PROGRESSIVE

BUILDING SOCIETY

Pillar 3 Disclosures

31 December 2015

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1. Overview

The Basel Committee on Banking Supervision introduced the Basel legislative framework governing how much capital all banks and building societies must hold to protect their members, depositors and shareholders. The EU Capital Requirements Directive (CRD) is the means by which Basel III was implemented in the EU. In the UK this has been implemented through rules introduced by the Prudential Regulation Authority (PRA).

The Basel framework consists of three main pillars:

- Pillar 1 – Minimum Capital Standards
- Pillar 2 – Supervisory Review Process
- Pillar 3 – Disclosure

Pillar 1 determines the minimum capital standards required by the firm focusing on credit, market and operational risks. Pillar 2 requires the firm to set aside adequate additional capital to cover the risks not already provided for under Pillar 1. The Board of Progressive Building Society assessed all major risks in the business and determined the capital required under a severe economic downturn.

Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). Its aim is to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. The disclosures are made to the market for the benefit of the market.

Basis of Preparation

The sole purpose of these disclosures is to give information on the basis of calculating capital requirements and on the management of the risks faced by the Society. This is in accordance with the rules laid out in the PRA handbook and CRD IV as applicable.

Frequency of Disclosure

Disclosures will be issued at least annually on the Progressive website www.theprogressive.com based on the most recent published Annual Report and Accounts. All figures are based on 31 December 2015, the Society's financial year end.

Verification and Sign-off

These disclosures are not subject to external audit except where they are equivalent to those prepared under accounting requirements for inclusion in the Society's audited Annual Report and Accounts. They are verified internally by the Society's Prudential Risk Committee in accordance with the Society's reporting and governance process.

2. Risk Management Framework

Progressive Building Society is a mutual organisation owned by and run for the long term benefit of its Members. The Board accepts risks as a natural occurrence in the provision of mortgages and savings products, but endeavours to mitigate and manage these risks. The main risks within the business are credit, market (including interest rate risk), capital, liquidity and operational risk.

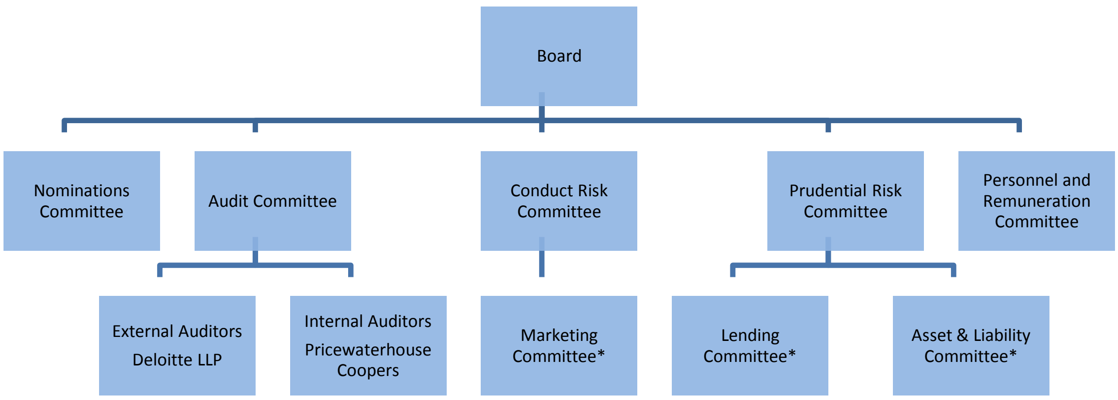
The Society's risk management structure is based on the three lines of defence model:

- First Line: Management and staff have a responsibility to understand how risks impact their area of the business and to ensure controls are designed and operate effectively to reduce the potential impact of those risks. This establishes a structured control environment within which the Society's business operates.

- Second Line: The Risk Management function (Prudential and Conduct) provide policies and oversight of the Risk Management Framework. This acts as management oversight of the control environment established by the first line of defence.

- Third Line: This is independent monitoring and assurance on the design and operating effectiveness of the control environment. Internal Audit is responsible for this independent review of the effectiveness of the Control Environment and Risk Management Framework. The Internal Audit function is outsourced to PricewaterhouseCoopers.

The Society's Committee structure is shown below:



* Management Committee

Board

Composition: Six non-executive Directors and three executive Directors

Main Functions: The Board has responsibility for setting the Society's risk strategy and risk appetite and ensuring the Risk Management function is adequately and appropriately resourced via the Prudential and Conduct Risk Committees. The Board has responsibility for approving all of the Society's key policies as recommended by the various committees.

Frequency: The Board normally meets at least eleven times per year.

Audit Committee

Composition: Three non-executive Directors. Other non-executive Directors, executive Directors and Senior Managers may attend by invitation.

Main Functions: The Committee considers matters relating to internal and external audit arrangements and systems of control. The Society is required to take reasonable care to establish and maintain such systems and controls as are appropriate to its business. The Committee receives an Internal Audit report at each meeting on the risk management and adequacy of controls within particular business areas. The Committee reviews and challenges, where necessary, the actions and judgements of management.

Frequency: The Committee normally meets five times per year.

Conduct Risk Committee

Composition: Three non-executive Directors, the Chief Executive, and the Deputy Chief Executive and Finance Director. Other individuals such as the other Non-executive Directors, Operations Director, Senior Manager Conduct Risk, other representatives of the risk function, compliance and internal and external audit may be invited to attend all or part of any meeting as and when appropriate and necessary.

Main Functions: The Conduct Risk Committee (CRC), as a Board committee, supports the Board by overseeing the manner in which Progressive Building Society conducts business with its members. This is to ensure that the Society's conduct meets Progressive's objectives in delivering business in a clear, transparent and fair manner; whether that is by Progressive Building Society itself or by effecting oversight of any third party's conduct with Progressive's members. The Committee will also ensure that Progressive meets its regulatory and legal obligations with regard to Conduct of Business as laid out by its regulator.

Frequency: The Committee normally meets four times per year.

Prudential Risk Committee

Composition: Three non-executive Directors, Chief Executive, and the Deputy Chief Executive and Finance Director. Other individuals such as the other Non-executive Directors, Operations Director, Senior Manager Prudential Risk and, other representatives of the risk function, compliance and internal and external audit may be invited to attend all or part of any meeting as and when appropriate and necessary.

Main Functions: The Board has established a committee to be known as the Prudential Risk Committee to support it in achieving its objectives and in overseeing the management of prudential risk across the Society. The Committee is authorised to review and make recommendation to the Board to approve the prudential risk appetite statements. The Committee advises the Board on the Society's overall risk appetite and tolerance. The Committee recommends the ICAAP, ILAAP and Lending Policies to the Board for approval.

Frequency: The Committee normally meets four times per year.

Nominations Committee

Composition: Three non-executive directors. The Chief Executive and the Deputy Chief Executive and Finance Director attend by invitation.

Main Functions: The Committee reviews the Society's Board Nomination requirements.

Frequency: The Committee normally meets twice per year.

Personnel and Remuneration Committee

Composition:	Three non-executive directors. The Chief Executive and the Deputy Chief Executive and Finance Director attend by invitation.
Main Functions:	The Committee reviews the Society's overall personnel and remuneration strategies and revises as deemed necessary. It identifies Human Resources related initiatives and monitors staff well-being.
Frequency:	The Committee normally meets three times per year.

Risk Strategy

The Society's risk strategy reflects its committee structure. As such the Board approves the Board Risk Appetite Statement which contains both quantitative and qualitative risk measures. These statements are supported by a suite of risk metrics, limits and triggers designed to ensure the Society stays within risk appetite.

Secondary, more granular, risk policies are reviewed by the relevant risk committee for approval by the Board. These risk policies set out the key risks, how they are managed and incorporate further limits and triggers which are monitored by the individual management level risk committees.

In addition, the third line of defence review the operation of controls during their assessments to provide assurance to the Board that controls are designed appropriately, operating as expected to assist the strengthening of the risk management framework.

During 2015, the information received and considered by the Board and its Committees provided reasonable assurance that during the year there were no material breaches of control or regulatory standards and that the Society maintained an appropriate system of internal control. Where weaknesses in controls are identified by the three lines of defence the Board monitor the steps taken to remedy the issues and to ensure that the Society responds to changing external threats and economic circumstances and to the changing regulatory environment.

Risk Appetite

The Society is a mutual organisation with no shareholders and is the custodian of its Members' long term financial interests. The Members are entitled to expect that their money is safe. The Society's Board adopts a prudent attitude to risk when setting its risk appetite.

There is no one single measure that defines the Board's Risk Appetite, but rather, a framework through which the Board has set overarching parameters within which the business is managed and performance monitored. The Board's Statement of Risk Appetite is expressed to reflect the strategy, overall objectives and business plans of the Society and is linked to the core elements of the business. Adherence to the Board appetite is monitored on a quarterly basis through structured key performance indicators (KPI's) and early warning indicators reported to the Prudential and Conduct Risk Committees.

The Risk Appetite statement limits are reviewed at least annually or in the event that there are significant changes in strategy that require an adjustment to Risk Appetite.

Stress Testing

Society-wide stress tests are an integral part of the annual business planning process and annual review of risk appetite. Tests are designed to ensure that the Society's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress on the market (systemic stress) or stress events that would only impact the Society (idiosyncratic stress). Stress testing also informs early-warning triggers, management actions, contingency and recovery plans to mitigate potential stresses and vulnerabilities and as such is integral to the Society's risk management framework.

The stress testing framework also includes reverse stress testing techniques which aim to identify circumstances under which the Society's business model is no longer viable, leading to a significant change in business strategy. Stress testing is used to identify and review the potential effectiveness of management actions that would be taken to mitigate the impact of a stress.

3. Risk Management Objectives and Policies

Progressive Building Society looks to manage the risks that arise from its operations of providing financial products. These risks are managed using forecasts and stress testing models to help guide the business strategies and use the Board, committees and management to monitor and control specific risks.

Credit Risk

Credit risk is the risk that a financial loss arises from the failure of a customer or counterparty to meet their contractual obligations. Credit risk arises primarily from mortgage lending and treasury operations.

All mortgage applications are assessed with reference to the Board approved lending mandates and considering the affordability of the borrowers' loan repayments. Loans are only granted against valuations based on physical inspections of the properties. For analysis of Mortgage Assets see Appendix 1. Details of mortgage provisions are analysed in Appendix 3.

A Board approved Treasury Policy statement sets out exposure limits for individual counterparties, groups of counterparties, industry sectors and countries.

The purpose of the Society's counterparty 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 from Fitch and balance sheet data relevant to the counterparty.

New limits are recommended to the full Board by Prudential Risk Committee for ratification. Existing limits may be removed or suspended with immediate effect due to rating downgrades or adverse market intelligence. All limits are reviewed on a regular basis by ALCO and monitored by Treasury staff on a daily basis. No dealing will take place with counterparties which do not have a pre-approved limit. For analysis of Treasury Assets see Appendix 2.

The Society has adopted the standardised approach for the calculation of the credit risk capital requirement.

Market Risk

Market risk is the risk that the value of income arising from the Society's assets and liabilities may change adversely as a result of changes in interest rates or exchange rates. For capital adequacy purposes the Society is not directly exposed to this risk because it does not engage in trading activity and all assets and liabilities are denominated in sterling.

The Society also monitors prepayment levels on fixed rate mortgages and ensures that the early repayment charge is consistent with the interest rate exposure.

Interest Rate Risk

The Society is exposed to interest rate risk, principally arising from the provision of fixed rate lending and savings products. The various features and maturity profiles for these products, create interest rate risk exposures due to the imperfect matching of interest basis between different financial instruments and the timing differences on the re-pricing of assets and liabilities.

A parallel shift in interest rates of 2% is used to assess the effects of an interest rate shock. The Society's risk appetite in this area has been established by the Board as 5% of own funds for a movement in economic value for a shift in interest rates of this magnitude. The Society also utilises a target operating range of 3.5% of own funds to ensure the 5% limit is not breached. Once the 3.5% target operating range has been surpassed, the Society takes decisive action to reduce the potential impact of interest rate risk on the balance sheet.

Derivatives are also used to limit the extent to which the Society will be affected by changes in interest rates. Derivatives are therefore used exclusively to hedge risk exposures.

The principal derivatives currently used by the Society are interest rate exchange contracts, commonly known as interest rate swaps. The Society uses derivatives in accordance with the terms of the Building Societies Act 1986. This means that such instruments are not used in trading activity or for speculative purposes and, accordingly, they are used exclusively to reduce the risk of loss arising from changes in interest rates.

Another significant form of interest rate risk arises from the imperfect correlation between re-pricing of interest rates on different assets and liabilities, often referred to as basis risk. Basis risk is monitored by ALCO on a monthly basis and is kept within set Board limits by adjusting product prices and availability.

Liquidity Risk

Liquidity risk is the risk that the Society will be unable to meet its financial obligations as they fall due. The risk is managed principally by the holding of cash and other readily realisable assets in order to meet daily business requirements, to meet any unexpected cash needs and to maintain public confidence.

The Society defines its liquidity risk appetite through adherence to the overall liquidity adequacy rule (OLAR), which ensures the Society has sufficient liquid assets to survive under a significant stress for a period of least 90 days.

The Treasury back office function monitors adherence to the Funding and Liquidity policies on a daily basis. Any breaches are referred to the Finance Director in the first instance and then ALCO and the Board.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed by individual business areas through a series of appropriate controls and procedures. Reporting is by exception to the Risk Committees and ultimately the Board.

The Society's operational risk management framework sets out the strategy to identify, assess and manage operational risk with senior management having responsibility for understanding the nature and extent of the impacts on each business area and for embedding the appropriate controls to mitigate those risks. The framework is reviewed periodically to take account of changes in business profile, new product development and the external operating environment.

Risk appetite for all risk categories is expressed by the Board by reference to the most significant net risks recorded in the Society's risk registers. Each risk on the risk register is assessed using a 'Probability/Impact' matrix which is used to quantify, in financial terms, potential risk to the Society, before and after taking into account the effectiveness of management controls, and other forms of mitigation. Risk appetite is quantified in terms of a limit above which a single risk exposure should not exceed. For individual risks which are deemed unacceptable, remedial action is taken including introducing or enhancing the operational controls and/or risk mitigants related to the individual risk, or taking appropriate action to eliminate the risk altogether.

The Society operates a process of continuous improvement therefore each risk is also assigned a target score which management attempt to achieve by additional mitigation and improving the design and operational effectiveness of controls. All key Society Controls are documented and reviewed annually with any control changes being formally reviewed by the Risk and Compliance department.

The risk registers are subject to regular review by each risk owner and Society Risk and Compliance Department with the highest scoring risks for the Society as a whole reported to the Board periodically.

The risk registers and risk assurance framework are subject to review by Society Internal Audit. The focus and prioritisation of the Internal Audit annual programme is linked closely to an assessment of the risk registers and highest scoring risks.

The Society has adopted the Basic Indicator Approach for calculation of the operational risk capital requirement.

Concentration Risk

Concentration risk is the risk of loss arising from over-exposure to a single borrower or group of borrowers. This may arise through geographical region or industry sector concentrations.

As a regional building society, Progressive has a geographical lending concentration in Northern Ireland. 99.9% of the mortgage book is in Northern Ireland. This risk is carefully managed through very prudent lending criteria. Lending is spread throughout the Province by virtue of branches and agents in all of the major cities and towns and is monitored by the Lending Committee on a monthly basis and Prudential Risk Committee on a quarterly basis.

Sectoral concentrations are managed and monitored through compliance with the Lending and Treasury policies and reporting to the Prudential Risk Committee by ALCO and ultimately the Board.

Business Risk

Business risk is the exposure of the Society's performance caused by uncertainty in the economy. It is any risk that may affect the Society's ability to meet its core objectives. Progressive looks to mitigate this risk by having a range of products so that its income source is not reliant on one product or one area of business.

Pension Liability Risk

Pension liability risk is the risk that there may be a shortfall with respect to benefits due to employees/former employees within a defined benefit pension scheme. The Society operates a defined benefit pension scheme which is closed to new members. The Executive Directors are members but also participate in an unfunded arrangement. New members of staff are eligible to join the Society's defined contribution pension scheme.

The possibility exists of further detrimental impact on the Society's reserves due to increased life expectancy, falling interest and equity prices and increased staff salaries.

Progressive is advised by an international actuarial consulting firm specialising in pension administration and advice.

Conduct Risk

Conduct risk is the risk of the Society treating its retail members unfairly and delivering inappropriate customer outcomes.

The sustainability of the Society's business model, and achievement of its longer term strategy are dependent upon the consistent and fair treatment of members. The regulatory regime reflects the increasing scrutiny of the measures adopted by firms in relation to business conduct. This has been mirrored by the Society's approach towards the governance of conduct risk.

The Conduct Risk Committee forms part of the Society's overall governance and control framework. The Committee is responsible for ensuring adherence to the risk strategy and the conduct risk Policy. Pursuing good member outcomes is integral to the Society's culture. Internal and external independent reviews are undertaken to evaluate the effectiveness of the Society's culture.

4. Capital Resources

The Society has no transitional arrangements under CRD IV

	2015 CRD IV Final £m
Total equity attributable to members per the Statement of Financial Position	
- General reserves	100.7
- Other reserves	(0.7)
- Available-for-sale reserve	0.1
- Intangible fixed assets	0.3
Total Common Equity Tier 1 Capital	**100.4**
Adjustments to Tier 2 Capital: - Add back: Collective impairment	 2.0
Regulatory Capital	**102.4**

Within Progressive all Tier 1 capital (CET1) is retained in General Reserves which amounted to £100.7 million at December 2015. The Society also had a negative revaluation reserve of (£0.7m) and available-for-sale reserve of £0.1m. Intangible fixed assets amounted to £0.3 million

Under Basel III rules (CRR Article 26) other reserves are to be included as a component of CET 1, with a footnote saying :

There is no adjustment applied to remove from Common Equity Tier 1 unrealised gains or losses recognised on the balance sheet.

Prior to January 2014, a revaluation reserve would have historically been considered as Tier 2, however, this amount is now combined with the Society's General Reserves figure to produce a gross capital amount of £100 million

As this is formed of retained earnings, the Society considers this to be the highest quality capital available and fulfils the expectations of the regulator.

5. Capital Adequacy

Capital Management

Principle 4 of the FCA's Principles for Businesses requires a firm to maintain adequate capital resources.

Progressive Building Society aims to maintain sufficient capital resources to ensure the financial security of the Society. In order to maintain this capital the Society needs to generate and retain profits that will add to the general reserves, the main source of capital.

Challenge and Adoption of Individual Capital Adequacy Assessment Process (ICAAP)

The Prudential Risk Committee monitors the Society's capital position with the aid of its ICAAP, which brings together the Risk Management Framework, corporate planning and capital management. The ICAAP involves discussions with the various business areas and how their current profiles may change, together with estimates for capital allocation. The ICAAP is prepared by the Senior Manager Prudential Risk and reviewed by the Chief Executive and Deputy Chief Executive and Finance Director before being reviewed by the Prudential Risk Committee. This provides the non-executive directors with a forum to challenge the scope of the risk and the severity of the underlying stress-testing assumptions. After review, the ICAAP is recommended by the Prudential Risk Committee to the Board for final review and adoption.

Quality of Capital

The objective of the Basel rules is to increase the ability of financial institutions to deal with shocks and stresses related to financial and economic factors. To achieve the objectives the definition of capital has been restated and in particular includes specific requirements relating to the ability of firms to absorb losses. Common Equity Tier 1 is regarded as the highest quality of capital and Basel III rules state that a greater proportion of the Pillar I capital requirement must be met from common equity tier 1 (4.5% of the total 8.0%). For the Society Common Equity Tier 1 Capital is in the form of retained earnings (reserves). This is the only form of Capital the Society holds. Unlike other Financial institutions the Society did not have to issue additional debt instruments in the form of Permanent Interest Bearing Shares (PIBS) or Subordinated debt. All of the Society's historical capital still qualifies as Common Equity Tier 1 Capital, which is considered the highest possible quality of capital under Basel III rules.

Leverage Ratio

The leverage ratio at 31 December 2015, applying the CRR Article 499 (2) and (3) is 5.6%

Leverage ratio	
Capital measure (£m)	**100.4**
Exposure measure (£m)	**1,795.5**
Leverage ratio (%)	**5.6%**

Leverage ratio exposure measure	£m
On-balance sheet exposure (excluding derivatives)	
Total on-balance sheet exposures (excluding derivatives)	**1,736.2**
Derivative exposures	
Replacement cost associated with all derivatives transactions	**0.7**
Other off-balance transaction exposures	
Off-balance sheet exposures at gross notional amount	**58.6**
Leverage ratio total exposure measure	
Leverage ratio exposure measure	**1,795.5**

Basel III introduces a non-risk based leverage ratio to supplement the risk based capital requirements. The ratio shows tier 1 capital as a proportion of balance sheet assets. The ratio does not distinguish between the credit quality of loans and acts as a primary constraint to excessive lending in proportion to the capital base. The minimum ratio must be 3% but the leverage ratio will not become a binding component until 1 January 2018. The Society is already well in excess of this requirement.

Capital Buffers

To encourage adequate build-up of loss absorbing capital that can be used in times of stress Basel III requires the use of common equity capital buffers. These include a Capital Conservation Buffer (CCB) of 2.5% of Risk Weighted Assets and a Counter-Cyclical Capital Buffer (CCCB) of up to 2.5% of Risk Weighted Assets which can be applied by regulators when macroeconomic conditions dictate.

In addition, globally systemically important banks are expected to hold a buffer of up to 2.5%. This is not applicable to the Society.

The available Common Equity Tier 1 capital as a percentage of risk weighted assets to meet these buffers when they are implemented is shown in Section 6. Total Risk Weighted Assets for the Society as at 31 December 2015 was £562m. As the Society currently has £51m of capital in excess of minimum capital requirements this is more than sufficient to meet any future capital buffer requirements. The Capital buffers are to be phased in over the next 5 years during which time the Society's capital position is forecast to strengthen further confirming adherence to Basel III capital requirements.

Counterparty Credit Risk

As part of the Basel III rules a new capital charge for credit valuation adjustment (CVA) risk will be required. The additional requirement will be based on derivative instrument exposures that have not been cleared through a central counterparty. The impact on risk weighted assets is not currently material for the Society due to the current derivative profile, but has been included in the above calculations

6. Measurement of Credit and Operational Risk Capital

Credit Risk Capital Requirement

Progressive Building Society has adopted the Standardised Approach to assess its credit risk weightings. Under this approach the level of capital required is calculated as:

> Credit risk capital requirement = exposure value X risk weighting X 8%

Credit Risk Exposures & Credit Risk Capital Requirement as at 31 December 2014		
Exposure Class	Exposure £000	Pillar 1 Credit Risk Capital Requirement £000
Residential Mortgage Assets	1,354,327	540,471
Commercial Mortgage Assets	5,892	8,727
Treasury Assets	318,434	11,096
Other Assets	10122	7,217
Balance Sheet Total	1,688,775	567,511

Credit risk capital requirement = exposure value X risk weighting X 8%

Credit Risk Exposures & Credit Risk Capital Requirement as at 31 December 2015		
Exposure Class	Exposure £000	Pillar 1 Credit Risk Capital Requirement £000
Residential Mortgage Assets	1,386,046	534,359
Commercial Mortgage Assets	8,106	8,494
Treasury Assets	334,119	11,314
Other Assets	8,510	7,472
Balance Sheet Total	1,736,781	561,639

Operational Risk Capital Requirement

An evaluation of capital required to cover Operational Risk is calculated under the Basic Indicator Approach and determined by reference to the Society's net income, averaged over the previous 3 years. Progressive's minimum (Pillar 1) capital requirement for operational risk at 31 December 2015 was:

Minimum Capital Requirement – Pillar 1 as at 31 December 2014

	Pillar 1 Operational Risk Capital Requirement
	£000
Basic Indicator Approach	3,675

	£000
Pillar 1 - Credit Risk Capital Requirement	45,401
- Operational Risk Capital Requirement	3,675
- Market Risk Capital Requirement (CVA Requirement*)	12
Minimum Capital Requirement (Pillar 1)	49,088
Capital Resources	88,733
Excess of Capital Resources over Minimum Capital Requirement	39,645

Minimum Capital Requirement – Pillar 1 as at 31 December 2015

	Pillar 1 Operational Risk Capital Requirement
	£000
Basic Indicator Approach	4,179

	£000
Pillar 1 - Credit Risk Capital Requirement	44,931
- Operational Risk Capital Requirement	4,179
- Market Risk Capital Requirement (CVA Requirement*)	9
Minimum Capital Requirement (Pillar 1)	49,119
Capital Resources	100,400
Excess of Capital Resources over Minimum Capital Requirement	51,281

*Credit Value Adjustment

The Society has adequate capital resources showing an excess of £51 million of capital resources over minimum capital requirements.

7. Remuneration Committee and Policy

A key objective of the Committee is to make recommendations to the Board on the remuneration policy of the Society and in particular the remuneration of Executive Directors and senior management.

The Society's objective in setting remuneration policies is to ensure that they are in line with its business strategy, risk appetite and long-term objectives and that remuneration is set at a level to retain, attract and motivate high quality staff.

The Committee is comprised of the Board Chairman and two Non-executive Directors. The Chief Executive, the Deputy Chief Executive and Finance Director and the Head of Personnel attend by invitation.

Further details regarding the remuneration policy and the decision-making process used in determining remuneration, are set out in the Directors Remuneration Report in the 2015 Annual Report and Accounts.

Remuneration Code Staff

The Board has identified that those staff whose professional activities have a material impact on the Society's risk profile are the nine members of the senior management team, three of whom are executive directors and those involved in control functions. These staff are designated as being subject to the PRA Remuneration Code as set out in SYSC 19A.

Executive Directors

Aggregate information on the remuneration of the three executive directors who were in post during the year, is given below:

	£000
Fixed remuneration	447
Variable remuneration	37
Total	**484**

Other Code Staff

Aggregate information on the remuneration of other code staff is given below:

	£000
Fixed remuneration	413
Variable remuneration	43
Total	**456**

Appendix 1 – Analysis of Mortgage Assets

Maturity Analysis of Mortgage Assets

As at 31 December 2014	Maturity Analysis				
	0<3 months £000	3<12 months £000	1<5 years £000	>5 years £000	Total £000
Mortgage Assets	13433	36,083	222,517	1,106,029	1,378,062
Provisions					(18,007)
FRS102/IAS39 adjustments					164
Balance Sheet Total					1,360,219

As at 31 December 2015	Maturity Analysis				
	0<3 months £000	3<12 months £000	1<5 years £000	>5 years £000	Total £000
Mortgage Assets	14,499	41,396	238,806	1,113,059	1,407,760
Provisions					(13,581)
FRS102/IAS39 adjustments					(27)
Balance Sheet Total					1,394,152

Geographical Analysis of Mortgage Assets

As a regional building society 99.9% of the Society’s lending is secured on properties in Northern Ireland. The remaining mortgages are in Great Britain.

Appendix 2 – Analysis of Treasury Assets

Maturity Analysis of Treasury Assets

Fitch Long Term Ratings as at 31 December 2014	Maturity Analysis				
	0<3 months £000	3<12 months £000	1<5 years £000	>5 years £000	Total £000
Central Bank	278,900	1,678	0	0	280,578
AAA to AA-	7,461	3,000	0	0	7,500
A+ to A-	14,000	10,000	0	0	24,000
BBB+ and below	0	0	0	0	0
Unrated Building Societies	1,500	1,750	0	0	3,250
Total	301,861	16,428	0	0	318,289
Accrued Interest					145
Balance Sheet Total					318,434

Geographical Analysis of Treasury Assets

As at 31 December 2014	UK £000	Rest of Europe £000	Rest of World £000	Total £000
Treasury Assets	318,289	0	0	318,289
Accrued Interest				145
Balance Sheet Total				318,434

Fitch Long Term Ratings as at 31 December 2015	Maturity Analysis				
	0<3 months £000	3<12 months £000	1<5 years £000	>5 years £000	Total £000
Central Bank	219,920	61,561	10,000	0	291,481
AAA to AA-	9,525	0	0	0	6,000
A+ to A-	16,000	6,000	0	0	22,000
BBB+ and below	1,000	2,500	0	0	3,500
Unrated Building Societies	5,500	2,000	0	0	7,500
Total	251,945	72,061	10,000	0	334,006
Accrued Interest					113
Balance Sheet Total					334,119

Geographical Analysis of Treasury Assets

As at 31 December 2015	UK £000	Rest of Europe £000	Rest of World £000	Total £000
Treasury Assets	334,006	0	0	334,006
Accrued Interest				113
Balance Sheet Total				334,119

Appendix 3 - Provisions

Throughout the year and at each year end, an individual assessment is made of all loans and advances against properties that are in possession or in arrears of £750 or more.

To calculate the provision required for each impaired loan the Society has developed a bespoke loan loss provisioning model which uses the following methodology:

- Account information is imported from the Society's core system into the model
- The original property values are revalued by the model in line with the Northern Ireland House Price Index (as compiled by Ulster University)
- Discount factors are applied to the revaluation to take account of a forced sale situation and discounts by post code, property type, year built and value are also applied
- Assumed possession costs and sale costs are added to the balance outstanding which is then compared with the revaluation giving the gross loss (if any)
- The gross provision is reduced by amounts recoverable from mortgage indemnity guarantee policies
- A propensity to possess factor is finally applied in order to adjust the provision for cases where arrears and loan to value are low and possession is less likely.

General provisions are made where it is considered that there is impairment in the value of assets that is not already covered by specific provisions.

As at 31 December 2014	>2.5% in arrears	Provisions	Performing Loans	Loans per Balance Sheet
Mortgage Loans	£20m	£(17)m	£1,340m	£1,360m

As at 31 December 2015	>2.5% in arrears	Provisions	Performing Loans	Loans per Balance Sheet
Mortgage Loans	£11m	£(14)m	£1,383m	£1,394m

The amount shown as greater than 2.5% in arrears represents the full amount of the loan outstanding, not just the amount of the arrears.