2024

Annual Report & Accounts

marsden
BUILDING SOCIETY

Contents

Key Financial Highlights

Key Performance Highlights

- Share balances increased by £101.3m (16.25%) to £724.7m with 3,013 new members joining the Society.
- Loans to residential customers increased by £18.5m (2.88%) to £661.4m.
- Gross residential mortgage advances of £130.0m with 918 new members joining the Society.
- Total assets increased by £47.6m (6.36%) to £796.2m.
- Net Interest Margin reduced by 0.09% to 1.77%.
- Admin expenses as a proportion of mean assets increased by 0.04% to 1.41%, 50% of the increase attributable to IT setup costs.
- Profit after tax increased to £2.3m and profit to mean assets decreased by 0.01% to 0.30%.
- Underlying profit after tax decreased to £2.6m and underlying profit to mean assets down 0.03% to 0.33%.
- Core Tier 1 Solvency Ratio of 20.90%, down 0.22%.
- Leverage Ratio of 7.67%, a decrease of 0.50%.

5 Year Financial Highlights

Year ended 31 December	**2024**	2023	2022	2021	2020
Net Interest Income (£000)	**13,657**	13,786	12,904	11,864	9,660
Net Interest Margin (%)	**1.77%**	1.86%	1.80%	1.78%	1.59%
Administrative Expenses (£000)	**10,895**	10,172	8,983	8,354	7,583
Administrative Expenses to Mean Assets (%)	**1.41%**	1.37%	1.26%	1.25%	1.35%
Profit After Tax (£000)	**2,325**	2,283	5,395	3,081	1,883
Profit to Mean Assets	**0.30%**	0.31%	0.75%	0.46%	0.31%
Underlying Profit After Tax (£000) Excluding FVTPL	**2,573**	2,664	3,306	2,974	1,920
Underlying Profit to Mean Assets (%) Excluding FTVPL	**0.33%**	0.36%	0.46%	0.45%	0.32%

As at 31 December					
Share Balances (£m)	**724.7**	623.3	590.1	564.2	535.8
Share Balance Growth (%)	**16.25%**	5.64%	4.59%	5.30%	7.57%
Loans to Customers (£m)	**661.4**	642.9	627.1	607.8	545.7
Loan Book Growth (%)	**2.88%**	2.92%	2.77%	11.21%	15.56%
Total Assets (£m)	**796.2**	748.6	733.8	697.1	638.6
Total Asset Growth (%)	**6.36%**	2.02%	5.27%	9.17%	11.01%
Reserves (£m)	**55.5**	53.1	50.8	45.3	42.2
Reserves Growth (%)	**4.38%**	4.50%	12.17%	7.29%	4.37%
Liquidity (£m)	**130.2**	100.8	100.9	86.1	89.5
Wholesale Funding (£m)	**5.1**	61.3	78.9	79.4	54.0
Loan to Deposit Ratio (incl. Reserves) (%)	**118.83%**	106.10%	103.48%	101.08%	106.51%
Core Tier 1 Solvency (%)	**20.90%**	21.12%	20.83%	19.19%	19.70%
Leverage Ratio	**7.67%**	8.17%	7.97%	6.57%	6.98%

Chairman's Statement

I am delighted to introduce the Marsden Building Society's Annual Report and Accounts for the year to 31 December 2024, on behalf of your Board. 2024 proved to be a challenging year, but I am pleased to report that your Society has once again performed strongly.

The year's financial performance maintained your Society's capital base, which underpins our plans for sustainable ongoing growth in the years ahead. As a result of significant savings inflows, we took the opportunity to repay the funding from the Bank of England's Term Funding Scheme for Small and Medium Enterprises (TFSME), reinforcing a return to a membership-funded model. We made progress with our IT transformation plans, laying the foundations in the coming year for the core system upgrade and re-platforming, alongside new digital self-service. Our programme of estate investment has continued, the latest branch refurbishment in Lytham completed in January 2025 and the next steps under our sustainability programme for the coming year supporting solar installation at our Principal Office. We published our first Impact Report which is available on the website and can be requested in branches, detailing our commitment to community, customer, colleague and the environment – reporting on the steps we have taken and those we plan to take to deliver more sustainable ways of working.

The challenges of the last 12 months in the political and economic environment are a reminder that the future is difficult to predict. We will continue to deliver on our core purpose of helping people to buy their own homes and for those seeking wider property ownership; and to provide a safe and secure home for your savings. We will achieve this through competitively priced products delivered with an award-winning service; maintaining our focus on the prudent management and growth strategies deployed by the Society, and in accordance with our overriding aim of doing so in the best interests of you, our members.

We have accomplished so much in my time as Chair, and this has only been possible because of the dedication of all my colleagues at the Society. I want to acknowledge this and send my thanks to everyone. I am extremely proud of the Society and its culture, one that conveys a sense of pride in our business and engagement with you, our members.

Looking to the future, we expect many of the headwinds experienced in recent years to continue, albeit with the hope that geopolitical tensions begin to ease; that interest rates will continue to reduce; and with the prospect of increased housing market activity, that demand within the mortgage market is increased. We recognise that this presents a different challenge for our savers and we will continue to manage our interest rate decisions that deliver a fair value for all our members.

2025 will see changes to your Board. In February 2025, Chris McDonald announced he would be leaving the Society after over six years' service as a Non-executive Director. He has made a significant contribution to the governance of the Society and we wish him well for what comes next.

A cornerstone of our strategy is the commitment to the North-West, through our branches across Lancashire and Fylde, alongside the work of your Charitable Foundation. Maintaining our strong links with the high street and community are central to our strategy moving forward. The pace of digitalisation will provide members with choice in how they take our services and will offer an opportunity to extend our products and services. Growing our brand recognition and reaching even more households across the region will be a measure of our future success.

As we enter our 165th year, Marsden Building Society remains a trusted and safe home for your savings. We are well positioned to deliver on our strategy, facing the future together with confidence, to meet the challenges and opportunities that lie ahead.

Thank you for your continued support and engagement with your Society.

J L Walker
Chairman
4 March 2025

Chief Executive's Review

Welcome to this year's Annual Report and Accounts.

We use the Annual Report to update you on how the business you own has performed. It also provides an opportunity to show-case our many achievements and to update you on our future plans. What underpins our achievements is the hard work and dedication of my colleagues and I want to start by thanking them for what we've achieved together. Without them, the Marsden wouldn't be what it is today.

The Society's financial performance reflects the priorities we set over the past year; attracting record levels of retail inflow to repay funding drawn from the Bank of England (TFSME) and continuing to lend to support growth in our mortgage business.

As a business owned by our members, we don't seek to maximise profits and have no requirement to reward shareholders. Our mutual business model is driven by a requirement to achieve a level of profitability that retains a strong capital position and provides annual investment in the business, alongside value returned to members through competitive and fair value pricing.

We enter 2025 with a strong capital position and liquidity resources to increase our support for members. Our Core Equity Tier 1 capital ratio of 20.90%, a small decrease from the previous year of 21.12%, is achieved by having a strategy of sustainable growth, low credit losses and prudent cost control. Strong asset growth of 6.36% provides increased scale to absorb continued cost pressures, however the impact of both increased costs and a narrower Net Interest Margin on operating profit is still evident. The Society returning profit of £2.5m (2023: £3.2m) with the impact on profit on ordinary activities supported by impairment gains to return profit on ordinary activities of £3.1m (2023: £3.0m) with reserves increased by 4.4% to £55.5m.

Supporting the region is incredibly important to us and we've once again increased the financial resources within the Marsden Building Society Charitable Foundation, with a further £106,000 profit contribution (2023: £160,000), taking the overall endowment fund, which includes our participation in the Alternative Reclaim Fund, to our target of £1.0m. This is a significant achievement, one that guarantees the financial stability of the fund and most importantly, our support for "grassroot" good causes within our communities is assured for the future. Alongside this, we continue to invest in our colleagues, new sustainable ways of working, and new technology solutions.

The Society participated in the Bank of England's 'TFSME' scheme. We started the year with £60.5m of an obligation to repay across December 2024 to October 2025, reducing to £5.0m at the 31 December 2024, with our final prepayment made in January 2025. Our decision to repay ahead of schedule supports our 2025 plans to increase gross lending volumes funded with retail deposits. During the year, our retail share balances increased by £101.3m to £724.7m (2023: +£33.3m to £623.3m), attracting 3,013 new savers to the Society. The higher-than-normal flow of new funds to the Society was achieved through a combination of branch and online activity in equal volume.

In my review last year, I shared our "cautious outlook for new mortgage lending" which proved to be accurate. Gross lending dipped to £130.0m (2023: £139.5m), despite this we achieved mortgage growth of 2.88% increasing the mortgage base to £661.4m (2023: +2.92% to £642.9m), welcoming 918 new borrowers to the Society. At just 0.26% (2023: 0.34%) of residential mortgages greater than three months in arrears, we continue to record very low levels of arrears despite higher interest rates and pressures on household finances.

It remained a difficult year for many households with the continued cost of living challenges. The decision by the Bank of England Monetary Policy Committee to reduce bank base rate in August 2024 to 5.00% was welcomed, followed by a further reduction to 4.75% in November last year. Prior to finalising my report, the Bank of England MPC reduced rates in February 2025 to 4.50%. The outlook would suggest that we'll be required to position our business for a decreasing base rate environment by continuing to respond appropriately to changes in market pricing.

Your Board has been, and will continue to be, mindful when adjusting rates, seeking to balance the interest of all members through competitive savings rates and affordable mortgage pricing, and in doing so we have to consider what's best for the membership as a whole.

This year we've also spent time reviewing our brand strategy and its alignment to our purpose to ensure it supports our current and future direction. Our aim is to "Build something better" and we'll do this through our continued commitment to the high street and underserved communities; through the work of the Charitable Foundation; the extended reach through digital and mobile technology; and the support we provide to strengthen household financial resilience through workplace savings.

We are aware of the high standards expected of us and will continue as a responsible, sustainable, and future-focused mutual building society in the delivery of our plans. We were delighted to be recognised at the British Bank Awards as the 2024 Customer Service Champion and to win the Medium Business of the Year at the 2024 BIBAs (Be Inspired Business Awards).

We aspire to be a sustainable business that works in a socially responsible and environmentally friendly way. We're committed to supporting progress towards a greener society. This includes aligning with the UK's ambition to achieve Net Zero by 2050, at the latest. We now have a third-party-verified carbon footprint and reduction plan. Our ambition is to work towards halving the emissions under our operational control by 2030.

Being sustainable is about being more than just green. We believe the right thing to do is be accountable for the impact we have on people and the planet, working hard to make those impacts positive ones. We all have a part to play. We recognise the impact climate change could have on our members, their homes and communities. Today, our ability to help members in their own sustainability journey is limited. However, we aim to work with public sector bodies and third parties to identify how we can best support members in reducing emissions and improving other environmental impacts from their homes.

In 2024, we successfully completed the foundations for the IT transformation ahead of the re-platforming of our cloud managed service and upgrades to our core platforms in 2025. The optimisation work we've done with colleagues reduces friction and delivers improved efficiency. To follow will be the integration of new digital solutions, delivering improved customer access and further functionality to promote self-service.

The investment in technology and infrastructure will deliver safe and resilient systems, that make accessing the Society easier for members that either don't require the access to a branch or prefer a choice depending upon the services taken. These developments represent a significant 5-year investment supporting our growth and widening our relevance to a larger customer base; but one that runs complementary to our branch commitment to the high-street. Having completed the latest branch refurbishment and renewed our expiring lease arrangements at three locations, we remain open to the opportunity of new locations and to considering alternative ways of supporting communities increasingly underserved by financial organisations.

As the outlook for the economy continues to evolve, I am confident that your Society will be well placed to respond to both the opportunities and challenges ahead. We'll do this by standing with our members as your product and service needs change; supporting our communities, the high-street, and good causes, and working hard to maintain our loyal and dedicated colleague "family" delivering these services.

As John has highlighted, 2025 will be a year of celebration for the Society. There have been many changes since our inception in 1860, but our purpose remains as relevant today, "supporting savers and borrowers whilst caring for our customers, colleagues and communities in a meaningful and sustainable way". A simple business model that supports property ownership and a home for savings, underpinned by several strategic priorities of reducing complexity, investing in capability and in telling our story remain as relevant as ever.

I am grateful to each one of my colleagues, who deliver for our members every day, and I am very much looking forward to what we can achieve together during 2025.

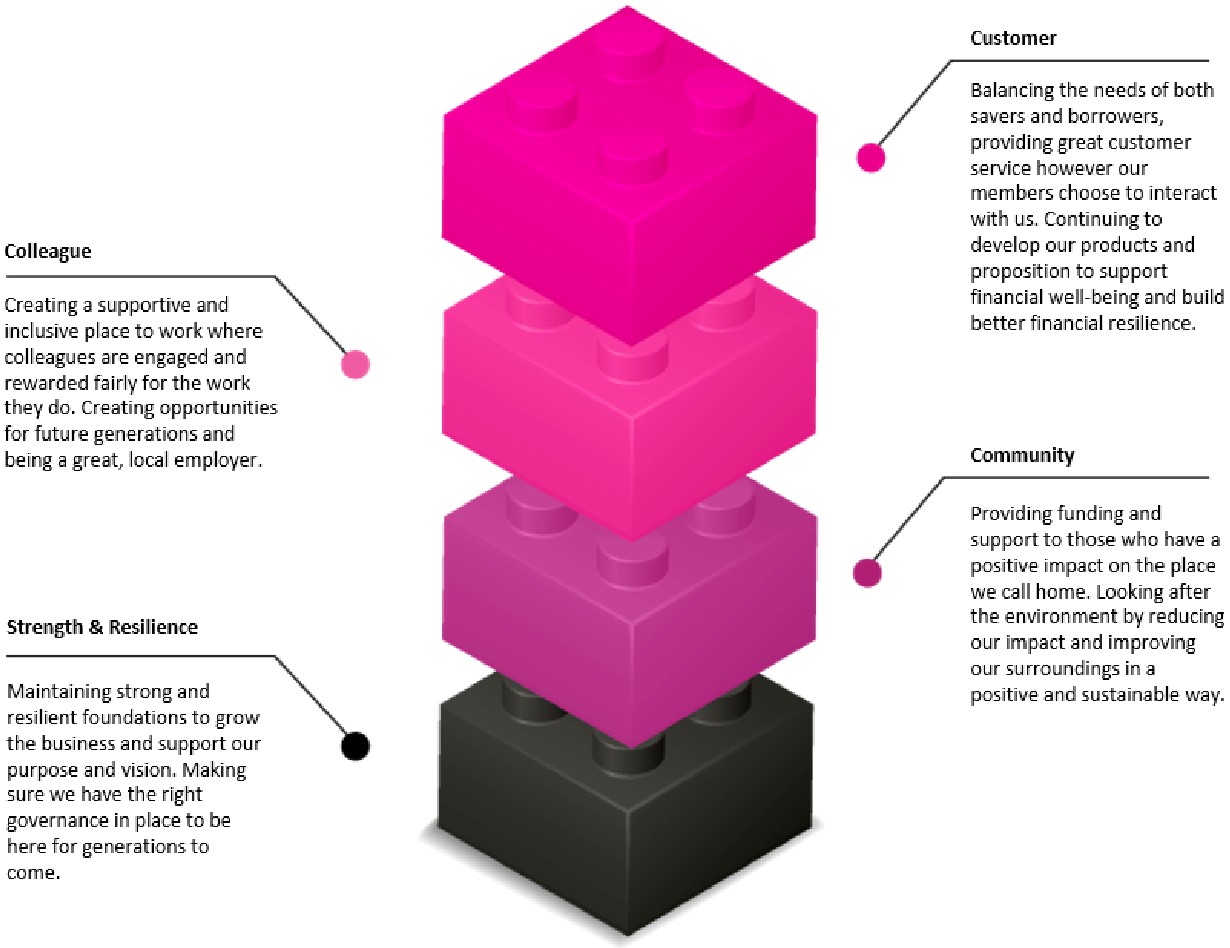
R M Pheasey
CEO
4 March 2025

Strategic Report

Marsden Building Society is Lancashire's largest building society with assets of £796.2m (2023: £748.6m). The Society was established in February 1860 by people with the purpose of helping each other become homeowners. Members would pay monthly subscriptions to a central pool of funds, and this would then be used to build houses for the members. We continue to support members in achieving home ownership today, primarily by raising funds from savers to lend to borrowers to purchase their own home, but also set out to make a difference to our members and in our community and this is reflected in all that we do.

Our Vision is 'Building something better'

Our Purpose is 'A mutual building society supporting savers and borrowers whilst caring for our customers, colleagues and communities in a meaningful and sustainable way'



Delivery of our Vision and Purpose is built on a foundation of financial strength and resilience. Our purpose extends beyond the provision of core products and services to members to all customers whilst positively impacting colleagues and the communities and region in which we operate.

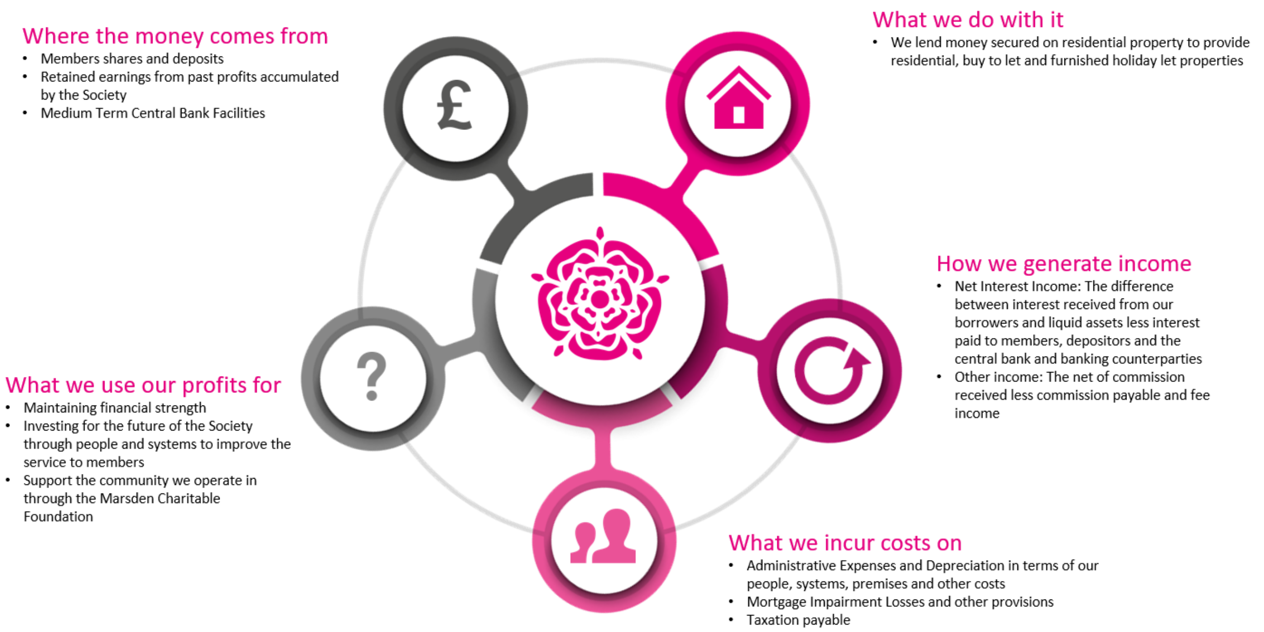
Business Model

As a mutual, we're owned by and run for our members, not for shareholders, which is why we always aim to deliver the best products and customer service possible. Members have a say in how we're run by taking part in our Annual General Meeting (AGM), voting on resolutions and putting their questions to our Board of Directors. Our mutual status means we can choose to prioritise long-term objectives over short-term profit.

We provide individual members with a secure home for their savings across Lancashire through our branch network and more widely through our online provision. Funding is supplemented by medium-term central bank facilities and very modest levels of wholesale funding. We support individuals to purchase their own home, and to a lesser extent, support the private rented sector through provision of Buy to Let and Furnished Holiday Let mortgages, across the British Isles. Our lending focus is around mortgages which require an individual assessment of loan requirements and personal circumstances. Our business model and proposition are supplemented by the sale of third-party products, income being predominantly from sales of general insurance to members.

Our Net Interest Income represents the difference between interest received from our borrowers and liquid assets less interest paid to our savings members and the central bank and wholesale funding. Net Interest Income plus income from sale of insurance policies to members and fees covers our administrative expenses in terms of our people, systems, premises and other costs, plus impairment losses and other provisions and taxation. The remaining net profit after tax is added to reserves to maintain our financial strength and support our activities for the benefit of current and future members. As a mutual we do not pay dividends to external shareholders.

Our business model is illustrated as follows:



Key Performance Indicators

The progress of the Society is monitored by using a set of Key Performance Indicators (KPIs). The outcome of the KPIs adopted during 2024, with comparison against 2023 results are reported below with explanatory comment.

Indicator	Description	2024	2023
Underlying Society Profit	Underlying profit after tax to mean assets ratio excluding fair value gains and losses, this being the primary profit KPI.	**0.33%**	0.36%
Statutory Society Profit	Statutory profit after tax to mean assets ratio, this being the secondary profit KPI.	**0.30%**	0.31%
Net Interest Margin	Net interest income to mean assets.	**1.77%**	1.86%
Management Expense Ratio	Administrative expenses and depreciation and amortisation to mean assets.	**1.41%**	1.37%
Mortgage Arrears	The proportion of residential mortgage assets which are past due by 3 months or more.	**0.26%**	0.34%
Total Assets	Movement in total assets.	**6.36%**	2.01%
Loan Book Growth	Movement in mortgage assets.	**2.88%**	2.92%
Retail Shares Balances	Movement in share balances from members.	**16.25%**	5.64%
Core Equity Tier 1 Solvency Ratio	Regulatory Capital expressed as a percentage of Risk Weighted Assets (RWAs).	**20.90%**	21.12%
Overall Liquidity Adequacy Ratio	Board defined Liquidity Resources to stressed 90 days' Liquidity Requirements.	**117%**	113%
Colleague Engagement	Best Companies measure of workplace engagement.	**Very Good**	Very Good

The Chief Executive's Review on pages 4 to 6 provides an overview of the Society's performance during 2024 which should be read in conjunction with this report.

Financial Performance

FRS102

The Society has adopted Financial Reporting Standard (FRS) 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and has elected to apply the recognition and measurement provisions of IAS39, Financial Instruments Recognition and Measurement. This has a material impact on the accounting treatment of certain financial instruments. We are required to recognise these at fair value which can have a significant effect on the results of the Society. Whilst we have elected to adopt Hedge Accounting, to reduce volatility where we can demonstrate a highly effective hedge relationship, we remain exposed to volatility in fair value for the period between executing an Interest Rate Swap and it entering a hedge relationship and following that more limited volatility as a result of a degree of ineffectiveness in the relationship. In summary, volatility cannot be eliminated entirely.

Income Statement

Overview

As a mutual, the maximisation of profit is not a key aim. However, maintenance of an appropriate level of profit on ordinary activities is important to maintain financial strength and provide cover against negative impacts on capital.

The Society has had a steady trading year, comparable with the pre-Covid era, with statutory profit before tax up £0.107m (3.6%) to £3.055m.

Statutory Income Statement

Income Statement	**2024 £'000**	2023 £'000
Net Interest Receivable	**43,099**	35,452
Net Interest Payable	**(29,442)**	(21,666)
Net Interest Income	**13,657**	13,786
Other Income	**66**	51
Net (Losses) / Gains from Financial Instruments	**(330)**	(498)
Total Income	**13,393**	13,339
Management Expenses and Depreciation	**(10,895)**	(10,172)
Operating Profit	**2,498**	3,167
Impairment Gains / (Losses)	**568**	(158)
Losses on Disposal	**(11)**	(61)
Profit on Ordinary Activities	**3,055**	2,948
Tax	**(730)**	(665)
Profit After Tax	**2,325**	2,283

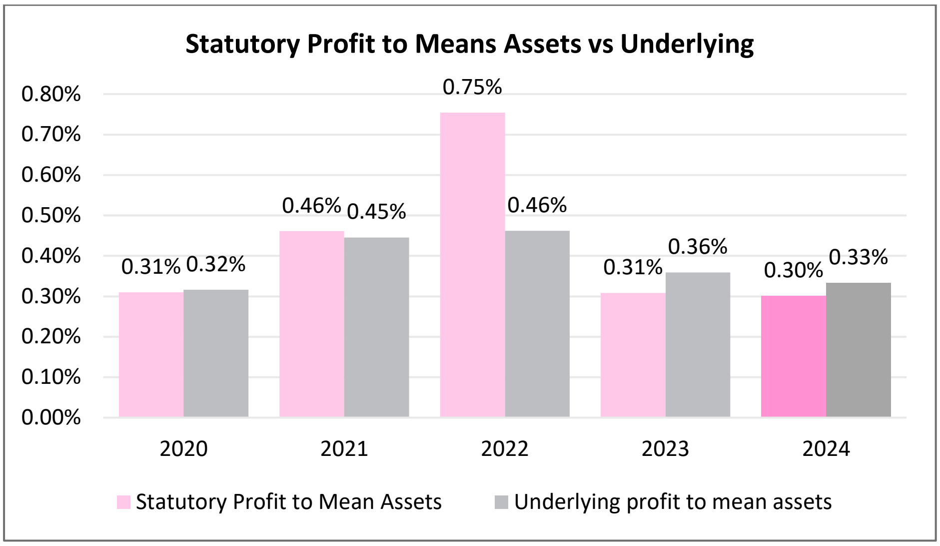
In terms of measuring financial performance, the Board takes the view that risk management considerations should drive management decisions in relation to use of derivatives to manage interest rate risk. Accordingly, the secondary risk of volatility in fair value of these instruments is less able to be managed therefore it should be isolated when considering trading performance. As a result, the Board tracks underlying performance, excluding fair value gains and losses as set out in the Underlying Income Statement on the following page.

Underlying Income Statement

Income Statement	2024 £'000	2023 £'000
Net Interest Receivable	**43,099**	35,452
Net Interest Payable	**(29,442)**	(21,666)
Net Interest Income	**13,657**	13,786
Other Income	**66**	51
Underlying Total Income	**13,723**	13,837
Management Expenses and Depreciation	**(10,895)**	(10,172)
Underlying Operating Profit	**2,828**	3,665
Impairment Gains / (Losses)	**568**	(158)
Losses on Disposal	**(11)**	(61)
Underlying Profit on Ordinary Activities	**3,385**	3,446
Tax	**(813)**	(782)
Underlying Profit After tax	**2,572**	2,664
Net Losses from Financial Instruments	**(330)**	(498)
Tax on Net Losses from Financial Instruments	**83**	117
Statutory Profit After Tax	**2,325**	2,283

Underlying performance reveals a decrease in underlying profit after tax of £0.092m (3.5%) to £2.572m.

Statutory profit after tax as a percentage of mean assets relates the level of profitability to the average of total assets on the balance sheet at the beginning and end of the year. Underlying profit as a percentage of mean assets represents the same ratio, with the post-tax impact of net gains on financial instruments excluded. During the year, the statutory ratio reduced by 1bps to 0.30% (2023: -44bps to 0.31%). The underlying ratio decreased by 3bps to 0.33% (2023: -10bp to 0.36%).

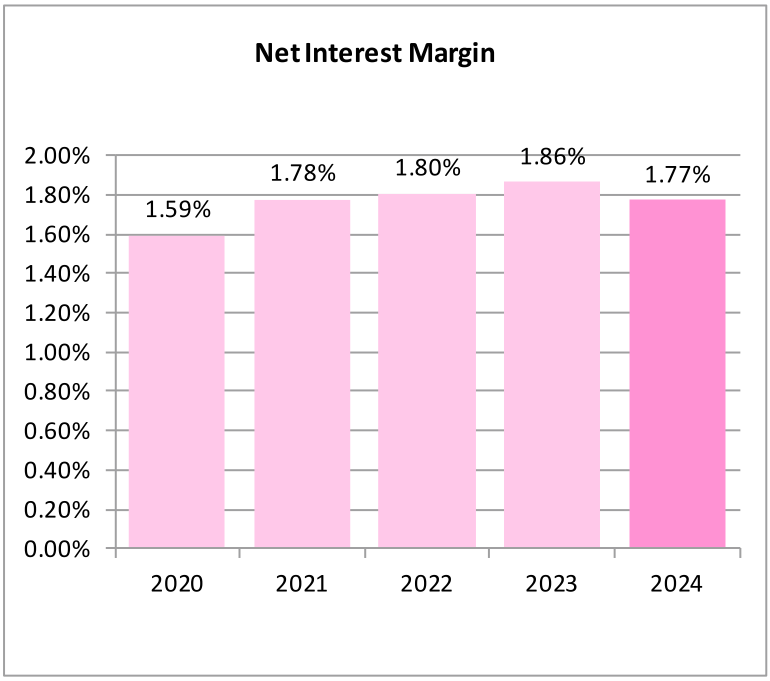


Looking forward, profitability is anticipated to moderate further as a result of increased operating costs, primarily as a result of transition to a new cloud-based IT platform during 2025.

As detailed below, a charge in relation to financial instruments at fair value through profit and loss is anticipated, placing additional downward pressure on profitability. Despite this, profit is anticipated to remain within recent peer group averages for the sector and be sufficient to maintain appropriate capital resources to sustain the Society and protect members' interests.

Net Interest Income

The Net Interest Margin (NIM) represents the average rate received on assets less the average rate paid on liabilities during the year. The principal drivers of the margin are the net interest received from borrowers and liquid assets, less interest paid to investing members and wholesale counterparties.



During the year, the NIM decreased by 9bps to 1.77% (2023: +6bps to 1.86%) driven by a competitive market for retail funding, particularly in the first six months of the year. In response to changes in Bank Rate during the year, changes to administered rate savings have been applied at the same time as administered mortgage rates. Margins have been managed to ensure funding costs remain aligned to market levels to manage funding flows with the pass through of reductions in mortgage administered rates managed to ensure appropriate margins were maintained. This has had the impact of ensuring we end the year at a higher margin in accordance with our financial plans.

Looking forward into 2025, competition in the savings market is anticipated to remain strong as the Bank of England Term Funding Scheme with additional Incentives for SMEs (TFSME) comes to an end for drawings relating to non-SME lending. Whilst the Society has now repaid its TFSME borrowings, other participants have not and as a result, repayment is anticipated to continue to place pressure on all funding channels including retail, corporate and secured funding markets. The outlook for interest rates also remains uncertain however the Board will continue to manage the NIM to deliver the level of profitability judged appropriate to support a sustainable level of growth in both assets and capital in the long term.

Other Income

Other income represents a combination of general insurance commission receivable, bank charges payable and fees receivable by customers which are not included within effective interest rate calculations. Other income for 2024 was £0.066m, up £0.015m (2023: £0.051m, down £0.179m).

Financial Instruments

The Society enters into derivative contracts for risk management purposes only, in accordance with Section 9A of the Building Societies Act 1986 (as amended).

During the year there was a net loss of £0.330m (2023: net loss of £0.498m) in the Income Statement from financial instruments at fair value through profit and loss. This value represents the net value of Gains on Derivatives not in/prior to hedge relationships and initial amortisation and ineffectiveness in designated hedge relationships.

Market interest rate expectations remained volatile in the year, albeit to a much lesser extent than in 2022. As a result, the Society experienced net gains on financial instruments not in/prior to hedge relationships of £0.170m (2023: £0.244m).

	2024	2023
	£m	£m
Designated hedge relationships: Initial amortisation and ineffectiveness Losses	**(0.500)**	(0.742)
Gains on derivatives not in/prior to designated hedge relationships	**0.170**	0.244
	(0.330)	(0.498)

Despite the moderation in market volatility, the impact of the events of autumn 2022 continue to impact. When mortgages complete, the swaps enter a hedge relationship and a broadly offsetting hedged item is recognised. The offsetting hedged item at fair value when introduced will also be amortised to the Income Statement over the life of the instrument, which will offset the gain or loss from the fair value of the hedge prior to entering into a hedge relationship. The charge to the Income Statement relating to designated hedge relationships included amortisation of previous hedged item offsets of £0.571m (2023: £0.446m) with the remaining positive volatility of £0.071m (2023: negative volatility of £0.296m) relating to ineffectiveness in the hedge portfolio.

In future years, there will continue to be a negative charge to the Income Statement on financial instruments at fair value through profit and loss over the remaining life of the financial instruments as the hedge items, predominantly from activity in autumn 2022, continued to amortise. This will be in addition to pre-hedge relationship gains/(losses) and ineffectiveness in the hedge portfolio.

Management Expenses

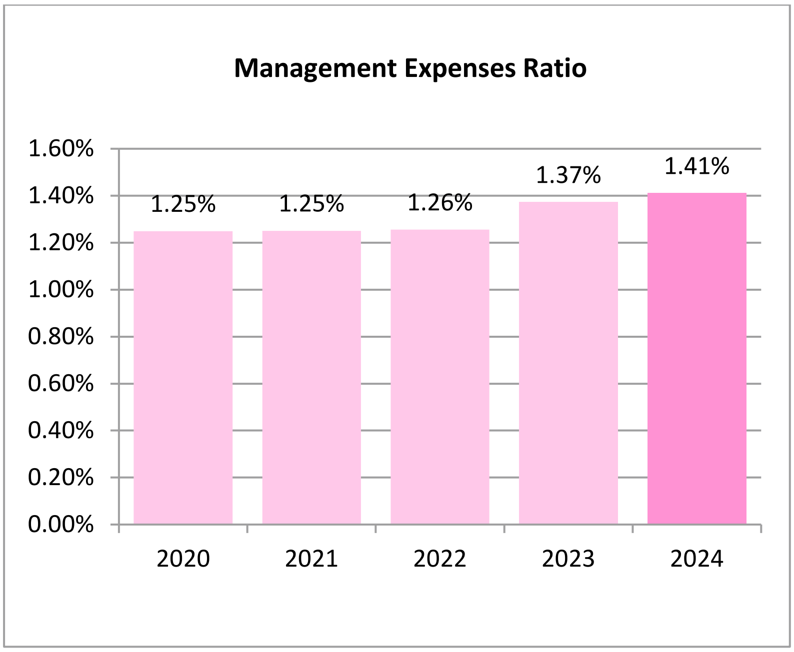
Management expenses include staff costs, IT and all other operating overheads. Together with depreciation and amortisation, these represent the total costs for operation of the Society. The Board balances the requirement to control costs with the strategic imperative to maintain the right calibre of people and continue to invest to support the strategic objectives of the Society.

During 2024, the absolute value of management expenses and depreciation increased by £0.723m to £10.895m (2023: +£1.189m to £10.172m). A significant driver of this increase was Staff Costs together with further recognition of initial setup costs relating to the planned transition of the core IT platform to a cloud-based solution.

In pursuit of the Society vision, which extends beyond supporting members through savings, mortgages and other financial products to a heightened sense of broader corporate responsibility, in 2021 the Society established the Marsden Building Society Charitable Foundation. In recognition of reduced but above average profitability, the Board has again made a significant donation to the endowment of the Foundation of £106,000 (2023: £160,000) to support its objectives for many years to come. Further donations to the

Foundation will be guided by the judgement of the Board, rather than a commitment to donate a fixed proportion of profitability per annum.

The ratio of management expenses represents the cost of operating the Society when measured against mean total assets. This represents a measure of the Society's net cost efficiency.



During the year, the ratio of management expenses increased by 4bps to 1.41% (2023: +11bp at 1.37%) indicating cost growth moving faster than asset growth.

Looking ahead, upward pressure on absolute cost continues as further IT setup costs will be incurred in 2025 and increased IT run costs phase in. Upward pressure remains on the broader cost base as inflation remains above the 2% target. A degree of moderation in cost inflation is anticipated beyond 2025 once the peak of IT investment has passed.

Loan Impairment

The performance of the Society loan portfolio remains strong, driven by our control over lending policy and criteria and manual underwriting approach.

During the year, the collective provision has decreased by £0.232m to £0.379m (2023: £0.044m to £0.611m), driven primarily by the more stable outlook for house prices and the change in the mix of the loan book in year. Individual provisions have decreased by £0.388m to £0.002m (2023: increase of £0.114m to £0.390m) as a result of a number of arrears cases being managed to a successful conclusion with only £0.052m of provisions utilised (2023: £nil).

Mortgage Arrears and Forbearance

At 31 December 2024, only 0.26% of the residential portfolio was three months or more in arrears or impaired (2023: 0.34%). Of these accounts, 0.10% (79%) relates to deceased customers, where obtaining probate and then achieving sale of the property is currently taking in excess of 12 months. In terms of forbearance, two accounts (£0.264m) have benefited from forbearance (2023: nine accounts of £1.458m).

In terms of the commercial portfolio, no loans were past due or impaired (2023: none).

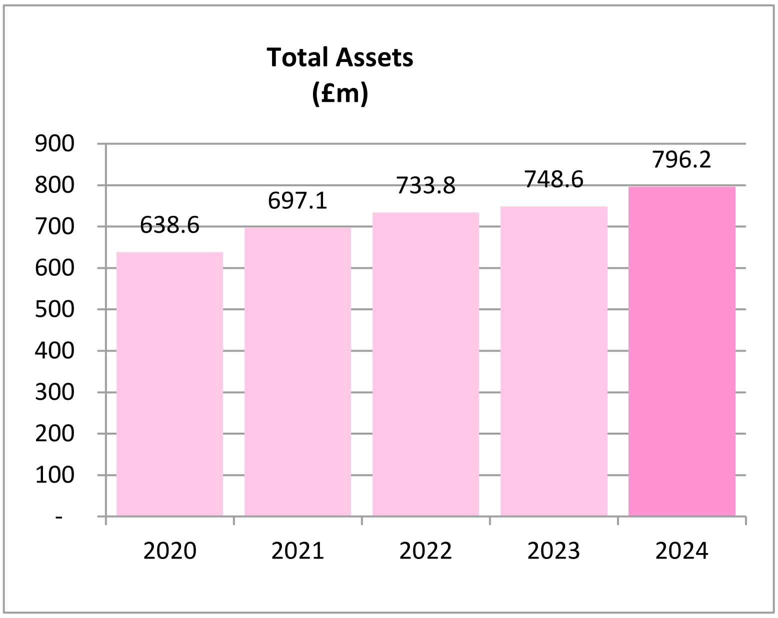
Looking forward, whilst the economic outlook is improved in comparison to prior year, the outlook for house prices remains uncertain, interest rates remain elevated, and cost of living pressures remain. Whilst the Society operates a prudent lending policy to ensure borrowers' affordability is stressed appropriately when loans are underwritten, the combined impact of elevated interest rates, cost of living pressures and potential increased unemployment will mean some borrowers experience payment difficulties and require our support. The Society is ready to assist members having difficulty servicing their mortgage.

Taxation

The Corporation Tax charge in the year to 31 December 2024 was £0.730m (2023: £0.655m), representing an effective rate of 25% (2023: 23.5%). Further detail is provided in Notes 9 and 23 of the accounts.

Statement of Financial Position

During the year, the Society continued to achieve asset growth with an increase of £47.6m to £796.2m, up 6.4% (2023: £14.8m to £748.6m, up 2.0%).



The medium-term objective remains to continue to grow the balance sheet to maintain and improve economies of scale given the pressure on both costs and the net interest margin. During the year, the Society has refinanced £55.5m of TFSME borrowing with the remaining £5.0m repaid in 2025 prior to signing the financial statements. This has substituted funding for mortgages already on the balance sheet.

Looking forward to 2025, following growth in retail funding to repay TFSME funding, the Society will return to growing retail funding to fund growth in mortgage assets, and in turn grow the balance sheet at a faster rate than achieved in 2024.

Liquid Assets

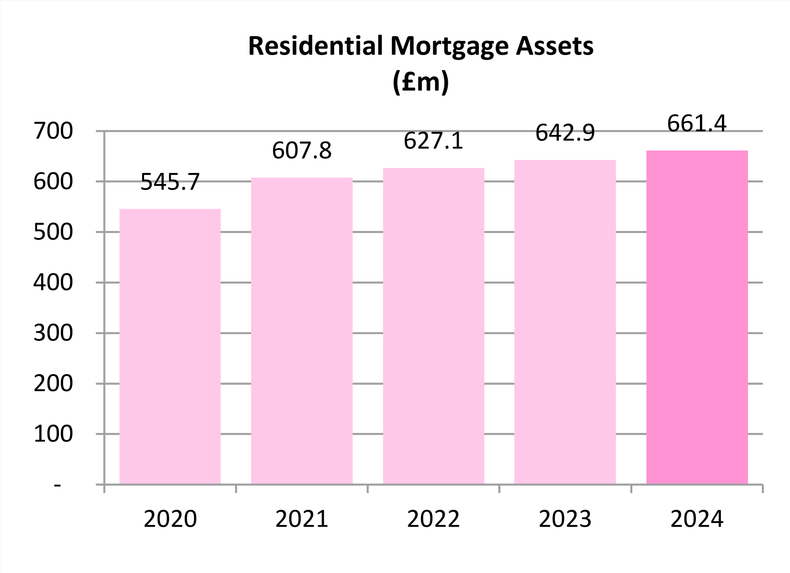
The Society maintains a portfolio of liquid assets to ensure it holds sufficient resources to meet its obligations as they become due in accordance with Board Risk Appetite. This involves maintaining cover to meet anticipated stressed withdrawals of retail and wholesale funding, net mortgage flows and other cashflows, which are quantified in accordance with internal stress assumptions approved by the Board.

At 31 December 2024, the Society maintained liquidity resources of 117% (2023: 113%) of its internally modelled stress requirement. The Society held High Quality Liquid Assets (HQLA) of £104.8m (2023: £99.2m), £74.9m of which represented balances in Central Bank Reserves, £29.5m in UK Treasury Bills and £0.3m in cash. The Society also held £25.3m on Deposit with Banks (2023: £1.3m).

In terms of regulatory metrics, the Liquidity Coverage Ratio was 645% (2023: 276%), the Society holding HQLA of £104.8m (2023: £99.2m) vs. an outflow requirement of £45.1m (2023: £36.0m) net of inflows of £28.8m (2023: £4.8m).

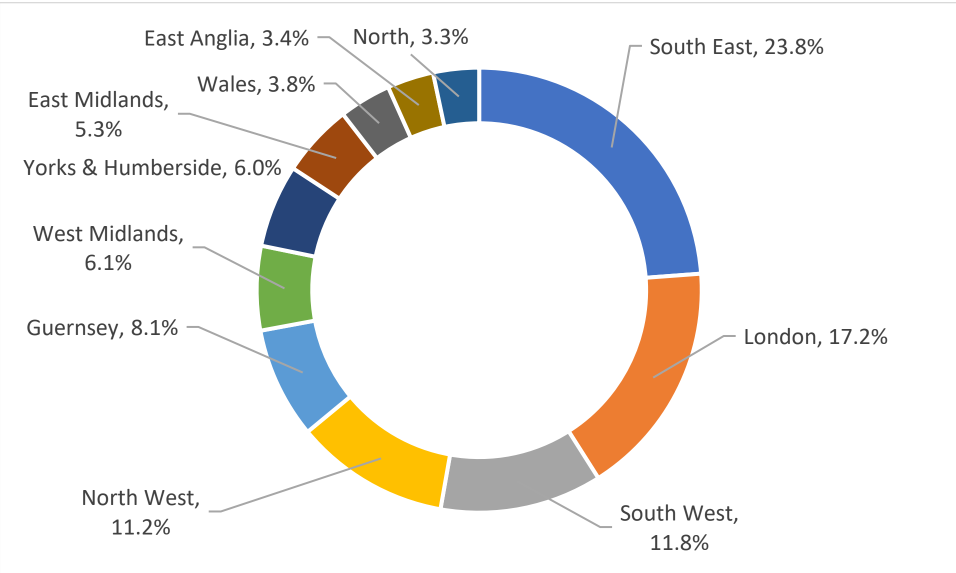
Mortgage Assets

Total residential lending, before effective interest rate, impairment and fair value adjustments was £661.4m, up £18.5m (2023: £642.9m, up £15.8m). Gross new lending in year was £130.0m (2023: £139.5m).



Society lending is focused primarily on loans to owner occupiers and both residential buy to let and furnished holiday let landlords. Loans to owner occupiers represent 68.2% (2023: 70.3%) of mortgages secured on residential property with the remaining 31.8% (2023: 29.7%) being secured on residential buy to let and furnished holiday let property.

The Society has a nationally diversified portfolio of loans secured on residential property, with the largest concentrations of 23.8% in the South East (2023: 24.0%) and 17.2% in London (2023: 16.9%).



The average indexed loan to value is 28.9% (2023: 31.6%).

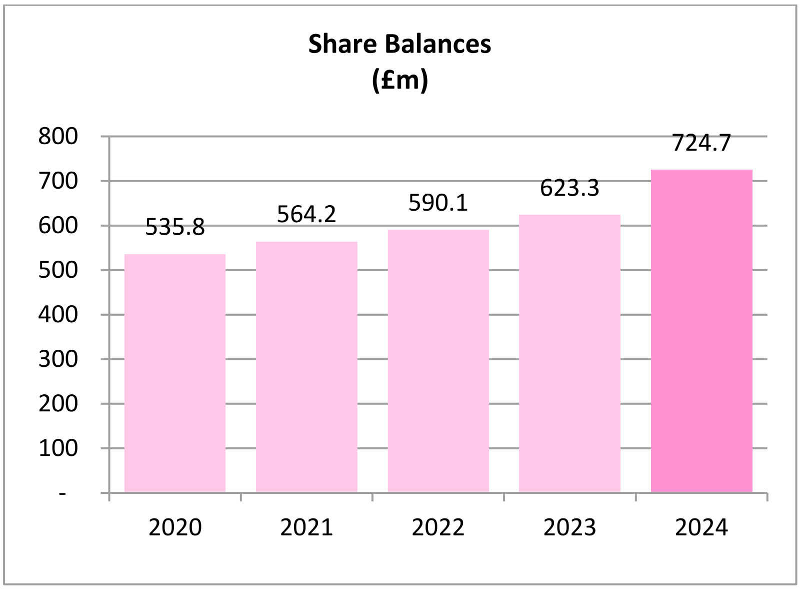
The Society retains a modest exposure to commercial lending, this aspect of the loan book being managed down. At 31 December 2024, these loans net of impairment provisions amounted to £0.116m (2023: £0.126m). These exposures are predominantly on commercial premises occupied by the business owning the property. In terms of geographical location, these exposures are located in North West England.

Further analysis on Credit Risk is contained within Note 26 of the accounts.

Funding

As a mutual, the Society is required to fund the majority of its lending through retail deposits from members. The net change in share balances reflects the net movement in and out of share balances held by individuals with the Society.

During the year, the Society generated retail inflows to refinance £55.5m of TFSME borrowing, fund mortgage lending growth and build capacity to pre-fund a degree of mortgage lending and the remaining £5.0m of TFSME refinancing in 2025. Net growth in share balances were £101.3m to £724.7m, up 16.3% (2023: £33.3m to £623.3m, up 5.6%) from both the traditional branch and also online channels.



Looking forward, the Society continues to focus primarily on generation of growth in retail funding through the branch network across Lancashire. This will be supplemented by secondary funding lines including online funding as judged appropriate. The Society has positioned its mortgage asset strategy to support payment of competitive savings rates relative to high street competitors and continues to work hard to provide a high-quality customer experience in terms of both service and branch environment. The increased growth in retail funding in the coming year will be targeted to meet plans for net mortgage lending growth.

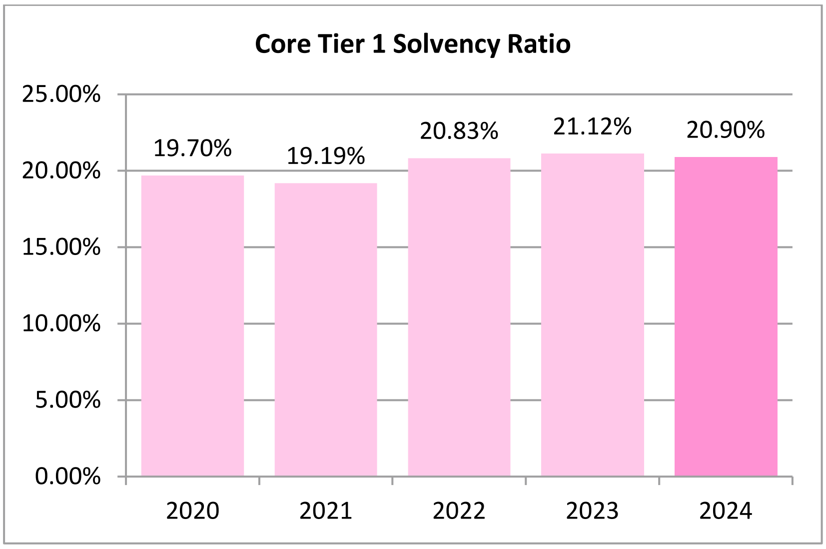
The Society also maintains other deposit funding, predominantly from small and medium sized companies of £5.8m (2023: £5.6m). The Society maintains a degree of funding from central bank funding schemes of £5.1m (2023: £61.3m). The proportion of funding not in the form of individual shares is 1.4% of total shares and borrowings (2023: 9.7%), the reduction being attributable to a combination of prepayment of TFSME borrowing and a marked increase in retail share balances.

Capital

A strong capital position provides a financial cushion against any difficulties which might arise in the business of the Society and provides protection for members and depositors. Society capital is made up almost entirely of retained profits accumulated over its 164-year history.

Free capital represents gross capital and collective mortgage loss provisions less tangible and intangible assets as shown in the balance sheet. Society free capital is £54.7m or 7.44% of total share and deposit liabilities (2023: £52.7m or 7.63%). Gross capital comprises reserves, as shown in the balance sheet. Gross capital is £55.5m or 7.54% of share and deposit liabilities (2023: £53.1m or 7.70%).

In addition to the size of capital resources relative to assets, it is important to measure asset size relative to the risk of assets on the balance sheet. The Core Tier 1 Solvency Ratio measures the ratio of Society Reserves against Risk Weighted Assets calculated under Capital Requirements Directive IV. In the case of the Society, this is under the standardised approach to credit risk which uses standard risk weights and places no reliance on internally developed capital models.



The ratio has decreased in the year by 0.22% to 20.90% (2023: increase of 0.29% to 21.12%).

The Society must also maintain at all times, minimum capital requirements under Pillar 1 of the Capital Requirements Directive plus requirements under Pillar 2A as specified by the Prudential Regulation Authority (PRA). At the balance sheet date, Society Total Capital Requirement was £21.359m, with total requirements constituted of £21.190m relating to Pillar 1 and £0.169m relating to Pillar 2A (2023: £20.279m, of which £20.110m Pillar 1 and £0.169m Pillar 2A).

In terms of quality of capital, Prudential Regulation requires a Core Tier 1 requirement of 4.5% (56.25%), a Total Tier 1 requirement of 6% (75%) and a Total Capital Ratio of 8% (100%). The Society is required to hold a minimum of £12.014m in Core Equity Tier 1 Capital (2023: £11.407m), a minimum of £16.019m in Tier 1 Capital (including the minimum CET1 plus £4.005m Tier 1) and a maximum of £5.340m in Tier 2 Capital (2023: £15.209m Tier 1 and £5.070m Tier 2).

Regulatory Capital held by the Society at the balance sheet date was £55.748m, of which £55.369m was CET1 and £0.379m Tier 2, well in excess of Individual Capital Guidance (2023: £53.689m of which £53.078m CET1 and £0.611m Tier 2).

The Leverage Ratio, defined as the ratio of Tier 1 Capital to the total exposure defined as total on and off balance sheet exposures less deductions from Tier 1 Capital. The ratio, excluding central bank exposures decreased by 0.50% to 7.67% (2023: increased by 0.20% to 8.17%).

Risk Management Report

Risk Management Framework

The Society utilises a Risk Management Framework (RMF) to manage the financial and non-financial risks in our operating environment. We take a positive approach to risk management, utilising collective skills and experience to drive continuous improvement and to deliver our Strategic Plan. Metrics are reported to help Board and management understand risks, provide early warning of changes in risk profile, and facilitate effective risk management in everyday decision making and behaviours. The RMF is designed to:

- Set out a clear vision of how we manage risk at the Society;
- Promote good risk management culture and practice whilst meeting the expectations of the Regulators;
- Facilitate identification, assessment, monitoring and reporting of material risks; and
- Help colleagues to understand their role, embedding in day-to-day operations the importance of following procedures, operating controls and escalating risk events.

Risk Governance Arrangements

The Board delegates oversight of the RMF and the suite of risk policies to the Board Risk Committee (BRC), which reviews and recommends approval by the Board on at least an annual basis. The Risk Director oversees the effective implementation of the RMF, including the review of risks and uncertainties in the business. The Society adopts a three lines of defence model which ensures a clear separation between the ownership and management of risk and controls (first line), oversight, support, and challenge (second line) and internal audit assurance (third line).

The Risk Director produces a quarterly independent Risk Report for BRC including:

- An overview of strategic risks via a heat map;
- Updates on all principal risk categories including latest trend data for our suite of metrics and commentary;
- Updates on key projects;
- Updates on activities of the Risk Team; and
- Tracking of any risk actions to completion.

A concise version is provided for all Board meetings. The information flow to produce these reports includes Risk Control Self Assessments, Incident Reporting, MI from Management Committees, Assurance and Audit Reports, external horizon scanning, and input from the Building Societies Association and events. The BRC reviews reports to ensure that risk levels remain within the Society's agreed risk appetite.

Principal Risks and Uncertainties

The principal risks to which the Society is exposed are detailed below, along with how they are controlled, and progress in 2024. The Society has a balanced risk appetite across the principal risks. The Society maintains strong levels of capital and liquidity to provide financial resilience.

Principal Risk	Society Risk Overview	Progress in 2024
Business Risk: The risk of insufficient long-term profitability to maintain capital adequacy and balance sheet growth to maintain investment. This risk relates to the sustainability of the Society. The external environment e.g., macroeconomic, regulatory, and	The Strategic Plan is the key document, owned and approved by the Board. The Board will not seek out strategic options which have a potential to create losses to capital. Our preference is to seek options that have a degree of safety comparable to the	The risk profile remained stable during the year: • 2024 was a strong year for funding enabling repayment of TFSME. • Equal contributions from branch network and online channel.

political context impacts the Society's business model.	potential reward. We will always aim to maintain the capital ratio within appetite.	• Positive lending performance with growth in core markets. Strong mortgage pipeline at year end. • Mortgage and Savings retention performance supported balance sheet growth. • We reviewed and improved our Internal Capital Adequacy Assessment Process. Profit after tax was sufficient to maintain capital strength. • Improved the suite of metrics to monitor changes in risk profile.
Mortgage Credit Risk: The risk of loss if a borrower fails to make timely repayment of a loan, credit commitment or other contractual obligation as it falls due. **Concentration Risk**: The risk of loss due to large exposure to an individual or group of connected individuals that are affected by a common issue (e.g., property price falls or large employer closes in a specific area). **Climate Change Risk**: The most significant element of this risk to the Society is considered to be credit risk relating to the value and saleability of properties taken as security for mortgages resulting from physical risks (e.g., flood, subsidence and coastal erosion) or transitional risks (e.g., changes in behaviour and demands of members, regulators and Government relating to energy efficiency). Climate change risk also relates to our reputation, people and properties. **Treasury Credit Risk:** The risk of loss if a treasury counterparty fails to make timely repayment of a loan or other credit commitment.	Mortgage credit risk is controlled in accordance with the Board-approved Lending Policy. Lending is maintained within carefully controlled limits to manage concentration risk and is subject to Credit Risk Committee (CRC) and Board reviews. Detailed management information is prepared for CRC and summarised for BRC oversight. Lending is focused in niches where we have underwriting expertise and each mortgage application is manually underwritten. We mitigate climate change risk through our underwriting processes and utilising guidance from third-party experts such as valuers and the Environment Agency. Treasury credit risk is controlled through adherence to the Board-approved Financial Risk Management Policy. The Policy defines prudent limits, relating to quality and quantity of credit exposures to single counterparties and groups of counterparties. The counterparty limits are developed predominantly by reference to	The Society has continued to apply a prudent underwriting approach. The Society's credit risk profile improved through proactive forbearance and arrears management. MI enables monitoring / drilling down into any emerging trends. During the year the Society: • Enhanced the value of CRC in monitoring changes in risk profile; • Reviewed and updated the Lending Policy to ensure the risk profile of new lending remains within appetite; • Reviewed and approved changes to the affordability criteria to reflect increases in the cost of living; and • Improved the suite of metrics to monitor changes in concentration and credit risk.

	credit ratings and other market and financial data.	
Liquidity Risk: The risk that the Society does not have sufficient financial resources available in terms of quality or quantity to meet its liabilities as they fall due or can only secure them at an excessive cost. **Funding Risk:** The risk that the Society cannot secure sufficient long term, stable funding for lending needs, at a rate that is affordable.	Liquidity and funding risk is controlled through adherence to the Board-approved Financial Risk Management Policy. Liquidity is maintained within risk appetite limits. Regular stress tests are conducted which help to determine the overall level of liquidity required to withstand all reasonably foreseeable liquidity stresses. The Society also has contingency plans in place to manage sudden or extreme outflows. The results of stress testing and the liquidity position are reported to the BRC.	The risk profile remained stable during the year. We continue to manage liquidity efficiently, relying on the Overall Liquidity Adequacy Ratio. We maintain a majority of liquidity in high quality, easily accessible assets e.g. Bank of England. We also maintain a large amount of contingency liquidity through prepositioned assets with the Bank of England. During the year, the Society: • Reviewed and approved the Individual Liquidity Adequacy Assessment Process, taking account of external risk environment; • Enhanced our contingency plans following testing; and • Reviewed and approved the Financial Risk Management Policy.
Interest Rate Risk Arising from Non-Trading Book Activities: The current and prospective risk of a negative impact to the Society's economic value of equity, or to the Society's net interest income, taking market value changes into account as appropriate, which arise from adverse movements in interest rates affecting interest rate sensitive instruments, including gap risk, basis risk and option risk. **Gap Risk:** Risk resulting from the term structure of interest rate sensitive instruments that arises from differences in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk). **Basis Risk:** Risk arising from the impact of relative changes in interest rates on interest rate	Interest rate risk is controlled through adherence with the Board-approved Financial Risk Management Policy. The Society seeks to use natural hedging where possible supported by swaps where necessary to manage the risk. Board-approved limits are applied to each element of interest rate risk. BRC review interest rate risk position against these limits.	The risk profile increased during the year. There was increased volatility in market expectations for the path of interest rates resulting in challenges to secure the targeted level of profitability on fixed rate funding and lending. The Society used natural hedges and swaps to manage interest rate exposure and continued to monitor exposure to ensure it remained within risk appetite even through a period of significant change in demand for fixed rate savings and fixed rate mortgages.

sensitive instruments that have similar tenors but are priced using different interest rate indices. Basis risk arises from the imperfect correlation in the adjustment of the rates earned and paid on different interest rate sensitive instruments with otherwise similar rate change characteristics. **Option Risk:** Risk arising from options (embedded and explicit), where the Society or its customer can alter the level and timing of their cash flows, namely the risk arising from interest rate sensitive instruments where the holder will almost certainly exercise the option if it is in their financial interest to do so (embedded or explicit automatic options) and the risk arising from flexibility embedded implicitly or within the terms of interest rate sensitive instruments, such that changes in interest rates may affect a change in the behaviour of the client (embedded behavioural option risk).		
Operational People Risk: The risk of loss arising from failed or inadequate processes, systems and controls or from external events including legal risk. It includes adequate resourcing for change management, business as usual and strategic ambitions to ensure ongoing competence, capability and capacity. **Operational IT Risk:** The risk of loss arising from failed or inadequate IT processes, systems and controls relating to information and cyber security, physical assets, third party management or from external events including legal risk. **Operational Financial Crime Risk:** The risk of loss arising from failed or inadequate financial crime prevention systems and controls or external events including legal risk.	Operational risk is controlled through adherence with robust Board-approved policies and a framework of processes and controls, which are designed to minimise operational risk. There is a suite of contingency plans and the Operational Resilience Self-Assessment, designed to protect members from disruption, respond to, recover from and learn from incidents. We utilise third-party expertise where appropriate to reduce operational risks and protect our members. A range of metrics are reported to the BRC to monitor exposures. The Society carries out regulatory horizon scanning and implements required changes in a timely manner.	The risk profile remained stable during the year. The Society: • Continued to invest in human and technological resources to deliver a sustainable, forward-looking Society for our members. • Strengthened Operational Resilience, through business continuity testing and building a Playbook. • Key Person Risk is being managed through seeking succession options, cross training and developing colleagues. • Positive colleague engagement through Best Companies Survey and volunteering.
Conduct Risk: The risk of delivering detrimental outcomes to customers. However, it is	Conduct risk is controlled through adherence with the Board-approved Conduct Risk Policy.	The risk profile has reduced during the year:

increasingly synonymous with Consumer Duty, which is focused on evidencing good outcomes. Outcomes are usually derived from colleague interaction throughout the product lifecycle. The risk to the Society is that we suffer reputational damage, a loss or do not benefit from an opportunity because of consumer detriment.	The Society is committed to treating customers fairly and this is underpinned by the Society's processes and control framework, which are regularly reviewed. The Executive Committee monitors conduct risk at an operational level, with oversight provided by the BRC. The implementation of the Consumer Duty has been overseen by the Board.	• Continued delivery of good outcomes for members through Consumer Duty. • Received awards for Customer Service and Medium Sized Business of the Year.

Risk Outlook

Board and management scan the horizon for emerging risks and seek to respond in a timely manner to mitigate them. Looking forward, we expect a little more stability in the macroeconomic environment although geopolitical events can quickly change the economic climate and there is potential for increasing unemployment and deteriorating economic conditions to drive an increase in arrears. We still expect increases in a range of risks summarised below:

- Market competition – the macroeconomic backdrop may encourage risk-averse customer behaviour with increased demand for fixed rates on both sides of the balance sheet. Competition for business will intensify as competitors seek to grow to cover increasing cost base and target traditional sources of funding. We will seek to be increasingly agile in our product offering and diversify wherever possible to deliver what our members need at a cost that is sustainable to the Society.
- Change management – we will seek to invest in IT infrastructure, expertise and resources and apply our rigorous project management disciplines to achieve objectives and deliver the expected benefits to our members.
- Key person – we will continue to engage with colleagues to support open communication, development, cross training, wellbeing and sustainable work practices.
- Third-party management and business continuity – we will engage with our partners to improve information flow, contingency plans and resilient solutions for our members.

Further information regarding how the Board ensures the Society operates within a framework of prudent controls, which enables risk to be assessed and managed, is provided within the Corporate Governance Report.

On behalf of the Board of Directors

J L Walker
Chairman

4 March 2025

Climate Report

The Society is committed to making a positive contribution to society and the environment, ensuring better and more sustainable outcomes for current and future generations. We've identified four priority areas to focus our efforts, utilising the United Nations Sustainable Development Goals to guide our approach:

- Environmental Impacts – we want to improve the direct impact we have on the environment and support members in the shift to a more sustainable economy.
- Member and Community Support – we want to deliver valuable social and well-being support to members and communities.
- A Great Place to Work – we want to promote a supportive and inclusive workplace to enhance colleague well-being and job satisfaction.
- Operating Sustainably – we aim to pro-actively manage risks emerging from environmental and economic transition.

As a responsible business, we want to support sustainable growth and employment, whilst reducing our carbon footprint and use of natural resources. For us, sustainability is about being made to last. We've been a trusted home for our members money for over 160 years and we want to make sure we continue to support members and communities in the future. That means working together to build a better future for people and our planet.

The purpose of this disclosure is to report to members on our approach to mitigation of climate risks and our approach to managing our carbon footprint as an organisation. The Society is not within scope to provide a mandatory Task Force on Climate Related Financial Disclosures (TCFD) report but has chosen to make a voluntary disclosure with content judged most relevant to members. For information on our broader sustainability priorities, please refer to our Impact Report, in the About Us section of our website.

Governance

The Board has overall responsibility for approving and overseeing our environmental impact strategies, as part of its role in overseeing the Society's sustainability strategy. The Board delegates elements of risk identification and monitoring to the Board Risk Committee as part of its focus on mortgage credit and concentration risk.

Responsibility for management of climate risks has been assigned to the Chief Executive, as the Senior Management Function under the PRA Senior Managers Regime. Climate Risk is discussed above, under the Principal Risks section on page 21, and further below under Risk Management.

The Society's Executive Committee is the management committee responsible for Environmental, Social and Governance (ESG).

During the year, the Board continued to engage an external sustainability consultancy to support the Society in the continued development of our sustainability framework, which we commenced working on in 2023.

2025 will see the Society make further progress against our short and medium-term ESG goals.

Strategy

Progress Made

- We calculated our carbon footprint for a second year running, embedding the calculation into our annual business reporting process, and enabling learnings to be gleaned from the impact our initiatives in 2023 have had on the figures.

- We developed our carbon reduction plan to get to Net Zero by 2050, building on the experience of year one on this journey to inform future strategies.
- We are transitioning our motor fleet to be entirely electric or hybrid vehicles, with all hybrids below 50g/km emissions, as each vehicle comes to be renewed. Only one vehicle remains to be replaced.
- We now offer a salary sacrifice scheme for colleagues to lease electric vehicles, with four EVs currently being leased by colleagues on the scheme.
- We invested in new windows at our Principal Office saving the equivalent of two tonnes of carbon dioxide emissions.
- We continue to opt for "green gas" for all premises with gas heating.
- We continue to source 100% renewable electricity tariffs for all operational buildings.

Planned improvements

- We are in the progress of installing solar panels on our Principal Office premises in Nelson, installing a 61 kWp system that is expected to deliver carbon savings of seven tonnes CO2e per year.
- We are currently progressing an upgrade to our electrical circuit performance using a voltage optimisation system. This system will optimise the electricity we draw from the grid, reducing wasted energy by drawing only what we need. An assessment is being completed to identify the potential energy savings to ensure we maximise our carbon return on investment with the project.
- We promote sustainable commuting and procurement, as well as educating colleagues on what they can do to reduce their carbon emissions at home. This could help inform strategies that could equally support members in reducing their own emissions in an easy, effective way.
- In the longer term, we have plans to progress carbon footprint reduction to Streamlined Energy and Carbon Reporting standards and become PPN06/21 carbon reduction plan compliant.

We are also evaluating other future initiatives, including utilising support available from Energy Savings Trust, evaluating demand for green mortgage products, and many more. More details are included on our Impact Report, which is available on the Society's website.

Risk Management

Climate Risk Drivers

<u>Physical Risk</u>

Both acute and chronic physical risks such as storms, droughts, floods and sea level rises are material to the Society, predominantly in relation to the marketability and insurability of properties suffering damage at increasing frequencies. The Society's own property footprint is relatively small and low risk.

On setting out our framework for embedding Climate Risk reporting and management within our operations, we took the position to review our mortgage portfolio with a detailed external assessment on a two-yearly basis, with internal monitoring on new loans in the interim periods. Our latest external assessment was as at 31st December 2023.

Modelling of climate change risks remains complex and uncertain. Given the assessment at 31 December 2023 confirmed a non-material risk to the long term Society capital position the benefit of bi-annual updates on the same will be reviewed on receipt of the next iteration of external assessment at 31 December 2025.

Transition Risk

These are the risks and opportunities which could result from the process of adjustment towards a more sustainable economy. They will be generated through developments in policy and regulation, emergence of disruptive technology or business models, shifting societal preferences, or evolving legal interpretations. For the Society, the most likely policy impacts will be potential changes to Energy Performance Certificate (EPC) legislation. With legislation already in place for commercial and buy to let properties, it is foreseeable this could be expanded to all domestic properties upon sale or remortgage.

At 31 December 2023, from our latest detailed assessment of these risks in the mortgage portfolio, the Society's exposure to properties with an EPC rating of F or G was 133% of the UK average, where 100% is the UK average.

Whilst this is a metric we will continue to track over time, our exposure to lower EPC rated properties is not an area we are actively managing, as we recognise that many households are limited in their ability to improve the EPC rating of the property.

Scenarios

An important tool for our strategic planning and risk management is scenario analysis. This helps us anticipate potential risks and opportunities from an uncertain future operating environment. Following standard practice in the sector we have used the Intergovernmental Panel on Climate Change (IPCC) scenario guidance. They derived Representative Concentration Pathways (RCPs) for organisations to adopt in their modelling:

RCP and Description	Description	Global Mean Temperature Increase Projections - 2100
4.5 Early Action – All companies Implement Paris Accord	Emissions will peak in the middle of the century and then rapidly decline over the next 30 years.	1.7 to 3.2 °C
6.0 Late Action – All signatories Implement Paris Accord	Emissions are expected to double by the year 2060 followed by a dramatic decrease.	2 to 3.7 °C
8.5 No Action – Business as Usual	The worst-case scenario where emissions continue to drastically increase throughout the century – predominantly during early and middle parts of the current century.	3.2 to 5.4 °C

At 31 December 2023, the external assessment concluded that the Society had an immaterial realised loss by 2060 in a high emissions scenario for both physical and transition risks.

Modelling of climate risks is complex and subject to considerable uncertainty. The Society uses a third-party data provider for this purpose and intends to repeat the assessment no less than bi-annually. The data obtained will be integrated with our internal management information.

Risk Appetite

The Society's risk appetite is currently described as **balanced.** Designed to minimise losses by lending in a responsible and sustainable way, targeting a balanced portfolio of assets, predominantly lower LTV, appropriately diverse, matching expertise and experience of underwriters, generating sufficient reward for the risk taken. We carefully manage the impact of physical and transitional climate change risks by taking account of guidance from valuers, Environment Agency and EPC rating. We will manage flood, subsidence, and coastal erosion risks in our portfolio through scenario analysis across short, medium and long-term horizons, using data from third party experts such as Landmark.

This process will involve monitoring and benchmarking climate risk data and making changes to policy and practice as appropriate. The Society will also focus on reducing its own carbon footprint and supporting members in reducing theirs.

Risk Management Framework

The Society Risk Management Framework includes consideration of climate risk, and the impact of climate risk across all principal risk categories. The most significant element of this risk to the Society is considered to be credit risk relating to the value and saleability of properties taken as security for mortgages from physical risks (e.g., flood, subsidence and coastal erosion) or transitional risks (e.g., changes in behaviour and demands of members, Regulators and Government relating to energy efficiency). However, climate change risk also relates to our reputation, people and properties.

The table below summarises how climate change impacts each principal risk category.

ESG (incl. Climate Change Risks) Related to Principal Risk Categories

Risk	Type	Description
Business	Transition and Physical	• Reduction in capital from changes in property values. • Failure to meet member expectations of climate risk.
Credit	Transition	• Reduced member creditworthiness due to the transition to a greener economy (for example, due to loss of jobs or increased energy costs) leading to default. • Declining house values due to abrupt housing policy (for example, too rapidly introducing minimum EPC ratings). • Buy to let landlord challenges in meeting policy requirements.
	Physical	• Houses damaged by physical impacts, such as floods, causing a decline in property value. • Higher insurance prices leading to uninsured properties.
Operational	Transition	• Increased supply chain costs. • Reputational impact of carbon footprint of products and services leading to lower member and employee attraction and retention. • Reconsideration of third-party relationships due to their carbon footprint. • Potential liability and conduct risk from green propositions and assumed advice or greenwashing.
	Physical	• Branches or offices damaged, or loss of systems or key data due to physical impacts, such as floods, affecting key processes. • Internal capability affected by physical events preventing employees from accessing the office or working from home.
Liquidity and Funding	Transition	• Lower deposit balances due to members' loss of confidence in building society sector climate credentials. • Reduced central bank drawing collateral due to poor EPC profile of prepositioned mortgage collateral.
Conduct	Physical	• Members in fuel poor homes struggle to afford increasing energy bills, cannot afford retrofit costs, and become 'mortgage prisoners' as ineligible for new lending rules.

Metrics and Targets

Greenhouse Gas (GHG) Reporting

Methodology

The Society follows the principles of the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard to calculate Scope 1, 2 and 3 emissions. Data has been compiled with reference to and using data from the data sets at:

www.gov.uk/government/collections/government-conversion-factors-for-company-reporting.

The reporting period for each year is 1 January to 31 December. Emissions are reported based on the operational control approach. Reported Scope 1 emissions are those generated from gas used in buildings, emissions from fuels used for business travel and fugitive emissions from the use of air conditioning refrigerant gases. Reported Scope 2 emissions are generated from the use of electricity and are calculated using the location-based methodology.

Scope 3 emissions measurement was completed for the first time in 2023 and 2024 provides our first opportunity to review year on year comparatives for these figures and understand the impacts of our actions on our emissions in these areas. Reported Scope 3 emissions relate to business travel (category 6), employee commuting (category 7), emissions from employees working from home (category 7), operational waste (category 5) and the transmission and distribution of our electricity (category 3 – excluding well to tank emissions). Scope 3 emissions do not yet include purchased goods and services, capital goods, upstream or downstream transportation and distribution, and investments (category 1, 2, 4, 9 and 15).

Emissions Summary

	2024	2023
	tCO2e	tCO2e
Scope 1 – Gas	**36.80**	36.81
Scope 2 – Electricity	**39.71**	38.77
Scope 3 (Category breakdown below)	**93.51**	94.00
Transmission and distribution (electricity)*	**3.51**	3.35
Waste generated in operations	**3.97**	3.62
Business travel	**7.68**	6.17
Employee commuting	**45.18**	48.60
Employee homeworking	**33.17**	32.26
Total Emissions	**170.02**	169.58
Per Employee	**1.65**	1.78
Building energy use (kwh)	**392,994**	388,445

The Society's total emissions in the year, including all Scope 1 and 2 and those Scope 3 categories that we measure, increased slightly in 2024 to 170.02 tonnes CO2e (2023: 169.58 tCO2e). This comes at the backdrop of expanding as a Society, with our colleague base increasing to 115 FTE on average in 2024 (2023: 107 average FTE). As a result, our carbon emissions per employee have reduced from 1.78 tCO2e to 1.65 tCO2e per FTE. We have seen good progress in particular in our carbon emissions arising from employee commuting, which was a particular focus in 2024.

The Board is focused on actions to reduce our Scope 1 and 2 emissions and we continue to progress our ambitions to achieve Net Zero emissions by 2050 as detailed in our plans set out above.

On behalf of the Board of Directors

J L Walker
Chairman

4 March 2025

Meet Your Board

The Board is made up of Executive and Non-Executive Directors. Executive Directors are full-time employees of the Society and lead the Executive and Senior Leadership Team in managing the day-to-day business. We consider that all Non-Executive Directors are independent in accordance with the criteria set out in the UK Corporate Governance Code 2018. All serving Directors are put up for annual re-election at the Society's AGM.

John Walker ACIB

Chairman

Joined the Board in 2018

A qualified banker, John spent time with Barclays gaining both corporate and business experience before moving to Barclays Private Equity, latterly Equistone, where he remained for some 21 years. John brings diverse experience as a Non-Executive Director, having sat on numerous boards across a range of sectors, including insurance broking, online retailing and recruitment.

John chairs the Nominations Committee and is a member of the People, Remuneration and Culture Committee.

Outside of the Society, John is a Non-Executive Director at Alliance Fund Managers and River Capital.

Rob Pheasey BSc (Hons)

Chief Executive

Joined the Board in 2008

Rob joined the Society in 1989 and was appointed to the Board in 2008, becoming Chief Executive in 2011. He has a strong customer focus, in-depth knowledge of the business and is responsible for managing the Society and implementing strategies agreed by the Board.

Outside of his role at the Society, Rob acts as Chairman of Pendle Education Trust and is Chairman of the Building Societies Association.

Neal Walker BA (Hons) ACIB

Finance Director

Joined the Board in 2008

Neal joined the Society in 1987, becoming a member of the Senior Management team in 2000 prior to being appointed to the Board in December 2008 as Finance Director and Secretary.

As Finance Director, Neal is responsible for the Society's finance and treasury activities, ensuring the integrity of financial and regulatory reporting and managing the Society's liquidity, funding, and capital positions.

Outside the Society, Neal is a Non-Executive Director of Northern Star Academies Trust.

Heather Crinion

Operations Director

Joined the Board in May 2023

Heather joined the Society in June 2001 and has extensive knowledge of operations, rising to General Manager before being appointed to the Board in 2023 as Operations Director. She has a background in mortgages and savings, having spent a total of 37 years within the financial services sector.

As Operations Director, Heather also has oversight of all customer-facing teams together with change management projects to improve customer experience.

Chris McDonald BSc (Hons)

Non-Executive Director

Joined the Board in 2018

Previously Operations and HR Director at Cumberland Building Society, Chris has a strong marketing focus with extensive knowledge of change management and operations within the financial services sector. Chris is Chair of the Board Customer and Distribution Committee and the Board People, Remuneration and Culture Committee. He is also a member of the Board Risk and Board Nominations Committees.

In February 2025 Chris announced he would be leaving the Society after over six years as a Non-executive Director. Accordingly, he will not be eligible to seek re-election at the AGM in 2025.

Mark Gray BA (Hons)

Non-Executive Director

Joined the Board in 2018

Mark has extensive risk and governance experience. Mark is Chair of the Society's Board Risk Committee, is the Senior Independent Director and sits on the Board Audit and Compliance, Technology and Nominations Committees.

Outside the Society, Mark is a Non-Executive Director of Sopra Steria Financial Services Limited, Westminster Citizens Advice Bureau, and State Bank of India (UK) Limited.

Maura Sullivan FCA

Non-Executive Director

Joined the Board in 2021

Maura is a finance leader with over 25 years' experience in financial services gained with Credit Suisse, JP Morgan Chase and Morgan Stanley. She has broad accounting and finance experience including treasury, capital and liquidity planning. Maura is Chair of the Board Audit and Compliance Committee and is a member of the Board Risk, Board Nominations and Board People, Remuneration and Culture Committees.

Outside the Society, Maura is Chair of the Audit and Risk Assurance Committee of Gov Facility Services Ltd.

Georgina Smith

Non-Executive Director

Joined the Board in 2023

Joining the Society in June 2023, Georgina, known as George, is a people-orientated business leader with extensive cross-sector marketing experience in large corporates, and more recently co-founding and leading three different mortgage lenders specialising in later life lending.

George is Chair of the Board Technology Committee and is a member of the Society's Board Risk, Board Audit and Compliance and Board Customer and Distribution Committees.

Outside the Society, George is a Non-Executive Credit Committee member at Innovate UK, a Board member of Street UK and a Board advisor to Be the Business.

Nicola Webber

Non-Executive Director

Joined the Board in 2023

Nicola is a chartered accountant and has a breadth of cross-sector experience gained at values-led organisations. Having chaired audit and finance committees, she is an experienced Non-Executive Director and currently sits on the Board at Westfield Contributory Health Scheme, East Sussex Healthcare NHS Trust and 2gether Support Solutions.

For the Society, Nicola is a member of the Board Technology, Board Audit and Compliance, the Board People, Remuneration and Culture and the Board Customer and Distribution Committees.

Directors' Report

The Directors have pleasure in presenting their Annual Report, together with the Annual Accounts and Annual Business Statement of the Society for the year ended 31 December 2024.

Business Objectives

Information on the business objectives of the Society is detailed within the Strategic Report on pages 7 to 25.

Business Review

The Chair's Statement on page 3, the Chief Executive's Review on pages 4 to 6 and the Strategic Report on pages 7 to 25 report on the performance of the Society, referring to key performance indicators, and its future objectives.

Principal Risks and Uncertainties

The Risk Management Report section of the Strategic Report, on pages 21 to 25, provides information on the Principal Risks and Uncertainties facing the Society.

Financial Risk Management Policies and Objectives

The Society's objective is to minimise the impact of financial risk upon its performance. The financial risks facing the Society are summarised together with an overview of arrangements for managing risk in the Strategic Report on pages 7 to 25 and Notes 25 Financial Instruments on pages 93 to 95, 26 Credit Risk on pages 96 to 101, 27 Liquidity Risk on pages 102 to 103 and 28 Market Risk on pages 104 to 105.

Profits and Capital

In 2024, the Society profit before tax was £3.055m (2023: £2.948m). Underlying performance profit before tax was £3.385m (2023: £3.446m). Total comprehensive income after tax transferred to general reserves was £2.325m (2023: £2.283m).

Total Society reserves at 31 December 2024 were £55.454m (2023: £53.127m).

Free capital represents gross capital and collective mortgage loss provisions less fixed assets as shown in the balance sheet. Society free capital is £54.7m or 7.44% of total share and deposit liabilities (2023: £52.7m or 7.63%). Gross capital comprises reserves, as shown in the balance sheet. Gross capital is £55.5m or 7.54% of share and deposit liabilities (2023: £53.1m or 7.70%).

Mortgage Arrears

At 31 December 2024, there were three (2023: six) mortgage accounts, including those in possession, which were twelve or more months in arrears. Of these accounts, one relates to a deceased customer where obtaining probate and then achieving sale of the property is currently taking in excess of twelve months.

Charitable Donations

During the year, the Society made provision for a further donation of £106,000 (2023: £160,000) to the endowment fund of the Marsden Building Society Charitable Foundation, administered by the Community Foundation for Lancashire and Merseyside.

The Society also donated a further £2,000 to the Community Foundation for Lancashire and Merseyside, who administer the Society's Charitable Foundation, and £750 was donated to the Ribble Rivers Trust, a Lancashire based charity working to improve the River Ribble and all its tributaries for both people and wildlife.

In addition, the Society pledged a donation of £1,111 (2023: £1,419) in respect of votes received at the AGM, also to the Marsden Building Society Charitable Foundation (2023: to the Marsden Building Society Charitable Foundation).

In connection with Affinity Account relationships, the Society made donations of £24,339 (2023: £26,302) to the following charities in connection with Affinity Account relationships:

- North West Air Ambulance
- Burnley and Pendle Hospice
- Sight Advice South Lakes
- Burnley FC Clarets in the Community
- Marsden Building Society Charitable Foundation

The Society accrued for donations of £23,120 (2023: £24,339) which will be paid over during 2025 to the following charities in connection with Affinity Account relationships:

- North West Air Ambulance
- Burnley and Pendle Hospice
- Sight Advice South Lakes
- Burnley FC Clarets in the Community
- Trinity Hospice and Palliative Care, Blackpool

No contributions were made for political purposes (2023: £nil).

Supplier Payment Policy

It is the Society's policy to:

- Agree payment terms at the commencement of trading with all suppliers;
- Ensure there is a system for dealing with queries and advising suppliers of contested invoices; and
- Settle invoices in accordance with payment terms unless there is prior agreement to extend these terms.

The creditor days outstanding at 31 December 2024 were nine days (2023: nine days).

Stakeholder Engagement

The Chief Executive's Review on pages 4 to 6 provides commentary on our members, our people and the wider community.

Directors' Responsibilities in Respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Society Annual Accounts for each financial year. Under that law, they have elected to prepare Society Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The Society Annual Accounts are required by law to give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year.

In preparing the Society Annual Accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts;
- Assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations or have no realistic alternative but to do so.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society.

Directors' Responsibilities for Accounting Records and Internal Controls

The Directors are responsible for ensuring that the Society:

- Keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society, in accordance with the Act; and
- Takes reasonable care to establish, maintain, document and review such systems and controls, as are appropriate to its business, in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of Annual Accounts may differ from legislation in other jurisdictions.

Going Concern

The Directors have prepared forecasts of the Society's capital, liquidity and financial position for the foreseeable future. As part of the annual Internal Capital and Internal Liquidity Adequacy Assessment Process (ICAAP and ILAAP), the Society stresses its capital and liquidity plans respectively, under "severe but plausible" stress test scenarios, in line with PRA requirements. The Board has the responsibility for ensuring that the Society remains solvent, and has adequate capital and liquidity over the planning horizon. The ICAAP ensures that the plan projections for capital requirements and capital generation are resilient to stresses should the environment deteriorate beyond the levels currently envisaged in the Corporate Plan. A capital buffer is held to ensure the Society can deal with any erosion in its capital and meet its capital requirements at all times. The ILAAP test ensures that the Society holds sufficient liquid assets to meet its liquidity needs, not only under normal circumstances but if the Society were to enter into a period of stress.

The Directors are satisfied that the Society has adequate resources to continue in business for a period of 12 months from signing the accounts. In making the assessment, the Directors have reviewed the Society profit, capital and liquidity positions and considered arrangements to ensure operational resilience. This assessment takes into account both planned and stressed outcomes, the severity of which are judged sufficient to reflect risks generally. After considering all this information, the Directors are satisfied that the Society has sufficient resources to continue in business for a minimum of 12 months from the date of signing the accounts. For this reason, they continue to adopt the going concern basis in preparing the Annual Accounts (refer Note 1.1 on page 71).

Post Balance Sheet Events

The Directors consider that no events have occurred since the year end to the date of this report that are likely to have a material effect on the financial position of the Society, as disclosed in the accounts.

Directors

The Directors of the Society during the year were as follows, with changes referenced in the Chairman's Statement:

J L Walker
M R Gray
C McDonald
R M Pheasey
M Sullivan
N Walker
H J Crinion
N J Webber
G L Smith

Biographies of the Directors appear on pages 32 and 33.

All serving Directors will retire and being eligible, will seek re-election at the AGM. At 31 December 2024, none of the Directors had any interest in the shares, or debentures of any connected undertakings of the Society.

Statement of Disclosure to Auditors

So far as each Director is aware, there is no relevant audit information of which the Society's auditors are unaware.

Each of the Directors, whose name is listed on the previous page, have taken all steps that he or she ought to have taken as a Director, in order to make himself/herself aware of any relevant audit information and establish that the Society's auditors are aware of that information.

Auditors

The Society's Auditors, Deloitte LLP, have expressed their willingness to continue and in accordance with Section 77 of the Building Societies Act 1986, a resolution is to be proposed at the AGM for the re-appointment of Deloitte LLP as auditors of the Society.

Approved by the Board of Directors and signed on its behalf;

J L Walker
Chairman

4 March 2025

Corporate Governance

The Board believes that good governance is vital in providing effective leadership and ensuring the Society continues as a successful organisation run for the benefit of its current and future members.

Whilst the Financial Reporting Council published a new version of the UK Corporate Governance Code in January 2024; this only applies to financial years beginning on 1 January 2025. This report has been compiled in accordance with the UK Corporate Governance Code 2018. The Code applies to publicly quoted companies. In the interests of transparency, the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) also encourage each building society to explain in its Annual Report and Accounts whether, and to what extent, it adheres to the Code.

The Board is committed to having regard to the UK Corporate Governance Code, to the extent that its provisions are relevant to a building society of this scale, in the continuing development of corporate governance practice at the Society. This report describes the Society's governance practices.

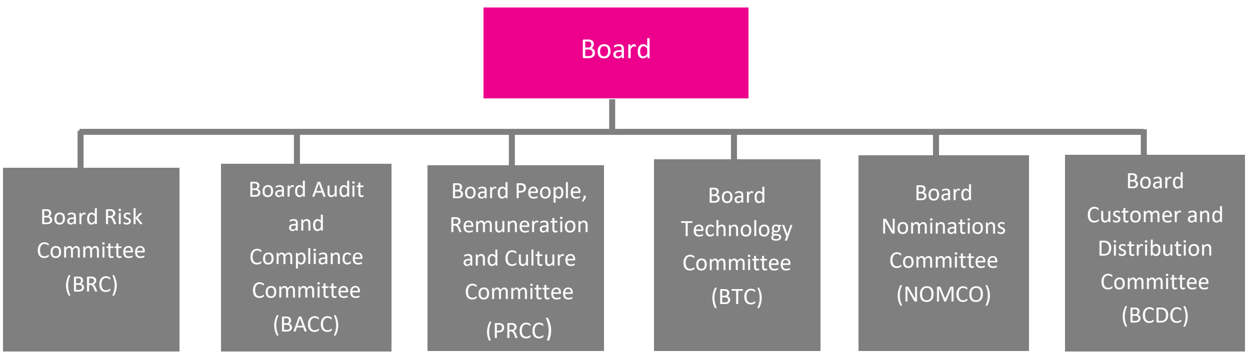
Board Leadership and Company Purpose

A. A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The Society is led by an effective Board whose role is to set the strategic aims of the Society, ensure sufficient financial and human resources are in place to meet the objectives set and to review management performance.

The Board also has a duty to ensure the Society operates within a framework of prudent controls which enables risk to be assessed and managed.

The Board has a formal schedule of matters which are reserved to it and has delegated authority in other matters to Board Committees as described below.



Board Risk Committee meets at least four times a year and is responsible for oversight and provision of advice to the Board on risk appetite, tolerance and strategy, including strategy for capital and liquidity management, and the embedding and maintenance of a supportive culture in relation to the management of risk.

BRC Committee composition 31 December 2024	**Members:** M R Gray (Chair)
	C McDonald
	G L Smith
	M Sullivan
	By invitation (Directors): Chief Executive Finance Director Operations Director **By invitation (Management):** Risk Director General Manager and Secretary

Board Audit and Compliance Committee meets at least four times each year and monitors the integrity of the financial statements and considers all matters relating to internal control and risk management systems and regulatory compliance. The Committee receives regular updates from Internal Audit, the Compliance function and External Audit.

BACC Committee composition 31 December 2024	**Members:** M Sullivan (Chair)
	M R Gray
	N J Webber
	G L Smith
	By invitation (Directors): Chief Executive Finance Director Operations Director **By invitation (Management):** Risk Director General Manager and Secretary

Board People, Remuneration and Culture Committee meets at least twice a year and has responsibility for policy on remuneration of the Executive Directors, senior management and the Chair of the Board. The Chair of the Board and Chief Executive take no part in the discussion concerning their individual remuneration.

PRCC Committee composition 31 December 2024	**Members:** C McDonald (Chair)
	M Sullivan
	J L Walker
	N J Webber
	By invitation (Directors) Chief Executive

Board Technology Committee meets at least five times a year to provide Board oversight of the Society's IT Target Operating Model (TOM) Transformation Programme, and to make recommendations to the Board in relation to material changes to the Programme.

BTC Committee composition 31 December 2024	**Members:** G L Smith (Chair)
	M R Gray
	N J Webber
	By invitation (Directors): Chief Executive Operations Director **By invitation (Management):** Risk Director

Board Nominations Committee meets at least twice a year and has responsibility for succession planning and the appointment of new Directors.

NOMCO Committee composition 31 December 2024	**Members:** J L Walker (Chair)
	M R Gray
	M Sullivan
	C McDonald
	By invitation (Directors) Chief Executive

Board Customer and Distribution Committee meets at least three times each year to oversee and promote good governance of the strategy and activities of the Society in relation to its customers, key distribution partners and the products and services that it provides to them.

BCDC Committee composition 31 December 2024	**Members:** C McDonald (Chair)
	N J Webber
	G L Smith
	By invitation (Directors) Chief Executive Operations Director

All committees report to the Board. The Board meets as often as is necessary for the proper conduct of business and there are usually ten meetings a year, with a further two days focused on strategy. Non-Executive Directors also meet informally without the Executive Directors being present.

The Society maintains appropriate liability insurance cover in respect of any legal action against its Directors and Officers. The Board has access to independent professional advice, at the expense of the Society, if required.

B. The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.

The Board considers its strategy annually together with the Society's purpose and values, to ensure our culture is aligned. More detail is set out in the Strategic Report beginning on page 7. The Board, through its committees, regularly receives information to provide assurance that culture is aligned to our purpose and values.

C. The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board receives regular reporting on both business performance relative to plan and risk management, including strategic risks, risk assurance on an enterprise-wide basis and risk governance arrangements. A trading report provides updates the Board on performance against the Corporate Plan assumptions, together with an outlook for plan delivery for the remainder of the year.

D. In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

As a mutual organisation, the Society does not have shareholders but is responsible to its members.

The Society values its mutual status and seeks the views of its members in a variety of ways, including customer feedback surveys. Members are invited to attend the AGM, where they can ask questions and voice their opinions. All members of the Board are present at the AGM each year unless there are exceptional circumstances. The Chairs of the Board and of its Committees are available to answer member questions.

The Society is active on social media and has run campaigns to increase member engagement both on the Society website and in branch. The Board Customer and Distribution Committee met three times to discuss new and updated product propositions together with the Charitable Foundation, Consumer Duty, Vulnerability, Purpose, Third Party Relationships, Employee and Member Engagement.

M R Gray, the Senior Independent Director, also acts as a point of contact for members wishing to make representation to the Board. The Society has allocated the responsibility of being the Board sponsor for Consumer Duty to the Chair of BCDC.

We held our Spotlight event, providing an opportunity for all colleagues to meet and to hear from members of the Executive and the Senior Leadership Team on our future plans together with a Q&A session. We continued to run our colleague engagement surveys, which are run bi-annually.

E. The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

In year, the Board People, Remuneration and Culture Committee reviewed employee remuneration alongside Executive and Director remuneration to ensure that related policies, incentives and rewards are aligned with our culture to promote long-term sustainable success. The Chair of the People, Remuneration and Culture Committee is the designated Non-Executive Director for workforce engagement; supported by the Head of People and members of the Executive Committee, utilising a variety of forums such as the bi-annual staff engagement survey.

The Board is cognisant of developments in relation to diversity and inclusion, and recognises the potential benefits increased diversity can bring. Publication of the finalised rules expected in the coming year, will require engagement and review by the Board and its Committees.

The Society has an established 'Speak Up' (whistleblowing) policy designed to support our values and ensure employees can raise concerns without fear of suffering retribution or victimisation, providing a transparent and confidential process for dealing with concerns. The Society's Whistleblowing Champion is M Sullivan, the Chair of Board Audit and Compliance Committee. An annual report on the operation of Whistleblowing arrangements is submitted to the Board Audit and Compliance Committee.

Division of Responsibilities

F. The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information.

The Chair sets the direction and culture of the Board, facilitating effective contribution from Directors, maintaining constructive relations both in and outside the boardroom between the Executive team and Non-Executive Directors and ensuring that Directors receive accurate, timely and clear advice and information. The Chair leads the annual Board evaluation with support from the Senior Independent Director as appropriate and acts on the results. Appointed in March 2018, the Chair was considered to be independent at that time.

G. The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the Executive leadership of the company's business.

At 31 December 2024, the Board comprised six Non-Executive and three Executive Directors providing a balance of skills appropriate to the requirements of the business.

All Non-Executive Directors have held office for less than nine years.

The Board has considered the independence of all Non-Executive Directors. The UK Corporate Governance Code confirms that the test of independence is not appropriate to the position of Chair. Under the Code, the Board considers all its Non-Executive Directors to be independent in character and judgement.

The roles of Chair and CEO are held by different individuals, with a clear division of responsibilities. The Chair, who is a part-time Non-Executive Director, is responsible for leading the Board and ensuring it acts effectively. The CEO has responsibility for managing the Society and for the implementation of the strategies and policies agreed by the Board.

M R Gray is the Society's Senior Independent Director acting as a sounding board for the Chair and with other Non-Executive Directors, appraises the Chair's performance at least annually.

H. Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The requirement for Non-Executive Directors to devote sufficient time to discharge their responsibilities effectively is stated in the letter of engagement supplied on appointment. This point is considered as part of the annual performance evaluation review. Details of the number of Board and Committee meetings in 2024 and the attendance record of individual Directors are set out on the following page. All Directors have the right of attendance at Committee meetings, however only the attendance record of those who were members of the respective Committee meeting is detailed overleaf.

Director	Board	Risk	Audit and Compliance	People, Remuneration and Culture	Nominations	Customer and Distribution	Technology
J L Walker (Chair)	10 (10)			6 (6)	2 (2)		
H J Crinion (Operations Director)	9 (10)						
M R Gray (Senior Independent Director)	10 (10)	5 (5)	4 (4)		2 (2)		5 (5)
C McDonald	10 (10)	5 (5)		6 (6)	2 (2)	3 (3)	
R M Pheasey (Chief Executive)	10 (10)						
G L Smith	10 (10)	5 (5)	4 (4)			3 (3)	5 (5)
M Sullivan	10 (10)	5 (5)	4 (4)	5 (6)	2 (2)		
N Walker (Finance Director)	10 (10)						
N J Webber	9 (10)		4 (4)	6 (6)		2(3)	5(5)

() = number of meetings eligible to attend   Not a member of this committee

Where Directors have other significant commitments, these are set out in the Annual Business Statement on pages 108 to 109 under section 3, information relating to Directors.

I. The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Directors receive timely, accurate and relevant information to enable them to fulfil their duties.

All Directors have access to the advice and services of the Secretary who is responsible for ensuring compliance with all Board procedures and advising the Board, through the Chair, on governance matters. The Board has access to independent professional advice, at the expense of the Society, if required.

Composition, Succession and Evaluation

J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nominations Committee has responsibility for succession planning for both the Board and the Executive, recommending to the Board the appointment of new Directors. Appointments to the Board are subject to a formal, rigorous and transparent process. The Society will utilise executive search and selection consultants to support the process of making new appointments to the Board, unless it is judged appropriate not to do so. Where this is not deemed necessary an explanation will be provided within the Corporate Governance Report in the year the appointment is made.

The Society values diversity and reflects this within policy. In making appointments, the Board will seek to achieve a diversity and balance of skills, with independence and experience being key determinants, where selection of the most suitable candidate is paramount. For these reasons, it does not have a measurable diversity objective.

The Terms of Reference of the Nominations Committee are published on the Society's website. The terms and conditions of appointment of Non-Executive Directors are available on request from the Secretary of the Society.

K. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

Information relating to Directors is set out on pages 32 to 33. This demonstrates that the Society's Board has a strong mix of skills and experience relevant to the Society and its strategy.

L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.

At least annually, the Chair conducts a review of the contribution of individual Directors taking account of the views of other Directors. The Senior Independent Director reviews the performance of the Chair taking into account the views of other Directors. The Board also maintains processes for evaluation of performance of both the Board and individual sub-Committees.

The Board is of the view that all Directors contribute effectively and are considered suitable for election/re-election (where appropriate) at the AGM 2025.

Audit, Risk and Internal Control

M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Board Audit and Compliance Committee meets at least four times a year. Prior to each meeting, the External Auditors and Internal Auditors meet with the Committee without the Executive Directors being present. Minutes of the Committee's meetings are provided to the subsequent Board Meeting.

The Committee implements the Society's policy on the use of the External Auditor for non-audit work, the purpose of which is to ensure the continued independence and objectivity of the External Auditor.

The Chair of the Board is not a member of the Committee.

The Audit Committee Report on pages 48 to 51 describes how the Audit and Compliance Committee applies the Code principles in relation to corporate reporting and internal control.

N. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

The responsibility of the Directors in respect of preparation of the annual accounts, accounting records and internal controls and the statement that the Society's accounts are prepared on a going concern basis, are set out on pages 36 to 38 in the Directors' Report. The Chief Executive's Review on pages 4 to 6 and the Strategic Report on pages 7 to 25 provides members with a detailed review of the position of the Society and its future prospects.

Prior to approval, the Directors review and resolve that the Annual Report and Accounts, taken as a whole:

- Are fair, balanced and understandable; and
- That narrative reports are consistent with the financial statements and accurately reflect performance of the Society; and
- Contains the information necessary for members to assess the Society's performance, business model and strategy.

The Audit Committee report on pages 48 to 51 describes the main areas of accounting judgement considered by the Audit Committee.

O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

The Board has a duty to ensure the Society operates within a framework of prudent controls which enables risk to be assessed and managed.

The Board of Directors has overall responsibility for the Society's internal control system and for reporting its effectiveness to the members in the annual financial statements. The Board is also responsible for defining and influencing the culture of risk management across the Society including:

- Determining the Society's appetite for risk;
- Determining which types of risk are acceptable and which are not;
- Providing guidance to management on conduct and probity;
- Review and approval of the Society Internal Capital Adequacy Assessment Process (ICAAP), Individual Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plan (RP).

The Board has overall responsibility for ensuring the Society maintains adequate financial resources, both in terms of capital and liquidity, through review and approval of both the Society ICAAP and ILAAP. The Board monitors the role of Management in identification, monitoring and review of major risks facing the Society through the following Committee structure:

- Board Risk Committee - Responsible for ensuring that both the entire risk management framework and monitoring and oversight of significant risk positions are effective and advising the Board on overall and local risk appetite.
- Board Audit and Compliance Committee - Responsible for ensuring that monitoring of the effectiveness of systems and controls over the whole risk universe, in particular control over significant risks, is effective.
- Executive Committee - The management committee responsible for monitoring and review of strategic risks prior to review at Board.
- Management Assets and Liabilities Committee – Responsible for managing significant Financial Risks including Interest Rate, Counterparty Credit, Liquidity, Funding and Encumbrance Risk and Product Pricing and the Net Interest Margin.
- Management Credit Risk Committee - Responsible for reviewing changes in the credit risk profile of the Society, discussing and, where appropriate, recommending changes to lending policy.
- Management Operational and Regulatory Risk Committee - The management committee responsible for monitoring and review of operational, conduct and regulatory risks prior to review at the Board Risk Committee.

The Society operates a three lines of defence model as summarised below:

- The first line of defence is management within the business which, through implementation of the Society risk framework identifies, assesses, and manages risk.
- The second line of defence is comprised of distinct Risk and Compliance functions. The Risk Director has oversight of the Risk Function. The General Manager and Secretary oversees the Compliance function. These functions challenge and guide the business in managing risk exposure and are represented on various risk committees detailed overleaf which feed up to the Board Risk Committee, which is responsible for oversight of the risk management framework and monitoring risk profile against Board Risk Appetite.
- The third line of defence is the outsourced Internal Audit function which provides independent assurance to the Board, via the Board Audit and Compliance Committee, of the adequacy and effectiveness of systems and controls in the first and second lines in identifying and managing risk.

Senior management are responsible for designing, implementing, maintaining and monitoring the systems of internal control. The Board and each Board Committee has oversight responsibility for risks within its remit. The Society's Internal Auditors provide assurance that systems and controls are effectively applied.

Each year the Board conducts a review of the effectiveness of the risk management and internal control systems. The review involves consideration of material risks facing the Society and related controls, the adequacy of controls in place to ensure compliance with standards under the regulatory system and the findings of Internal Audit activity in the year. The Board has identified a number of principal risks and uncertainties that could threaten its business model, future performance, solvency or liquidity. These risks, together with the way they are mitigated, are included within the 'Principal Risks and Uncertainties' section of the Strategic Report. The Board has concluded that the Society operates effective systems and controls which are appropriate to the nature, scale and complexity of the Society's business.

Remuneration

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

Q. A formal and transparent procedure for developing policy on Executive remuneration and determining Director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.

R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The Directors' Remuneration Report on pages 54 to 57 details the Board's position on code principles related to remuneration.

On behalf of the Board of Directors

J L Walker
Chair

4 March 2025

Audit and Compliance Committee Report

An overview of the key responsibilities of the Committee is as follows:

- Monitoring the integrity of financial statements of the Society.
- Reviewing effectiveness of the internal controls and risk management systems.
- Approving the arrangements for whistleblowing.
- Appointment, re-appointment and removal of providers of Internal Audit services.
- Reviewing the effectiveness of the provider of Internal Audit services including consideration of quarterly reports and monitoring the delivery of the Internal Audit Plan.
- Making recommendations to the Board on the appointment, re-appointment and removal of External Auditors and approval of their remuneration and terms of engagement.
- Reviewing and monitoring the independence, objectivity and effectiveness of the External Auditors and setting and monitoring policy for the engagement of the External Auditors to supply non-audit services.
- Reviewing the effectiveness of the Compliance functions including consideration of quarterly reports.

A full copy of the terms of reference is available on the Society's website.

Membership of the Committee is drawn from four independent Non-Executive Directors. The composition of the Committee as at 31 December 2024 was M Sullivan (Chair), M R Gray, G L Smith and N J Webber. At the invitation of the Chair of the Committee, the Chief Executive, Finance Director, Operations Director and both the Risk Director and General Manager (Compliance) and Secretary together with representatives from both Internal and External Audit attend meetings. The Committee meets with representatives of Internal Audit and External Audit without management present prior to the commencement of each meeting. The Board is satisfied that the composition of the Audit and Compliance Committee contains relevant and recent financial sector experience to provide appropriate challenge to management.

Financial Reporting

In relation to financial reporting, the role of the Committee is to monitor the integrity of the financial statements. In order to discharge this responsibility, the Audit and Compliance Committee considered the accounting policies adopted by the Society, the presentation and disclosure of financial information and key accounting judgements made by management. During the year, the Committee focused on matters having regard to the significance of their impact on the reported position and the involvement of a high degree of complexity, judgement or estimation by management with specific focus in the following areas.

Fair Value and Hedge Accounting

The Society issues fixed rate mortgage and savings products and, to manage interest rate risk, these are either:

- Match funded by issue of fixed mortgages and fixed retail savings with similar end dates; or
- Fixed mortgages funded by variable rate savings with interest rate risk hedged with an interest rate swap;
- Variable rate mortgages funded by fixed rate savings with interest rate risk hedged with an interest rate swap;
- Fixed rate mortgages funded by fixed rate savings of a different duration with interest rate risk hedged with interest rate swaps.

To minimise volatility in the Income Statement, the Society has adopted Hedge Accounting where, subject to a highly effective hedge relationship being demonstrated, a broadly offsetting hedged item (mortgage or savings) is recognised. Whilst when a hedge relationship is established, volatility is minimised, it cannot be fully eliminated.

The Society enters into Interest Rate Swaps to manage interest rate risk. Depending on the rate environment the Society engages in hedging of mortgage commitments or fixed rate funding tranche capacity. Until mortgages complete and the swaps enter into a hedge relationship, the fair value changes are recognised in full in the Income Statement. The offsetting hedged item at fair value when introduced is amortised to the Income Statement over the life of the instrument, which will offset the gain or loss from the fair value of the hedge prior to entering into a hedge relationship.

Following the material impact of Fair Value Gains on the Income Statement in both 2022 and 2023 and continued volatility in market expectations of interest rates forward, this remained a key focus of the Committee during the year.

Provisioning for Loan Impairment

The Committee monitored loan impairment provisions through review of the key inputs and assumptions to the Society provisioning model. In the absence of historical loss experience by the Society, the Committee focused closely on the methodology and model inputs developed by management, including the appropriateness of any external information used. The Committee paid attention to the variation in impact of movement in provision input assumptions, including assumptions for house prices, probability of default and management overlays, having particular regard to current and forecast economic conditions and improvement in the outlook in comparison with the prior year. The Committee also considered anonymised sector benchmarking data on provision input assumptions.

Effective Interest Rate

Income in the form of interest receivable, together with fees earned and incurred as a result of bringing mortgages onto the balance sheet, are measured under the effective interest rate method. This approach involves consideration of both the effective life of the loan, and degree of amortisation of balance over the effective life, based on observed behaviour of mortgages and management judgement. The Committee reviewed empirical data prepared by management on both effective life and amortisation of balance, and conclusions formed on the same, for utilisation in determining the approach taken and judgements applied by management in recognition of income on mortgages. The Committee is satisfied that the estimates and accounting treatment are appropriate.

Pension Obligation

The Committee has overseen the refresh of the pension obligation input assumptions including the latest yield curve based on the iBoxx GBP AA Corporate Non-Financial Index, there having been no available update on the ONS National Population Projections Lifetable (2020 based) Cohort Life Expectancy.

Risk Management and Internal Control

The Society recognises the importance of maintenance of a sound system of internal control.

Management is responsible for designing an internal control framework appropriate to the nature, scale and complexity of its operations. The Audit and Compliance Committee is responsible for keeping under review the Society's internal financial controls and systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, confirming performance by receipt of reports from Internal Audit and Compliance plus any second line of defence risk monitoring.

RSM Risk Assurance Services LLP deliver internal audit services to the Society and provide independent assurance to the Board, via the Audit and Compliance Committee, on the effectiveness of the Internal Control Framework. The Committee receives, considers and approves the Internal Audit Strategy and Plan, including the budget for and focus of assurance activity. Internal Audit provides the Committee with reports on its findings and recommendations as part of its work and updates on progress by management in implementing agreed actions, including verification actions, have been implemented as agreed.

The following aspects of internal control were reviewed by the Committee during the year:

- ISA Documentation
- Credit Risk
- Financial Crime
- Product Pricing and Product Governance
- HR Practices
- Mortgage Underwriting and Processing
- ICAAP
- ILAAP

During the year, the Committee reviewed the independence and objectivity of the internal audit provider, resulting in the rotation of the lead partner and manager of the engagement.

The General Manager and Secretary provides second line assurance on systems and controls over compliance with regulatory obligations across Society Operations and horizon scanning of regulatory developments. The Committee receives, considers and approves the annual plan of compliance activity. The Committee receives a report on activity in respect of implementation of the plan, including activity on assurance over regulatory risk and compliance support provided to business units.

External Audit

The Committee is responsible for overseeing the Society's relationship with the External Auditor including appointment and tendering, terms of engagement and remuneration, assessment of independence and the annual audit cycle.

At the start of the audit cycle each year, the Committee undertakes a review of the Audit Strategy put forward by the External Auditor and receives a formal update on conclusion of the Interim and Final Audit, including details of any material control weaknesses brought to its attention. The Committee is also responsible for monitoring the performance, objectivity and independence of the External Auditor, ensuring the policy on provision of non-audit services by the External Auditor is strictly applied. In the year, the External Auditor was not engaged to provide any non-audit services to the Society, the ratio of non-audit services relative to the audit fee during the year being nil (2023: £nil).

In order to retain independence and objectivity, the Society's policy is to tender for audit services on a regular basis and at least every 10 years. The External Auditors are required to rotate every 20 years. The current auditors are Deloitte LLP who have held the role since April 2020.

Whistleblowing

The Committee is responsible for reviewing and approving the Society's Whistleblowing Policy annually. The Committee continues to be satisfied that the Society's Whistleblowing Policy remains appropriate and that the requisite arrangements are in place to enable colleagues to raise concerns about possible improprieties on a confidential basis.

Conclusion

Having regard to the work outlined in this report and following a review of the financial statements, the Committee concluded that taken as a whole, the Annual Report and Accounts were fair, balanced and understandable and provide a clear and accurate representation of the Society's financial position and prospects.

M Sullivan

Chair of the Audit and Compliance Committee

4 March 2025

Risk Committee Report

An overview of the key responsibilities of the Committee is as follows:

- Advise the Board on the Society's performance against risk appetite, tolerance and strategy.
- Oversee and advise the Board on current risk exposures and future risk strategy.
- Annual review and challenge of Risk Management Framework and Appetite Statement.
- Monitoring trends in relation to risk metrics and using these to inform Board decisions.
- Annual review and challenge of Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plans.
- Review and challenge of the Operational Resilience Self-Assessment (ORSA).

A full copy of the terms of reference is available on the Society's Website.

Membership of the Committee is drawn from four independent Non-Executive Directors. The composition of the Committee as at 31 December 2024 was M R Gray (Chair), C McDonald, G L Smith and M Sullivan. At the invitation of the Chair of the Committee, the Chief Executive, Finance Director, Operations Director and both the Risk Director and General Manager (Compliance) and Secretary attend meetings.

Matters Considered by the Committee in 2024

During the year, the Committee has supported the Board to oversee the risk profile of the Society including a focus on the following:

- A quarterly report from the Risk Director including supporting management information.
- Review of the Risk Management Framework and Appetite Statement.
- Review of the Society ICAAP, ILAAP and Recovery Plan including supporting stress and scenario testing.
- Review of the Society ORSA.
- Review of the Business Continuity Playbook
- Review of a range of policy statements including Lending, Financial Risk Management, Data Protection, Health and Safety, Information Technology, Model and End User Computer Application Governance, Regulatory Returns, Conduct, Material Outsource and Supplier Management, and Financial Crime Prevention.
- Ad hoc reviews of Lending Strategy, Business Continuity, Models and EUCA control.

Future Areas of Focus

In the coming year, the Committee will continue to focus on the potential impacts of the challenging macro-economic environment and key regulatory changes. Key points of focus will include:

- Evolution and further embedding of the Risk Management Framework.
- Oversight of Credit Risk in the evolving business and economic environment including underwriting, arrears and affordability assurance.
- Close liaison with the Board Audit and Compliance Committee to ensure comprehensive oversight of the effectiveness of the Control Environment.
- Close liaison with the Board Technology Committee on the risks associated with the implementation of the new Society IT Target Operating Model.
- Further development and evolution of climate change in the Risk Management Framework.

M R Gray
Chair of the Board Risk Committee

4 March 2025

Directors’ Remuneration Report

The purpose of this report is to inform members about the policy for the remuneration of Executive, senior management and Non-Executive Directors and the process for determining the level of remuneration. The Society has adopted a Remuneration Policy which describes how the Society has complied with the requirements of the Remuneration Code, as defined by the Regulator. We are committed to best practice in corporate governance and will ask members to vote, on an advisory basis, on the Directors’ Remuneration Report at the forthcoming AGM.

The Society’s remuneration policy supports our achievement of our strategic objectives to deliver long-term sustainable value to our members, avoiding a focus on short-term performance. The Society’s people live by our five core values, which underpin delivery of our strategy:

- Make a lasting impression
- Proud of our past, excited by our future
- Passionate about people
- Work together
- Deliver on promises

We believe that remuneration of Executive Directors and senior managers should be comparable with that of similar organisations in the financial sector to attract, retain, and motivate individuals with the required skills and competence. The remuneration of Executive Directors and senior management is basic salary, an annual bonus (when payable), pension, death in service benefits, company car and private medical insurance.

Basic salaries are reviewed annually, taking into account the Society’s overall performance; individual performance; the salaries and incentives payable to Executives in similar roles within building societies and levels generally within the wider financial services industry.

Executive Directors, senior managers and colleagues participate in the Society’s Bonus Scheme. The level of bonus paid is based on criteria set by the Board each year, linked to the overall performance of the Society including both business and risk management objectives.

In addition, Executive Directors can receive an amount in excess of the Society Bonus Scheme reflecting performance in delivering long-term business plan objectives and/or individual performance in delivering outcomes in excess of planned performance of the Society. Payments under the scheme are made during the first half of the year following that in question and are not currently subject to deferral. Any payment is taxable but non-pensionable.

Executive Directors also participated in a defined contribution Group Personal Pension Scheme which is available to all eligible employees of the Society at an employer contribution rate of 10% of salary per annum.

There are currently no formal service contracts in existence for Executive Directors at the Society. The employment of Executive Directors can be terminated by either party giving one year’s notice with compensation for loss of office being 12 months remuneration.

The People, Remuneration and Culture Committee is responsible for determination of policy on the level of remuneration payable to the Executive Directors, the senior management team and the Chair. The Chair takes no part in the discussion in respect of his own remuneration. The Committee takes account of information on remuneration payable at comparable building societies and the time commitment and responsibility in respect of the Chair.

The People, Remuneration and Culture Committee had six meetings during 2024. The composition of the Committee as at 31 December 2024 was C McDonald (Chair), M Sullivan, J L Walker and N J Webber. The Chief Executive attends each meeting by invitation. Neither the Chair nor Chief Executive take part in the discussions on their individual remuneration.

The terms of reference of the People, Remuneration and Culture Committee are published on the Society's website.

Remuneration of Non-Executive Directors, excluding the Chair, is determined by the Non-Executive Director Remuneration Committee taking account of the time commitment and responsibility of the role and the remuneration and conditions for Non-Executive Directors at comparable societies and financial institutions. The composition of the Committee at 31 December 2024 was J L Walker (Chair) and R M Pheasey. The remaining Non-Executive Directors take no part in discussion in respect of their own remuneration.

Non-Executive Directors do not participate in the Society's Bonus Scheme or receive other benefits or any pension entitlement. There are no service contracts in existence for Non-Executive Directors of the Society.

Directors’ remuneration (audited information)

2024

Non-executive		**Fees/Salary £**	**Variable Remuneration £**	**Benefits £**	**Pensions and group life contributions £**	**Total £**
J L Walker	**Chair**	**57,536**	**-**	**-**	**-**	**57,536**
M R Gray	**Senior Independent Director**	**33,945**	**-**	**-**	**-**	**33,945**
C McDonald		**33,945**	**-**	**-**	**-**	**33,945**
M Sullivan		**33,945**	**-**	**-**	**-**	**33,945**
N J Webber		**31,145**	**-**	**-**	**-**	**31,145**
G L Smith		**31,145**	**-**	**-**	**-**	**31,145**
		221,661	**-**	**-**	**-**	**221,661**
Executive						
R M Pheasey	**Chief Executive**	**217,333**	**15,049**	**37,476**	**16,897**	**286,755**
N Walker	**Finance Director**	**137,944**	**11,466**	**25,058**	**35,251**	**209,719**
H J Crinion	**Operations Director**	**94,425**	**6,547**	**7,412**	**39,751**	**148,135**
		449,702	**33,062**	**69,946**	**91,899**	**644,609**

2023

Non-executive		Fees/Salary £	Variable Remuneration £	Benefits £	Pensions and group life contributions £	Total £
J L Walker	Chair	56,064	-	-	-	56,064
M R Gray	Senior Independent Director from 1 July 2023	33,072	-	-	-	33,072
M L Ibbs	Senior Independent Director To 30 June 2023	16,536	-	-	-	16,536
C McDonald		31,710	-	-	-	31,710
C A Ritchie	To 30 November 2023	30,316	-	-	-	30,316
M Sullivan		31,256	-	-	-	31,256
N J Webber	From 1 June 2023	17,703	-	-	-	17,703
G L Smith	From 1 June 2023	17,703	-	-	-	17,703
		234,360	-	-	-	234,360
Executive						
R M Pheasey	Chief Executive	209,475	17,640	34,999	16,427	278,541
N Walker	Finance Director	142,380	13,440	23,491	30,550	209,861
H J Crinion	Operations Director From 5 May 2023	61,336	6,134	6,052	25,856	99,378
		413,191	37,214	64,542	72,833	587,780

From 1 July 2017, in response to implementation of changes to personal taxation in respect of pension contributions, the Board resolved to transition from a contribution of 10% of salary in respect of pension contributions to a cash allowance of 10% of salary paid in lieu of pension contributions, where the Executive Director so elects. Executive Directors’ salaries are disclosed net of salary sacrificed under the scheme available to all colleagues, within which the Executive Directors participate, with salary sacrificed disclosed within pensions and group life contributions.

Included within Benefits is the taxable benefit in kind of company cars, provided to Executive Directors. Since 2022, the Society has a policy of offering to Directors only hybrid-electric or full battery-electric vehicles. As part of the UK Government's commitment to reduce UK carbon emissions and achieve its UK Net Zero goals, the switch to low-emission vehicles is incentivised by such vehicles attracting a lower tax charge. This is achieved by reducing the value of the Benefit in Kind for such vehicles, which in turn also has the result of the Benefits offered to Executive Directors at the Society appearing as a lower value since 2022 as we switch our vehicles to these lower-emission vehicles in support of the UK's, and also the Society's, net zero goals.

N J Webber

Interim Chair of the People, Remuneration and Culture Committee

4 March 2025

Independent Auditor's Report to the Members of Marsden Building Society

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Marsden Building Society (the 'Society'):

- Give a true and fair view of the state of the Society's affairs as at 31 December 2024 and of the Society's income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- Have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' interests;
- the cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of Our Audit Approach

Key audit matters	The key audit matter that we identified in the current year was: Impairment of loans and advances to customers Within this report, key audit matters are identified as follows:

	Decreased level of risk
Materiality	The materiality that we used for the Society's financial statements was £ 531,000 (2023: £508,000) which was determined on the basis of 1% of net assets (2023: 1% of net assets).
Scoping	To respond to the risks of material misstatement, scoping was performed directly by the audit engagement team.
Significant changes in our approach	Our risk assessment process in the current year concluded that the high level of collateral coverage over the loan book (as set out in note 26), combined with an increased level of economic stability, means that whilst this area remains the key focus of our audit effort, the overall level of risk associated with this key audit matter has decreased when compared with the previous year

4. Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of relevant controls around management's going concern assessment;
- Assessing the Society's compliance with regulations, including capital and liquidity requirements;
- Involving prudential risk specialists in assessing the information supporting the liquidity and capital forecasts, including the stress testing and reverse stress testing performed by management;
- Assessing the assumptions such as cashflows, capital and liquidity, used in the forecasts;
- Assessing historical accuracy of forecasts prepared by management; and
- Assessing the appropriateness of the going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of Loans and Advances to Customers

Key audit matter description	Under IAS 39, the directors are required to assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, management should recognise an impairment loss within the income statement immediately. Per note 14 in the financial statements, the Society currently holds total loans and advances to customers on its balance sheet in relation to residential mortgages of £661m (2023: £643m). As at the 31 December 2024, the Society held provisions against residential mortgages of £381k (2023: £1,001k) as per note 15. This comprises of a collective provision for losses incurred but not reported of £379k (2023: £611k) and a specific provision for loans where there has been an observable impairment trigger of £2k (2023: £390k). Determining impairment provisions against loans and advances to customers is a judgemental area requiring an estimate to be made of the losses incurred within the residential mortgage lending portfolios. This requires the formulation of assumptions relating to potential impairment indicators, customer default rates and property values and movements, all of which may be sensitive to changes in the economic environment. The most sensitive input into management's determination of impairment provisions being the 'valuation of collateral' given the high level of coverage as set out in note 26. Our risk assessment process in the current year concluded that the high level of collateral coverage over the loan book (as set out in note 26), combined with an increased level of economic stability, means that whilst this area remains the key focus of our audit effort, the overall level of risk associated with this key audit matter has decreased when compared with the previous year. The Society's associated accounting policies in relation to impairment provisions against loans and advances to customers are detailed on page 75 to 76.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the loan loss provisioning process. This included assessment of the key management review controls. In conjunction with our internal IT specialists, we also tested the general IT controls over the loan administration system. • we obtained the latest valuation of collateral for a sample of accounts to assess whether the valuations were performed by 'Royal Institution of Chartered Surveyors' registered professionals and correspond with what was disclosed within the loan book; • we performed a recalculation of the indexed valuation using suitable externally sourced benchmark data; • we challenged management on the appropriateness of the forward house price adjustment based on the current economic conditions and market circumstances by working with internal macroeconomic specialists including utilising data from peer entities and external economic forecasts; • we tested the mechanical accuracy of the specific provision by performing a recalculation of a sample of loans using management's methodology; and • we tested the completeness of the collective provision by obtaining the input data used in the provisioning model and reconciling these to the loan book. We have also assessed the accuracy of the data input on sample basis.
Key observations	Based on the procedures performed; we have concluded that the impairment provisions against loans and advances to customers are materially appropriate.

6. Our Application of Materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Society financial statements
Materiality	£5831,000 (2023: £508,000)
Basis for determining materiality	1% of net assets (2023: 1% of net assets)
Rationale for the benchmark applied	We have determined it appropriate to use net assets as a benchmark for materiality. This is based on the Society's aim to maintain a strong asset base that will allow the Society to invest in activities for its members including increasing future lending, which is a key focus for the Society's members and regulators.

6.2. Performance Materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit (2023: 70%). In determining performance materiality, we considered: the results of our risk assessment, including assessment of the Society's overall control environment and the low number of uncorrected misstatements identified in prior periods.

6.3. Error Reporting Threshold

We agreed with the Board Audit and Compliance Committee that we would report to the Committee all audit differences in excess of £26,500 (2023: £25,400), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board Audit and Compliance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An Overview of the Scope of our Audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Society and its environment including internal controls and assessing the risks of material misstatement. All work to respond to the risk of material misstatement was performed directly by the audit engagement team.

7.2. Our Consideration of the Control Environment

Consistent with prior periods, we adopted a controls reliance approach over the following business cycles for the Society:

- Loans and advances to customers
- Depository liabilities

Consistent with prior periods, we adopted a controls reliance approach over the following IT systems as being key to the financial reporting processes in the Society:

- Core mortgage and savings system

Through involving our IT specialists, we have tested the relevant General IT controls ('GITCs') associated with the above-mentioned systems.

7.3. Our Consideration of Climate-Related Risks

In planning our audit, we have considered the potential impact of climate change on the Society's business and its financial statements. The Society continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 26 to 31.

As a part of our audit, we have performed our own qualitative risk assessment of the potential impact of climate change on the Society's account balances and classes of transactions and did not identify any additional risks of material misstatement. We have considered the Society's current actions towards their climate change risk by inspecting and analysing the climate risk framework in response to climate change risk.

8. Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the directors' responsibilities statement on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

10. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to Which the Audit Was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and Assessing Potential Risks Related to Irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector, control environment and business performance including the design of the Society's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- Results of our enquiries of management, internal audit, the directors and the Board Audit and Compliance Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Society's sector;
- Any matters we identified having obtained and reviewed the Society's documentation of their policies and procedures relating to:
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - The internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- The matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments, pensions, IT, macroeconomic, regulatory specialist and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Society operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Building Society Act 1986.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Society's ability to operate or to avoid a material penalty. These included the Society's regulations set by the Prudential Regulatory Authority and Financial Conduct Authority, including those relating to capital and liquidity requirements.

11.2. Audit Response to Risks Identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board Audit and Compliance Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Prudential Regulatory Authority and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

12. Opinions on Other Matters Prescribed by the Building Societies Act 1986

In our opinion, based on the work undertaken in the course of the audit:

- The Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

13. Opinion on Other Matters Prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 30 to the financial statements for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on Which We Are Required to Report by Exception

14.1. Adequacy of Explanations Received and Accounting Records

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

15. Other Matters Which We Are Required to Address

15.1. Auditor Tenure

Following the recommendation of the Board Audit and Compliance Committee, we were appointed by members on 29 April 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 December 2020 to 31 December 2024.

15.2. Consistency of the Audit Report with the Additional Report to the Board Audit and Compliance Committee

Our audit opinion is consistent with the additional report to the Board Audit and Compliance Committee we are required to provide in accordance with ISAs (UK).

16. Use of Our Report

This report is made solely to the Society's members, as a body, in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Johnson (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
4 March 2025

Income Statement

For the year ended 31 December 2024

	Note	2024	2023
		£000	£000
Interest receivable and similar income	2	**43,099**	35,454
Interest payable and similar charges	3	**(29,442)**	(21,668)
Net Interest Income		**13,657**	13,786
Fees and commissions receivable		**57**	54
Fees and commissions payable		**(104)**	(108)
Other income		**113**	105
Net loss from financial instruments at fair value through profit and loss	4	**(330)**	(498)
Total Income		**13,393**	13,339
Administrative expenses	5	**(10,732)**	(10,000)
Depreciation and amortisation	16,17	**(163)**	(172)
Operating profit before impairment losses and provisions		**2,498**	3,167
Impairment gains / (losses) on loans and advances	15	**568**	(158)
Operating Profit		**3,066**	3,009
Loss on disposal of tangible and intangible assets	16,17	**(11)**	(61)
Profit on ordinary activities before tax		**3,055**	2,948
Tax expense on ordinary activities	9	**(730)**	(665)
Profit for the financial year		**2,325**	2,283

Profit for the financial year arises from continuing operations. Both the profit for the financial year and total comprehensive income for the year are attributable to the members of the Society. The notes on pages 71 to 109 form part of these accounts.

Statement of Comprehensive Income

For the year ended 31 December 2024

	Note	2024	2023
		£000	£000
Profit for the financial year		**2,325**	2,283
Other comprehensive income			
Items that will not be reclassified to the income statement			
Re-measurement of the net defined benefit liability	23	**6**	6
Tax on items that will not be re-classified to the income statement	9	**(1)**	(1)
Loss on available for sale debt securities	12	**(3)**	-
Other comprehensive income for the period		**2**	5
Total comprehensive income for the period		**2,327**	2,288

Statement of Financial Position

As at 31 December 2024

	Note	2024 £000	2023 £000
Assets			
Liquid Assets			
Cash in hand	10	**335**	347
Loans and advances to credit institutions	11	**100,295**	100,414
Debt securities	12	**29,540**	-
Derivative financial instruments	13	**2,682**	2,955
Loans and advances to customers	14	**661,333**	642,868
Tangible fixed assets	16	**1,051**	1,044
Intangible assets	17	**77**	40
Deferred tax assets	23	**196**	179
Other debtors	18	**702**	757
Total Assets		**796,211**	748,604
Liabilities			
Shares	19	**724,666**	623,348
Amounts owed to credit institutions	20	**5,061**	61,301
Amounts owed to other customers	21	**5,753**	5,597
Derivative financial instruments	13	**102**	242
Other liabilities	22	**3,629**	3,428
Accruals and deferred income		**828**	833
Deferred tax liabilities	23	**138**	115
Retirement benefit obligations	24	**580**	613
Total Liabilities		**740,757**	695,477
Reserves			
General reserves		**55,454**	53,127
Total reserves attributable to members of the Society		**55,454**	53,127
Total Reserves and Liabilities		**796,211**	748,604

The notes on pages 71 to 109 form part of these accounts.

These accounts were approved by the Board of Directors on 4 March 2025 and signed on its behalf:

J L Walker	**R M Pheasey**	**N Walker**
Chairman	Chief Executive	Finance Director

Statement of Changes in Members' Interests

As at the year ended 31 December 2024

	General Reserve	**Total**
	2024	**2024**
	£000	**£000**
Balance at 1 January 2024	**53,127**	**53,127**
Total comprehensive income for the period		
Profit for the year	**2,325**	**2,325**
Other comprehensive income	**2**	**2**
Total comprehensive income for the period	**2,327**	**2,327**
Balance at 31 December 2024	**55,454**	**55,454**

	General Reserve	Total
	2023	2023
	£000	£000
Balance at 1 January 2023	50,839	50,839
Total comprehensive income for the period		
Profit for the year	2,283	2,283
Other comprehensive income	5	5
Total comprehensive income for the period	2,288	2,288
Balance at 31 December 2023	53,127	53,127

Cash Flow Statement

For the year ended 31 December 2024

	2024	2023
	£000	£000
Cash flows from operating activities		
Profit before tax	**3,055**	2,948
Adjustments for		
Depreciation and amortisation of tangible and intangible assets	**163**	172
Amortisation of debt security premium / discount	**(675)**	(133)
Loss / (Profit) on disposal of tangible fixed assets	**11**	(6)
Write-down of intangible fixed assets	**-**	67
Net gain on re-measurement of the net defined benefit liability	**6**	6
(Release) / Charge on impairment on loans and advances to customers	**(568)**	158
Loans and advances written off net of recoveries	**(52)**	-
Total	**1,940**	3,212
Changes in operating assets and liabilities		
Decrease in prepayments, accrued income and other assets	**55**	221
Increase in accruals, deferred income and other liabilities	**3,885**	4,201
(Increase) in loans and advances to customers	**(18,094)**	(15,590)
Decrease in fair values of derivatives and associated hedge items	**330**	498
Increase in shares	**96,712**	26,170
(Decrease) in amounts owed to credit institutions	**(55,500)**	(15,500)
Increase / (Decrease) in amounts owed to other customers	**168**	(2,304)
(Decrease) in retirement benefit obligation	**(33)**	(29)
Taxation paid	**(508)**	(996)
Net cash generated / (used in) by operating activities	**28,955**	(117)
Cash flows from investing activities		
Purchase of debt securities	**(51,197)**	(5,867)
Disposal of debt securities	**22,329**	6,000
Purchase of tangible fixed assets	**(167)**	(120)
Disposal of tangible fixed assets	**2**	9
Purchase of intangible assets	**(53)**	(28)
Net cash (used in) investing activities	**(29,086)**	(6)
Net (decrease) in cash and cash equivalents	**(131)**	(123)
Cash and cash equivalents at 1 January	**100,761**	100,884
Cash and cash equivalents at 31 December	**100,630**	100,761

Notes to the Accounts

1 Accounting Policies

Marsden Building Society (the "Society") has prepared these annual accounts:

- In accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the United Kingdom). All amounts in the annual accounts have been rounded to the nearest £1,000.
- The annual accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss ("FVTPL") or available-for-sale.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year, are discussed in section 1.13.

1.1 Going Concern

The Directors have prepared forecasts of the Society's capital, liquidity and financial position for the foreseeable future. As part of the annual Internal Capital and Internal Liquidity Adequacy Assessment Process (ICAAP and ILAAP), the Society stresses its capital and liquidity plans respectively, under "severe but plausible" stress test scenarios, in line with PRA requirements. The Board has the responsibility for ensuring that the Society remains solvent; has adequate capital and liquidity over the planning horizon. The ICAAP ensures that the plan projections for capital requirements and capital generation are resilient to stresses should the environment deteriorate beyond the levels currently envisaged in the Corporate Plan. A capital buffer is held to ensure the Group can deal with any erosion in its capital and meet its capital requirements at all times. The ILAAP test ensures that the Group holds sufficient liquid assets to meet its liquidity needs not only under normal circumstances but if the Society were to enter into a period of stress.

The Directors are satisfied that the Society has adequate resources to continue in business for a period of 12 months from signing the accounts. In making the assessment, the Directors have reviewed the Society Profit, Capital and Liquidity positions and considered arrangements to ensure Operational Resilience. This assessment takes into account both planned and stressed outcomes, the severity of which are judged sufficient to reflect risks generally. After considering all this information, the Directors are satisfied that the Society has sufficient resources to continue in business for a minimum of 12 months from the date of signing the accounts. For this reason, they continue to adopt the going concern basis in preparing the annual accounts.

1.2 Changes in Accounting Policy

There have been no changes in accounting policy during the year.

1.3 Interest

Interest income and expense are recognised in the Income Statement using the effective interest method. The 'effective interest rate' ("EIR") is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Effective lives are estimated using historic data and management judgment and the calculation is adjusted when actual experience differs from estimates, with changes being recognised immediately in the Income Statement.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. The Society also recognises a degree of future early repayment charge income based on experience.

Interest income and expense presented in the Income Statement and other comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on available-for-sale investment securities calculated on an effective interest basis.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the Income Statement.

Interest also includes payments in connection with Affinity Account relationships, with charities in receipt of donations listed in the Directors’ report.

1.4 Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (refer 1.3).

Other fees and commission income, including account administration and legal fees and insurance or introductory commission, are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised in the Income Statement as received.

Other fees and commission expense relate mainly to bank charges.

1.5 Expenses

Operating Lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Incentives received on leases commencing on or after 1 January 2015, where material, are recognised in the Income Statement over the term of the lease as an integral part of the total lease expense.

1.6 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts. Timing differences arising as a result of differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met are not provided for. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.7 Financial Instruments

Recognition

The Society initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial Assets

The Society classifies its financial assets into one of the following categories. No assets are classified as held to maturity:

a) <u>Loans and receivables</u>

‘Loans and advances’ are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method (refer 1.3).

When the Society purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Society’s financial statements.

b) <u>Available-for-sale</u>

‘Available-for-sale investments’ are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise of debt securities which are measured at fair value after initial recognition.

Interest income is recognised in the Income Statement using the effective interest method (refer 1.3). Impairment losses are recognised in the Income Statement.

Other fair value changes, other than impairment losses, are recognised in other comprehensive income and presented in the available-for-sale reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to the Income Statement.

c) At fair value through profit and loss

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

On initial designation of the hedge, the Society formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and retrospectively whether the actual results of regression analysis over the life of the portfolio demonstrate the portfolio is highly effective on a continuing basis.

These hedging relationships are discussed below.

Fair Value Hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the Income Statement (even if those gains would normally be recognised directly in reserves). If the fair value of the derivative has changed prior to entering into the hedge relationship, the movement will be amortised in the Income Statement over the remaining life of the derivative. If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised in the Income Statement using the effective interest method over the remaining life of the hedged item.

Financial Liabilities

The Society classifies its financial liabilities, other than derivatives, as measured at amortised cost. Derivatives are measured at fair value through profit or loss.

De-Recognition

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Society is recognised as a separate asset or liability.

The Society enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

a) Sterling Monetary Framework/Term Funding Scheme with Additional Incentives for SMEs

Mortgage assets are pledged as collateral to access the scheme. Where the risk reward relationship of these assets remains with the Society, they are retained on the statement of financial position. The carrying amount of assets pledged as collateral which the Society continues to recognise are included within the total of assets prepositioned at the Bank of England detailed at Note 14.

Measurement

a) Amortised Cost Measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

b) Fair Value Measurement

'Fair value' is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

The Society determines fair values by the three-tier valuation hierarchy as defined within IAS 39 and FRS102.34:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Debt Securities fall within level 1 and Derivatives within level 2.

Identification and Measurement of Impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

The Society first assesses whether objective evidence of impairment exists for financial assets using the following criteria:

- Deterioration in payment status;
- Forbearance being applied; and
- Expected future increase in arrears due to change in loan status and any other information suggesting that a loss is likely in the short to medium term.

If there is objective evidence of an impairment of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate. This calculation takes into account the Society's and the industry's experience of default rates, loss emergence periods, the effect of regional movements in house prices based upon a recognised index and adjustments to allow for ultimate forced sales values and realisation costs. The amount of the loss is recognised in the Income Statement.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

A collective provision is made against a group of loans and advances where there is objective evidence that credit losses have been incurred but not identified at the reporting date.

Forbearance

A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include:

- A reduced monthly payment;
- An arrangement to clear outstanding arrears;
- Extension of the mortgage term; and
- Capitalisation of arrears.

During the financial year to 31 December 2023, these options included the provision of support to borrowing members impacted by sharply rising interest rates through provision of mortgage charter equivalent concessions, principally in the form of six month payment moratoriums, the Society not being a signatory to the charter.

The Strategic Report and Credit Risk Section of Note 26 Credit Risk provides details of forbearance at the balance sheet date and information of mortgage charter equivalent concessions in year, including the number and amount of the exposure at the balance sheet date.

1.8 Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, cash comprises cash in hand and unrestricted loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

1.9 Tangible Fixed Assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort. The Society capitalises the cost of additions, major alterations to and refurbishments of office premises and equipment as land and buildings.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Society assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings (freehold) – Between 20 and 50 years.
- Buildings (leasehold) – Over the term of the lease.
- Refurbishment of buildings and roofs – Between 10 and 20 years.
- Plant and equipment, fixtures and fittings – Between 3 and 10 years.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

1.10 Intangible Assets

Computer software

Purchased software is capitalised as an intangible asset where the software is an identifiable asset controlled by the Society which will generate future economic benefits. Other costs relating to internal development of software are recognised as an expense as incurred.

Intangible assets that are acquired by the Society are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software – 3 to 5 years

The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of Assets when there is an indication that an intangible asset may be impaired.

1.11 Employee Benefits

Defined Contribution Plans and Other Long-Term Employee Benefits

A defined contribution plan is a post-employment benefit plan under which the Society pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The Society makes contributions to a Group Personal Pension Scheme through a life insurance company. The scheme is independent of the finances of the Society.

Obligations for contributions to the scheme are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Society has an Employer Financed Retirement Benefit Scheme. This represents a retirement benefit obligation to certain pensioners outside the scope of the Society defined contribution plan. The obligation is funded by the Society and has no scheme assets.

All obligations are in payment and the amount and escalation in benefit cannot change. The Society's net obligation in respect of defined benefit plans is calculated by estimating the amount of future payments due; that benefit is discounted to determine its present value. The entity determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Society's obligations. A valuation is performed annually by the Directors using the details of 'in payment' obligations and escalation terms and the latest discount rate and bi-annual mortality assumptions.

Changes in the net defined benefit liability, the net interest on the net defined benefit liability, and the costs of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the Income Statement.

Re-measurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

1.12 Provisions and Contingent Liabilities

A provision is recognised in the statement of financial position when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Contingent liabilities are potential obligations from past events which shall be confirmed by future events. Contingent liabilities are not recognised in the statement of financial position.

1.13 Accounting Estimates and Judgements

In applying the Society's accounting policies, the Society makes estimates and applies judgements that can have a material effect on the reported amounts of assets and liabilities. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. No significant judgements were made in the year. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2024 are set out below:

- Loan Loss Impairment Provisions – The Society reviews the portfolio of mortgages regularly during the year to assess for impairment. Impairment provisions are calculated using Fitch Structured Finance Criteria UK, as judged applicable to the Society mortgage portfolio, Mortality/Morbidity Assumptions in relation to Lending in Retirement and the Society and the Directors' assumptions on economic conditions. The accuracy of the provision is dependent on the assumptions regarding probability of default (PD). A 10% increase in PD would increase the impairment provision on loans and advances by £37,331 (2023: £60,234). The accuracy of the provision is also dependent on the assumption for house prices and forced sale discounts. In the current period an increase in the forced sale discount and modest forward house price adjustment is included to reflect the risk of collateral values reducing. A 5% increase in house price discount would increase the provision by £134,472 (2023: £229,323).

2 Interest Receivable and Similar Income

	2024	2023
	£000	£000
On loans fully secured on residential property	**33,985**	27,849
On other loans	**11**	20
On liquid assets	**5,762**	4,565
On debt securities	**675**	133
Net interest on derivatives	**2,666**	2,887
	43,099	35,454

Interest on Debt Securities represented interest from available-for-sale assets of the Society in the form of UK Treasury Bills. For further details, see Note 12 below.

3 Interest Payable and Similar Charges

	2024	2023
	£000	£000
On shares held by individuals	**25,994**	17,870
On deposits and other borrowings	**3,143**	3,796
Net interest on derivatives	**305**	2
	29,442	21,668

4 Net (Loss) on Derivative Financial Instruments

	2024	2023
	£000	£000
Net (loss) on derivatives in designated fair value hedge relationships	**(273)**	(3,484)
Adjustments to hedged items in fair value hedge relationships	**(227)**	2,742
Net gain on derivatives not in designated fair value hedge relationships	**170**	244
	(330)	(498)

Accounting volatility arises on these items due to accounting ineffectiveness on designated hedge relationships or fair value movements on derivatives where hedge accounting is either not yet achieved or not achievable. The movement is primarily due to timing differences in income recognition between derivative instruments and the hedged items or fair value movements on derivatives not designated for hedge accounting. This gain or loss will trend to zero over time for individual instruments but not the portfolio as a whole.

When mortgages complete, the swaps enter a hedge relationship and a broadly offsetting hedged item is recognised. The offsetting hedged item at fair value when introduced will also be amortised to the Income Statement over the life of the instrument, which will offset the gain or loss from the fair value of the hedge prior to entering into a hedge relationship. The charge to the Income Statement relating to designated hedge relationships included amortisation of previous hedged item offsets of £0.571m (2023: £0.446m) with the remaining positive volatility of £0.071m (2023: negative volatility of £0.296m) relating to ineffectiveness in the hedge portfolio.

5 Administrative Expenses

	2024	2023
	£000	£000
Wages and salaries	4,212	3,818
Social security costs	439	370
Contributions to defined contribution plans	817	714
Expenses relating to defined benefit plans	25	29
	5,493	4,931
Other administrative expenses	5,239	5,069
	10,732	10,000

The remuneration of the External Auditor, which is included within other administrative expenses above, is set out below (excluding VAT):

	2024	2023
	£000	£000
Audit of these annual accounts	319	265
	319	265

6 Employee Numbers

	2024	2023
	No.	No.
Full Time	80	71
Part Time	35	36
	115	107
Principal Office	75	66
Branch Offices	40	41
	115	107

7 Directors' Remuneration

Directors' emoluments are set out within the Directors' Remuneration Report.

Total Directors' emoluments for the year amounted to £866,270 (2023: £822,140).

8 Directors' Loans and Transactions

As at 31 December 2024, there were outstanding mortgage loans granted in the ordinary course of business to two Directors (2023: two) and no connected persons (2023: none), amounting in aggregate to £335,377 (2023: £251,334).

A register is maintained by the Society containing details of loans, transactions and agreements made between the Society and the Directors and their connected persons. A register of loans to Directors and connected persons is maintained under Section 68 of the Building Societies Act 1986 at the Principal Office of the Society. This is available for inspection during normal office hours over the period of 15 days prior to the Society's AGM and at the AGM.

9 Taxation

	2024	2023
	£000	£000
Current tax		
Current tax on income for the period	**726**	686
Adjustments in respect of prior periods	**(1)**	(34)
Foreign tax relief/other relief	**(1)**	(1)
	724	651
Foreign tax suffered	**1**	1
Total current tax	**725**	652
Deferred tax (refer Note 23)		
Origination and reversal of timing differences	**52**	12
Adjustment in respect of previous periods	**(47)**	-
Change in tax rate	**-**	1
Total deferred tax	**5**	13
Total tax	**730**	665

	Current tax	**Deferred tax**	**Total**
	2024	**2024**	**2024**
	£000	**£000**	**£000**
Recognised in the Income Statement	**725**	**5**	**730**
Recognised in Other Comprehensive Income	**-**	**1**	**1**
Total tax	**725**	**6**	**731**

	Current tax	Deferred tax	Total
	2023	2023	2023
	£000	£000	£000
Recognised in the Income Statement	652	13	665
Recognised in Other Comprehensive Income	-	1	1
Total tax	652	14	666

Analysis of current tax payable in the income statement	**2024**	2023
	£000	£000
Corporation tax	**725**	652
Total current tax	**725**	652

Reconciliation of effective tax rate	**2024**	2023
	£000	£000
Profit for the year	**3,055**	2,948
Total tax expense	**730**	665
Tax using the UK corporation tax rate of 25.00% (2023: 23.52%)	**768**	693
Expenses not deductible for corporation tax purposes	**9**	5
Effect of change in tax rate	**-**	1
Adjustment from previous periods	**(47)**	(34)
Total tax charge in the income statement	**730**	665

Current tax has been provided at the rate of 25.00% (2023: 23.52%). The deferred tax asset and liability have been provided at the rate of 25% (2023: 25%) which is the rate applicable when the deferred tax asset and liability is expected to crystallise.

10 Cash and Cash Equivalents

	2024	2023
	£000	£000
Cash in hand	**335**	347
Loans and advances to credit institutions (refer Note 11)	**100,295**	100,414
Cash and cash equivalents per the cash flow statements	**100,630**	100,761

11 Loans and Advances to Credit Institutions

	2024	2023
	£000	£000
Repayable on demand		
Balances with the Bank of England	**75,021**	99,106
Loans and advances to credit institutions	**561**	1,308
	75,582	100,414
Other loans and advances by residual maturity repayable		
In no more than three months	**24,713**	-
	24,713	-
Total loans and advances to credit institutions	**100,295**	100,414
Total included within cash equivalents	**100,295**	100,414

12 Debt securities

	2024	2023
	£000	£000
Treasury bills	**29,540**	-
	29,540	**-**
Debt securities have remaining maturities as follows		
In not more than one year	**29,540**	**-**
	29,540	**-**

Movements in debt securities during the year are summarised as follows:

	2024	2023
	£000	£000
At 1 January	-	-
Additions	51,197	5,867
Movements in premium / discount	675	133
Disposals and maturities	(22,329)	(6,000)
Net movement in fair value recognised in the Statement of Comprehensive Income	(3)	-
At 31 December	29,540	-

These investments in debt securities are exposed to credit risk. Management have assessed the credit risk and concluded that the risk immaterial as there at UK Treasury Bills having a low risk of default.

13 Derivative Financial Instruments

	Notional Principal	Fair Values Assets	Fair Values Liabilities
	2024	2024	2024
	£000	£000	£000
Derivatives designated as fair value hedges			
Interest rate swaps	183,000	2,497	102
Total derivatives designated as fair value hedges	183,000	2,497	102
Derivatives not designated as fair value hedges			
Interest rate swaps	21,000	185	-
Total derivatives not designated as fair value hedges	21,000	185	-

	Notional Principal	Fair Values Assets	Fair Values Liabilities
	2023	2023	2023
	£000	£000	£000
Derivatives designated as fair value hedges			
Interest rate swaps	100,000	2,955	239
Total derivatives designated as fair value hedges	100,000	2,955	239
Derivatives not designated in hedge relationships			
Interest rate swaps	10,000	-	3
Total derivatives not designated as fair value hedges	10,000	-	3

14 Loans and Advances to Customers

	2024	2023
	£000	£000
Loans fully secured on residential property	**661,395**	642,905
Loans fully secured on land	**116**	126
Effective interest rate adjustment	**716**	1,102
Provisions for impairment losses	**(381)**	(1,001)
Loans and advances to customers per Note 26	**661,846**	643,132
Fair value adjustment for hedged risk	**(513)**	(264)
	661,333	642,868
The remaining maturity of loans and advances to customers from the reporting date is as follows:		
In not more than three months	**4,749**	4,415
In more than three months but not more than one year	**11,903**	10,562
In more than one year but not more than five years	**102,875**	102,056
In more than five years	**542,187**	526,836
	661,714	643,869
Less allowance for impairment (refer Note 15)	**(381)**	(1,001)
	661,333	642,868

The maturity analysis above is based on contractual maturity; not behavioural or expected maturity.

At 31 December 2024 £202.7m (2023: £252.2m) of mortgage assets were prepositioned with the Bank of England, including assets which are both encumbered and unencumbered.

15 Allowance for Impairment

	Loans fully secured on residential property	Loans fully secured on Land	Total
	2024	**2024**	**2024**
	£000	**£000**	**£000**
At 1 January 2024			
Individual impairment	390	-	390
Collective impairment	611	-	611
	1,001	**-**	**1,001**
Amounts written off during the year, net of recoveries			
Individual impairment	(52)	-	(52)
Collective impairment	-	-	-
	(52)	**-**	**(52)**
Income statement			
Impairment charge / (release) on loans and advances			
Individual impairment	**(336)**	**-**	**(336)**
Collective impairment	**(232)**	**-**	**(232)**
	(568)	**-**	**(568)**
At 31 December 2024			
Individual impairment	**2**	-	**2**
Collective impairment	**379**	**-**	**379**
	381	**-**	**381**

	Loans fully secured on residential property	Loans fully secured on Land	Total
	2023	2023	2023
	£000	£000	£000
At 1 January 2023			
Individual impairment	276	-	276
Collective impairment	563	4	567
	839	4	843
Income statement			
Amounts written off during the year, net of recoveries			
Individual impairment	114	-	114
Collective impairment	48	(4)	44
	162	(4)	158
At 31 December 2023			
Individual impairment	390	-	390
Collective impairment	611	-	611
	1,001	-	1,001

16 Tangible Fixed Assets

	Land and buildings	**Equipment fixtures fittings and vehicles**	**Total**
	2024	**2024**	**2024**
	£000	**£000**	**£000**
Cost			
Balance at 1 January 2024	**1,107**	**1,918**	**3,025**
Acquisitions	**-**	**167**	**167**
Disposals	-	**(648)**	**(648)**
Balance at 31 December 2024	**1,107**	**1,437**	**2,544**
Depreciation and impairment			
Balance at 1 January 2024	**429**	**1,552**	**1,981**
Depreciation charge for the year	**16**	**131**	**147**
On disposals	-	**(635)**	**(635)**
Balance at 31 December 2024	**445**	**1,048**	**1,493**
Net book value			
Balance at 1 January 2024	**678**	**366**	**1,044**
Balance at 31 December 2024	**662**	**389**	**1,051**

The Society's freehold and long leasehold land and buildings were revalued during July 1999. Other tangible fixed assets are included at cost.

The opening balance on both Cost and Depreciation for Equipment, Fixtures, Fittings and Vehicles above have been restated by £89,000, increasing both cost and accumulated depreciation balances equally, in order to reflect a cohort of fully depreciated assets still in use by the Society that were not previously reported in the asset reports.

	2024	2023
	£000	£000
The net book value of land and buildings comprises:		
Freehold	**662**	678
	662	678

17 Intangible Assets

	Purchased Software
	2024
	£000
Cost	
Balance at 1 January 2024	**434**
Acquisitions	**53**
Written off in the year	**(272)**
Balance at 31 December 2024	**215**
Amortisation	
Balance at 1 January 2024	**394**
Amortisation charge for the year	**16**
Written off in the year	**(272)**
Balance at 31 December 2024	**138**
Net book value	
Balance at 1 January 2024	**40**
Balance at 31 December 2024	**77**

Intangible assets are included at cost.

18 Other Debtors

	2024	2023
	£000	£000
Other debtors	-	3
Prepayments and accrued income	702	754
	702	757

19 Shares

	2024	2023
	£000	£000
Held by individuals	724,444	623,153
Other shares	180	131
Fair value adjustment for hedged risk	42	64
	724,666	623,348

Shares are repayable with remaining maturities from the date of the reporting as follows:	2024 £000	2023 £000
Accrued Interest	16,194	11,566
On demand	309,334	246,848
In not more than three months	259,663	203,063
In more than three months but not more than one year	101,908	110,971
In more than one year but not more than five years	37,567	50,900
In more than five years	-	-
	724,666	623,348

20 Amounts Owed to Credit Institutions

	2024	2023
	£000	£000
Amounts owed to credit institutions are repayable from the date of the statement of financial position as follows:		
Accrued Interest	61	801
On demand	-	-
In not more than three months	-	-
In more than three months but not more than one year	5,000	15,000
In more than one year but not more than five years	-	45,500
	5,061	61,301

21 Amounts Owed to Other Customers

	2024	2023
	£000	£000
Amounts owed to other customers are repayable from the date of the statement of financial position as follows:		
Accrued Interest	**85**	97
On demand	**2,274**	1,794
In not more than three months	**724**	779
In more than three months but not more than one year	**2,500**	2,927
In more than one year but not more than five years	**170**	-
	5,753	5,597

22 Other Liabilities

	2024	2023
	£000	£000
Corporation tax	**344**	127
Social Security	**113**	108
Cash Collateral received against hedging contracts	**2,735**	2,942
Other creditors	**437**	251
	3,629	3,428

23 Deferred Tax Assets and Liabilities

	Assets		Liabilities		Net	
	2024	2023	**2024**	2023	**2024**	2023
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**-**	-	**137**	108	**(137)**	(108)
FRS 102 transitional adjustment	**-**	11	**-**	-	**-**	11
Employee benefits	**164**	168	**1**	-	**163**	168
Other short term timing differences	**32**	-	**-**	7	**32**	(7)
	196	179	**138**	115	**58**	64

The majority of deferred tax assets and liabilities are anticipated to be recoverable after one year.

24 Employee Benefits

Defined Benefit Scheme

Net Pension Liability

The Society has an Employer Financed Retirement Benefit Scheme. This represents a retirement benefit obligation to certain pensioners. All obligations are in payment with the obligation funded from the financial resources of the Society, the scheme having no distinct assets independent of the Society. The information disclosed below relates to this scheme alone.

	2024	2023
	£000	£000
Defined benefit obligation	**580**	613
Net pension liability	**580**	613

Movement in present value of defined benefit obligation

	2024	2023
	£000	£000
At 1 January	**613**	642
Interest expense	**25**	29
Re-measurement: actuarial gains	**(6)**	(6)
Benefits paid	**(52)**	(52)
A 31 December	**580**	613

Principal actuarial assumptions

	2024	2023
	%	%
Discount rate	**5.21**	4.33
Future pension increases	**2.64**	2.57

The obligation is measured internally by the Directors on at least an annual basis using the following inputs:

- iBoxx AA Sterling Corporate Non-financial Bond Index (2023: iBoxx AA Sterling Corporate Non-financial Bond Index)
- ONS National Population Projections (Lifetable) (2020 Based) Cohort Life Expectancy (2023: ONS National Population Projections (Lifetable) (2020 Based) Cohort Life Expectancy)
- Rate of future pension increases provided for under the terms of the agreement.

Defined Contribution Scheme

The Society contributes to a defined contribution group personal pension scheme which is open to contracted employees over eighteen years of age. The Scheme is funded separately through a life assurance company and the funding is independent of the Society's finances. The Society's contributions are charged against profits in the year in which they are made.

Total expense relating to this plan in the current year was £817,000 (2023: £714,000). At the beginning of the financial year there was an outstanding contribution brought forward of £61,233 that was settled during 2024, and there were outstanding contributions as at the end of 2024 financial year of £68,476, which were duly settled in January 2025.

25 Financial Instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Society uses financial instruments to invest liquid asset balances and raise wholesale funding. The Society also uses derivative financial instruments (derivatives) to manage the risks arising from its operations. The Society uses derivatives for economic hedging purposes only in accordance with the Building Societies Act 1986 to limit the extent to which the Society will be affected by changes in interest rates. The Society does not run a trading book.

Where an on balance sheet hedge cannot be achieved the principal derivatives used are interest rate swaps. These instruments are used to hedge exposures arising from underlying business activities in the form of fixed rate mortgage lending, fixed rate savings products and fixed rate deposit funding. The duration of the off balance sheet contracts and the maturity profile reflect the nature of the exposures arising from the underlying business activities being hedged.

Categories of Financial Assets and Liabilities

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. Note 1.7 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's assets and liabilities by financial classification:

Carrying values by	Measured at amortised cost		Measured at fair value			
category at 31 December 2024	Loans and Receivables	Financial assets and liabilities at amortised cost	Available for sale	Derivatives designated as fair value hedges	Unmatched Derivatives	Total
	£000	£000	£000	£000	£000	£000
Assets						
Cash in hand	-	335	-	-	-	**335**
Loans and advances to credit institutions	100,295	-	-	-	-	**100,295**
Debt Securities	-	-	29,540	-	-	**29,540**
Derivative financial instruments	-	-	-	2,497	185	**2,682**
Loans and advances to customers	661,333	-	-	-	-	**661,333**
Other assets	-	2,026	-	-	-	**2,026**
Total assets	**761,628**	**2,361**	**29,540**	**2,497**	**185**	**796,211**
Liabilities						
Shares	-	724,666	-	-	-	**724,666**
Amounts owed to credit institutions	-	5,061	-	-	-	**5,061**
Amounts owed to other customers	-	5,753	-	-	-	**5,753**
Derivative financial instruments	-	-	-	102	-	**102**
Other liabilities	-	60,629	-	-	-	**60,629**
Total liabilities	**-**	**796,109**	**-**	**102**	**-**	**796,211**

Carrying values by category at 31 December 2023	Measured at amortised cost		Measured at fair value		
	Loans and Receivables	Financial assets and liabilities at amortised cost	Derivatives designated as fair value hedges	Unmatched Derivatives	Total
	£000	£000	£000	£000	£000
Assets					
Cash in hand	-	347	-	-	347
Loans and advances to credit institutions	100,414	-	-	-	100,414
Derivative financial instruments	-	-	2,955	-	2,955
Loans and advances to customers	642,868	-	-	-	642,868
Other assets	-	2,020	-	-	2,020
Total assets	743,282	2,367	2,955	-	748,604
Liabilities					
Shares	-	623,348	-	-	623,348
Amounts owed to credit institutions	-	61,301	-	-	61,301
Amounts owed to other customers	-	5,597	-	-	5,597
Derivative financial instruments	-	-	239	3	242
Other liabilities	-	58,116	-	-	58,116
Total liabilities	-	748,362	239	3	748,604

At the year end, the Society had loan commitments of £28.1m (2023: £30.5m) measured at cost.

Valuation of Financial Instruments Carried at Fair Value

The Society holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The table below summarises the fair values of the Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Society to derive the financial instruments fair value:

	Note	Level 1	Level 2	Level 3	Total
		£000	£000	£000	£000
At 31 December 2024					
Financial assets					
Available for Sale					
Debt Securities	**12**	**-**	**29,540**	**-**	**29,540**
Derivative financial instruments					
Interest Rate SWAPs	13	**-**	**2,682**	**-**	**2,682**
		-	**32,222**	**-**	**32,222**
Financial liabilities					
Derivative financial instruments					
Interest Rate SWAPs	13	**-**	**102**	**-**	**102**
		-	**102**	**-**	**102**
At 31 December 2023					
Financial assets					
Derivative financial instruments					
Interest Rate SWAPs	13	-	2,955	-	2,955
		-	2,955	-	2,955
Financial liabilities					
Derivative financial instruments					
Interest Rate SWAPs	13	-	242	-	242
		-	242	-	242

26 Credit Risk

'Credit risk' is the risk that a borrower or counterparty of the Society will cause a financial loss for the Society by failing to discharge an obligation.

The Society is exposed to credit risk from its lending to:

- Individual customers (mortgages on residential and commercial property).
- Companies (mortgages to corporates secured on residential and commercial property).
- Wholesale counterparties (investment of liquid assets and derivative financial instruments).

Credit risk arising from mortgage lending to individuals and companies is managed within a framework to ensure risk is underwritten and managed within the risk appetite set by the Board. This involves the use of risk adjusted pricing models, mandates, exposure limits and stress testing and is subject to monitoring by the Board Risk Committee.

Credit risk arising from investment of liquid assets and entering into derivative financial instruments is managed within a framework to ensure risk exposure is managed within the risk appetite set by the Board. This involves the use of strict mandates and both counterparty risk assessment and monitoring.

The Society's maximum credit risk exposure is detailed in the table below:

	2024	2023
	£000	£000
Cash in hand	**335**	347
Loans and advances to credit institutions	**100,295**	100,414
Debt securities	**29,540**	-
Derivative Financial Instruments	**2,682**	2,955
Loans and advances to customers	**661,846**	643,132
Total statement of financial position exposure	**794,698**	746,848
Off balance sheet exposure: Mortgage Commitments	**28,119**	30,464
	822,817	777,312

Details on collateral held as security that mitigate the Society's exposure to credit risk are provided on page 100. The Society does not use credit derivatives, or similar instruments, to manage its credit risk.

Credit Risk – Loans and advances to customers

Mortgages secured on Residential Property

The Society currently lends in the prime residential mortgage market, including buy to let.

The table below outlines the mix of loans secured on residential property at the reporting date.

Lending Analysis	2024		2023	
	£000	%	£000	%
Residential				
Owner Occupied	**450,974**	**68.19**	452,061	70.32
Buy to Let	**210,421**	**31.81**	190,844	29.68
	661,395	**100.00**	642,905	100.00
Effective interest rate adjustment	**716**		1,102	
Provisions for impairment losses	**(381)**		(1,001)	
Fair value adjustment for hedged risk	**(513)**		(264)	
Total net exposure	**661,217**		642,742	

The Society has a diverse exposure to loans secured on residential property across the United Kingdom.

The table below outlines the geographical spread of exposures at the reporting date.

Geographical Analysis	2024		2023	
	£000	%	£000	%
North	**22,039**	**3.33**	22,843	3.55
Yorkshire and Humberside	**39,807**	**6.02**	41,041	6.39
North West	**74,195**	**11.22**	75,411	11.73
East Midlands	**34,983**	**5.29**	33,421	5.20
West Midlands	**40,521**	**6.13**	41,207	6.41
East Anglia	**22,326**	**3.37**	22,127	3.44
South West	**77,927**	**11.78**	75,162	11.69
South East	**157,542**	**23.82**	154,116	23.97
Greater London	**113,692**	**17.19**	108,578	16.89
Wales	**24,985**	**3.78**	26,674	4.15
Guernsey	**53,378**	**8.07**	42,325	6.58
	661,395	**100.00**	642,905	100.00

The table below outlines the indexed loan to value of exposures.

Indexed Loan to Value Analysis	2024		2023	
	£000	%	£000	%
<=50%	**426,416**	**64.47**	406,812	63.28
>50% <=70%	**180,559**	**27.30**	178,984	27.84
>70% <=80%	**52,368**	**7.92**	49,768	7.74
>80% <=90%	**1,407**	**0.21**	6,919	1.08
>90% <=100%	**645**	**0.10**	-	-
>100%	**-**	**-**	422	0.06
	661,395	**100.00**	642,905	100.00

In respect of residential property, collateral values are adjusted quarterly according to the Halifax Regional Historic House Price Index (non-seasonally adjusted) administered by IHS Markit to derive the indexed valuation at the reporting date. At the reporting date, the average indexed loan to value of residential property was 28.9% (2023: 31.6%).

The table below provides by payment due status:

Indexed Loan to Value Analysis by Past Due/Impairment Status	**2024**		2023	
	£000	**%**	£000	%
Neither past due nor individually impaired	**658,371**	**99.54**	637,480	99.16
Past due but not impaired	**2,870**	**0.44**	3,851	0.60
<=70%	***2,641***	***0.40***	*3,610*	*0.56*
>70%	**-**	**-**	*241*	*0.04*
In possession	**229**	**0.04**	-	-
Impaired	**154**	**0.02**	1,574	0.24
<=70%	***154***	***0.02***	*860*	*0.13*
>70%	**-**	**-**	*714*	*0.11*
In possession	**-**	**-**	-	-
	661,395	**100.00**	642,905	100.00

Mortgages secured on Commercial Property

The Society no longer provides new loans secured on commercial property. An analysis of the type of loans secured by commercial property is outlined below:

Lending Analysis	**2024**		2023	
	£000	**%**	£000	%
Commercial				
Owner Occupied	**116**	**100.00**	126	100.00
Investment	**-**	**-**	-	-
	116	**100.00**	126	100.00
Impairment adjustment	**-**		-	
Total net exposure	**116**		126	

The table below outlines the geographical spread of exposures at the reporting date:

Geographical Analysis	**2024**		2023	
	£000	**%**	£000	%
North West	**116**	**100.00**	126	100.00
	116	**100.00**	126	100.00

The table below outlines the loan to value of exposures.

Loan to Value Analysis	**2024**		2023	
	£000	**%**	£000	%
<=50%	**116**	**100.00**	126	100.00
>50% <=70%	**-**	**-**	-	-
>70% <=80%	**-**	**-**	-	-
>80% <=90%	**-**	**-**	-	-
>90% <=100%	**-**	**-**	-	-
>100%	**-**	**-**	-	-
	116	**100.00**	126	100.00

In respect of commercial property, the loan to value reflects the latest valuation on file. The table below provides by payment due status:

Loan to Value Analysis by Past due/Impairment Status	**2024**		2023	
	£000	**%**	£000	%
Neither past due nor individually impaired	**116**	**100.00**	126	100.00
Past due but not impaired	**-**	**-**	-	-
<=70%	**-**	**-**	-	-
>70%	**-**	**-**	-	-
In possession	**-**	**-**	-	-
Impaired	**-**	**-**	-	-
<=70%	**-**	**-**	-	-
>70%	**-**	**-**	-	-
In possession	**-**	**-**	-	-
	116	**100.00**	126	100.00

Credit quality analysis of loans and advances to customers

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Society against those assets:

	2024				2023			
	Loans fully secured on residential property		**Loans fully secured on land**		Loans fully secured on residential property		Loans fully secured on land	
	£000	**%**	**£000**	**%**	£000	%	£000	%
Neither past due nor impaired	**658,371**	**99.54**	**116**	**100.00**	637,480	99.16	126	100.00
Past due but not impaired	**2,870**	**0.44**	-	-	3,851	0.60	-	-
Past due less than 2 months but not impaired	**1,303**	**0.20**	-	-	1,662	0.26	-	-
Past due =>2 but <3 months	**29**	**0.00**	-	-	1,026	0.16	-	-
Past due =>3 but <6 months	**960**	**0.15**	-	-	332	0.05	-	-
Past due =>6 but <12 months	**11**	**0.00**	-	-	453	0.07	-	-
Past due over 12 months	**338**	**0.05**	-	-	378	0.06	-	-
Possessions	**229**	**0.04-**	-	-	-	-	-	-
Impaired	**154**	**0.02**	-	-	1,574	0.24	-	-
Not past due	-	-	-	-	-	-	-	-
Past due less than 2 months	-	-	-	-	-	-	-	-
Past due =>2 but <3 months	-	-	-	-	557	0.08	-	-
Past due =>3 but <6 months	-	-	-	-	-	-	-	-
Past due =>6 but <12 months	**154**	**0.02**	-	-	-	-	-	-
Past due over 12 months	-	-	-	-	1,017	0.16	-	-
Possessions	-	-	-	-	-	-	-	-
	661,395	**100.00**	**116**	**100.00**	642,905	100.00	126	100.00
Allowance for impairment								
Individual	**2**		-		390		-	
Collective	**379**		-		611		-	
Total allowance for impairment	**381**		-		1,001		-	

	Loans fully secured on residential property		**Loans fully secured on land**	Loans fully secured on residential property		Loans fully secured on land
Value of Collateral held	Indexed	Unindexed	Unindexed	Indexed	Unindexed	Unindexed
Neither past due nor impaired	**2,280,360**	**1,843,313**	**550**	2,024,011	1,773,434	550
Past due but not impaired	**7,283**	**5,207**	**-**	11,313	8,199	-
Impaired	**258**	**250**	**-**	1,718	1,495	-
	2,287,901	**1,848,770**	**550**	2,037,042	1,783,128	550

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession, or where fraud or negligence has been identified. Further information is given in accounting policy 1.7 to the accounts.

The collateral consists of residential or commercial property. In respect of residential property, collateral values are adjusted quarterly according to the Halifax Regional Historic House Price Index (non-seasonally adjusted) administered by IHS Markit to derive the indexed valuation at the reporting date. Commercial property reflects the latest valuation on file.

Where the Society holds collateral in excess of the mortgage debt, this cannot be used to offset those instances where the outstanding loan exceeds the collateral held. In respect of mortgages secured on residential property, loans past due but not impaired and loans impaired respectively, the amount of collateral, this being the lower of the outstanding balance of the loan or the property, was £2.870m (2023: £3.851m) and £0.154m (2023: £1.153). In respect of mortgages secured on commercial property, loans past due but not impaired and loans impaired respectively, the amount of collateral, this being the lower of the outstanding balance of the loan or the property, was £nil (2023: £nil) and £nil (2023: £nil).

Mortgage indemnity insurance acts as additional security. It is taken out for all loans in excess of 80% Loan to Value at inception of the mortgage.

The Society's policy is to pursue timely realisation of the collateral in an orderly manner.

Forbearance

A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include:

- A reduced monthly payment;
- An arrangement to clear outstanding arrears;
- Extension of the mortgage term; and
- Capitalisation of arrears.

Further information is given in accounting policy 1.7 to the accounts.

The table below details the number of forbearance cases within the 'not impaired' category.

	2024				2023			
	Loans fully secured on residential property		**Loans fully secured on land**		Loans fully secured on residential property		Loans fully secured on land	
	£000	**No**	**£000**	**No**	£000	No	£000	No
Forbearance type								
Reduced monthly payment	**132**	**1**	**-**	**-**	55	1	-	-
Mortgage Charter equivalent payment moratoriums	**132**	**1**	**-**	**-**	1,403	8	-	-
Extension of the mortgage term	**-**	**-**	**-**	**-**	-	-	-	-
Capitalisation of arrears	**-**	**-**	**-**	**-**	-	-	-	-
Of which:	**-**	**-**	**-**	**-**	-	-	-	-
Amount of individual impairment provisions	**-**	**-**	**-**	**-**	-	-	-	-

27 Liquidity Risk

'Liquidity risk' is the risk that the Society, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations when they fall due, or can secure them only at excessive cost.

This is an inherent risk of the Society business model of funding long-term mortgages funded by short-term retail savings balances. Mortgages are normally on a range of terms between 5 and 35 years but customer behaviour often results in mortgages being repaid in a much shorter period, either on product maturity or sale of the property. Retail savings are either on demand or not available on terms between 1 month and up to 5 years but, in practice, remain with the Society for periods well in excess of their contractual notice.

The Society manages this risk through continuous forecasting of cashflow requirements and assessment of funding risk. The required amount, quality and type of liquid assets required to ensure obligations can be met at all times is maintained in accordance with the Board Risk Appetite. Periodic stress testing is performed to ensure obligations can be met in both normal and stressed circumstances. Compliance with Risk Appetite is monitored by the Board Risk Committee.

Maturity analysis for financial assets and liabilities

The tables below set out the remaining contractual maturities of the Society's financial liabilities and financial assets. In practice as referred to above, contractual maturities are not always reflected in actual experience. Accordingly, the actual repayment profile is likely to be significantly different from that shown in the analysis:

At 31 December 2024	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Cash in hand	335	-	-	-	-	335
Loans and advances to credit institutions	75,582	24,713	-	-	-	100,295
Debt securities	-	4,979	24,561	-	-	29,540
Derivative financial instruments	-	569	1,074	1,036	3	2,682
Loans and advances to customers	716	4,033	11,524	102,873	542,187	661,333
Total financial assets	76,633	34,294	37,159	103,909	542,190	794,185
Financial liabilities						
Shares	316,148	265,892	104,424	38,202	-	724,666
Amounts owed to credit institutions	-	-	5,061	-	-	5,061
Amounts owed to other customers	2,283	738	2,561	171	-	5,753
Derivative financial instruments	-	21	32	49	-	102
Total financial liabilities	318,431	266,651	112,078	38,422	-	735,582
Net liquidity gap	(241,798)	(232,357)	(74,919)	65,487	542,190	58,603

At 31 December 2023	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Cash in hand	347	-	-	-	-	347
Loans and advances to credit institutions	100,414	-	-	-	-	100,414
Derivative financial instruments	-	623	1,476	856	-	2,955
Loans and advances to customers	1,102	3,313	9,951	101,666	526,836	642,868
Total financial assets	101,863	3,936	11,427	102,522	526,836	746,584
Financial liabilities						
Shares	252,230	206,351	113,084	51,683	-	623,348
Amounts owed to credit institutions	-	-	15,199	46,102	-	61,301
Amounts owed to other customers	1,800	795	3,002	-	-	5,597
Derivative financial instruments	-	(28)	(16)	286	-	242
Total financial liabilities	254,030	207,118	131,269	98,071	-	690,488
Net liquidity gap	(152,167)	(203,182)	(119,842)	4,451	526,836	56,096

28 Market Risk

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The principal element of market risk to which the Society is exposed is Interest Rate Risk as a retailer of financial instruments, mainly in the form of mortgage and savings products and the investment of both liquid assets and wholesale borrowing. This risk can arise as a result of actual or market anticipation of changes in general interest rates, changes in the relationship between short and long term interest rates and divergence of rates on different bases across assets and liabilities (basis risk).

The Board has set agreed risk appetite for exposure to each element of Interest Rate Risk. The Society ensures compliance with risk appetite through monitoring interest rate risk exposure by the Management Assets and Liabilities Committee across Economic Value, Earnings and Basis Risk. In addition to this is a range of variations in different interest rate bases outside the control of the Society are stressed, including SONIA and Bank Rate Exposures. Balance sheet composition is also monitored to determine the extent to which the Society maintains control over the level of interest rates across the balance sheet through administered rate mortgages and savings balances.

The following is an analysis of the Society's sensitivity to an increase or decrease in market rates assuming no non-parallel movement in yield curves, deviation from base behavioural prepayment assumptions and a constant financial position:

	+200bps Parallel Increase	
	2024	2023
	£000	£000
Sensitivity of reported reserves to interest rate movement (economic value)		
At 31 December	**(1,183)**	382
Average for the period	**(444)**	250
Maximum for the period	**555**	1,030
Minimum for the period	**(1,320)**	(473)

	+100bps Increase	
	2024	2023
	£000	£000
Sensitivity of projected net interest income to interest rate movement (earnings)		
At 31 December	**239**	591
Average for the period	**318**	490
Maximum for the period	**610**	650
Minimum for the period	**138**	294

The Society only deals with products denominated in sterling so is not directly affected by currency risk. Society products are also only interest orientated products so are not exposed to other pricing risks.

Derivatives Held for Risk Management

The Society uses derivatives to assist management of interest rate risk.

Fair value hedges of interest rate risk

The Society uses interest rate swaps to hedge its exposure to changes in fair values of its exposure to market interest rates on fixed rate funding and loans and advances, further detail being provided in Note 1.7.

The fair values of derivatives designated as fair value hedges are as follows:

	2024		2023	
	Assets	**Liabilities**	Assets	Liabilities
	£000	**£000**	£000	£000
Instrument type				
Interest rate swap	**2,682**	**102**	2,955	242
	2,682	**102**	2,955	242

The Society does not have any financial assets or liabilities that are offset, with the net amount presented in the Statement of Financial Position, as FRS 102.11.38A requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society, therefore all financial assets and liabilities are presented on a gross basis in the Statement of Financial Position.

The Society has entered into Credit Support Annexes (CSAs) for its derivative instruments, which typically provide for the exchange of collateral to mitigate mark-to-market credit exposure. The CSAs are subject to a minimum transfer threshold. Collateral is only posted once the threshold is reached, at which point the whole amount is posted.

The fair value of derivatives designated as fair value hedges is set out in Note 13 above.

Capital

The objective of the Board is to maintain a strong capital base to provide protection for members and depositors. The Society is required to manage its capital to meet the requirements of the Capital Requirements Directive (CRD IV) and related requirements set by the Prudential Regulation Authority.

The capital requirements of the Society are planned as part of the Internal Capital Adequacy Assessment Process (ICAAP). As part of the ICAAP process, the Board establishes an internal minimum threshold for capital sufficient to support present and future capital requirements, withstand a severe but plausible stress and ensure the minimum regulatory requirement (Individual Capital Guidance) is always met. Compliance with capital requirements is monitored quarterly. The Society complied with and maintained surplus capital requirements above the regulatory minimums during the reporting period.

29 Commitments

Capital Commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £116,500 (2023: £nil).

The contractual commitments for the acquisition of intangible assets at the year-end were £nil (2023: £nil).

30 Country by Country Reporting

Article 89 of the Capital Requirements Directive IV requires credit institutions and investments firms in the EU to disclose annually, specifying by Member State and third country in which it has an establishment, the following information on a consolidated basis for the year: name, nature of activities, geographical location, turnover, number of employees, profit before tax, corporation tax paid and public subsidies received.

The annual reporting requirements as at 31 December 2024 are as detailed below:

- Name: Marsden Building Society
- Nature of Activities: Member-owned deposit taker, mortgage lender and provider of related services
- Geographical location: The Society is incorporated, registered and operates mainly in the United Kingdom. The Society provides mortgages to residents of Guernsey. A breakdown of Geographical Mortgage Exposure is detailed in Note 27 Credit Risk
- Turnover is equivalent to total operating income as disclosed in the Income Statement
- Average number of employees is as disclosed in Note 6
- Profit before tax: As disclosed in the Income Statement
- Tax on profit: As disclosed in the Cashflow Statement
- Public subsidies: None were received in year

31 Related Parties

Identity of Related Parties

The Society considers its key management personnel to be its Directors.

Key management personnel compensation is as detailed within the Directors' Remuneration Report.

At 31 December 2024 the Society had mortgage loans to Directors and close family members of £335,377 across two accounts (2023: £251,334 across two accounts) on terms on offer to members.

At 31 December 2024 the Society had savings balances from Directors and close family members of £107,721 (2023: £79,124) on terms on offer to members.

32 Leases

The future minimum leases under non-cancellable operating leases for each of the following periods are:

	2024	2023
	£000	£000
Less than 1 year	**71**	86
1 to 5 years	**62**	55
After 5 years	**-**	-
Total	**133**	141

During the year £137,750 was recognised as an expense in the income and expense account in respect of operating leases (2023: £94,650).

Annual Business Statement

for the year ended 31 December 2024

1. Statutory Percentages

	2024 %	Statutory limit %
Lending Limit		
Proportion of business assets not in the form of loans secured on residential property	**0.56**	25
Funding Limit		
Proportion of shares and borrowings not in the form of shares held by individuals	**1.49**	50

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, Section 6 and 7 of the Building Societies Act 1986 and are based on the Society's statement of financial position.

Business assets are the total assets of the Society as shown in the statement of financial position plus provisions for impairment losses on loans and receivables, less liquid assets, tangible assets and intangible assets as shown in the statement of financial position.

Loans fully secured on residential property are the principal amount owing by borrowers and interest accrued not yet payable.

Total shares and borrowings are the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers in the statement of financial position.

2. Other Percentages

	2024 %	2023 %
As a percentage of shares and borrowings		
Gross capital	**7.54**	7.70
Free capital	**7.44**	7.63
Liquid assets	**17.70**	14.60
As a percentage of mean total assets		
Profit after taxation	**0.30**	0.31
Management expenses	**1.41**	1.37

The above figures have been calculated from the Society Income Statement and Statement of Financial Position.

Total shares and borrowings are the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers in the statement of financial position.

Gross Capital is the aggregate of General Reserves and Available for Sale Reserves in the statement of financial position.

Free Capital is gross capital plus collective impairment for losses on loans and advances less tangible and intangible assets in the statement of financial position.

Mean total assets are calculated by halving the aggregate of total assets at the beginning and the end of the financial year.

Liquid assets are the aggregate of Cash in Hand, Loans and Advances to Credit Institutions and Debt Securities in the statement of financial position.

Management expenses are the aggregate of administrative expenses and depreciation taken from the Income Statement.

3. Information Relating to the Directors as at 31 December 2024

Name and Occupation	Date of Birth	Date of Appointment	Other Directorships
J L Walker ACIB Director and Chairman	26 April 1958	1 March 2018	River Capital Management Limited Alliance Fund Managers Nominees Limited AFM Business Growth Limited AFM R101 Ventures Limited AFM Small Firms Fund Limited AFM Merseyside Ventures (Limited) AFM Seed Fund Limited BCE Fund Managers (Merseyside) Limited Spark TMT (Carried Interest) LLP AFM Merseyside Mezzanine Limited Worldwide Recruitment Solutions River Capital NWEF GP Limited
H J Crinion Building Society Operations Director	24 January 1969	5 May 2023	-
M R Gray BA (Hons) Director	31 July 1962	1 June 2018	Sopra Steria Financial Services Limited Westminster Citizens Advice Bureau Service State Bank of India (UK) Limited
C McDonald BSc (Hons) Director	6 November 1962	1 June 2018	-
R M Pheasey BSc (Hons) Building Society Chief Executive and Director	12 June 1967	22 December 2008	Pendle Education Trust Building Societies Association
G L Smith Bsc (Hons) Director	21 January 1968	1 June 2023	Street (UK) Services Limited Street (UK) C.I.C Street UK Homes Limited
M Sullivan Director	5 June 1966	11 October 2021	Gov Facility Services Limited
N Walker BA (Hons) ACIB Building Society Finance Director	29 November 1970	22 December 2008	Northern Star Academies Trust
N J Webber BA FCA Director	26 April 1981	1 June 2023	Westfield Contributory Health Scheme 2gether Support Solutions East Sussex Healthcare NHS Trust Pevensey Bay Sailing Club Limited

Documents may be served on the above-named Directors, either individually or collectively, marked 'Private and Confidential' c/o Deloitte LLP, 9 Haymarket Square, Edinburgh, EH3 8RY.

There are currently no formal service contracts in existence for Executive Directors at the Society. The employment of Executive Directors can be terminated by either party giving one year's notice with compensation for loss of office being twelve months remuneration. At the balance sheet date, no formal service contracts existed for Non-Executive Directors. Each of the Non-Executive Directors were appointed under the Rules for a three-year term commencing from the Annual General Meeting at which they were first elected or re-elected unless terminated earlier at the request of the Board, in accordance with the Rules or at the request of the individual concerned.

Get in touch

In branch

For details of our branch locations and opening hours, visit our website

Online

Visit us at www.themarsden.co.uk

By phone

Call us on 01282 440500*

By post

Write to us at Principal Office, 6-20 Russell Street, Nelson, Lancashire BB9 7NJ

*Calls will be recorded and may be monitored.