

**Saffron Building Society**  
**Pillar 3 Disclosure**  
**31<sup>st</sup> December 2025**

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## 1. Introduction

This Pillar 3 document discloses Saffron Building Society’s (and its subsidiaries: the Group) approach to risk management, detailing the capital resources and requirements relating to the year ending 31<sup>st</sup> December 2025.

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 aim as a mutual 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 Group can be found on pages 37 to 39 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 Capital Requirements Directive (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. Following a reduction to 0% during the COVID19 pandemic 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 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](http://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 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, including the PRA publishing proposals to introduce simplifications to liquidity and disclosure requirements for Small Domestic Deposit Takers (SDDT's). This commenced in 2023 through the publication of PS 15/23 'The Strong and Simple Framework: Liquidity and Disclosure requirements for Simpler-regime Firms'. Regulatory guidance since then has developed with the most recent publication in October 2025 of PS20/25 'The Strong and Simple Framework: The simplified capital regime for Small Domestic Deposit Takers (SDDTs) – near-final rules'. This presented details of changes to capital rules which will replace the current approach commencing from 1 January 2027. In December 2025 the Society applied for and was accepted by the PRA to be regulated under the SDDT approach.

Though many firms covered by SDDT will not be required to publish a Pillar 3 document where the Society has issued Subordinated Debt that is 'listed' in the market place it is required to publish the document.

## 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 2025 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 2025** 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	£'000
		2025	2024
	<b>Available own funds (amounts)</b>		
1	Common Equity Tier 1 (CET1) capital	80,378	80,808
2	Tier 1 capital	80,378	80,808
3	Total capital	93,233	93,652
	<b>Risk-weighted exposure amounts</b>		
4	Total risk-weighted exposure amount	525,183	533,464
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
5	Common Equity Tier 1 ratio (%)	15.3%	15.1%
6	Tier 1 ratio (%)	15.3%	15.1%
7	Total capital ratio (%)	17.8%	17.6%
	<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>		
UK 7a	Additional CET1 SREP requirements (%)	0.5%	0.3%
UK 7b	Additional AT1 SREP requirements (%)	0.5%	0.3%
UK 7c	Additional T2 SREP requirements (%)	0.3%	0.3%
UK 7d	Total SREP own funds requirements (%)	8.3%	8.3%
	<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>		
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 (%)	7.0%	6.8%
	<b>Leverage ratio</b>		
13	Total exposure measure excluding claims on central banks	1,567,755	1,343,685
14	Leverage ratio excluding claims on central banks (%)	5.1%	6.0%
	<b>Additional leverage ratio disclosure requirements</b>		
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.1%	6.0%
14b	Leverage ratio including claims on central banks (%)	5.1%	5.4%
14c	Average leverage ratio excluding claims on central banks (%)	5.2%	5.4%
14d	Average leverage ratio including claims on central banks (%)	5.2%	5.1%
14e	Countercyclical leverage ratio buffer (%)	0.6%	0.6%
	<b>Liquidity Coverage Ratio</b>		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	281,167	263,052
UK 16a	Cash outflows - Total weighted value	143,713	125,788
UK 16b	Cash inflows - Total weighted value	13,499	9,290
16	Total net cash outflows (adjusted value)	130,215	116,499
17	Liquidity coverage ratio (%)	215.9%	225.8%
	<b>Net Stable Funding Ratio</b>		
18	Total available stable funding	1,391,193	1,366,657
19	Total required stable funding	843,815	962,248
20	NSFR ratio (%)	164.9%	142.0%

## 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
		2025	2024	2025
<b>1</b>	<b>Credit risk (excluding CCR)</b>	<b>472,607</b>	473,512	<b>37,809</b>
2	Of which the standardised approach	472,607	473,512	37,809
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple riskweighted approach			
<b>6</b>	<b>Counterparty credit risk - CCR</b>	<b>623</b>	476	<b>50</b>
7	Of which the standardised approach	623	476	50
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			
<b>UK 22a</b>	<b>Large exposures</b>			
<b>23</b>	<b>Operational risk</b>	<b>51,954</b>	59,476	<b>4,156</b>
UK 23a	Of which basic indicator approach	51,954	59,476	4,156
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)			
<b>29</b>	<b>Total</b>	<b>525,183</b>	533,464	<b>42,015</b>

## 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 2025**

	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	181,823		181,823			0.0%
2	Regional government or local authorities						
3	Public sector entities						
4	Multilateral development banks	81,736		81,736			0.0%
5	International organisations						
6	Institutions	54,484		54,420		13,682	25.1%
7	Corporates	214	0	214	0	214	100.0%
8	Retail	18,378	15,672	18,378	3,134	16,135	75.0%
9	Secured by mortgages on immovable property	1,181,827	115,297	1,181,827	23,059	421,905	35.0%
10	Exposures in default	7,477		6,763		6,805	100.6%
11	Exposures associated with particularly high risk	1,139	602	1,139	120	1,889	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	12,284		12,284		12,600	102.6%
17	<b>TOTAL</b>	<b>1,539,361</b>	<b>131,571</b>	<b>1,538,584</b>	<b>26,314</b>	<b>473,230</b>	<b>30.2%</b>

**Table 4 : 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	<b>TOTAL</b>	<b>1,474,887</b>	<b>111,990</b>	<b>1,474,558</b>	<b>22,398</b>	<b>473,989</b>	<b>31.7%</b>

## 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 2025**

	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	181,823												181,823	
2	Regional government or local authorities													0	
3	Public sector entities													0	
4	Multilateral development banks	81,736												81,736	
5	International organisations													0	
6	Institutions	26,855	31,127		2,516		25,113							85,612	
7	Corporates									214				214	
8	Retail exposures								34,050					34,050	34,050
9	Exposures secured by mortgages on immovable property					1,296,823				300				1,297,123	1,297,123
10	Exposures in default									7,199	278			7,477	7,477
11	Exposures associated with particularly high risk										1,741			1,741	1,741
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	702								10,941		641		12,284	12,284
17	<b>TOTAL</b>	<b>291,116</b>	<b>31,127</b>	<b>0</b>	<b>2,516</b>	<b>1,296,823</b>	<b>25,113</b>	<b>0</b>	<b>34,050</b>	<b>18,654</b>	<b>2,019</b>	<b>641</b>	<b>1,702,059</b>		

**Table 6 : CR5 2024**

	Exposure classes	£'000	Risk weight										Total	Of which unrated
			0%	2%	10%	20%	35%	50%	70%	75%	100%	150%		
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	<b>TOTAL</b>	<b>244,266</b>	<b>23,809</b>	<b>0</b>	<b>1,459</b>	<b>1,250,033</b>	<b>30,624</b>	<b>0</b>	<b>28,838</b>	<b>17,272</b>	<b>13,407</b>	<b>428</b>	<b>1,610,136</b>	

### 3. Liquidity Reporting

The Society's liquidity is entirely denominated in sterling and held almost exclusively in High Quality Liquid Asset (HQLA) investments. Liquidity 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 £20m held at December 2025.

#### 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 2025.

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

**Table 7 : UK LIQ1**

Quarter ending on		Total weighted value (average)			
		Dec-25	Sep-25	Jun-25	Mar-25
Number of data points used in the calculation of		12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	<b>Total high-quality liquid assets (HQLA)</b>	<b>281.2</b>	<b>278.9</b>	<b>264.2</b>	<b>258.2</b>
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	78.2	76.1	73.7	70.4
3	<i>Stable deposits</i>	37.0	35.7	34.1	33.1
4	<i>Less stable deposits</i>	41.2	40.4	39.6	37.3
5	Unsecured wholesale funding	0.3	0.2	0.1	0.0
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	0.0	0.0	0.0	0.0
7	<i>Non-operational deposits (all counterparties)</i>	9.1	8.1	7.0	5.9
8	<i>Unsecured debt</i>	0.0	0.0	0.0	0.0
9	<i>Secured wholesale funding</i>	0.0	0.0	0.0	0.0
10	Additional requirements	0.0	0.0	0.0	0.0
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	15.5	16.0	17.5	18.7
12	<i>Outflows related to loss of funding on debt products</i>	0.0	0.0	0.0	0.0
13	<i>Credit and liquidity facilities</i>	40.6	37.9	37.9	37.3
14	Other contractual funding obligations	0.0	0.0	0.0	0.0
15	Other contingent funding obligations	0.0	0.0	0.0	0.0
16	<b>TOTAL CASH OUTFLOWS</b>	<b>143.7</b>	<b>138.3</b>	<b>136.2</b>	<b>132.3</b>
CASH - INFLOWS					
18	Inflows from fully performing exposures	9.0	7.5	5.9	4.8
19	Other cash inflows	4.5	5.5	4.0	3.1
20	<b>TOTAL CASH INFLOWS</b>	<b>13.5</b>	<b>13.0</b>	<b>10.0</b>	<b>7.9</b>
TOTAL ADJUSTED VALUE					
UK-21	LIQUIDITY BUFFER	281.2	278.9	264.2	258.2
22	TOTAL NET CASH OUTFLOWS	130.2	125.3	126.2	124.3
23	<b>LIQUIDITY COVERAGE RATIO</b>	<b>215.9%</b>	<b>222.6%</b>	<b>209.4%</b>	<b>207.7%</b>

## 3.2 NSFR

The table below reports the December average of the quarter ends during 2025. As with the LCR this reflects strong funding materially above the regulatory minimum of 100%.

**Table 8 : UK LIQ2**

December 2025 Average Quarters		Unweighted value by residual maturity (average)			Weighted value (average)
		< 6 months	6 months to < 1yr	≥ 1yr	
<b>Available stable funding (ASF) Items</b>					
1	Capital items and instruments	<b>0.0</b>	<b>0.0</b>	<b>92.7</b>	<b>92.7</b>
2	Own funds	0.0	0.0	79.7	79.7
3	Other capital instruments	0.0	0.0	12.9	12.9
4	Retail deposits	<b>1,233.1</b>	<b>86.9</b>	<b>34.5</b>	<b>1,269.1</b>
5	Stable deposits	873.5	57.5	33.9	918.3
6	Less stable deposits	359.6	29.5	0.6	350.8
7	Wholesale funding:	<b>65.8</b>	<b>34.0</b>	<b>0.0</b>	<b>27.2</b>
9	Other wholesale funding	65.8	34.0	0.0	27.2
11	Other liabilities:	<b>2.9</b>	<b>0.0</b>	<b>2.2</b>	<b>2.2</b>
13	All other liabilities and capital instruments not included in the above categories	4.5	0.6	2.2	2.5
14	<b>Total available stable funding (ASF)</b>	<b>1,301.8</b>	<b>120.9</b>	<b>129.4</b>	<b>1,391.2</b>
<b>Required stable funding (RSF) Items</b>					
15	Total high-quality liquid assets (HQLA)	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
17	Performing loans and securities:	<b>57.3</b>	<b>33.7</b>	<b>2289.0</b>	<b>824.9</b>
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	34.7	16.1	1136.0	807.9
22	Performing residential mortgages, of which:	19.4	16.1	1136.0	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	3.2	1.5	16.9	17.0
26	Other assets:				
31	All other assets not included in the above categories	0.0	0.0	0.0	18.9
32	Off-balance sheet items	<b>110.0</b>	<b>0.0</b>	<b>0.0</b>	
33	<b>Total RSF</b>	<b>167.3</b>	<b>33.7</b>	<b>2289.0</b>	<b>843.8</b>
34	<b>Net Stable Funding Ratio (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>164.9%</b>

## 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.

Details of the Society's Risk Governance, Appetite and Culture as well as the 'Three Lines of Defence model are detailed in the 'Board Risk Committee' report on pages 59 to 62 of the Society's 2025 Annual Report and Accounts.

## 4.2 Principal Risks and Uncertainties

The Group faces various potential risks and uncertainties which could have a material impact on the Group's performance, lead to deviations from expected or historical results, and potentially threaten its business model, solvency or liquidity. The principal risks that arise from the Group's operations, and which are managed under the Risk Management Framework, are described on pages 37 to 39 of the Society's 2025 Annual Report and Accounts.

## 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 four times during the financial year ending December 2025.

#### 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 had 18 individuals whose roles qualify as Material Risk Takers as of 31 December 2025. 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 All Executives (7), Head of Balance Sheet Strategy, Treasurer, Head of Underwriting, Head of Compliance, Head of Financial Crime and the Head of IT (6). Regulatory approved Non-Executive Directors are not registered as MRT's separately and are captured by their SMF status (5).

## *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 Remuneration Policy Statement is reviewed and updated on an annual basis and presented to the People and Remuneration 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 corporate 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	8	3	5	6
2		Total fixed remuneration	391,540	589,837	575,451	658,823
3		Of which: cash-based	391,540	589,837	575,451	658,823
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	-	55,946	32,646	59,095
9	Variable remuneration	Number of identified staff	8	3	3	6
10		Total variable remuneration	-	131,887	31,145	49,525
11		Of which: cash-based	-	131,887	31,145	49,525
12		Of which: deferred	-	52,755	-	-
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)		391,540	721,724	606,596	708,348

**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	131,887	79,132	52,755
8	Cash-based	131,887	79,132	52,755
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	131,887	79,132	52,755

**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									22
2	Of which: members of the MB	8	3	11						
3	Of which: other senior management				-	-	-	5	1	-
4	Of which: other identified staff				-	-	-	1	5	-
5	Total remuneration of identified staff	391,540	721,724	1,113,264	-	-	-	528,157	786,787	-
6	Of which: variable remuneration	-	131,887	131,887	-	-	-	13,695	66,975	-
7	Of which: fixed remuneration	391,540	589,837	981,377	-	-	-	514,462	719,812	-

## **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 reasonable 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 31<sup>st</sup> December 2025.

**Table 14 : UK CC1**

		£'000
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1	Capital instruments and the related share premium accounts	
2	Retained earnings	82,038
3	Accumulated other comprehensive income (and other reserves)	1,401
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>83,439</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7	Additional value adjustments (negative amount)	(298)
8	Intangible assets (net of related tax liability) (negative amount)	(1,305)
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)	(1,458)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(3,061)</b>
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>80,378</b>
<b>Tier 2 (T2) capital: instruments</b>		
50	Credit risk adjustments	
<b>51</b>	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>12,855</b>
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>0</b>
<b>58</b>	<b>Tier 2 (T2) capital</b>	<b>12,855</b>
<b>59</b>	<b>Total capital (TC = T1 + T2)</b>	<b>93,233</b>
<b>60</b>	<b>Total Risk exposure amount</b>	<b>525,183</b>
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.3%
62	Tier 1 (as a percentage of total risk exposure amount)	15.3%
63	Total capital (as a percentage of total risk exposure amount)	17.8%
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%
<b>68</b>	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)</b>	<b>7.3%</b>

## 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 Calculation from Regulatory Reporting different to Accounting value	Group Credit Risk Exposure
2024	£000	£000	£000	£000	£000	£000	£000
<b>Assets</b>							
Cash in hand and balances with the Bank of England	41,395	-	-	-			41,395
Loans and advances to credit institutions	29,371	-	-	-			29,371
Debt securities	247,979	-	-	-			247,979
Derivative financial instruments	4,254	-	-	-		26,873	31,127
Loans and advances to customers	1,207,466	-	1,569	131,571	-		1,340,605
	1,530,465	-	1,569	131,571	-	26,873	1,690,477
							-
Investment properties	2,420	-	-	-			2,420
Property, plant and equipment	5,320	-	-	-			5,320
Intangible assets	1,305	(1,305)	-	-			-
Other assets	3,201		-	-			3,201
Current tax asset	641	-	-	-			641
Deferred tax asset	-	-	-	-			-
Pension asset	1,458	(1,458)	-	-			-
<b>Total assets</b>	<b>1,544,810</b>	<b>(2,763)</b>	<b>1,569</b>	<b>131,571</b>	<b>(0)</b>	<b>26,873</b>	<b>1,702,059</b>

## Appendix Three – Glossary

This table provides explanations for key abbreviations used in the document

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 assess 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.
SDDT	Small Domestic Deposit Takers regime. Refers to a UK prudential regulatory regime designed to simplify requirements for smaller, non-systemic banks and building societies.
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.