MONMOUTHSHIRE BUILDING SOCIETY GROUP

PILLAR 3 DISCLOSURE DOCUMENT

30 APRIL 2018

Contents

1. Introduction

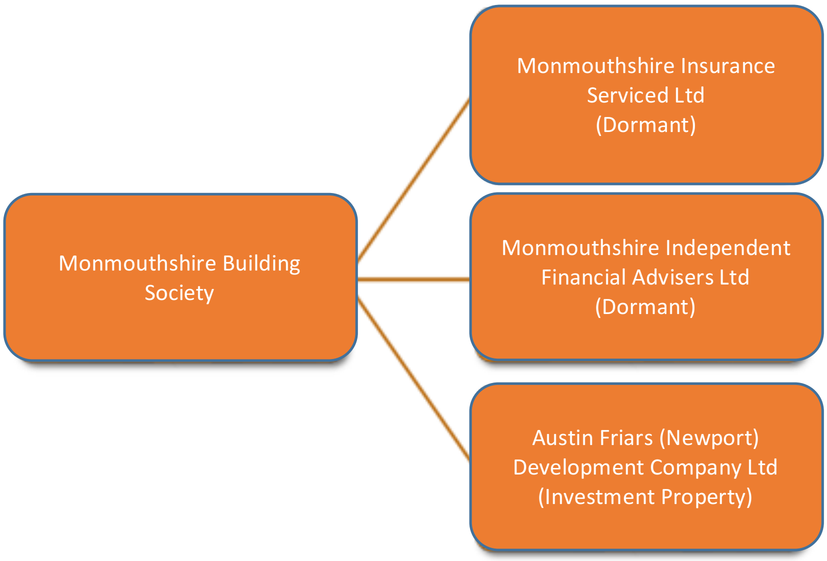
a. Purpose

The purpose of this document is to provide members and other stakeholders with background information on the Society's approach to risk management and the maintenance of its capital strength. As such, it includes details of:

- the Society's approach to risk management, its policies and objectives;
- the governance structure of the Board and Board Committees;
- own funds information (or capital resources);
- regulatory capital requirements; and
- compliance with the EU Capital Requirements Regulation.

b. Coverage

The disclosure document applies to the Monmouthshire Building Society Group:



The information presented is based on the Society's Annual Report and Accounts as at 30 April 2018, but may differ where regulatory requirements differ from the requirements underlying the Annual Report and Accounts.

c. Legislative Framework

European standards for capital and liquidity requirements for banks, building societies and related institutions are set out in the Capital Requirements Directive IV (CRD IV, 2013/36/EU) and the Capital Requirements Regulation (CRR, 575/2013). This legislation came into force on 1 January 2014, and is the European implementation of Basel III, which sets out global standards for capital and liquidity adequacy.

On a national level, prudential supervision with regards to capital and liquidity adequacy is overseen by the Prudential Regulatory Authority (PRA), and CRD IV is implemented in the PRA Rulebook. CRR on the other hand is directly applicable, without implementation in national legislation. CRD IV and CRR are supported by additional guidance and standards defined both on a European and on a national level.

CRR sets out not only capital requirements, but also specifies what the Society must disclose in regard to its risk management policies, procedures, and performance, including the main risks faced by the Society and the governance of those risks. These disclosure requirements are usually referred to as "Pillar 3", being the third pillar of the three-pillar approach which is normally considered for prudential banking regulation.

- Pillar 1 - Minimum capital requirements, on a risk-based approach
- Pillar 2 - Assessment of the adequacy of capital requirements and the risk management system
- Pillar 3 - Disclosure

The information provided is in accordance with the rules laid out in Part 8 of CRR.

d. Review

This document will be reviewed annually by the Audit Committee (approved by the Board) and will be published on the Society's corporate website (www.monbs.com) in conjunction with the Society's 2018 Annual Report.

The Pillar 3 disclosures are intended to explain the basis on which the Society has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose. The disclosures do not constitute any form of financial statement and must not be relied upon in making any judgement on the Society.

In the event that a user has comments or requires further information then please contact Iwan Jones, Finance Director at Iwan.Jones@monbs.com.

2. Risk Management Policies and Objectives

Monmouthshire Building Society views risk management as an integral part of good internal control and corporate governance. The Society has recently enhanced its Risk Management processes, by increasing resource within its risk function, and further developing its Risk Management Framework.

The Risk Management Framework is the cornerstone for ensuring a risk culture is in operation throughout the Society and that all risks are identified, measured, assessed, monitored, controlled and mitigated within the context of the Society's Risk Appetite, which is set by the Board.

It is acknowledged that risk is inherent in the business activities of the Society and can never be fully eliminated. The framework assists in defining the boundaries within which management is expected to operate when pursuing the Board approved business strategy and to give the best outcomes for customers.

A sound risk culture supporting appropriate risk awareness, behaviours and judgements about risk-taking within a strong governance framework is recognised as a key element in ensuring the successful operation of the Society's framework.

To ensure that the framework operates effectively and efficiently the Society has adopted the three lines of defence model and defined clear governance structures for the operation of the framework.

Risks are assessed using both a qualitative and quantitative approach. The qualitative risk assessments are undertaken through risk reviews whilst a number of risk appetite measures have been defined to represent the quantitative assessments.

All Society risks are categorised into a number of primary and secondary risk types with defined Risk Owners. The Society's risk appetite for each primary risk and for the Society as a whole are defined.

A description of the Society's primary risks, as agreed by the Board and corresponding appetite statements are detailed in the table below:

The Groups eight Primary Risks and corresponding Risk Appetite Statements are:

Primary Risk	Risk Appetite Statement
Business Risk: The risk arising from changes to the Group's business model (5 Year Business Plan) and the risk of the Plan proving inappropriate due to macroeconomic, geopolitical, regulatory or other factors.	Maintain earnings stability over the 5 year business plan to maintain sustainable asset growth and capital reserves.
Credit Risk: The risk of losses arising from a debtor's failure to meet their legal and contractual obligations.	A prudent lending approach to mortgage customers and treasury counterparties to minimise default rates and impact on earnings or capital whilst generating an appropriate level of return reflecting the risk.
Financial Soundness Risk: **The risk that insufficient funds are available to meet financial obligations as they fall due or the ability to meet liquidity and capital regulatory requirements.**	**Liquidity** Maintain sufficient liquid resources over and above financial minimums to give members confidence on the Group's ability to meet its obligations. **Capital** Maintain sufficient Capital to support current and future business initiatives, including stressed losses that arise as a result of plausible but extreme scenarios and to meet regulatory requirements.
Market Risk: The risk of losses arising from changes in market rates or prices.	Minimise potential losses on interest rate and basis risk positions from adverse movements in market rates to ensure they remain within forecast market expectations.
Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	Develop robust processes and controls to optimise resources and reduce the impact of operational risks on the Group's performance.
Conduct Risk: The risk of financial or reputational loss as a result of treating customers unfairly, and delivering inappropriate outcomes that lead to customer detriment.	Aim to deliver positive outcomes for customers, maintaining a high degree of customer and public confidence by focusing on the Group's aims and values.
Legal and Regulatory Risk: The risk of fines, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with UK or EU legal and regulatory requirements.	Maintain a robust risk management culture to ensure compliance with legal and regulatory requirements.
Pension Obligation Risk: The risk of a material financial deficit in the Group's Defined Benefit Scheme	Ensure the Group's contractual and regulatory obligations are met.

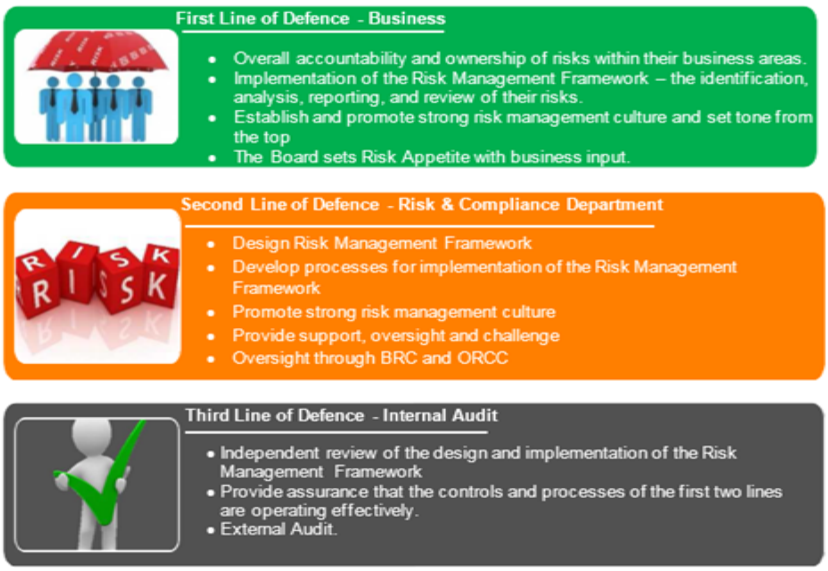
a. Risk Strategy

The Society recognises the delivery of the Board's strategy gives rise to a number of potential risks that are inherent in the business activities of the Group. Whilst these risks can never be completely eliminated, through careful management they can be mitigated. The Board has agreed a risk appetite that seeks to limit the amount of risk accepted by the business in pursuit of its long term strategy, helping the Group achieve sustainable growth and serving the best interests of our members and customers. The Board is responsible for ensuring an effective risk management framework is in place, promoting a risk aware culture that ensures all principal risks are identified and mitigated in the pursuit of strategic objectives.

Throughout the year the Board has continued to invest in the Group's approach to risk management to ensure it continues to deliver effectively and supports the next stage of the Group's sustainable growth. In developing the Group's Strategic Plan, potential risks are identified when assessing the strengths, weaknesses, opportunities and threats (SWOT) facing the Group. These risks are then examined to consider their potential impact and likelihood, and to determine the Group's appetite for such risks, in developing specific objectives. Finally these risks are then managed and monitored as the actions necessary to deliver the agreed business strategy are undertaken. As part of the Group's strategic business planning a standalone strategic risk assessment is maintained.

The Risk Management Framework assists in defining the boundaries within which management is expected to operate when pursuing the Group's business strategy.

Risk Management Structure

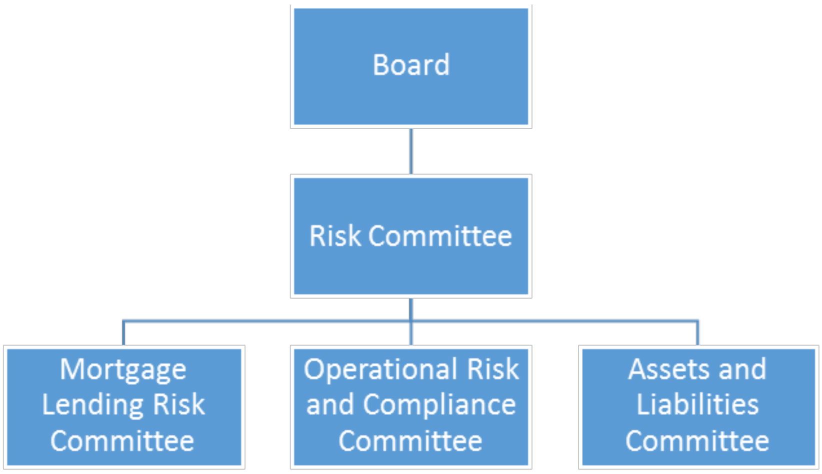


The Group's approach to risk management is designed to ensure the Group's objectives are achieved through its business strategy, which is outlined in the Strategic Plan, the Risk Management Framework, risk appetite statements, and appropriate policies, processes, controls and procedures.

b. Risk Governance

The Board have overall accountability and ownership of the Risk Management Framework, and delegate to the Board Risk Committee to ensure the development, implementation and maintenance of the framework. A robust governance structure and sound management of the Risk Management Framework is an indication of the effectiveness of the Board in managing the Group

There are three management risk committees to ensure there is proactive management and governance of risk and control issues under the Risk Management Framework and the operation of a robust risk culture across the Group.



3. Board Committees

The current terms of reference of the Group's Board committees are published on the Society's website. A summary of the Board Committees is detailed below.

a. Audit Committee

The Committee comprises three Non-Executive Directors. Representatives from the Society Executive, together with the Society's outsourced Internal Auditor and External Auditor, also attend Committee meetings by invitation. The purpose of the Committee is to consider all audit related matters, in particular, to review the Group's financial reporting arrangements, the effectiveness of its internal controls and its risk management framework, the internal and external audit processes and the Group's whistleblowing procedures. The Committee reports to the Board on its activities and makes recommendations to the Board. The key responsibilities of the Committee are set out below:

Audit Committee key responsibilities	
Financial Reporting	• Monitoring the integrity of the Group's financial statements and reviewing critical accounting policies, judgements and estimates. • Reviewing the appropriateness of the going concern basis for preparing the accounts. Providing advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable.
External audit	• Reviewing the continued objectivity and independence of external audit, including the level and appropriateness of non-audit services. • Considering the appointment, removal, performance and remuneration of the external audit firm. Considering the planning, scope and findings of the annual external audit, the receipt of, and responses to, the auditor's management letter and reviewing the degree of liaison with internal audit.
Internal Controls and Risk management	• Reviewing the adequacy and effectiveness of the Society's internal financial controls and internal control and risk management systems in conjunction with reviewing reports produced by internal and external audit. Reviewing the statements to be included in the Annual Report concerning internal controls and risk management.
Whistleblowing	• Reviewing the adequacy and security of the Group's whistleblowing arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. • Ensuring that whistleblowing arrangements allow proportionate and independent investigation of such matters.
Internal audit	• Considering and approving the strategic and annual plans of work. • Considering management responses to recommendations. • Considering the appointment, removal, performance and remuneration of the internal audit firm.

b. Board Risk Committee

The Committee comprises three Non-Executive Directors. Representatives from other members of the Society Executive, also attend Committee meetings by invitation.

The purpose of the Committee is to monitor the Group's compliance with the Board's approved risk appetite, risk management framework and risk culture. The key responsibilities of the Committee are set out in the table below:

Board Risk Committee key responsibilities	
Setting risk appetite	• Reviewing and approve the Group's Risk Appetite Statements taking account of the current and future macroeconomic financial and regulatory environment. • Approving the Risk Appetite Measures to be used to monitor the Group's risk management performance.
Monitoring business operation	• Monitoring emerging prudential risks, conduct risks and areas of potential concern, in particular those matters identified or highlighted by the regulatory authorities, and satisfy itself that appropriate reviews are undertaken to identify and manage any impact on the Group and its Members in a timely manner. • Reviewing and challenge the internal control environment. Monitor the Group's current risk exposures, including performance and compliance against high level risk appetite limits and tolerances.
Risk reporting	• Reviewing the quarterly reports provided by the Head of Risk & Compliance on the activities of the Risk Department and its assessment of risk within the organisation
Risk management	• Reviewing and approve the Group's Risk Management Framework. • Reviewing the implementation of the Risk Management Framework ensuring all risks are managed with adequate resource and a satisfactory control environment. • Ensuring that the Group's Risk Management Structure is adequately resourced and effective.

c. Remuneration Committee

The Committee comprises three Non-Executive Directors.

The Committee determines terms and conditions of employment together with levels of remuneration in respect of the Society's staff. The key responsibilities of the Committee are set out in the table below.

Remuneration Committee Key Responsibilities	
Directors remuneration	• Determining remuneration for the Chairman, all executive directors and other members of the executive including pension rights and any compensation payments. The remuneration of non-executive directors is determined by the Chairman and executive directors. • Determining remuneration for all employees of the Society.

Remuneration Reporting	• Reporting to members annually in the Annual Report & Accounts. The report will be presented and be subject to an advisory vote at the Annual General Meeting.
Remuneration policy	• Reviewing the Remuneration Policy annually.

d. Nomination and Corporate Governance Committee

The Committee comprises three Non-Executive Directors and the Chief Executive Officer.

The Committee is responsible for succession planning for both executive and non-executive director positions. The Committee meets as often as is necessary to fulfil its responsibilities. During the year the Committee extended its remit to include corporate governance matters. The Committee annually reviews the Conflicts Register to ensure there are no potential or actual conflicts that could affect a director's ability to act in the best interests of the Society.

Nomination Corporate Governance Committee Key Responsibilities	
Board Composition	• Endeavour to ensure that the Board and its Committees have the capabilities required to be effective and oversee the Society. This will include an appropriate range and balance of skills, experience, independence, knowledge and behaviours. • Responsible for identifying and recommending candidates for Board approval. • Reviewing the membership and chairmanship of committees to ensure that committee membership is progressively refreshed and that undue reliance is not placed on particular individuals.
Succession planning	• Consideration of succession planning for members of the Board in the course of its work, taking into account the challenges and opportunities facing the Society, its leadership needs and what skills and expertise are therefore needed on the Board in the future. • Reviewing the leadership needs of the Society, both executive and non-executive, with a view to ensuring the continued ability of the Society to perform effectively in the market place.

4. Capital Resources (at 30 April 2018)

As at 30 April 2018 and throughout the year ended 30 April 2018 the Group complied with its Capital Requirements as laid down by the PRA. The Capital Resources of the Group are calculated under Pillar 1 of Capital Requirements Directive IV. The following shows the breakdown of available capital for the group:

		30 April 2018 £000
Tier 1 Capital		
General Reserves		**64,688**
Less intangible assets		**(1,345)**
Total Tier 1 Capital		**63,343**
Core Tier 1 Capital as a percentage of risk weighted assets		**16.82%**
Tier 2 Capital		
Collective Provisions		**223**
Total Tier 2 Capital		**223**
Total Regulatory Capital Resources		**63,566**
Total regulatory capital as a percentage of risk weighted assets		**16.88%**
Reconciliation of Accounting and Regulatory Capital Resources		**30 April 2018 £000**
Accounting Capital Resources – General Reserves		**64,688**
Adjusted for:		
Collective Provisions		**223**
Intangible assets		**(1,345)**
Regulatory Capital Resources		**63,566**

a. Adequacy of Capital Resources

Underpinning the Society's Corporate Plan is the need to maintain its capital strength above the Board agreed requirement, which is the same as the regulatory required minimum capital. In order to do this, the Society needs to generate, and retain, profits that will add to the general reserves, the main source of capital.

Complementing the Strategic Plan, the Society annually undertakes an Internal Capital Adequacy Assessment Process (ICAAP), to ensure that the Society's capital resources are sufficient to deliver the Strategic Plan objectives in normal as well as stressed conditions.

This process involves reviewing all risks relevant to the Society, and assessing the required capital to mitigate those risks, through analysing the impact of a range of stress scenarios. The key risks that are evaluated as part of the ICAAP are the primary risks identified in Section 2.

The Board assesses relevant information on each of these areas against a clearly defined risk appetite and approves the capital requirements arising from this detailed review. In its challenge of the capital assessments, the Board also takes into account any areas where they feel the models and internal assessments do not adequately capture the full risk exposure by holding extra capital where appropriate.

The Society translates its overall risk appetite for risk into a range of policy limits controlling the exposures taken. These exposures, and other risks, are carefully monitored by the Board and Board committees on a regular basis, as part of the Society's Governance structure.

5. Risk Weighted Exposure Amounts, Operational Risk Capital & Leverage Ratio

a. Risk Weighted Exposure Amounts

The assets of the Society are analysed by risk category and given risk weightings according to the level of risk entailed. The risk weightings are determined by the "standardised approach" to credit risk and "basic indicator approach" to operational risk. The Society's group Pillar 1 capital requirement as at 30 April 2018 based on 8% of its risk-weighted assets is derived as follows:

30 April 2018	Assets £000	Risk Weighted Asset £000	Minimum Capital Required £000
Pillar 1 Capital- Credit Risk			
Central Governments or Central Banks	120,970	-	-
Institutions	84,119	16,874	1,350
Fully Secured on Residential Property Mortgage assets	819,240	293,552	23,484
Fully Secured on Land Mortgage Assets	22,927	22,927	1,834
Other Items	11,795	11,795	944
Total	**1,059,051**	**345,148**	**27,612**
Off balance sheet exposures	26,876	1,478	118
Pillar 1 Capital –Operational Risk		29,950	2,396
Total Pillar 1 Capital Requirement		376,576	30,126

	£000
Amount of Regulatory Capital Resources	63,566
Total Requirement	(30,126)
Excess of Reserves over Requirement	33,440

The majority of the Society's own funds are in the form of Common Equity Tier 1, and consist of retained earnings. Specific and collective provisions are subtracted from CET 1 capital, but the collective provision is included as part of Tier 2.

Due to the adoption of FRS 102, deferred tax assets that rely on future profit and arise from temporary differences are also required to be deducted from CET 1 capital, but an exemption is applicable as long as the amount is below 10% of total CET 1 capital.

b. Operational Risk

Operational Risk is calculated under the "Basic Indicator Approach" as 15% of the sum of the average net interest after adjusting for other operating income and charges, over the previous three years.

A breakdown of the calculation of capital requirements for Operational Risk is provided below:

Basic Indicator Approach to Operational Risk (£000)	2016	2017	2018
Net interest Income	15,116	15,362	15,914
Other Income/charges	687	69	768
Total	15,803	15,431	16,682
Basic Indicator (3 year average)			15,972
Own Funds Requirement (15% of the Basic Indicator)			**2,396**

c. Leverage Ratio

The leverage ratio is defined as ratio between the Tier 1 capital and the total on and off balance sheet asset exposure, without taking to account any risk weighting. Its objective is to reduce the risk of excessive leverage (i.e. an excessively low amount of own funds compared to total assets), as well as acting as a back stop against the model complexities involved in calibrating risk weights.

The Society calculates its Tier 1 Capital on the basis that will apply once CRD IV has been fully phased in.

The total exposure measure and leverage ratio are shown below based on the total balance sheet exposures at 30th April 2018.

Leverage Ratio Calculation	£000
Capital	
Capital	64,688
Less intangible asset	(1,345)
	63,343
Total Balance sheet exposures	1,059,051
Derivatives adjustment	1,879
Less intangible asset	(1,345)
Off balance sheet exposures	3,937
	1,063,522
Leverage Ratio	5.96%

The Society's calculated leverage ratio at 30 April 2018 was 5.96 % (30 April 2017 5.81%).

6. Counterparty Credit Risk

The Society is exposed to counterparty credit risk in relation to its liquid asset investments which are invested in central government, multilateral development banks, banks, building societies and local authorities. The Risk Committee is responsible for recommending to the Board which counterparties should be included on the authorised counterparty list and what the maximum exposure should be for each counterparty. The Risk Committee takes into account the ratings assigned to an entity by Fitch, Moody's and Standard & Poor's credit rating agencies and also considers any other pertinent data that is considered to relate to the creditworthiness of each entity. Current policy for accepting new counterparties is as follows:

- The Society cannot invest in any Counterparty for a duration of more than one year unless it carries a minimum long term credit rating of AA-, or equivalent from each of Fitch, Moody's and Standard & Poor's Rating Agencies.
- The Society cannot invest in any Counterparty for a duration of up to a maximum of one year unless it carries a minimum short term credit rating of F1 or equivalent from each of Fitch, Moody's and Standard & Poor's Rating Agencies.
- The lowest rating of each Agency will be used for assessment purposes.
- Certain established Counterparties with a lower than minimum credit rating can be included on the Society's counterparty list where specifically approved by the Board.

The maturity and credit quality profile of Treasury investments at 30 April 2018 is shown below:

Maturity Profile	< 8 Days £'000	< 1 Month £'000	< 3 Months £'000	> 3 Months £'000	Total £'000
Minimum Credit Rating					
AAA to AA- (including BSoc Covered Bonds & RMBS)	2,567	5,061	-	17,858	25,486
A+ to A-	7,249	4,017	-	-	11,266
Building Societies	-	6,230	2,012	10,023	18,265
Multi-Lateral Development Banks (AAA)				29,100	29,100
Central Governments and Banks	104,541	-	-	15,422	119,970
Local authorities				1,009	1,009
Total	**114,364**	**15,308**	**2,012**	**73,412**	**205,089**

Exposure Class	Less than 3 months	3 months to 1 year	1 year to 5 years	Greater than 5 years	Total
Central governments or central banks	109,080	10,890		-	119,970
Institutions	22,413	38,285	24,421	-	85,119
Secured by mortgages	10,231	23,711	149,202	659,023	842,167
Other items	11,795	-	-	-	11,795
Total Credit Risk	153,519	72,390	174,119	659,023	1,059,051

7. Analysis of Past Due Loans (> 1 month in arrears and by region)

The table below shows an overview of the mortgage portfolio separated by risk characteristics (i.e. owner-occupied residential, buy to let residential, or commercial mortgages), as well as geographical regions.

Mortgage Portfolio	Owner occupied Residential	Buy To Let Residential	Commercial	Total
	£000	£000	£000	£000
Total exposure				
Performing	647,160	163,935	22,107	832,719
Non-performing *	7,248	1,226	974	9,448
Collective provision	156	39	28	223
Specific provision	106	27	127	260
Exposure by region	%	%	%	%
Wales	61	77	86	64
South West	14	16	6	14
West Midlands	7	3	8	6
Outer Metropolitan	4	-	-	3
Other South East	4	1	-	3
Greater London	4	1	-	3
North West	3	-	-	2
Other	3	2	-	5
Total	100	100	100	100

*Loans are classified as non performing when they are one month or more in arrears.

8. Provisions for Loans and Advances

Provisions (under CRR referred to as credit risk adjustments) on commercial and residential accounts are made to reduce the value of loans and advances to the amount that is considered to be likely to be ultimately recoverable in the event of the relevant property held as security being sold in possession by the Society.

Throughout the year, and at the year-end, individual assessments are made of all loans and advances which are in possession or are significantly in arrears and a specific credit risk adjustment is made against those cases which are considered to be impaired. In considering the individual provisions for impaired loans, account is taken of any discount which may be needed against the value of the property at the balance sheet date to agree a sale within three months of that date. Where, unfortunately a customer has been unable to make their repayments and where the best outcome is for the property to be taken into possession, and where the property is subject to an acceptable offer from a potential purchaser and management are satisfied that commitment to completion of the transaction exists, the individual provision has been made on the basis of the agreed selling price. The Society also looks to mitigate losses through the use of Mortgage Indemnity Guarantee insurance, which is taken out on almost all residential lending over 80% loan to value.

On the basis of the Society's previous experience it is recognised that not all serious arrears cases will ultimately result in possession, and the amounts provided on individual cases either not in possession or seriously in arrears, reflect the estimated propensity for a loss to be realised.

An individual provision is also considered in the case of accounts, which may not currently be in arrears, where the Society has exercised forbearance to work with the customer in the conduct of the account. The provision is based on the propensity of the account to realise a loss, had forbearance not been shown.

No provision is made against the future carrying costs of impaired loans.

A collective provision is also made against those advances for which the Society's experience and the general economic climate would indicate that impairment events have occurred but have yet to be notified and as such could ultimately result in a loss.

The amount charged in the income and expenditure account represents losses written off in the year together with the net change in credit risk adjustments. Interest in respect of all loans is credited to the income and expenditure account as it becomes receivable.

9. Interest Rate Risk in the Banking Book (IRRBB)

The Society has pledged part of its loan book as collateral with the Bank of England, in order to participate in the Bank's Sterling Monetary Framework (SMF) and Asset Purchase Facility (APF). Participation in these schemes provides the Society with a source of funding that diversifies the funding portfolio and reduces the overall funding cost, and allows the Society to optimise mortgage rates for its members. Although the loans remain fully owned and operated by the Society, they are reported as encumbered. Other encumbered assets are collateral posted for the derivative portfolio that supports the management of interest rate risk. Details of the encumbered assets are included below:

	Encumbered Assets		Total Assets	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets of the reporting institution	109,286	-	1,059,051	-
Loans on demand	-	-	110,306	-
Equity instruments	-	-	-	-
Debt securities	-	-	72,655	72,655
Loans and advances other than loans on demand	109,286	-	864,295	-
Other Assets	-	-	11,795	-

Encumbered Assets

IRRBB is managed using balance sheet hedging through the use of derivatives. Basis risk is measured and controlled through static and dynamic stress tests against Board approved limits.

Static gap analysis is performed monthly against a 2% parallel shift in interest rates, the Society currently stress tests a downwards shift against a fall of 0.5% in interest rates. The results are reviewed by the ALCO and Risk Committee.

The results of the stress test at 30 April 2018 are as follows:

	Net Gap £000	Impact on net interest income £000
At 30 April 2018	57,163	-
Impact of interest rate shift of +2%	58,172	(1,009)
Impact of interest rate shift of (0.5%)	56,659	504

10. Remuneration

a. Directors

Full details of the Society's remuneration policy and details of Executive Directors' emoluments for 2018 and comparatives for 2017 are set out in the Directors Report in the Annual Report and Accounts, available on the Society's website, which should be read in conjunction with this report.

The Society's objective in setting remuneration policies is to reward Executive Directors and other senior staff through salaries and other benefits, including an incentive scheme designed to recognise the achievement of corporate objectives. Remuneration is set at a level to retain and attract individuals of the calibre necessary to operate in an organisation such as the Society.

No Executive Director holds a contract with a notice period of more than 12 months.

b. Material Risk Takers

The Board have determined that for the year to 30 April 2018, in addition to the three Executive Directors of the Society, four other executives , including those involved in controlled functions and two managers are designated as being subject to the PRA Remuneration Code, as set out in SYSC 19A. These staff are now identified as "Material Risk Takers" under CRD IV.

The remuneration of the Society Executive Directors and other members of senior management is determined by the Remuneration Committee, which consists of three Non-Executive Directors. The terms of reference of the Committee are available on the Society's website.

Rewards are principally in two parts, being basic salary and an annual incentive payment. Payments made as a result of the annual incentive scheme are not pensionable. The annual incentive scheme is linked to key corporate performance measures, such as peer group comparison and the achievement of financial or regulatory compliance targets (e.g. in relation to growth and efficiency). For the year to 30 April 2018, the scheme was designed to deliver a maximum award of 20% of basic salary, following finalisation and approval of the Accounts.

Payments made to material risk takers the year to 30 April 2018 were as follows:

	Total £000
Remuneration	
Fixed	681
Variable	73
	754