Saffron Building Society

Pillar 3 Disclosure

31st December 2024

Contents

1. Introduction

This Pillar 3 document discloses the Society's approach to risk management, detailing the capital resources and requirements relating to the year ending 31st December 2024.

This disclosure document applies to the following principal trading entities on a fully consolidated basis:

Saffron Building Society PRA Number 100015

Crocus Home Loans Ltd PRA Number 305200

Crocus Home Loans Limited (CHL) is a wholly owned subsidiary of Saffron Building Society and all funding comes from the Group. CHL holds historical residential mortgage books purchased more than fifteen years ago which at the time complemented Group origination. Consolidation of the Group position for regulatory capital purposes is aligned with the statutory consolidated Group position within the Annual Report and Accounts.

Saffron Building Society's (and its subsidiaries: the Group) aim as a mutual society set up for the benefit of its members is to ensure that it protects its Members' savings by having sufficient capital at all times (including during a significant economic downturn). Further details of the principal risks and uncertainties facing the Society can be found on page 38 of the Society's Annual Report and Accounts.

2. Capital Reporting

2.1 Capital framework

The Basel framework requires disclosure of capital requirements and other key elements of information, such as risk exposures and risk assessment processes.

Below are the three main 'Pillars' which make up the CRD:

Pillar 1	Minimum capital requirements using defined formulaic, risk based, capital calculation focussing particularly on credit and operational risks to determine the Capital Resources Requirement (CRR). The Society adopts the Standardised Approach (SA) for assessing credit risk and the Basic Indicator Approach for operational risk.
Pillar 2	Assessment of capital requirements by the Firm (Internal Capital Adequacy Assessment Process, "ICAAP") and PRA (Supervisory Review and Evaluation Process, "SREP") to determine whether additional capital should be held for those risks not covered under Pillar 1;
Pillar 3	Disclosure of key information on capital, risk exposures and risk management processes.

CRD IV introduced additional capital buffers on top of the minimum requirements:

- Capital conservation buffer which amounts to 2.5% of RWAs from 1 January 2019.
- Countercyclical buffer set by the Bank of England where it observes systemic risks in the market. The requirement was reduced to 0% in March 2020 to support the provision of

financial services following the COVID19 outbreak. The buffer was reintroduced by the Financial Policy Committee at 1% from 13 December 2022 and increased to 2% from 5 July 2023.

Through the ICAAP, the Group's Board has undertaken a detailed assessment of all of the risks facing the Group and has established extra capital to be held under Pillar 2. As part of this assessment, the Group has undertaken stress tests to determine whether it could maintain adequate capital under stressed conditions (including in a severe economic downturn).

2.2 Basis of preparation

This document deals with the requirements laid down for Pillar 3 (disclosure) and the information provided is in accordance with the rules laid out under the PRA rulebook articles 431 to 455.

The group complies with the criteria specified for a 'small and non-complex' institution in article 433b of the PRA rulebook. This document has thus been prepared using the derogation approach for 'small and non-complex' institutions.

This document communicates the strategy the Society has put in place to manage risks, as well as provide details of the structure of the organisation and its risk management functions and is intended to provide background information on the Group's approach to risk management as it relates to maintaining and preserving the capital position of the Group. It also provides asset information and capital calculations under Pillar 1.

Information is considered material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. No disclosures have been omitted on the basis of materiality or confidentiality.

The tables reported are as specified by the PRA rulebook, in some cases rows that contain a nil value have been omitted. Items available in the annual report have not been duplicated in this document.

The Group's financial statements have been prepared in accordance with Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Building Societies (Accounts and Related Provisions) Regulations 1998.

2.3 Frequency of disclosure, media and location

The Pillar 3 disclosure document will be prepared and published on an annual basis and is available on the Society's website (www.saffronbs.co.uk). Should you require further information on this document please contact The Society Secretary, Saffron Building Society, Saffron House, 1A Market Street, Saffron Walden, Essex CB10 1HX.

2.4 Regulation

The Group is regulated under UK Capital Requirements Regulation (CRR) and technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by a number of statutory instruments and is split across the Prudential Regulatory Authority (PRA) rulebook and primary legislation. These disclosures are prepared and presented in accordance with the Disclosure (CRR) part of the PRA Rulebook which includes revised disclosure requirements applicable from 1 January 2022 following the UK's implementation of the remaining provisions of CRR II. Any references to the EU regulations and directives should, as applicable, be read as references to the UK's version of the respective regulation, as onshored into UK law under the European Union (Withdrawal) Act 2018.

The revisions introduced by Capital Requirements Directive IV (CRD IV) have strengthened the capital position of the sector and make it more resilient to financial and economic shocks.

Regulatory requirements have continued to evolve, this has included the PRA proposals to introduce simplifications to liquidity and disclosure requirements for Small Domestic Deposit Takers (SDDT's) through the publication of PS 15/23 'The Strong and Simple Framework: Liquidity and Disclosure requirements for Simpler-regime Firms'.The PRA has also published details of changes to capital rules which will replace the current approach, these being titled Basel 3.1. During January 2025 the PRA announced that the introduction of Basel 3.1 was to be further delayed until 1 January 2027.

2.5 Oversight

The Pillar 3 disclosure document has been reviewed and approved by the Board. The disclosures are not subject to external audit; however, some of the information within the disclosures also appears in the Society's audited 2024 Annual Report and Accounts. The disclosures do not constitute any form of financial statement and must not be relied upon in making any judgement about the Group. All figures within this document are correct as of **31 December 2024** unless stated otherwise.

2.6 Key disclosures

The table provides an overview of the Society's prudential regulatory metrics.

Table 1 : UK M1 – Key Metrics

		£'000 2024	£'000 2023
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	**80,816**	**77,168**
2	Tier 1 capital	**80,816**	**77,168**
3	Total capital	**93,652**	**86,506**
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	**533,464**	**512,918**
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	**15.1%**	**15.0%**
6	Tier 1 ratio (%)	**15.1%**	**15.0%**
7	Total capital ratio (%)	**17.6%**	**16.9%**
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	**0.3%**	**0.3%**
UK 7b	Additional AT1 SREP requirements (%)	**0.3%**	**0.4%**
UK 7c	Additional T2 SREP requirements (%)	**0.3%**	**0.3%**
UK 7d	Total SREP own funds requirements (%)	**8.3%**	**8.3%**
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	2.0%	2.0%
UK 9a	Systemic risk buffer (%)	0.0%	0.0%
11	Combined buffer requirement (%)	4.5%	4.5%
UK 11a	Overall capital requirements (%)	12.8%	12.8%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.8%	6.7%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	**1,343,685**	**1,289,757**
14	Leverage ratio excluding claims on central banks (%)	**6.0%**	**6.0%**
	Additional leverage ratio disclosure requirements		
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**6.0%**	**6.0%**
14b	Leverage ratio including claims on central banks (%)	**5.4%**	**5.3%**
14c	Average leverage ratio excluding claims on central banks (%)	**5.4%**	**5.6%**
14d	Average leverage ratio including claims on central banks (%)	**5.1%**	**5.1%**
14e	Countercyclical leverage ratio buffer (%)	**0.6%**	**0.4%**
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	263,052	204,305
UK 16a	Cash outflows - Total weighted value	125,788	113,595
UK 16b	Cash inflows - Total weighted value	9,290	8,601
16	Total net cash outflows (adjusted value)	116,499	104,993
17	Liquidity coverage ratio (%)	**225.8%**	**194.6%**
	Net Stable Funding Ratio		
18	Total available stable funding	1,366,657	1,276,447
19	Total required stable funding	962,248	887,583
20	NSFR ratio (%)	**142.0%**	**143.8%**

2.7 Overview of risk weighted exposure amounts (RWEA's)

The table provides details of the Risk Weighted Exposure Amounts (RWEAs) and Society's own funds requirements.

Table 2 : UK OV1

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		£'000	£'000	**£'000**
		2024	2023	**2024**
1	**Credit risk (excluding CCR)**	**473,512**	455,934	**37,881**
2	Of which the standardised approach	473,512	455,934	37,881
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple riskweighted approach			
6	**Counterparty credit risk - CCR**	**476**	382	**38**
7	Of which the standardised approach	476	382	38
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP			
UK 8b	Of which credit valuation adjustment - CVA			
9	Of which other CCR			
15	Settlement risk			
UK 22a	**Large exposures**			
23	**Operational risk**	**59,476**	56,602	**4,758**
UK 23a	Of which basic indicator approach	59,476	56,602	4,758
UK 23b	Of which standardised approach			
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
29	**Total**	**533,464**	512,918	**42,677**

2.8 Standardised approach – Credit risk exposure and CRM effects

The table below states the Society's standardised exposures net of credit risk adjustment exposures. The table shows values using two different bases, pre credit conversion factor (CCF) and pre credit risk mitigation (CRM) and post-CCF and CRM. Exposures are stated net of credit risk adjustment exposures.

RWA density is RWA expressed as a percentage of exposures post CCF and CRM.

Table 3 : UK CRM 2024

	Exposure classes	Exposures before CF and before CRM		Exposures post CF and post-CRM		RWAs and RWAs density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet amount	RWAs	RWAs density (%)
		£'000	£'000	£'000	£'000	£'000	£'000
1	Central governments or central banks	147,959		147,959			0.0%
2	Regional government or local authorities						
3	Public sector entities						
4	Multilateral development banks	80,747		80,747			0.0%
5	International organisations						
6	Institutions	47,110		47,110		16,080	34.1%
7	Corporates	408	5	408	1	409	100.0%
8	Retail	17,362	11,476	17,362	2,295	14,743	75.0%
9	Secured by mortgages on immovable property	1,154,675	95,910	1,154,779	19,182	411,207	35.0%
10	Exposures in default	6,946		6,513		6,550	100.6%
11	Exposures associated with particularly high risk	8,762	4,599	8,762	920	14,523	150.0%
12	Covered bonds						
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings						
15	Subordinated debt, equity and other own funds instruments						
16	Other items	10,917		10,917		10,475	96.0%
17	**TOTAL**	**1,474,887**	**111,990**	**1,474,558**	**22,398**	**473,989**	**31.7%**

Table 4 : UK CRM 2023

	Exposure classes	Exposures before CF and before CRM		Exposures post CF and post-CRM		RWAs and RWAs density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet amount	RWAs	RWAs density (%)
		£'000	£'000	£'000	£'000	£'000	£'000
1	Central governments or central banks	197,817		197,817			0.0%
2	Regional government or local authorities						
3	Public sector entities						
4	Multilateral development banks	37,581		37,581			0.0%
5	International organisations						
6	Institutions	61,516		42,435		8,975	21.2%
7	Corporates						
8	Retail	15,015	14,265	15,015	2,853	13,401	75.0%
9	Secured by mortgages on immovable property	1,105,051	46,935	1,105,051	9,387	390,462	35.0%
10	Exposures in default	6,466		6,466		6,466	100.0%
11	Exposures associated with particularly high risk	15,771	8,120	15,771	1,624	26,093	150.0%
12	Covered bonds						
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings						
15	Subordinated debt, equity and other own funds instruments						
16	Other items	10,035		10,035		10,823	107.9%
17	**TOTAL**	**1,449,252**	**69,320**	**1,430,171**	**13,864**	**456,221**	**31.6%**

2.9 Standardised approach – Exposures by asset class

Exposures are classified under their respective risk weight percentage where an ECAI rating has been used. Other exposures are stated as ‘unrated. This includes exposures to central governments and central banks within the UK and EEA, as these receive a zero per cent risk weight in line with regulatory permission.

Table 5 : CR5 2024

	Exposure classes £'000	Risk weight											Total	Of which unrated
		0%	2%	10%	20%	35%	50%	70%	75%	100%	150%	250%		
1	Central governments or central banks	147,959											147,959	147,959
2	Regional government or local authorities												0	
3	Public sector entities												0	
4	Multilateral development banks	80,747											80,747	
5	International organisations												0	
6	Institutions	15,027	23,809		1,459		30,624						70,919	
7	Corporates									414			414	
8	Retail exposures								28,838				28,838	28,838
9	Exposures secured by mortgages on immovable property					1,250,033				552			1,250,585	1,250,585
10	Exposures in default									6,900	46		6,946	6,946
11	Exposures associated with particularly high risk										13,361		13,361	13,361
12	Covered bonds												0	
13	Exposures to institutions and corporates with a short-term credit assessment												0	
14	Units or shares in collective investment undertakings												0	
15	Equity exposures												0	
16	Other items	533								9,407		428	10,367	10,367
17	TOTAL	**244,266**	**23,809**	**0**	**1,459**	**1,250,033**	**30,624**	**0**	**28,838**	**17,272**	**13,407**	**428**	**1,610,136**	

Table 6 : CR5 2023

	Exposure classes £'000	Risk weight											Total	Of which unrated
		0%	2%	10%	20%	35%	50%	70%	75%	100%	150%	250%		
1	Central governments or central banks	197,817											197,817	197,817
2	Regional government or local authorities												0	
3	Public sector entities												0	
4	Multilateral development banks	37,581											37,581	
5	International organisations												0	
6	Institutions	14,620	19,081		17,713		10,102						61,516	
7	Corporates												0	
8	Retail exposures								29,281				29,281	29,281
9	Exposures secured by mortgages on immovable property					1,151,357				629			1,151,986	1,151,986
10	Exposures in default									6,466			6,466	6,466
11	Exposures associated with particularly high risk										23,892		23,892	23,892
12	Covered bonds												0	
13	Exposures to institutions and corporates with a short-term credit assessment												0	
14	Units or shares in collective investment undertakings												0	
15	Equity exposures												0	
16	Other items									9,456		645	10,101	10,101
17	**TOTAL**	**250,018**	**19,081**	**0**	**17,713**	**1,151,357**	**10,102**	**0**	**29,281**	**16,551**	**23,892**	**645**	**1,518,638**	

3. Liquidity Reporting

The Society's liquidity is entirely denominated in sterling and held almost exclusively in High Quality Liquid Asset (HQLA) investments. The largest element is held in a reserve account with the Bank of England and the majority of the remainder invested in treasury bills and either sovereign or supranational development banks. A small element has been held in certificate or deposits with major banks, with £25m held at December 2023.

3.1 LCR

The table below reports the Society's average LCR based on end of month observations over the preceding 12 months to each quarter end date for the financial year ended 31 December 2023.

Liquidity levels remain at a level materially above the regulatory minimum of 100%.

Table 7 : UK LIQ1

		Total weighted value (average)			
Quarter ending on		Dec-24	Sep-24	Jun-24	Mar-24
Number of data points used in the calculation of		12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	**Total high-quality liquid assets (HQLA)**	**263.1**	**257.5**	**242.7**	**220.8**
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	67.6	65.9	61.8	57.7
3	*Stable deposits*	32.5	31.6	31.1	30.6
4	*Less stable deposits*	35.1	34.2	30.7	27.1
5	Unsecured wholesale funding	0.0	0.0	0.0	0.0
7	*Non-operational deposits (all counterparties)*	4.8	4.3	3.4	3.0
9	*Secured wholesale funding*	0.0	0.0	0.0	0.0
11	*Outflows related to derivative exposures and other collateral requirements*	18.7	18.7	18.7	18.7
13	*Credit and liquidity facilities*	34.7	30.9	31.8	36.6
16	**TOTAL CASH OUTFLOWS**	**125.8**	**119.7**	**115.7**	**116.0**
CASH - INFLOWS					
18	Inflows from fully performing exposures	5.1	5.0	5.6	5.9
19	Other cash inflows	4.2	3.2	3.1	2.6
20	**TOTAL CASH INFLOWS**	**9.3**	**8.2**	**8.7**	**8.5**
TOTAL ADJUSTED VALUE					
UK-21	LIQUIDITY BUFFER	263.1	257.5	242.7	220.8
22	TOTAL NET CASH OUTFLOWS	116.5	111.5	106.9	107.5
23	**LIQUIDITY COVERAGE RATIO**	**225.8%**	**230.9%**	**227.0%**	**205.4%**

3.2 NSFR

The table below reports the December average of the quarter ends during 2024. As with the LCR this reflects strong funding materially above the regulatory minimum of 100%.

Table 8 : UK LIQ2

December 2024 Average Quarters		Unweighted value by residual maturity (average)			Weighted value (average)
		< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
1	Capital items and instruments	**0.0**	**0.0**	**88.4**	**88.4**
2	*Own funds*	0.0	0.0	76.5	76.5
3	*Other capital instruments*	0.0	0.0	11.9	11.9
4	Retail deposits	**1,065.3**	**91.9**	**52.3**	**1,135.9**
5	*Stable deposits*	768.3	75.3	52.1	853.6
6	*Less stable deposits*	296.9	16.6	0.1	282.3
7	Wholesale funding:	**11.7**	**29.9**	**113.5**	**134.3**
9	*Other wholesale funding*	11.7	29.9	113.5	134.3
11	Other liabilities:	**0.6**	**0.0**	**8.1**	**8.1**
13	*All other liabilities and capital instruments not included in the above categories*	0.6	0.0	8.1	8.1
14	**Total available stable funding (ASF)**	**1,077.6**	**121.8**	**262.3**	**1,366.7**
Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)	**0.0**	**0.0**	**0.0**	**0.0**
17	Performing loans and securities:	**48.9**	**33.6**	**2183.2**	**945.0**
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	29.9	14.2	1083.5	924.0
22	*Performing residential mortgages, of which:*	13.5	14.2	1083.5	0.0
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*	5.5	5.1	16.3	20.9
26	Other assets:				
31	*All other assets not included in the above categories*	0.0	0.0	0.0	17.3
32	Off-balance sheet items	**91.7**	**0.0**	**0.0**	
33	**Total RSF**	**140.6**	**33.6**	**2183.2**	**962.2**
34	**Net Stable Funding Ratio (%)**	**0.0**	**0.0**	**0.0**	**142.0%**

4 Risk Management Approach

4.1 Risk Statement

As a mutual organisation the Society operates a prudent business model with a board defined risk appetite reflecting these values. The Society operates a robust risk control framework and a strategy that ensures it can withstand severe yet plausible stress impacts.

Risk governance

The oversight and direction of the Board is central to the Society's risk management framework. The Board exercises governance over risk through a series of Board committees and management structures. Each of the Board committees includes at least two Non-Executive Directors (one of whom chairs the committee), with management committee members comprising from the Executive and appropriate members of senior management.

Risk appetite

The Board defines risk appetite as “the level of risk the Society is prepared to accept whilst pursuing its business strategy as a mutual society set up for the benefit of its members, recognising a range of possible outcomes as the business plan is implemented”. Risk appetite is reflected in qualitative statements set out in the Society’s Risk Appetite Statement and in a series of quantitative measures that are reported to the Board.

Risk appetite is formally reviewed at least annually but may be revised more frequently to reflect emerging risks, changes to the economic and market environment or for any other reasons considered appropriate. All changes are taken to the Risk Committee for challenge before being recommended to the Board.

Risk culture

The Board places significant emphasis on every level of the organisation having an awareness of risk and the importance of effective management of risk. The Risk Committee oversees that each department across the organisation takes ownership for the identification and management of risks specific to their areas, with the Board and Management Committees, together with the three lines of defence model ensuring a strong risk culture is embedded throughout the organisation, set by the “tone from the top”. As a mutual organisation, exemplary conduct is also expected from everyone in the organisation and conduct is taken into account when making decisions on remuneration across all levels of the organisation to ensure incentives do not drive poor customer outcomes or excessive risk taking.

4.2 Risk Management

“Three lines of defence”

The Society adopts a “three lines of defence” model to enable it to separate risk management activities between:

- those that own and take risk and implement controls (1st line);
- those that oversee, monitor and challenge the first line (2nd line); and
- the audit functions which provide independent assurance (3rd line).

4.2.1 Risk management framework

In executing the Group’s strategy, and in undertaking its routine business and activities, the Group is exposed to a range of risks. The primary goal of effective risk management is to ensure that the outcome of risk-taking activity is consistent with the Society’s strategies and risk appetite and appropriate for the level and type of risks that it takes, paying regard to regulatory guidance and Consumer Duty of Care.

The Risk Committee ensures that there is an appropriate balance between risk and reward and that these are managed to achieve the best outcome for members as a whole.

The Society’s Risk Management Framework (RMF) provides the foundation for achieving these goals through:

- articulating the Society’s risk management practices and procedures;
- documenting a consistent framework for risk management across the Society;

- establishing minimum standards around key risk management framework issues;
- articulating the Society's risk strategy, it's Risk Management Framework and risk appetite; and
- directing the approach to risk governance throughout the Society.

The RMF sets out the Society's method of managing risk through:

- detailing the 3 Lines of Defence (3LoD) model and its operation within the Saffron Risk Management Framework;
- determining the responsibilities of the Committees and of individual roles to govern risk and how oversight for these operates;
- documenting the main risk management processes under its approach of Identify;

  Evaluate; Mitigate; Report; Manage and Challenge;
- describing the key risks facing the Society and how they are managed.

The RMF is supported by policies and procedures to embed the principles into the business.

4.2.2 Credit risk

Credit risk is the risk that a customer is unwilling or unable to honour its obligations to the Society as they fall due, resulting in an actual or potential loss exposure for the Society. The Society segments credit risk into two categories: Retail and Treasury. As a primary lender the Group faces credit risk as an inherent component of its lending activities. Adverse changes in the credit quality of the Group's borrowers, a general deterioration in UK economic conditions or adverse changes arising from systemic risks in UK and global financial systems could reduce the recoverability and value of the Group's assets.

Mitigation:

The Society operates within a defined credit risk appetite, accepting niche lending sectors while managing risk by carefully monitoring property types, locations and borrower characteristics.

4.2.3 Interest rate risk in the banking book (IRRBB)

Interest rate risk arises from fluctuations in interest rates and changes in the value of instruments used to manage interest rate risk, which may impact the Society's capital and earnings.

The principal exposures faced by the Society are significant repayment or product switches within the Society mortgage portfolio. This additionally creates a secondary risk resulting in downside impact on the carrying value of the Effective Interest Rate (EIR) fair value asset attached to the mortgage asset. A further risk is the impact to the equity release mortgage book of movements in the long term discount rate (although this portfolio is also exposed to risks related to house price movements and mortality experience).

Mitigation:

The Society manages the risk through on-balance sheet matching of assets and liabilities or derivative financial instruments. Movements in interest rates and other indices have a direct impact on the value of certain balance sheet items which, in turn, creates volatility in reported earnings that cannot be completely mitigated. These balances are monitored on an ongoing basis with action taken when required.

4.2.4 Liquidity risk

Liquidity risk is the risk that the Society is unable to make available sufficient resources to meet its current or future financial obligations as they fall due, or is only able to do so at a premium cost. This includes the risk the Society attracts excessive liquidity through poor product management, acting as a drag on financial performance. The Group relies on its access to sources of funding to finance the origination of new business and working capital. If access to funding became restricted, through either market movements or regulatory or Government action, this might result in the scaling back or cessation of new lending.

Mitigation:

The Group manages this risk through its treasury operation, overseen by the Assets and Liabilities Committee. It also does this by actively managing the Group's liquidity portfolio and actively seeking alternative funding sources. Note 29 to the Accounts, "Financial Instruments" contains additional narrative and numerical information in respect of the Group's approach to the management of its liquidity portfolio.

4.2.5 Operational risk

Operational risk is the risk of incurring losses due to failures in processes, systems or human error as well as from external events. This definition includes legal risk and environmental risk together with events or circumstances where disaster recovery planning does not work. The activities of the Group expose it to any operational risks relating to its ability to implement and maintain effective systems to process its transactions with Members, and customers. A significant breakdown in IT systems of the Group might adversely impact the ability of the Group to operate its business effectively.

Mitigation:

To address these risks, the risk department maintains department-specific Risk and Control Self-Assessments (RCSAs) covering the operations of the entire Society. RCSAs are reviewed and tested on a regular basis and the results reported to the Executive and Board Risk Committee. Incidents and near misses are assessed for their potential impact, with root causes identified. Additionally, the Group's internal audit function (provided externally by PwC) carries out targeted reviews of critical systems and processes to ensure that they are properly designed and operate effectively. The Group has a Business Continuity Plan which is kept under regular review and is designed to ensure that any breakdown in systems would not cause significant disruption to the business.

4.2.6 IT Security / Cyber Crime

Cyber-crime leading to the loss of systems and/or data is a constant threat. Potential impacts of a successful attack include financial loss, customer impact and reputational damage.

Mitigation:

The Society invests in technology development and maintenance, focusing on cyber-risk reduction initiatives, maintaining Cyber Essentials certification and alignment of the Society's information security management system to industry standards such as ISO27001:2013.

4.2.7 Compliance risk

Compliance risk is the risk of financial loss, reputational damage and/or regulatory censure arising from failure to comply with regulatory or legislative requirements. The market sectors in which the Group operates and the markets from which it receives its funding have been subject to extensive intervention by the UK Government, European Union and other regulatory bodies.

Ultimately, there are three risks when it comes to ensuring that the Society complies with regulations:

a) Failing to identify new or developing regulatory requirements / guidance;

b) Failing to comply with all regulatory requirements; and

c) Failing to identify breaches and take appropriate action.

Mitigation:

The Society has a dedicated compliance team, reporting to the CRO. The team regularly updates executive management on key issues, monitors regulatory compliance and provides assurance that the Society is meeting requirements through departmental and thematic reviews. The Board Risk Committee oversees the activity of the compliance function.

4.2.8 Conduct risk

Conduct risk is the risk that actions taken by the Society deliver outcomes for customers that do not meet the level expected by conduct regulators and accepted market practice. These expectations and principals include Treating Customers Fairly and expectations under the Consumer Duty .

Mitigation:

Every colleague in the Society is made aware of their responsibility to ensure that the highest standards of conduct are upheld. Regular mandatory training is provided to ensure these principles are embedded in the culture of the Society. The Compliance team acts as second line of defence and reports to the Board Risk Committee on conduct matters.

4.2.9 Business risk

The Group faces competition in all the core markets in which it operates. There is a risk that its profitability and/or market share may be impacted by the actions of its competitors.

Mitigation:

To mitigate this risk, the Group maintains close relationships with its Members and customers, business introducers and other advisors in the markets in which it is active. The Board also takes on a key role to assess market trends to be addressed within the Group's business strategy.

4.2.10 Pension obligation risk

The Society has an obligation to fund the Saffron Building Society Pension Scheme (the "Scheme") which closed to new employees in August 2003 and ceased future accrual for existing employees in January 2008. Despite being closed, the scheme still poses a risk that the Society may be required to provide additional funding if its liabilities exceed its assets. The funding obligation is based upon regular triennial actuarial valuations, with the most recent on 30 April 2023. Whilst this risk cannot be fully mitigated, it is monitored by management, and any options to reduce the risk or the volatility of the risk are discussed with the penion trustees.

4.2.11 Climate change and environmental risk

The UK launched the Green Finance Strategy on 2 July 2019. The Strategy supports the UK's economic policy for strong, sustainable and balanced growth, the delivery of a modern Industrial Strategy and the domestic and international commitments on climate change, the environment and sustainable development. The Society has identified climate change as a significant area of risk and ensures that the financial implications are understood and monitored regularly.

Limits to mitigate risks have been set following extensive scenario analysis and a pro-active approach has been taken in order to support the Society in becoming a more sustainable business. A particular focus has been placed upon the physical impact of climate change on the Society's mortgage book, for example, properties located in areas subject to flood risk. The Society also recognises transition risks which can arise from the process of adjustment towards a low-carbon economy.

5 Remuneration

5.1 Information relating to body that oversees remuneration

5.1.1 Composition and mandate of the main body

The Society's objectives in setting remuneration policies are to ensure that they are in line with its overall strategy, risk appetite and long-term objectives, and that remuneration is set at a level to attract and retain the talent necessary to deliver these outcomes.

The Board has established a committee known as the Remuneration and People Committee to assist in fulfilling the oversight and governance responsibilities in connection with remuneration activities. The terms of reference of the Committee are available on the Society's website.

The Remuneration and People committee membership comprises of five Non-Executive Directors, one of whom is the committee's Chair. The Committee met seven times during the financial year ending December 2024.

5.1.2 External Consultancy

The Society currently uses two external data sources in considering remuneration. It contributes to and reviews Building Society Association data and purchases Financial Services data via McLagan, part of Aon group.

5.1.3 Scope of the institution's remuneration policy

The Society's approach to remuneration is reflected in its Remuneration Policy Statement. The aim of this policy is to ensure the remuneration of all colleagues and executives is fair, reflects individual performance and competence and is competitive within the Building Society Industry and meaningful when compared to broader Financial Services.

The Remuneration Policy statement captures the Society's approach to remuneration. Our approach is geared towards ensuring the strategic objectives are achieved: attracting, motivating, rewarding and retaining people with appropriate skills and behavioural competencies to deliver the business plan. It also promotes and encourages the right behaviours to align with the Society's conduct, culture and risk management practices (avoiding incentives which could encourage inappropriate risk taking and detriment). Directors and some other key roles are all designated as 'Code Staff' under the Regulator's Remuneration Code due to their material impact on the Society's risk profile

The Remuneration Policy Statement addresses the Corporate Governance Code requirements, and the Committee uses this to ensure that the implementation takes due consideration of the need for clarity, simplicity, risk, predictability, proportionality and alignment to culture. The Remuneration and People Committee is satisfied that the remuneration policy meets with the criteria of the Remuneration Code.

5.1.4 Material Risk Takers (MRTs)

The Society has identified that it currently has 14 individuals whose roles qualify as Material Risk Takers. These being roles whose professional activities have a material impact on the Society's risk profile and have been identified as part of the Society's SMCR policy.

The Society's Responsibility Map includes the list of MRT's approved by the Board. This includes Notified Non-Executive Directors, All Executives, Head of Commercial Finance, Treasurer, Head of Underwriting and the Head of IT. Regulatory approved Non-Executive Directors are not registered as MRT's separately and are captured by their SMF status.

5.2 Information relating to the design and structure of the remuneration system for identified staff

5.2.1 Overview of the key features and objectives of remuneration policy

The key features of our approach to remuneration are as follows. Firstly, all bonus awards are discretionary and dependant on business and individual performance. Secondly, our bonus awards are split into two elements, 'Our Contribution' – a flat cash amount paid to all colleagues on a pro-rata basis to reward business performance, and 'My Contribution' – a variable amount paid to colleagues based on individual performance, typically a percentage of base salary aligned to the individual performance rating a colleague attains. Thirdly, Senior Management Function Holders variable reward is subject to deferrals. These features all ensure that bonuses are paid in line with business performance and drive behaviours towards ensuring long term organisational success.

Our remuneration approach is in-line with the size of our Society and the complexity of the activities performed. The remuneration of our identified staff has been carefully considered against the risk profile and to protect the society against unsuitable remuneration structures and gradings that would put the society at risk and out of place within our sector.

We regularly review our approach to bonus and total reward, benchmarking this with Building Societies and Financial Services, to ensure that our offering is meaningful, rewarding and incentivising colleagues appropriately, supporting Saffron's goal to be recognised as an Amazing Employer Brand.

5.2.2 Information on the criteria used for performance measurement

The starting point for performance measurement is the business goals for the year. These are agreed early in each financial year and provide clarity on the goals the Society is working towards and the metrics on which success is measured. The successful delivery of these metrics is the primary driver in determining whether a bonus should be paid and the size of award the business believes is appropriate.

Colleagues are set individual objectives at the start of each performance year that link to the Society's goals and strategic priorities. Colleague performance, against objectives and evidence of their behaviours, is reviewed on a regular basis throughout the year via regular 1:1s with managers and a mid-year performance review. This process culminates in an End of Year performance review and colleagues being awarded a performance rating which then impacts any bonus due to be paid.

Colleague performance is evaluated by managers and then reviewed through robust calibration processes to ensure fairness, consistency and an appropriately high bar for performance is set.

Annually, the Chief Risk Officer performs an annual attestation to confirm the remuneration policy is effective and there has been no undue risk placed through performance management linked pay.

5.2.3 Remuneration policy review process

The Renumeration Policy Statement is reviewed and updated on an annual basis and presented to the People and Renumeration Committee for approval. Particular attention is placed on both the qualitative and quantitative criteria. This statement was last reviewed by our Remuneration and People Committee in February 2025.

5.2.4 Information on how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee

The internal control functions are independent and have sufficient resource, knowledge, and experience to perform their tasks and cooperate actively and regularly with each other. The remuneration of colleagues within the independent control functions allows for the employment of qualified and experienced colleagues and the reward equation is entirely fixed to reflect the nature of responsibilities in these areas.

Colleagues in control functions are part of the same performance management process as all other colleagues.

As per other Executives, the salary of the Chief Risk Officer is agreed by the Remuneration and People Committee following recommendation from the Chief Executive Officer. To maintain independence, the CRO is not bound to the same financial targets as other executives.

5.2.5 Policies and criteria applied for the award of guaranteed variable remuneration and severance payments

There is no guaranteed variable remuneration, and this can only be awarded when affordable. Therefore, there are no policies attached to this.

5.3 Description of the ways in which current and future risks are taken into account in the remuneration processes

The Society Risk register details the key risks which have been developed through both the Risk Management Committee and the Board Risk Committee. The Chief Risk Officer provides a risk view on the variable pay scheme, along with providing an annual attestation in line with SYSC 21.1.2 (j).

5.4 The ratios between fixed and variable remuneration set in accordance with Article 94(1) of CRD

The fixed and variable components are appropriately balanced with the fixed portion representing a sufficiently high proportion of total remuneration.

There is no minimum requirement, but variable reward driven by individual reward (My Contribution) is capped at 20% of base salary for our Colleague Bonus Scheme and 30% for our Executives. This remains in line with regulatory requirements.

5.5 Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration

5.5.1 Overview of main performance criteria and metrics for the institution, business lines and individuals

Business performance is measured through a balanced scorecard. Business performance against these agreed goals and associated metrics is the primary driver in determining whether a bonus should be paid and the size of award the business believes is appropriate.

The scorecard considers measures such as revenue, margin, service, capital, risk and colleague metrics to ensure business performance is measured holistically. These measures are reviewed and agreed annually to ensure they are aligned to the strategy, realistic and stretching.

The decision of whether to pay a discretionary bonus is directly linked to business performance and therefore the affordability to pay a bonus aligned to the Society's capital position.

5.1.2 Measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics

At a business level, throughout the year, the business will monitor performance vs. the balanced scorecard to consider whether an impact to the bonus accrual is required. This determines whether a bonus will be paid and the size of the total pot to be awarded to colleagues.

At an individual colleague level, the calibration process that is held at the end of the performance year ensures that individual performance ratings fairly reflect performance.

5.6 Description of the ways in which the institution seeks to adjust remuneration to take account of long-term performance

5.6.1 Overview of the institution's policy on deferral, pay-out in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff

Our Remuneration Policy Statement refers to the application of deferred awards. This only applies to Executives This approach reflects regulatory guidance and is aimed at ensuring decision making is geared towards the Society's long term best interests.

All awards for Executives are reviewed and approved by the Remuneration and People Committee.

Table 9: UK REM1 – Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	11	3	3	6
2		Total fixed remuneration	295,086	694,375	470,494	643,273
3		Of which: cash-based	295,086	632,368	428,025	590,543
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
7		Of which: other forms	-	62,007	42,469	52,730
9	Variable remuneration	Number of identified staff	11	3	3	6
10		Total variable remuneration	-	106,327	25,338	41,550
11		Of which: cash-based	-	106,327	25,338	41,550
12		Of which: deferred	-	37,497	-	-
UK-13a		Of which: shares or equivalent ownership interests	-	-	-	-
UK-14a		Of which: deferred	-	-	-	-
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-14b		Of which: deferred	-	-	-	-
UK-14x		Of which: other instruments	-	-	-	-
UK-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		295,086	800,702	495,832	684,823

Table 10: UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff				
2	Guaranteed variable remuneration awards -Total amount				
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff				
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff				
7	Severance payments awarded during the financial year - Total amount				
8	Of which paid during the financial year				
9	Of which deferred				
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11	Of which highest payment that has been awarded to a single person				

Table 11: UK REM3 – Deferred Remuneration

		a	b	c
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years
1	MB Supervisory function	-	-	-
2	Cash-based	-	-	-
3	Shares or equivalent ownership interests	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-
5	Other instruments	-	-	-
6	Other forms	-	-	-
7	MB Management function	106,327	68,330	37,497
8	Cash-based	106,327	68,330	37,497
9	Shares or equivalent ownership interests	-	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-
11	Other instruments	-	-	-
12	Other forms	-	-	-
13	Other senior management	-	-	-
14	Cash-based	-	-	-
15	Shares or equivalent ownership interests	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-
17	Other instruments	-	-	-
18	Other forms	-	-	-
19	Other identified staff	-	-	-
20	Cash-based	-	-	-
21	Shares or equivalent ownership interests	-	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-
23	Other instruments	-	-	-
24	Other forms	-	-	-
25	Total amount	106,327	68,330	37,497

Table 12: UK REM4 – Remuneration of 1 million EUR or more per year

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	-
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

Table 13: UK REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										23
2	Of which: members of the MB	11	3	14							
3	Of which: other senior management				-	-	-	2	1	-	
4	Of which: other identified staff				-	-	-	1	5	-	
5	Total remuneration of identified staff	295,086	800,702	1,095,788	-	-	-	438,292	742,362	-	
6	Of which: variable remuneration	-	106,327	106,327	-	-	-	38,088	28,800	-	
7	Of which: fixed remuneration	295,086	694,375	989,461	-	-	-	400,204	713,562	-	

6. Attestation

The Board of Directors confirm that the Society's capital position is sufficient to meet the minimum capital resources requirement. A viability assessment has been undertaken and from this the Board of Directors has a reasonably expectation that the group will continue to meet minimum requirements for the foreseeable future. The risk management framework is proportionate to the complexity and size of the Society and the principal risks it faces.

Appendix One – Composition of regulatory own funds

The Society holds capital in the form of Tier 1 and Tier 2.

Tier 1 capital is made up of retained profits held in a general reserve, property revaluation reserve, available for sale reserve which reflects valuation of treasury assets, and a prudent valuation adjustment.

Tier 2 capital is made up of subordinated debt and collective impairment.

The table below summarises the Society's capital as at 31st December 2023.

Table 14 : UK CC1

		£'000
	Common Equity Tier 1 (CET1) capital: instruments and reserves	
1	Capital instruments and the related share premium accounts	
2	Retained earnings	81,885
3	Accumulated other comprehensive income (and other reserves)	509
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**82,394**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments (negative amount)	(240)
8	Intangible assets (net of related tax liability) (negative amount)	(1,346)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	
12	Negative amounts resulting from the calculation of expected loss amounts	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	
15	Defined-benefit pension fund assets (negative amount)	0
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(1,586)
29	**Common Equity Tier 1 (CET1) capital**	**80,808**
	Tier 2 (T2) capital: instruments	
50	Credit risk adjustments	
51	**Tier 2 (T2) capital before regulatory adjustments**	**12,836**
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**
58	**Tier 2 (T2) capital**	**12,836**
59	**Total capital (TC = T1 + T2)**	**93,644**
60	**Total Risk exposure amount**	**533,464**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.1%
62	Tier 1 (as a percentage of total risk exposure amount)	15.1%
63	Total capital (as a percentage of total risk exposure amount)	17.6%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	12.5%
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	2.0%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**7.1%**

Appendix Two – Balance sheet assets reconciled to regulatory credit risk exposure

Table 15 : Balance sheet assets reconciled to regulatory exposures

	Group Balance Sheet Assets	Assets Deducted from own funds	Provisions	Regulatory Off Balance sheet Items	Negative Hedge Accounting Adjustments Excluded from Regulatory Reporting	Derivative financial instruments Calcuation from Regualtory Reporting different to Accounting value	Group Credit Risk Expsoure
2024	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Assets							
Cash in hand and balances with the Bank of England	82,862	-	-	-			82,862
Loans and advances to credit institutions	16,633	-	-	-			16,633
Debt securities	176,903	-	-	-			176,903
Derivative financial instruments	14,350	-	-	-		9,459	23,809
Loans and advances to customers	1,178,496	-	1,245	111,990	8,400		1,300,131
	1,469,244	-	1,245	111,990	8,400	9,459	1,600,339
							-
Investment properties	2,290	-	-	-			2,290
Property, plant and equipment	4,595	-	-	-			4,595
Intangible assets	1,346	(1,346)	-	-			-
Other assets	1,985	-	-	-			1,985
Current tax asset	500	-	-	-			500
Deferred tax asset	428	-	-	-			428
Pension asset	-	-	-	-			-
Total assets	1,480,388	(1,346)	1,245	111,990	8,400	9,459	1,610,136

Appendix Three – Glossary

This table provides explanations for key abbreviations used in the document

Basel II	Published in June 2004, was a new framework for international banking standards, superseding the Basel I in determining the minimum capital that banks should hold to guard against the financial and operational risks.
Basel III	Third framework setting standards for banks capital adequacy, stress testing, and liquidity requirements. Superseding parts of the Basel II standards, developed in response to the deficiencies in regulation revealed by the financial crisis of 2007–08.
CCF	Credit Conversion Factor. Off balance sheet exposures (e.g. mortgage pipeline) have a probability of becoming a credit exposure and shifting onto the balance sheet. The CCF is an estimate of this probability.
CCP	Central Counterparties. These are financial institutions that take on counterparty credit risk between parties to a transaction and provides clearing and settlement services. Used by the Society for clearing interest rate derivatives.
CCR	Counterparty credit risk. The risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
CET1	Common Equity Tier 1. The highest quality of regulatory capital comprising of retained earnings and other reserves. It absorbs losses immediately when they occur.
CRD	Capital Requirements Directive. A set of prudential rules applicable to financial institutions published by the EU.
CRR	Capital Requirements Regulation. EU law defining capital measurement and standards applicable to financial institutions.
FCA	Financial Conduct Authority. Responsible for supervision of financial institutions conduct approach.
GHOS	Group of Central Bank Governors and Heads of Supervision. The GHOS oversees the work of the Basel Committee, being the primary global standard setter for the prudential regulation of financial institutions.
ICAAP	Internal Capital Adequacy Assessment Process. Completed internally by financial institutions to asses the level of capital required to meet regulatory requirements
IRRBB	Interest Rate Risk in the Banking Book. Risk posed by adverse movements in interest rates that cause a mismatch between the rates set on customer loans and on deposits.

NSFR	Net Stable Funding Ratio. Relates the bank's available stable funding to its required stable funding. This must equal or exceed 100%.
Pillar 1	Minimum regulatory capital requirement. Specified by Basel framework at 8%
Pillar 2	Supervisory review and evaluation process (SREP) assesses financial institutions risk measurement and controls. Capital requirements will be added for risks not adequately covered under Pillar 1.
Pillar 3	Defines the required disclosure of key information on capital, risk exposures and risk management processes.
PRA	Prudential Regulation Authority. As part of the Bank of England the PRA Provides regulation of financial institutions, including Building Societies.
RWA	Risk Weighted Assets. Calculated through the standardised approach, multiplying an exposure with a prescribed percentage based on the level of risk.
SREP	Supervisory review and evaluation process is undertaken by the PRA to assess a firms individual capital requirement for Pillar 2
Standardised Approach	Prescribed regulatory approach to calculating capital requirements relating to credit, market and operation risk.