Pillar 3

Disclosure Document

for the year ended 31 March 2018

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Disclaimer

The Pillar 3 disclosures have been prepared purely to comply with the Capital Requirements Directive, in seeking to explain the basis on which the Society has prepared and disclosed certain capital requirements and information about the management of certain risks. They do not constitute any form of Financial Statement and must not be relied upon in making any judgement on the Society. There is no requirement for the disclosures to be externally audited.

Pillar 3 Board Disclosure Policy

This document sets out the Board's policy on the Pillar 3 disclosure requirements of the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) Pillar 3, as relevant to the size and complexity of the Society. The Society has adopted the standardised approach to credit risk and the basic indicator approach to operational risk.

This policy is approved by the Board and is subject to annual review to ensure that the disclosures, verification and frequency remain appropriate.

Disclosures

The CRD requires the Society to make the following disclosures:

- Scope of application of the directive requirements;
- Risk management objectives and policies;
- Capital resources;
- Credit risk;
- Standardised credit risk exposures classes;
- Operational risk;
- Interest rate risk.

No disclosures have been omitted as either being proprietary or confidential.

1. Introduction

On 1 January 2014, the Capital Requirements Regulation (CRR) and the Capital Requirements Directive came into force and are together referred to as CRDIV or Basel 3. The Capital Requirements Directive has within its basic structure 3 'Pillars', being: -

Pillar 1: Minimum capital requirements;

Pillar 2: Assessment of capital requirements by the Society through the Internal Capital Adequacy Assessment Process (ICAAP) and the Prudential Regulation Authority (PRA) through the Supervisory Review and Evaluation Process (SREP);

Pillar 3: Designed to promote market discipline through the disclosure of key information about risk exposures and the management of those risks.

For small societies such as the Dudley, the Pillar 1 assessment is based on a formulaic risk based capital calculation focusing particularly on credit and operational risks to determine the Capital Resources Requirement.

The Board of Dudley Building Society has also undertaken a bottom-up assessment of all of the risks facing the Society and has established extra capital to be held under Pillar 2. As part of this, the Society has undertaken stress tests to determine whether it could maintain capital adequacy in a severe economic downturn.

Dudley Building Society's primary aim is to ensure that we protect our members' savings by having sufficient capital even during a significant economic downturn.

This policy document deals with the requirements for Pillar 3 (disclosure) and the information provided here is in accordance with the Capital Requirements Directive.

The Disclosures relate to Dudley Building Society (PRA Number 161294), and all information relates to the Society's assets as at 31 March 2018.

These disclosures have been reviewed by the Society's Asset and Liability Committee and its Board.

This document is published on the Society's website (www.dudleybuildingsociety.co.uk).

2. Risk Management Policies and Objectives

Dudley Building Society is a traditional Building Society, developing and retailing financial products, principally in the form of mortgages and savings. These products give rise to a financial asset or liability and are termed financial instruments. As well as mortgages and savings, the Society also uses wholesale financial instruments to invest liquid asset balances and to raise wholesale funding and to manage the interest rate risks arising from its operations.

The Society manages all the risks that arise from its operations, which are credit risk, interest rate risk, liquidity risk and operational risk by:

(i) Using forecasting and stress test models to help guide its business models;

(ii) Producing key risk information and indicators to measure and monitor performance;

(iii) Using management and Board Committees to monitor and control specific risks.

Credit Risk

Credit risk refers to the potential risk that arises from customers (or counterparties) failing to meet their obligations as they fall due. Credit risk arises primarily from loans to our retail customers, historic loans to our commercial mortgage customers and from our liquid asset investments.

The Credit Committee is responsible for reviewing the Society's Credit Risk Policy and monitoring the exposures in accordance with this policy, including exposures to individual counterparties and sector concentration. The Committee recommends the Credit Risk Policy for approval by the full Society Board.

The Assets and Liabilities Committee (ALCO) is responsible for managing Treasury activity and recommends limits on Treasury counterparties, country exposures and types of financial instruments for approval by the Society Board within regulatory guidelines.

Interest Rate Risk

Interest Rate risk is the risk that the value of, or income arising from, the Society's assets and liabilities varies as a result of changes in interest rates.

Interest rate risk arises from imperfect matching of different interest rate features, repricing dates and maturities of mortgages, savings and wholesale products. The Society manages this exposure on a continuing basis, within limits set by ALCO using a combination of on and off-balance sheet instruments. The sensitivity to changes in interest rates impacts the following activities:

1. Management of the investment of reserves and other net non-interest bearing liabilities;
2. Fixed rate funding;
3. Fixed rate mortgage and treasury lending.

Interest rate swaps are used, where appropriate, to manage the above risks. In addition, swaps are used to manage risks arising from a net exposure to an interest rate basis type e.g. base rate or LIBOR. The Society also monitors prepayment levels on fixed rate mortgages and aims to set the Early Repayment Charge consistent with the interest rate risk exposure.

The Society uses a parallel shift in interest rates of 2% to assess interest rate shock and to establish its risk appetite.

Sensitivity of reserves to +200bps interest rate movement	£000
As at 31 March 2018	(59)
Average for the period	(214)

Liquidity Risk

The Society's Liquidity Policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding in order to retain full public confidence in the solvency of the Society and to enable the Society to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets, through wholesale funding and through management control of the growth of the business.

The Society maintains assets in liquid form in such proportion and composition (as determined by ALCO) as will at all times enable it to meet its liabilities as they arise (including any unexpected adverse cash flow).

Operational Risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other external factors. The risk is managed by the departmental Managers of the Society – the 'Risk Owners' - who have responsibility for putting in place appropriate controls for their business area. A monthly report to the Board sets out key performance metrics.

In order to ensure we have sufficient capital to cover these operational risks, the Society also maintains a range of insurance policies to cover eventualities such as business interruption, loss of computer systems, crime etc.

To monitor its operational risks, the Society records all its risks and quantifies these through risk likelihood and impact, together with a reduction in impact from application of the controls assigned to each risk. This allows us to establish a residual risk remaining after operation of controls for each business area within the Society.

Strategic & Business Risk

Strategic & Business Risk is the risk that the Society may not be able to achieve its Corporate Plan or its desired strategy due to adverse circumstances outside of the Society's control.

This is a risk that every business faces. However, the Society looks to mitigate this risk by having a diverse range of products, so that its income source is not reliant on one product or one area of its business.

Concentration Risk

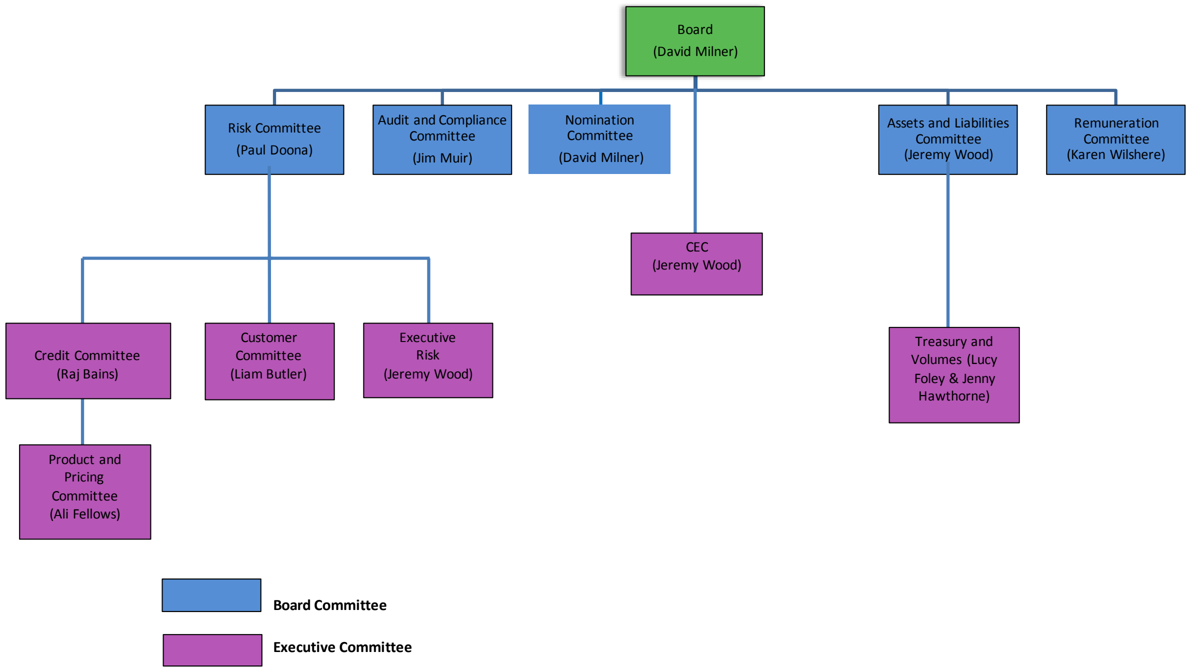
Credit risk may be increased if there is a concentration of exposure within the same category, which may include geographic location, product type, sector or counterparty type.

For Dudley, this particularly includes a geographic concentration of mortgage lending in the West Midlands. This exposure has been a reducing one over the last 4 years due to the Society changing to an intermediary based model which has resulted in more balanced national exposures.

Concentration risk is mitigated where possible by limits set on areas of business, and individual counterparty limits.

3. Main Board and Committee Structure

The Society's Management structure is set by the Society's Board of Directors, including via the establishment of a number of Committees which may include both Executive and Non-Executive Directors to oversee the various sections of the Society's business. The principal Committees from a Risk Management viewpoint are the Audit and Compliance Committee, the Assets and Liabilities Committee, the Credit Committee and the Risk Committee, details of which are included below:-



Audit & Compliance Committee

Composition: 3 Non-Executive Directors.

Main Functions: The Committee supervises the Society's internal audit programme and oversees compliance with the established systems of control, taking account of the relevant internal and external audit recommendations.

The Committee will review, and challenge where necessary, the actions and judgements of management, in relation to the Society's Annual Accounts. The Committee liaises with the Society's external auditors concerning the nature and scope of their work and reviews any changes in accounting policy and practice.

Frequency: The Committee meets not less than 4 times a year.

Assets & Liabilities Committee

Composition: 2 Executive Directors with 3 Non-Executive Directors.

Main Functions: The Committee is responsible for overseeing the structure of the Society's assets and liabilities, which includes setting the strategy and policies relating to liquidity, wholesale funding, risk management and balance sheet structure.

Frequency: The Committee meets on a monthly basis.

Credit Committee

Composition: 2 Executive Directors and Senior staff members.

Main Functions: The Committee is responsible for monitoring the lending portfolio quality and assessing and recommending changes to Lending Policy and Risk.

Frequency: The Committee meets on a monthly basis.

Risk Committee

Composition: All Non–Executive Directors of the Society.

Main Function: To assess and review the Society's significant Risks and mitigating actions. To consider the Society's regular stress tests, including reverse stress testing.

Frequency: The Committee meets on a monthly basis.

4. Capital Resources

The Capital Resources of the Society principally relate to the reserves of the organisation, which are classified as Tier 1. The Society has a small amount of Tier 2 capital, being the level of collective impairment provisions maintained in the Society's Balance Sheet. At 31 March 2018, the Society's capital comprised:

Table 1: Regulatory Capital	Capital Resources £000
Common Equity Tier 1 Capital (CET1)	
General Reserves	22,484
Available for Sale Reserve	(5)
Less Intangible Assets	(667)
Total Tier 1 Capital	21,812
Tier 2 Capital	
Collective Impairment Provisions	386
Total Tier 2 Capital	386
Total Capital	22,198

Intangible assets are computer software and system development costs after amortisation.

The Society's capital resources are the same under the CRDIV transition arrangements as on the full end point definitions.

Table 2: Reconciliation of Regulatory Capital	Amount £000
Total Reserves in the Statement of Financial Position	
General Reserves	22,484
Available for Sale Reserve	(5)
Total Reserves	22,479
Less Intangible Assets	(667)
Collective impairment Provisions	386
Regulatory Capital	22,198

5. Leverage Ratio

CRD IV introduces a non-risk based leverage ratio to supplement the risk-based capital requirements. The ratio is tier 1 capital as a proportion of on and off balance sheet exposures. The CRD IV requirement is for the minimum leverage ratio to be 3%. The Society's leverage ratio is the same under both transitional and full implementation of CRD IV.

Table 3: Leverage Ratio	Notes	31 March 2018 £000	31 March 2017 £000
Total Tier 1 capital		21,812	19,374
Capital measure	1	**21,812**	**19,374**
Total balance sheet assets	2	396,349	353,043
Secured on real estate - commitments	3	4,928	5,266
Off balance sheet FLS treasury bills		0	13,956
Derivatives	4	1,114	140
Exposure measure		**402,391**	**372,405**
Leverage ratio	5	**5.14%**	**5.20%**
Average leverage ratio	6	**4.97%**	**4.74%**

Notes

1. The capital measure for the leverage ratio is the total tier 1 capital reported in Table 1.
2. Total balance sheet assets those reported in the Statement of Financial Position within the Annual Report and Accounts, gross of the collective provision, less intangible assets and derivative financial instruments assets.
3. Commitments are after applying a 50% risk weighting in accordance with the amended CRD IV.
4. The accounting value of derivatives has been converted into an exposure measure.
5. The leverage ratio stated is based on quarterly regulatory submissions, which exclude unaudited profit from the capital measure.
6. Average leverage ratio is based on quarterly regulatory submissions, which exclude unaudited profit from the capital measure.

The greater asset exposure growth compared with the increase in Tier 1 Capital caused the leverage ratio to fall by 0.06% from 31 March 2017 to 5.14% as at 31 March 2018. The leverage ratio of the Society is well above the 3% regulatory minimum and it is forecast to remain so within the Corporate Plan.

The risk of excessive leverage is managed through the corporate planning process using the leverage ratio and is monitored by ALCO.

6. Capital Resources integrated into Business Strategy

Dudley Building Society aims to maintain sufficient capital resources to allow it to make advances and provide other financial services. In order to grow this capital, the Society needs to generate and retain profits that will add to the general reserves, the principal source of capital.

Strategy and Planning

The 5 year Strategic Plan and Annual Corporate Plan process establishes risk appetites for the various areas of business which the Society conducts.

The Society ensures it has sufficient financial and non-financial resource to meet the Strategic Plan objectives.

Capital Adequacy Assessment Process

In addition to the Strategic Plan and Corporate Plan the Society has an Internal Capital Adequacy Assessment Process (ICAAP), which focuses on ensuring capital resources of the Society are sufficient to support its plans both in normal operating and stressed conditions.

This process involves reviewing all business areas with estimates for capital allocation across the Strategic Plan period. The Board sets the economic scenarios to be used in calculating capital requirements, with input from the results of the Society stress models.

Finally the Board approves the capital assessment taking into account any areas where they may feel the models and internal assessments do not adequately capture the full risk exposure and holding extra capital, where appropriate.

Lending & Business Decisions

The Society translates its overall risk appetite for credit risk into individual lending limits controlling the exposures to be taken on by the Society. The performance against these limits is monitored monthly and reviewed at least annually.

Pricing

Product pricing models provide guidance as to the appropriate rate required to meet target level of return on all mortgages offered.

7. Risk Weighted Exposure Amounts & Operational Risk Capital

The assets of the Society are allocated risk based exposure amounts in line with the "Standardised Approach" under the Capital Requirements Directive. In addition, an evaluation of capital required to cover Operational Risk is calculated under the "Basic Indicator Approach" and determined by reference to the net income of the Society averaged over the last 3 years.

Table 4: Risk Weighted Exposures & Operational Risk Capital	Asset £000	Risk Weighted Asset £000	Capital Requirement £000
Treasury Assets:			
Central Government and Central Banks	67,538	-	-
Regional Governments and Local Authorities	-	-	-
Institutions	11,264	2,553	204
Total Treasury Assets	78,802	2,553	204
Loans and Advances to Customers:			
Secured on land - performing	2,165	2,165	173
Secured on residential property - performing	311,083	110,980	8,878
Past due items	2,354	2,368	189
Total Loans & Advances to Customers	315,602	115,513	9,240
Other Assets	1,946	1,946	156
Credit Risk Exposure excluding off-balance sheet	396,350	120,012	9,600
Off Balance Sheet:			
Institutions – Derivatives	1,114	557	45
Secured on Real Estate - Commitments	4,927	1,748	140
Total Off Balance Sheet	6,042	2,305	185
Total Credit Risk	402,391	122,317	9,785
Operational Risk		12,700	1,016
Credit Valuation Adjustment (CVA)		704	56
Total Pillar 1 Capital Resource Requirement		135,721	10,857
Capital Resources (Table 1)			22,198
Capital in Excess of Pillar 1 Requirements			11,341

Other assets include tangible fixed assets and exclude intangible fixed assets. Loans and advances to customers are net of individual impairment provisions of £0.573m.

The Society does not use credit risk mitigation techniques other than taking a first legal charge on property offered as security for a mortgage.

The total credit risk exposure of £402,391 reconciles to the Annual Report and Accounts as follows:

Table 5: Reconciliation of Credit Risk Exposure to the Annual Report & Accounts	£000
Total Credit Risk (Table 3)	402,391
Less Total Off Balance Sheet (Table 3)	(6,042)
Less Collective Impairment Provision	(386)
Add Intangible Fixed Assets	667
Add Fair Value Adjustment for Hedged Risk	758
Total Assets as at 31 March 2018	397,388

The credit risk exposures in each asset class as at 31 March 2018 and the average exposures held in each class during the financial year are detailed below:

Table 6: Total and Average Credit Risk Exposures l	Total Assets £000	Average Assets 000
Treasury Assets:		
Central Government and Central Banks	67,538	57,858
Regional Governments and Local Authorities	-	-
Institutions	11,264	14,090
Total Treasury Assets	**78,802**	**71,948**
Loans and Advances to Customers:		
Secured on land - performing	2,165	2,327
Secured on residential property - performing	311,083	296,971
Past due items	2,354	1,992
Total Loans & Advances to Customers	**315,602**	**301,290**
Other Assets	**1,946**	**1,851**
Credit Risk Exposure excluding off-balance sheet	**396,350**	**375,089**
Off Balance Sheet:		
Central Government and Central Banks – FLS	-	10,467
Institutions – Derivatives	1,114	608
Secured on Real Estate - Commitments	4,927	7,549
Total Off Balance Sheet	**6,042**	**18,624**
Total Credit Risk	**402,391**	**393,713**

The residual maturity on a contractual basis of credit risk exposures is shown as at 31 March 2018:

Table 7: Residual maturity of credit risk	Up to 3 months £000	4 - 12 months £000	1 -5 years £000	Over 5 years £000	Total £000
Residential mortgages	2,654	1,890	23,207	286,012	313,763
Other secured lending	125	83	782	848	1,838
Total retail credit risk exposures	**2,779**	**1,973**	**23,989**	**286,860**	**315,601**
Central banks and sovereigns	66,540	998	-	-	67,538
Financial institutions	10,263	1,001	-	-	11,264
Total treasury risk credit exposures	76,803	1,999	-	-	78,802
Total credit risk exposures	**79,582**	**3,972**	**23,989**	**286,860**	**394,403**

Counterparty Credit Risk

The purpose of the Society's Treasury Credit Risk Management Policy is to ensure that the Society can obtain the best possible return whilst operating within prudent limits in respect of counterparties.

The methodology for establishing counterparty limits involves consideration of the background rating information. The minimum rating required (for Banks) under Fitch ratings are:

- Short term facilities up to and including one year in maturity: bank to whom lending is made to have a short term credit rating of at least F2;

- Facilities over one year and up to and including 5 years in maturity: bank to whom lending is made to have a long term credit rating of at least BBB-.

The Fitch long-term and short term ratings for the one of the Society's main bankers, the Co-Operative Bank, are below the minima described above. The Society is in the course of migration of its banking provision from the Co-Operative Bank to its other main banker, RBS / NatWest.

Replacement values of outstanding hedging instruments are calculated and counterparty limits are adjusted to reflect any off balance sheet exposure.

Counterparty limits are set based on the Fitch rating. New counterparties can only be added provided the appropriate Fitch ratings are in place, and are subject to Board approval. Country limits are also set in order to minimise exposure to any one part of the world, except for the UK.

8. “Past Due” (Loans > 3 months in arrears) Exposures by Geographical Region

A loan is past due when it is 3 months or more in arrears. An analysis of the Society Mortgage Assets, by region of the UK and highlighting arrears in excess of 90 days, is noted below:

Table 8: Geographical Region	Individual Impairment Provision £000	Past Due* £000	Performing £000	Total £000
East Anglia	(11)	-	4,350	4,339
East Midlands	(188)	254	20,276	20,342
Greater London	(70)	1,547	60,315	61,792
North	-	-	6,509	6,509
North West	(27)	-	16,518	16,491
South East	(30)	-	69,887	69,857
South West	(43)	64	22,548	22,569
Wales	-	66	10,126	10,192
West Midlands	(196)	682	88,318	88,804
Yorkshire & Humberside	(8)	-	14,715	14,707
Total	**(573)**	**2,613**	**313,562**	**315,602**

* Past due amounts relate to the overall mortgage balances, not the amount in arrears and include properties in possession.

NB. In evaluating the above table, no breakdown of the mortgage assets into type is considered appropriate in view of the Society’s mortgage assets being principally residential.

9. Identification and Measurement of Impairment

A financial asset or group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The provision made on each mortgage account represents the amount required to reduce the outstanding balance of the asset to its expected realisable value, by using industry recognised house price indices, and adjusting for costs of realisation, other recoveries and the probability of possession.

Collective impairment provisions are made where it is considered that there is impairment in the value of assets at the year-end that is not already covered by individual impairment provisions.

In assessing collective impairment, the Society uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

The collective impairment provisions made at the year-end represent the Directors' assessment of the potential losses which, although not yet specifically identified as relating to payment arrears, are known from experience to exist in the Society's loan portfolio.

These provisions have been deducted from the appropriate asset values shown in the balance sheet. Further details of the level of mortgage provisions can be found in the 2018 Annual Report and Accounts of the Society.

10. Breakdown of Treasury Assets under the Standardised Approach

The Society's treasury management process uses Fitch ratings in the assessment of exposures to counterparties, or a Moody's rating in the absence of a Fitch rating. The table below is a summary by standardised credit risk exposure class and credit quality step of the Society's Treasury Assets at 31 March 2018. The External Credit Assessment Institution (ECAI) ratings used in the table are based on Fitch Ratings. The highest credit quality step is step 1.

Table 9

Credit Quality Step	ECAI Long-Term Rating	Banks £000	Building Societies £000	Central Government £000	Local Authorities £000	Total £000
1	AAA to AA-	43	-	67,538	-	67,581
2	A+ to A-	3	2,006	-	-	2,009
3	BBB+ to BBB-	6,900	1,001	-	-	7,901
4	BB+ to BB-	-	-	-	-	-
5	B+ to B-	1,311	-	-	-	1,311
6	CCC+ & below	-	-	-	-	-
Unrated	-	-	-	-	-	-
Total		**8,257**	**3,007**	**67,538**	**0**	**78,802**

The geographical distribution of the above exposures is the United Kingdom. Central government exposure includes central bank exposure. There are no exposures to any unrated counterparties.

The residual maturity of the Society's Treasury Assets at 31 March 2018 is analysed below: -

Table 10

Credit Quality Step	Repayable on demand £000	In not more than three months £000	In more than three months, but not more than one year £000	Total £000
1	66,583	-	998	67,581
2	3	2,006	-	2,009
3	6,900	-	1,001	7,901
4	-	-	-	0
5	1,311	-	-	1,311
6	-	-	-	0
Unrated	-	-	-	0
Total	**74,797**	**2,006**	**1,999**	**78,802**

11. Asset Encumbrance

A breakdown of the median encumbered and unencumbered assets for the quarters ending in the financial year ended 31 March 2018 is given in Tables 11 and 12.

Table 11: Assets of the reporting institution	Carrying amount of encumbered assets £000	Fair value of encumbered assets £000	Carrying amount of unencumbered assets £000	Fair value of unencumbered assets £000
Equity instruments	-	-	-	-
Debt securities	-	-	4,011	4,011
Other assets	60,428		247,993	

Table 11 includes on and off balance sheet encumbered assets.

Table 12: Encumbered assets/collateral received and associated liabilities	Matching liabilities, contingent liabilities or securities lent £000	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered £000
Carrying amount of selected financial liabilities	30,493	60,428

Tables 11 and 12 are based upon the templates A and C prescribed in EBA Guideline EBA/GL/2014/03 on disclosure of encumbered and unencumbered assets.

The Prudential Regulation Authority waived disclosure of the EBA Asset Encumbrance Disclosure Template B (Collateral Received) requirements subject to a firm meeting certain criteria. The Society meets this criteria and so template B information is not disclosed.

The Society has mortgage assets encumbered with the Bank of England Asset Purchase Facility Fund Limited to secure amounts drawn down under the Term Funding Scheme (TFS). During the year, the Society repaid funds drawn down under the Bank of England Funding for Lending Scheme (FLS). At 31 March 2018, £52.5m (2017:£17.3m) of mortgage assets held by the Society were pledged to the Bank of England as collateral under TFS. Collateral in 2017 was in respect of FLS.

12. Countercyclical Capital Buffer

The countercyclical buffer is an additional requirement introduced by CRD IV, calculated by applying a weighted average of country countercyclical buffer rates based on the geographical distribution of relevant exposures to the overall capital requirements of the Society. The following templates disclose information relevant for the calculation of the countercyclical buffer as at 31 March 2018 in accordance with Regulation (EU) 2015/1555 on a consolidated basis and in particular exclude exposures to sovereigns.

Table 13: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Geographical Breakdown	Countercyclical capital buffer rate	Exposure Value £000	Risk weighted assets £000	Bank Specific countercyclical buffer rate	Countercyclical buffer amount £000
UK	0%	402,391	122,318	0%	0
Total	0%	402,391	122,318	0%	0

Note: from June 2018 the Bank of England will increase the countercyclical buffer from 0.0% to 0.5%. A further increase will also become effective from the 1 November 2018 with the buffer rate increasing to 1.0%.

13. Remuneration

The Society has a remuneration policy that aligns to the FCA Regulations Remuneration Code. The detail required for the purposes of this Pillar 3 document is disclosed in our Annual Report and Accounts which is also published on the Society's website. The details are located in the Annual Report and Accounts within the Directors' Remuneration Report and Note 7. Note 7 of the Annual Report and Accounts gives a breakdown of the Directors' remuneration in the financial year; it should be noted that all Director Remuneration is fixed.

Additional elements that need to be reported in this document are in relation to material risk takers within the Society. Outside of the Society Directors, 13 additional material risk takers have been identified. A breakdown of their fixed and variable remuneration is set out in table 14 below:

Table 14	March 2018 £000
Fixed remuneration	703
Variable remuneration	8
Total	**801**

14. Conclusion

This disclosure document is intended to provide background information on the Society's approach to risk management as related to maintaining and preserving the capital position of the Society. It also provides asset information and capital calculations under Pillar 1.

In the event that a user of this document has comments or requires further information, then they are requested to contact Peter Beddows, Finance Director at peter.beddows@dudleybuildingsociety.co.uk