2017 £000s
Tier 1 Capital:		
Accumulated profits held as general reserves	18,577	17,343
Deductions from Tier 1 Capital:		
Intangible assets	(217)	(221)
Tier 2 Capital:		
Collective provisions for impaired loans	106	111
Total Capital Resources	**18,466**	**17,233**

Tier 1 capital is a measure of the Society's financial strength. It comprises accumulated retained profits known as general reserves.

In addition to Tier 1 capital, Tier 2 capital is a secondary component that makes up the Society's capital resources.

Capital Ratios	5 Feb 2018 £000s	6 Feb 2017 £000s
Risk Weighted Assets	82,981	76,550
Capital Ratios		
Common Equity Tier 1 (CET1) Ratio	22.1%	22.4%
Leverage Ratio	7.7%	7.6%
Pillar 1 Ratio	8.0%	8.0%
Pillar 2A Ratio	1.7%	2.6%

4. Capital Adequacy

The Society maintains a five-year Corporate Plan that is regularly reviewed by the Society's Board considering current and changing economic conditions. The Society undertakes an annual Individual Capital Adequacy Assessment Process (ICAAP) which contains calculations of the minimum capital requirements to ensure its capital resources are sufficient to support its Corporate Plan projections over the planning horizon. Performance against plan is monitored monthly by the Board of Directors.

In calculating the minimum capital requirements, the Society has adopted the Standardised Approach for credit risk and the Basic Indicator Approach for operational risk, as permitted by CRD.

The Standardised Approach for credit risk is calculated by applying risk weightings to each of the Society's assets according to the inherent risk posed, subject to a further 8%, therefore arriving at the minimum capital requirement for credit risk.

The Basic Indicator Approach for operational risk is calculated by applying 15% to the Society's average net interest income values over the previous three years, therefore arriving at the minimum requirement for operational risk.

The Society's minimum capital resources requirement under Pillar 1 is as follows:

Pillar 1 Capital Resources Requirement £000s	**Assets**	**RWAs**	**Pillar 1 Capital**
Loans and Advances to Customers (Mortgages)			
Residential performing loans	176,281	62,474	4,998
Non-residential performing loans	997	499	40
Past due items	1,107	1,107	88
Total Loans and Advances to Customers	**178,385**	**64,080**	**5,126**
Liquidity			
Central government	29,704	-	-
Credit institutions	22,626	6,777	542
Total Liquidity	**52,330**	**6,777**	**542**
Fixed and Other Assets	**2,290**	**2,290**	**183**
Off Balance Sheet: Mortgage Commitments	**4,248**	**1,494**	**120**
Total Credit Risk Exposures	**237,253**	**74,641**	**5,971**
Operational Risk Capital Required		8,340	**667**
Pillar 1 Capital Resources Required		**82,981**	**6,638**

Reconciliation of Total Exposures to Total Assets as per the Society's Annual Report £000s	
Total Credit Risk Exposures (above)	237,253
Add back: Intangible Assets	217
Deduct: Collective Impairment Provision	(106)
Deduct: Off Balance Sheet; Mortgage Commitments	(4,248)
Total Assets as per Annual Report	**233,116**

4.1. Capital Buffers

CRD IV requires the Society to maintain a capital conservation buffer representing 1.875% of risk weighted assets; this is being phased in until it reaches 2.5% on 1 January 2019.

In addition, CRD IV requires the Society to hold a countercyclical buffer as determined by the Bank of England's Financial Policy Committee (FPC). In June 2017, the FPC increased the buffer from 0% to 0.50% with effect from July 2018. Subsequently, in November 2017 this was further increased from 0.50% to 1.00% with effect from November 2018.

4.2. Leverage

The external regulatory framework under which we operate continues to evolve, with changes covering the introduction of the Leverage Ratio, a non-risk-based measure of capital strength, which takes Tier 1 capital as a percentage of assets, including off-balance sheet assets such as mortgage commitments.

As at 5 February 2018, the Society's leverage ratio was 7.73% (2017: 7.60%) which is calculated in line with the current interpretation of the regulation.

CRD IV introduced a country-by-country reporting requirement aimed at providing transparency of a financial institutions income and location of its operations. This report can be found in the Annual Report.

4.3. Credit Risk Exposures to Mortgages

A summary of credit risk in mortgages is as follows:

Loans and Advances to Customers (Mortgages)	Total £000's	RWAs	Pillar 1 Capital
Fully secured on residential property	176,281	62,474	4,998
Fully secured on non-residential property (Secured on Real Estate)	997	499	40
Past due and fully secured on residential property	1,107	1,107	88
Past due and fully secured on non-residential property	-	-	-
Total	**178,385**	**64,080**	**5,126**

Past Due Items

For the purposes of capital allocation, arrears are classed as established arrears if they exist for 90 days or more. The table below provides a Society analysis, for capital adequacy purposes, of loans and advances exposures:

The residual maturity of loans and advances to customers is as follows:

Analysis of residual maturity of mortgages:	£000's
Repayable on demand	14
Repayable in not more than 3 months	1,083
Repayable in more than 3 months but not more than 1 year	3,767
Repayable in more than 1 year but not more than 5 years	23,742
Repayable in more than 5 years	150,093
Less: Provisions for specific impairment losses	(292)
Total	**178,407**
Less: Effective interest rate adjustment	(22)
Less: Provisions for collective impairment losses	(106)
Sub Total: as per Annual Report	**178,279**
Add back: Collective impairment provision	106
Total	**178,385**

A geographic analysis of the Society's loans and advances to customers is as follows:

	Fully secured on Residential Property		Fully secured on Non-Residential Property			
Region	**Performing £000s**	**Past Due £000s**	**Performing £000s**	**Past Due £000s**	**Total £000s**	**%**
North West	58,271	858	767	-	59,896	33.7%
Outer South East	22,650	-	-	-	22,650	12.7%
West Midlands	13,869	94	-	-	13,963	7.8%
Yorkshire & Humberside	13,643	-	-	-	13,643	7.6%
Greater London	13,083	9	-	-	13,092	7.3%
South West	11,436	-	-	-	11,436	6.4%
East Midlands	9,356	-	-	-	9,356	5.2%
Outer Metropolitan Area	9,204	146	-	-	9,350	5.2%
Wales	9,018	-	-	-	9,018	5.1%
North	6,842	-	230	-	7,072	4.0%
Scotland	5,364	-	-	-	5,364	3.0%
East Anglia	3,567	-	-	-	3,567	2.0%
Total	**176,303**	**1,107**	**997**	**-**	**178,407**	**100.0%**

4.3.1. Credit Risk Adjustments – Impairment Provisions

Individual assessments are made of all loans and advances against properties which are in possession, or in arrears by two months or more, or are subject to forbearance measures or other significant cases of concern. Individual impairment allowances are made against those loans and advances where there is objective evidence of impairment.

If there is objective evidence of impairment a specific provision is made to cover anticipated losses. This is calculated as the difference between the current achievable market value of the security, calculated by applying an industry recognised national house price index to original valuations on advance, and the outstanding loan balance, after making appropriate allowance for costs of repossession and sale.

In addition, where there is objective evidence, a collective provision is made on a portfolio basis to reflect the probability that other loans may also be impaired at the balance sheet date with the result that the amount advanced may not be recovered in full. Such provisions are calculated based on estimated loss factors using historical experience of default and anticipated market conditions. The rates are regularly reviewed in the light of actual experience.

Provisions for Impairment Losses £000s	Loans Fully Secured on Residential Property		
	Specific	Collective	Total
Brought forward	232	110	342
Utilised during the year	(9)	-	(9)
Charge for the year	69	(4)	65
Carried forward	292	106	398

4.4. Credit Risk Exposures to Treasury Counterparties

A summary of credit risk in treasury is as follows:

Liquid Assets	Credit Rating	Total £000's	% of Total	RWAs	Pillar 1 Capital
Central government	AA	29,704	56.9%	-	-
Credit institutions by residual maturity					
< 3 months	A	3,001	5.7%	600	48
	A+	2,005	3.8%	401	32
	BBB+	7,109	13.6%	1,422	114
	unrated	3,005	5.7%	601	48
>3 months	A	2,002	3.8%	1,001	80
	Unrated	5,504	10.5%	2,752	220
Total		**52,330**	**100.0%**	**6,777**	**542**

External counterparty credit ratings are one measure of credit risk within liquid assets. Under Pillar 1 the risk is assessed based on external counterparty credit ratings, as issued by an external ratings agency and the length of time to maturity.

The Society is exposed 100% to UK counterparties.

Analysis of residual maturity of treasury assets:

Loans and Advances to Credit Institutions	£000s
Cash in hand	270
Accrued Interest	41
Repayable on demand	34,519
Repayable in not more than 3 months	7,500
Repayable in more than 3 months but not more than 1 year	10,000
Total	**52,330**

5. Remuneration

To avoid the risk of remuneration structures being in place that could encourage staff to take more risky decisions or behaviours such as overriding controls, the Society promotes enhanced performance and will fairly and responsibly reward individuals for their contribution to the success of the Society, bearing in mind at all times the parameters of the Society's risk framework.

The Society has regard to the principles of the Remuneration Code. In considering these principles against levels of remuneration and levels of risk outlined in the Remuneration Policy Statement, the Society seeks to establish an appropriate balance between fixed and variable elements of remuneration.

The design features of the remuneration system comprise:

- Fixed: Basic salary which is reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations and in the light of market conditions
- Fixed: Company car allowance (subject to individual contract arrangements)
- Fixed: Benefits-in-kind
- Fixed: Defined-contribution pension benefits
- Variable: Discretionary bonuses based on individual performance based on a 'balanced scorecard' to ensure that no single factor can unduly influence the amount payable. Bonus payments are paid in cash and are approved in advance by the Nominations and Remuneration Committee

The Directors' Remuneration report contained within the Annual Report and Accounts provides details of remuneration policy and quantitative figures relating to Directors. CRR rules (Article 450) require disclosure of aggregate information for those individuals defined as having a material impact on the risk profile of the Society.

Those individuals defined as having a material impact on the risk profile of the Society are:

- Non-executive Directors
- Chief Executive
- Deputy Chief Executive Secretary and Treasurer
- Finance Director
- Customer Services Director

The following table is a breakdown of the remuneration awarded to those members of staff:

Remuneration £000's	No. of staff	Salary	Pension	Bonus	Total
Non-Executive Directors	5*	118	-	-	118
Executive Staff	4	382	47	42	471
Total	**9**	**500**	**47**	**42**	**589**
% of total		**85%**	**8%**	**7%**	**100%**

* As at 5 February 2018 there were five Non-Executive Directors following one resignation during the year

With effect from 28 February 2018, remuneration code staff was expanded to include Senior Managers.

6. Conclusion

The primary business objective of the Society is to promote savings and home ownership particularly within the Northwest of England through an attractive range of products and services, combined with the provision of a high standard of customer service whilst maintaining a competitive position within the business areas in which it operates.

The Board of Directors can confirm that the Society's current capital position, in its opinion, is sufficient to meet the minimum capital resources requirement and that sufficient capital will continue to meet minimum requirements for its planned future strategy. In addition, risk management arrangements adequately assess and control the principal risks facing the Society and are proportionate in light of the characteristics, size, scale and complexity of the Society.