

2025

Annual Report & Accounts



marsden
BUILDING SOCIETY

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Key Financial Highlights

Key Performance Highlights

- Share balances increased by £64.2m (8.86%) to £788.9m with 2,380 new members joining the Society.
- Loans to residential customers increased by £57.6m (8.7%) to £719.0m.
- Gross residential mortgage advances of £171.5m with 1,174 new members joining the Society.
- Total assets increased by £68.2m (8.56%) to £864.4m.
- Net Interest Margin increased by 0.23% to 2.00%.
- Admin expenses as a proportion of mean assets increased by 0.06% to 1.47%, driven by People and IT costs.
- Profit after tax increased to £2.5m and profit to mean assets remained at 0.30%.
- Underlying profit after tax increased by £0.7m to £3.3m and underlying profit to mean assets up 0.06% to 0.39% as Net Interest Income was increased to support increased IT costs which due to implementation delays will now impact from 2026.
- Core Tier 1 Solvency Ratio of 20.53%, down 0.37%.
- Leverage Ratio of 7.26%, a decrease of 0.41%.

5 Year Financial Highlights

Year ended 31 December	2025	2024	2023	2022	2021
Net Interest Income (£000)	16,600	13,657	13,786	12,904	11,864
Net Interest Margin (%)	2.00%	1.77%	1.86%	1.80%	1.78%
Administrative Expenses (£000)	12,228	10,895	10,172	8,983	8,354
Administrative Expenses to Mean Assets (%)	1.47%	1.41%	1.37%	1.26%	1.25%
Profit After Tax (£000)	2,499	2,325	2,283	5,395	3,081
Profit to Mean Assets (%)	0.30%	0.30%	0.31%	0.75%	0.46%
Underlying Profit After Tax (£000) Excluding FVTPL	3,260	2,573	2,664	3,306	2,974
Underlying Profit to Mean Assets (%) Excluding FTVPL	0.39%	0.33%	0.36%	0.46%	0.45%
As at 31 December					
Share Balances (£m)	788.9	724.7	623.3	590.1	564.2
Share Balance Growth (%)	8.86%	16.25%	5.64%	4.59%	5.30%
Loans to Customers (£m)	719.0	661.4	642.9	627.1	607.8
Loan Book Growth (%)	8.71%	2.88%	2.92%	2.77%	11.21%
Total Assets (£m)	864.4	796.2	748.6	733.8	697.1
Total Asset Growth (%)	8.56%	6.36%	2.02%	5.27%	9.17%
Reserves (£m)	58.0	55.5	53.1	50.8	45.3
Reserves Growth (%)	4.63%	4.38%	4.50%	12.17%	7.29%
Liquidity (£m)	140.9	130.2	100.8	100.9	86.1
Wholesale Funding (£m)	-	5.1	61.3	78.9	79.4
Loan to Deposit Ratio (incl. Reserves) (%)	119.59%	118.83%	106.10%	103.48%	101.08%
Core Tier 1 Solvency (%)	20.53%	20.90%	21.12%	20.83%	19.19%
Leverage Ratio	7.26%	7.67%	8.17%	7.97%	6.57%

Chairman's Statement

I am pleased to introduce the Annual Report and Accounts for the year ending 31 December 2025.

2025 was a year of continued success for the Marsden, as we worked hard to support our members and the communities we serve. Once again, the Society demonstrated a strong financial performance, continuing to grow whilst maintaining the financial resilience that underpins our ability to invest in the future.

During the year, we upgraded our core banking and cloud technology hosting, providing a platform upon which to continue our digital deployment. The year ahead will see enhancements to our online savings and mobile services. These new developments are complementary to our retail branches, with refurbishments completed in Lytham and Garstang, together with the purchase of a new branch in Colne supporting relocation in the summer of 2026. Branches remain at the core of our support for communities in the region.

We have a commitment to invest in our systems, people, products and services to ensure we are a building society well placed to serve both current and future members. We see a future where new ways of operating are embraced with changes that will benefit our customers and colleagues. We strive to do things better, looking for continuous improvement and creating stronger integration between our branch and Principal Office colleagues, bringing benefits for members through improved ways of working and cost efficiency.

Our commitment to supporting local communities has continued through the work of the Marsden Building Society Charitable Foundation. During the year, the Foundation made £30,000 available to support grassroots groups and projects across the region, providing much-needed financial support.

2025 saw the retirement of Heather Crinion, Executive Director and Operations Director after almost 25 years with the Society. Heather had the accolade of being the first female Executive Director of the Society, playing a key role in the progress we have made, and leaves with my thanks and that of the Marsden Board.

We were delighted to welcome Darin Landon as Non-Executive Director and Julia Brook as Executive Director and Chief Customer Officer; both bring significant experience of working in the mutual and cooperative financial services sector.

As part of succession planning for the year ahead, I want to extend my thanks and best wishes for the future to my Non-Executive Director colleagues Mark Gray and Nicki Webber who will retire from the Board in March 2026, and to welcome Keith Rolfe who joined the Board in January 2026.

Turning to the future, we have defined our ambition to 2030, building on our position as Lancashire's largest building society. Our plans to expand our reach within the region are complemented by our investment in digital that will grow our digital savings and enhance member engagement. While this marks an important step, our ambitions extend further, to broaden our lending activities to support more members into property ownership and to widen access to everyday savings to improve financial resilience.

We are building a future where modernisation goes hand in hand with traditional values and a strong purpose; supporting savers and borrowers whilst caring for our customers, colleagues and communities in a meaningful and sustainable way. I take great pride in the trust our members place in the Society, and for the professionalism and enthusiasm of my colleagues. I would like to thank my fellow directors and all our colleagues for their continued hard work and dedication. As a modern mutual, we are committed to putting our members at the heart of everything we do. I look forward to the year ahead and the progress we will continue to make.

I hope you will continue to be part of the Marsden journey.

J L Walker

Chairman

4 March 2026

Chief Executive's Review

It is my pleasure to present my review of the year within the 2025 Annual Report and Accounts.

2025 was another strong trading year for the Society, with notable achievements in delivery against our technology roadmap; continued investment in our infrastructure; the support and quantification of the impact we have in the community; all with the support and collaboration from my colleagues. My report, alongside the Strategic Report on pages 8 to 25, will provide more detail on the progress within the year.

For the Marsden, strong trading is defined by the growth we see in our mortgage and savings activity, and in how we manage the requirement to return value to members, invest in the future and maintain strong financial resilience. Trading performance continued to be supported by strong new business volumes and high levels of retention. We chose to prioritise competitive rates for members, increasing business volumes within our core mortgage markets and growing our retail branch and digital savings balances.

During the year, we increased our gross lending by a third to £171.5m (2024: £130.0m) and supported £223.1m (2024: £233.8m) of mortgages through maturity. The increase in activity supported growth in the residential loan base of 8.7%, or £57.6m to £719.0m (2024: 2.9%, or £18.5m to £661.4m).

Our funding requirement was set to support the planned mortgage lending, seeing growth of the retail share and deposit base of 10.0%, or £72.9m to £803.4m (2024: 16.1%, or £101.3m to £730.5m). We are active in the digital savings market to complement the flows generated through our retail branch network. Whilst digital provides a higher proportion of new money flows from new customers, my colleagues across the branch teams continue to attract new savers to the Society, supporting members in meeting their current and future needs and playing an important role on the high-street within their local communities.

As we ended 2025, factors defining our strong financial resilience saw our capital resources increase to £58.0m, returning a CET1 solvency of 20.5% (2024: 20.9%). This modest reduction is in line with our plans to grow at a faster rate than the accretion of capital resources. This will continue through to 2030, as we pursue our strategy of growing for scale. Despite this, capital surpluses remained strong and significantly above regulatory requirements.

The increase in underlying costs to £12.2m (2024: £10.9m) reflected the ongoing investment in people, and related employer national insurance, and technology. The inflationary increases we have borne in operating the Society were mitigated in part through efficiencies and ongoing productivity improvements.

The work of the Marsden Building Society Charitable foundation continued, once again providing support for 11 organisations across the region. During the year the Society made a donation to the Foundation of £0.018m (2024: £0.106m). At the end of the financial year the Society completed pre-funding of the Marsden Foundation, with donations having exceeded £1m, with the focus of community activity now switching to other activities. We launched a range of business deposit accounts, where investment by local businesses generates a contribution from the Society to the Community Foundation for Lancashire's Red Rose Responding Fund, supporting the mental health and well-being of those in our region. As we widen our reach across Lancashire and the Northwest, we aim to provide more support for business deposits and also workplace savings schemes, helping organisations to build financial resilience for both their business, and their employees.

The combination of our growing size, the advantage brought by mutual ownership and our strong reputation means we are well placed to build our brand across the region through our commitment to branches, and wider, through the growth in digital services. We will continue to prioritise customer experience and value and have a positive impact on wider society.

We know that branches are important to our members. The convenience of being on the high-street is ideal for those who prefer to deal with the Society face-to-face. Our programme of branch refurbishments continued in Lytham and Garstang and we acquired a new premises in Colne, supporting our relocation in 2026. We continue to evaluate the potential for new locations and different ways of deploying our services into communities, whether as full-service branches, agency take-overs or the use of community hubs and shared spaces, to further support members.

The excellent levels of service that our branch colleagues continue to offer is reflected in our Net Promoter Score of +94.7 (2024: +94.9).

Providing the Marsden service for our members would not be possible without our dedicated colleagues. As a Society, we remain committed to supporting their well-being and development. I was delighted that feedback, measured in the annual 'Best Companies' survey, helped us to retain our 'one star' rating, denoting very good levels of engagement throughout the Society.

We work hard to provide opportunities for our colleagues to build their careers, with a commitment to developing talent and to providing the opportunity for all our colleagues to make a positive difference to the people they work with and to the members they serve.

This year, we have seen changes to the Marsden Board, highlighted in the Chairman's statement. I wanted to add a note of thanks on behalf of the management team to Mark and Nicki who will step down in 2026, and to extend a welcome to Darin and Keith as new non-executive directors.

We have also seen changes to the executive team. We said goodbye to Heather, who retired from her role as Operations Director in December. She leaves with a huge thank you for a long and successful career and our very best wishes for the adventures still to come.

We welcomed Julia in a new role of Chief Customer Officer and main Board director. Julia brings a wealth of experience and is passionate about customers and colleagues, helping to drive our commitment to modernise our current capabilities, improving our ability to scale, to focus on ways to better support both our existing members and colleagues, and to attract new savers and borrowers.

Each year we present our annual Impact Report. This report provides an update on the progress we have made over the last 12 months on our journey to become a more sustainable business. You can read the full report on our website. Highlights for the year included:

- 'Dementia Friends' trained in each of our branches.
- Receiving the 'Customer Service Award' at the Red Rose Awards, a testament to the brilliant service our teams deliver.
- Being crowned 'Employer of the Year' at the North & Western Lancashire Chamber of Commerce Be Inspired Business Awards (BIBAs), recognising the initiatives we run as an employer and the culture we've built.
- Launching our Workplace Savings scheme to build better financial resilience in a simple and sustainable way. Designed for businesses, the scheme is an opportunity for employers to help their workforce save straight from their salary.
- Supporting local awards to celebrate the business community and continuing to provide financial support to local charities through our Affinity accounts.
- Supporting more grassroots groups and projects through our Charitable Foundation. Since launching, we've donated over £90,000 to worthy causes, supporting 33 groups and projects.
- Recognising that when it comes to community, time can be just as valuable as money; our volunteering scheme allowing colleagues to take up to two days each year to provide hands-on help for a cause they care about.
- Switching on a solar installation at our Principal Office to generate our own clean energy and reduce our carbon footprint. The panels are projected to provide 46% of our annual electricity needs, saving around 7 tonnes of CO2 per year.

Looking to the year ahead, we will continue to focus on our strengths as a modern mutual, to build closer relationships with our members and invest to improve the customer experience.

Our digital strategy is centred around three key customer priorities – [1] easy to serve and memorable customer experience; [2] modern branches that offer personalised service and [3] the addition of

complementary mobile services. We also define our investment in digital in our colleague priorities – [1] simplify and integrate; [2] improve the ways we work together.

As a member-owned business, we do not have to use our profits to pay dividends to shareholders. We balance the need to retain profit to remain financially strong, whilst sharing our success with our members by delivering value, through our mortgage and savings rates; rewarding loyalty in working hard to retain members when their current deals are coming to an end; offering a friendly and trusted service and in evaluating new products and services that meet your needs and expectations.

I am immensely proud and want to thank our colleagues across the Society for their contribution to a hugely successful year. I look forward to the year ahead as we continue to grow and modernise your Society, to be stronger and to deliver on our purpose; supporting savers and borrowers whilst caring for our customers, colleagues and communities in a meaningful and sustainable way.

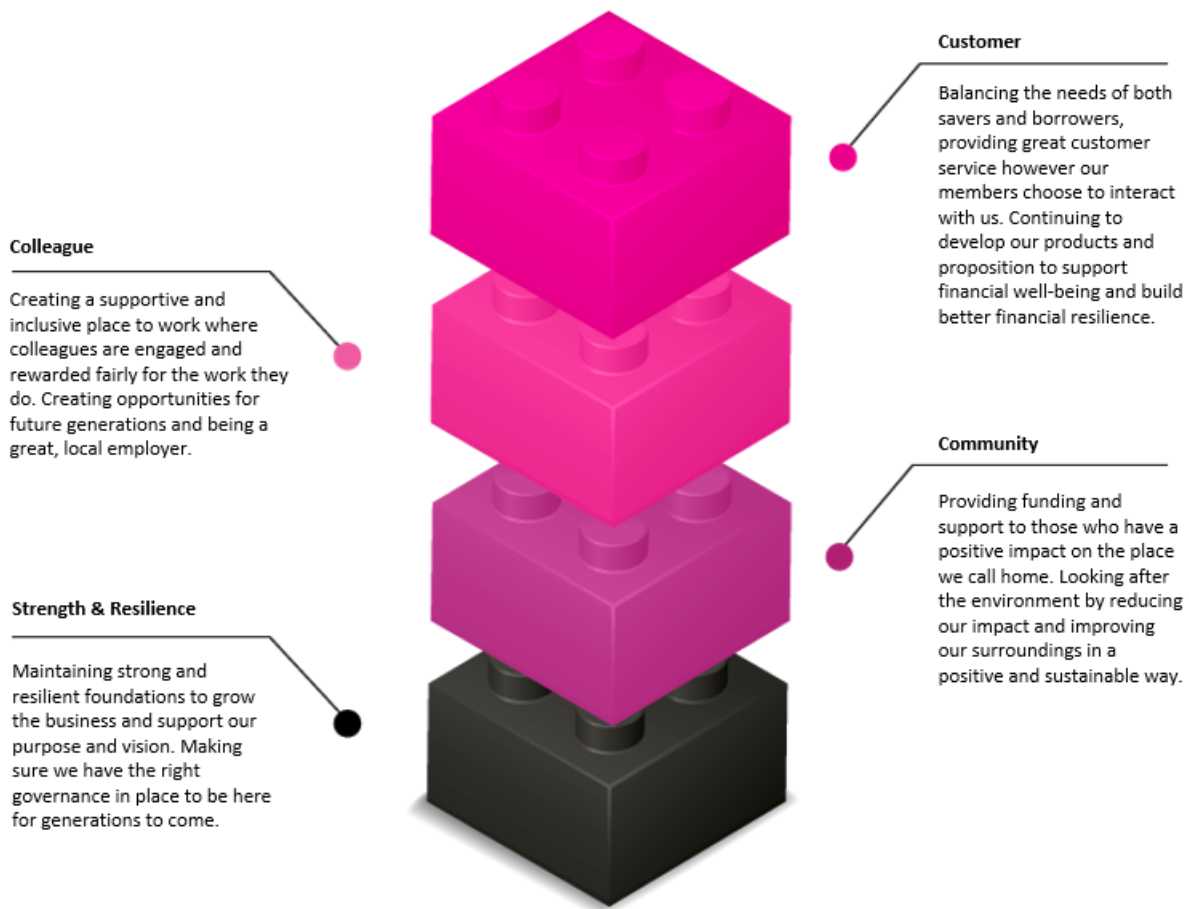
R M Pheasey
CEO
4 March 2026

Strategic Report

Marsden Building Society is Lancashire’s largest building society with assets of £864.4m (2024: £796.2m). 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 supporting all customers whilst positively impacting colleagues, communities and the region in which we operate.

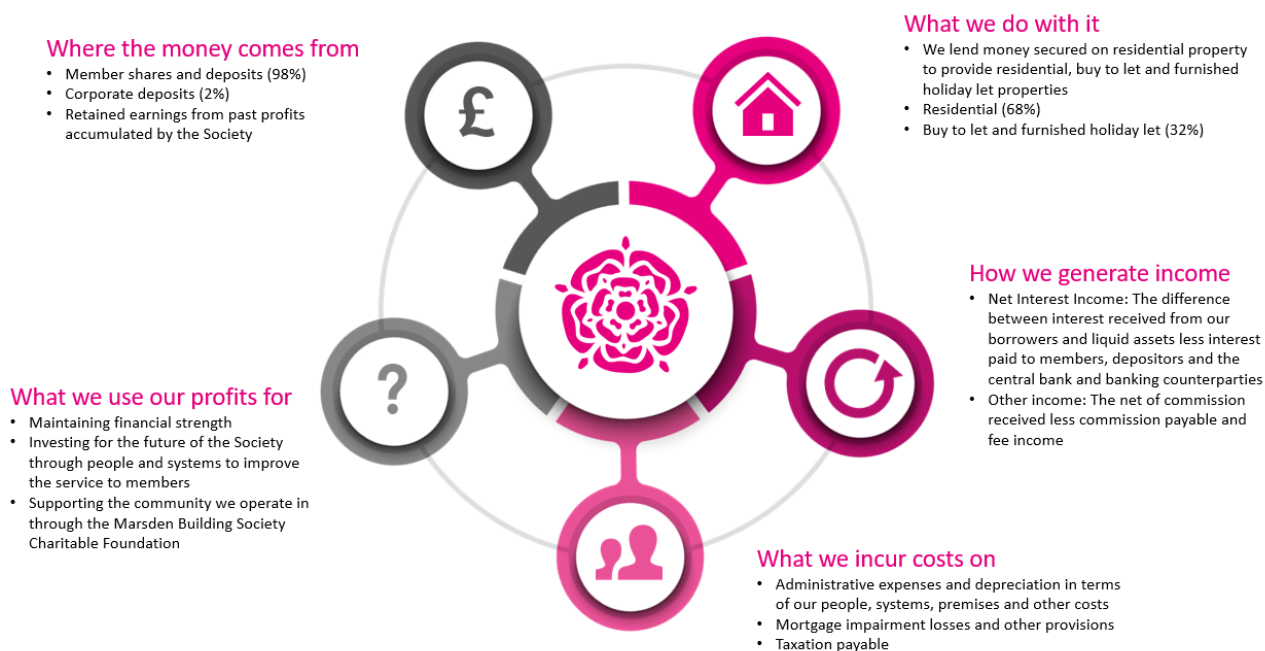
Business Model

As a mutual, we are 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.

We provide individual members with a secure home for their savings across Lancashire through our branch network. Funding is currently supplemented by medium term central bank facilities. We support individuals to purchase their own home, and to a lesser extent, support the private rented sector through provision of Buy to 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. 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, other costs plus impairment losses, 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 2025, with comparison against 2024 results are reported below with explanatory comments.

Indicator	Description	2025	2024
Underlying Society Profit	Underlying profit after tax to mean assets ratio excluding fair value gains and losses, this being the primary profit KPI.	0.39%	0.33%
Statutory Society Profit	Statutory profit after tax to mean assets ratio, this being the secondary profit KPI.	0.30%	0.30%
Net Interest Margin	Net interest income to mean assets.	2.00%	1.77%
Management Expense Ratio	Administrative expenses and depreciation and amortisation to mean assets.	1.47%	1.41%
Mortgage Arrears	The proportion of residential mortgage assets which are past due by 3 months or more.	0.14%	0.26%
Total Assets	Movement in total assets.	8.56%	6.36%
Loan Book Growth	Movement in mortgage assets.	8.71%	2.88%
Retail Shares Balances	Movement in share balances from members.	8.86%	16.25%
Core Equity Tier 1 Solvency Ratio	Regulatory Capital expressed as a percentage of Risk Weighted Assets (RWAs).	20.53%	20.90%
Overall Liquidity Adequacy Ratio	Board defined Liquidity Resources to stressed 90 days' Liquidity Requirements.	156%	117%
Colleague Engagement	Best Companies measure of workplace engagement.	Very Good	Very Good

The Chief Executive's Review on pages 5 to 7 provides an overview of the Society's performance during 2025 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 strong trading year, with statutory profit before tax of £3.390m (2024: £3.055m).

Statutory Income Statement

	2025 £'000	2024 £'000
Income Statement		
Net Interest Receivable	43,079	43,099
Net Interest Payable	(26,479)	(29,442)
Net Interest Income	16,600	13,657
Other Income	216	66
Net Losses from Financial Instruments	(1,015)	(330)
Total Income	15,801	13,393
Management Expenses & Depreciation	(12,228)	(10,895)
Operating Profit	3,573	2,498
Impairment (Losses) / Gains	(159)	568
Provisions	(21)	-
Losses on Disposal	(3)	(11)
Profit on Ordinary Activities	3,390	3,055
Tax	(891)	(730)
Profit After Tax	2,499	2,325

This outcome is despite an increasing net loss from financial instruments of £1.015m (2024: £0.330m).

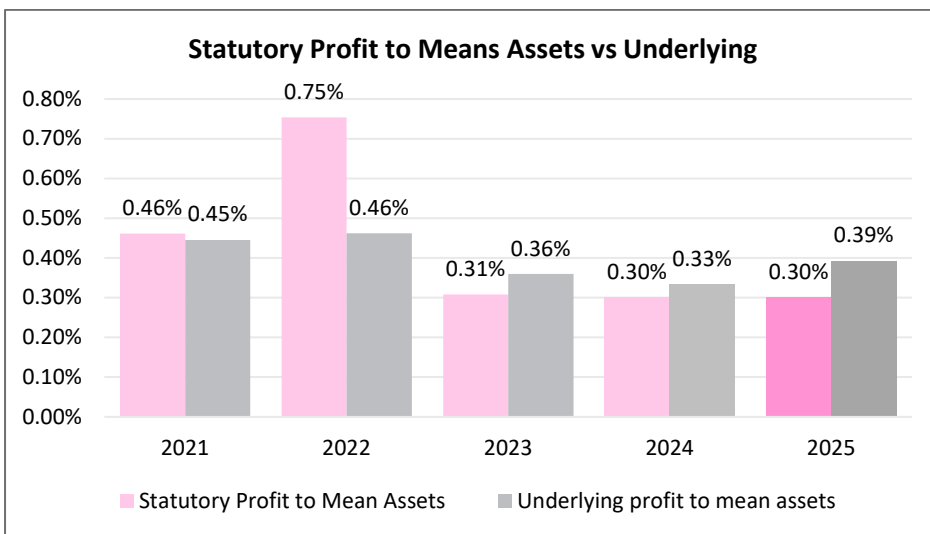
In terms of measuring financial performance, the Board takes the view that risk management considerations should drive management decisions in relation to use of derivatives to manage interest rate risk. Accordingly, the secondary risk of volatility in fair value of these instruments is less able to 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	2025 £'000	2024 £'000
Net Interest Receivable	43,079	43,099
Net Interest Payable	(26,479)	(29,442)
Net Interest Income	16,600	13,657
Other Income	216	66
Underlying Total Income	16,816	13,723
Management Expenses & Depreciation	(12,228)	(10,895)
Underlying Operating Profit	4,588	2,828
Impairment Losses / Gains	(159)	568
Provisions	(21)	-
Losses on Disposal	(3)	(11)
Underlying Profit on Ordinary Activities	4,405	3,385
Tax	(1,145)	(808)
Underlying Profit After tax	3,260	2,577
Net Losses from Financial Instruments	(1,015)	(330)
Tax on Net Gains from Financial Instruments	254	78
Statutory Profit After Tax	2,499	2,325

Underlying performance reveals an increase in underlying profit before tax to £4.405m (2024: £3.385m), driven by improvement in the Net Interest Margin to support increased IT operating costs and not yet offset, with increased run costs not impacting fully until into 2026.

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 remained unchanged at 0.30% (2024: -1bps to 0.30%). The underlying ratio increased by 6bps to 0.39% (2024: -3bps to 0.33%).

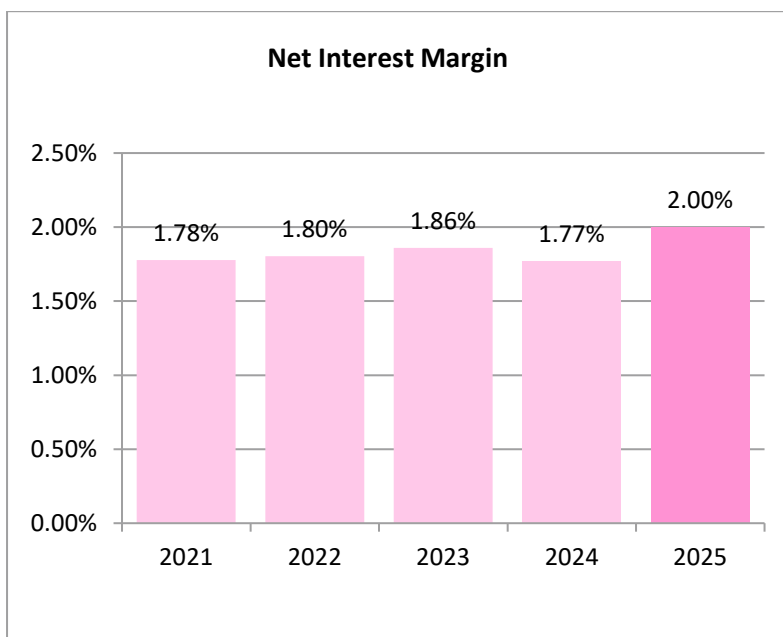


Looking forward, profitability is anticipated to moderate further as a result of a combination of increased operating costs, primarily as a result of transition to a new cloud-based IT platform during 2026 and increased people costs.

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 increased by 23bps to 2.00% (2024: -9bps to 1.77%). In response to changes in Bank Rate during the year, changes to administered rate savings have been applied with margins managed to ensure funding costs remain aligned to market levels to manage funding flows and pass through of increases in mortgage administered rates is minimised to ensure appropriate margins are maintained.

Looking forward into 2026, competition in both the savings and mortgage market is anticipated to increase as competitors seek to increase scale to manage increased operating costs. The outlook for interest rates remains uncertain, with markets forecasting a downward trajectory, 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 and mortgage referral commission receivable, bank charges payable and fees receivable by customers which are not included within effective interest rate calculations. Other income for 2025 was £0.216m (2024: £0.066m) with £0.154m of fees received for applications not proceeding being recognised with broadly offsetting corresponding valuation costs of £0.142m increasing Management Expenses in year.

Net Gains from 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 £1.015m (2024: net loss of £0.330m) 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 autumn of 2022. As a result, the Society experienced decrease in net gains on financial instruments not in/prior to hedge relationships of £0.328m (2024: £0.170m).

Despite the moderation in market volatility, the impact of the events of autumn 2022 continue to impact in line with expectations, as set out below. 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 £0.599m (2024: £0.571m) with the remaining £0.088m (2024: £0.071m) relating to ineffectiveness in the hedge portfolio

	2025 £m	2024 £m
Designated hedge relationships: Initial amortisation and ineffectiveness	(0.687)	(0.500)
Gains on derivatives not in/prior to designated hedge relationships	(0.328)	0.170
	(1.015)	(0.330)

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. Although this will moderate in 2026 and 2027 following which the impact will be substantially unwound. This will be in addition to pre-hedge relationship gains/losses and ineffectiveness in the hedge portfolio.

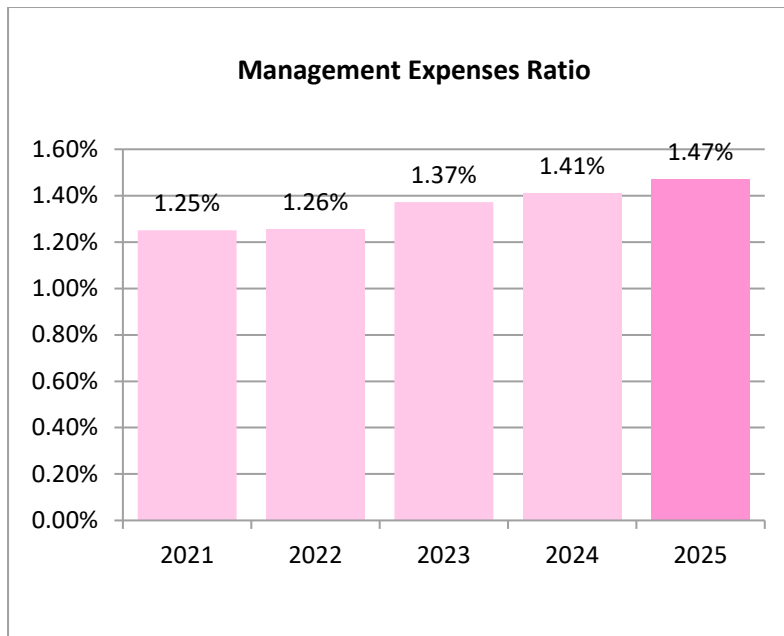
Management Expenses

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 2025, the absolute value of management expenses and depreciation increased by £1.333m to £12.228m (2024: +£0.723m to £10.895m). A significant driver of this increase was people costs (including both number and remuneration of staff and employer national insurance), IT run and new setup costs exceeding prior year setup costs and recognition of valuation costs on not proceeding cases referred to in other income above.

At the end of the prior financial year, the Society completed the prefunding of the Marsden Building Society Charitable Foundation. During the year, the Board made a donation of £0.018m (2024: £0.106m) representing a modest recovery in year from its trading operations.

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 6bps to 1.47% (2024: +4bps at 1.41%) indicating cost growth continuing to move faster than asset growth.

Looking ahead into 2026 the upward pressure on both the absolute level and ratio of management expenses will continue as Phase 2 of our IT change programme progresses and people costs continue to rise. These costs are essential to ensure the Society continues to meet evolving expectations of members and invests to continue to grow the Society and, in doing so, deliver increased value to current and future members.

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 increased by £0.161m to £0.540m (2024: decreased £0.232m to £0.379m), driven primarily by the change in the mix of the loan book in year with a degree of 95% LTV lending in the residential owner occupied market and c75% LTV lending in the buy to let market. Individual provisions are nil (2024: £0.002m) with a £0.002m recovery in year (2024: £0.388m).

Mortgage Arrears and Forbearance

At 31 December 2025, only 0.12% of the residential portfolio was three months or more in arrears or impaired (2024: 0.26%). Of these accounts, 0.08% (2024: 0.10%) relates to deceased customers, where obtaining probate and then achieving sale of the property is taking longer than has historically been the case. In terms of forbearance, three accounts (£0.702m) have benefited from forbearance, none of which were mortgage charter equivalent six-month payment moratoriums (2024: two accounts of £0.264m).

In terms of the commercial portfolio, no loans were past due or impaired (2024: none).

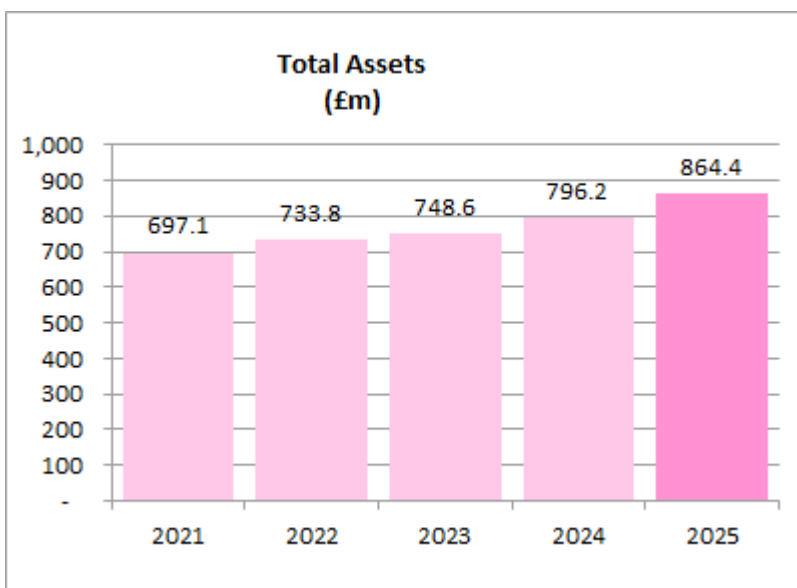
Looking forward, whilst the economic outlook is improved in comparison to prior year, the outlook for house prices remains uncertain. Whilst the Society operates a prudent lending policy to ensure borrowers' affordability is stressed appropriately when loans are underwritten, the potential for increased 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 2025 was £0.891m (2024: £0.730m), representing an effective rate of 26.3% (2024: 23.9%). Further detail is provided in Notes 9 and 21 of the accounts.

Statement of Financial Position

During the year, the Society continued to achieve asset growth with an increase of £68.2m to £864.4m, up 8.6% (2024: £47.6m to £796.2m, up 6.4%).



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. Looking forward to 2026 the Society continues to plan to grow the balance sheet at a marginally faster pace than capital.

Liquid Assets

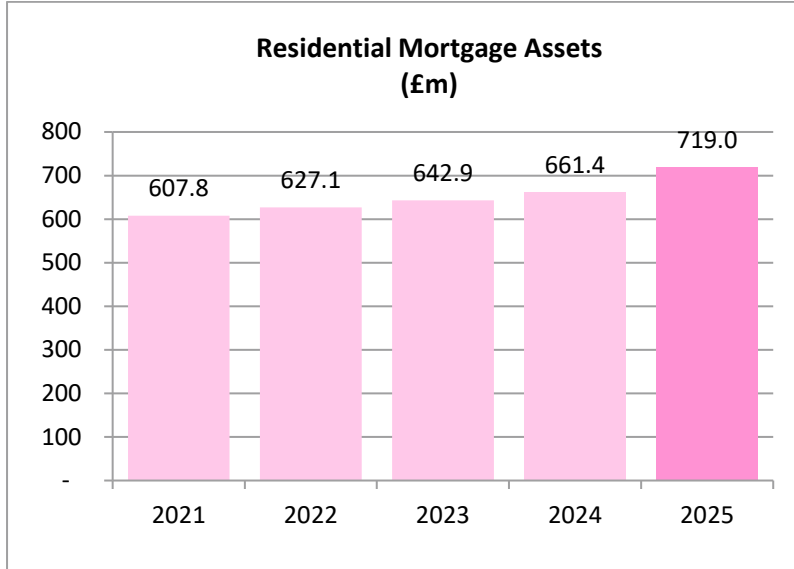
The Society maintains a portfolio of liquid assets to ensure it holds sufficient resources to meet its obligations as they become due in accordance with Board Risk Appetite. This involves maintaining cover to meet anticipated stressed withdrawals of retail and wholesale funding, net mortgage flows and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

At 31 December 2025, the Society maintained liquidity resources of 156% (2024: 117%) of its internally modelled stress requirement, the increase being driven by the impact of the increase in FSCS protection from £85,000 to £120,000 in December 2025.

In terms of regulatory metrics, the Liquidity Coverage Ratio was 342% (2024: 645%), the Society holding High-Quality Liquid Assets (HQLA) of £140.3m (2024: £104.8m) vs. an outflow requirement of £45.5m (2024: £45.1m) net of inflows of £4.5m (2024: £28.8m). The Society held a mix of HQLA instruments, having diversified into FCA Regulated Covered Bonds and Supranational Instruments in the year, further details in Note 25.

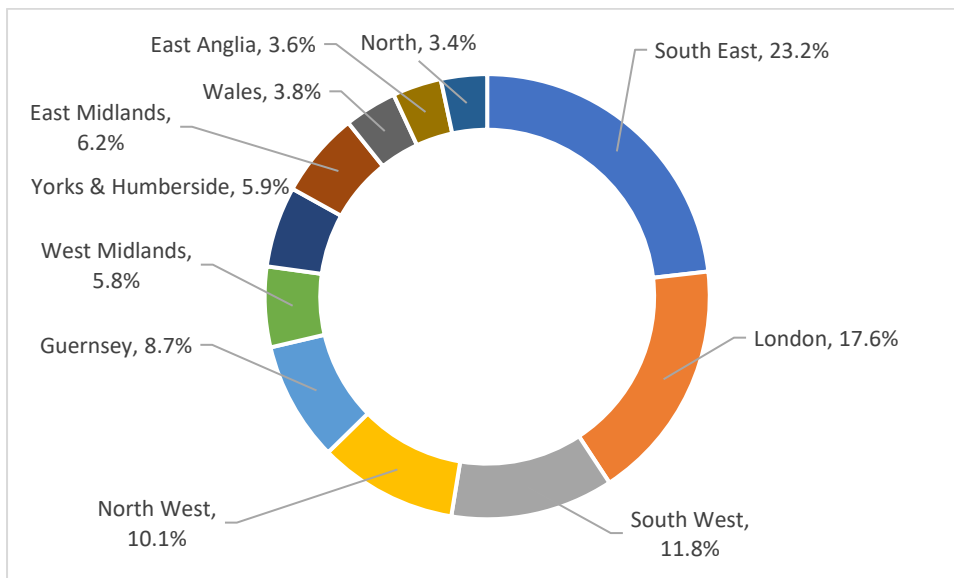
Mortgage Assets

Total residential lending, before effective interest rate, impairment and fair value adjustments was £719.0m, up £57.6m or 8.7% (2024: £661.4m, up £18.5m or 2.9%). Gross new lending in year was £171.5m (2024: £130.0m).



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 68.7% (2024: 68.2%) of mortgages secured on residential property with the remaining 31.3% (2024: 31.8%) 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 23.2% in the South East (2024: 23.8%) and 17.6% in London (2024: 17.2%).



The average indexed loan to value is 32.3% (2024: 28.9%).

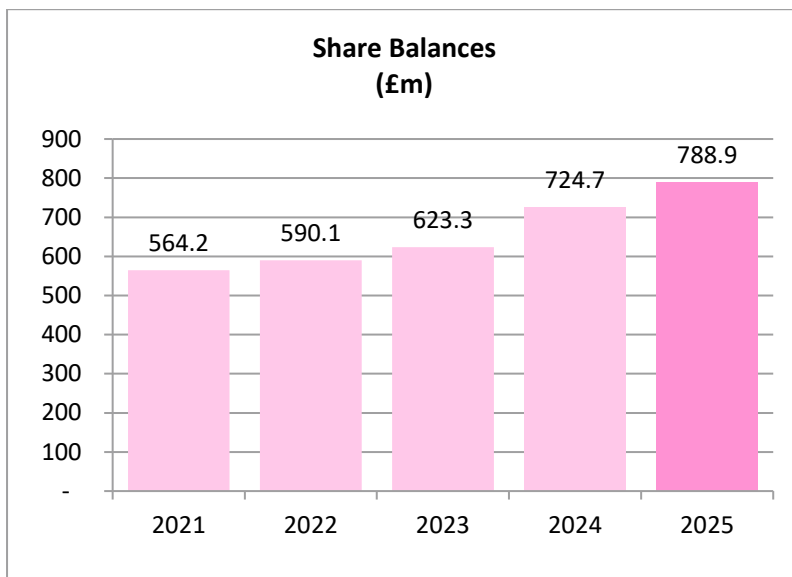
The Society retains a modest exposure to commercial lending, this aspect of the loan book being managed down. At 31 December 2025, these loans, net of impairment provisions, amounted to £0.105m (2024: £0.116m). These exposures are predominantly on commercial premises occupied by the business owning the property. In terms of geographical location, these exposures are located in North West England.

Further analysis on Credit Risk is contained within Note 25.

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, net growth in share balances was £64.2m to £788.9m, up 8.9% (2024: £101.3m to £724.7m, up 16.3%).



Looking forward, the Society core funding strategy is to build a stable retail funding base with a significant majority of FSCS protected balances raising funding directly from individuals, supplemented by corporate deposits.

In terms of share funding this will be driven by a combination of funding originated in branch and, in response to changing customer behaviour, and online channels.

The Society also maintains other deposit funding, predominantly from small and medium sized companies of £14.5m (2024: £5.8m).

In 2025, the Society repaid its remaining drawings under central bank schemes, reducing exposure to nil (2024: £5.1m).

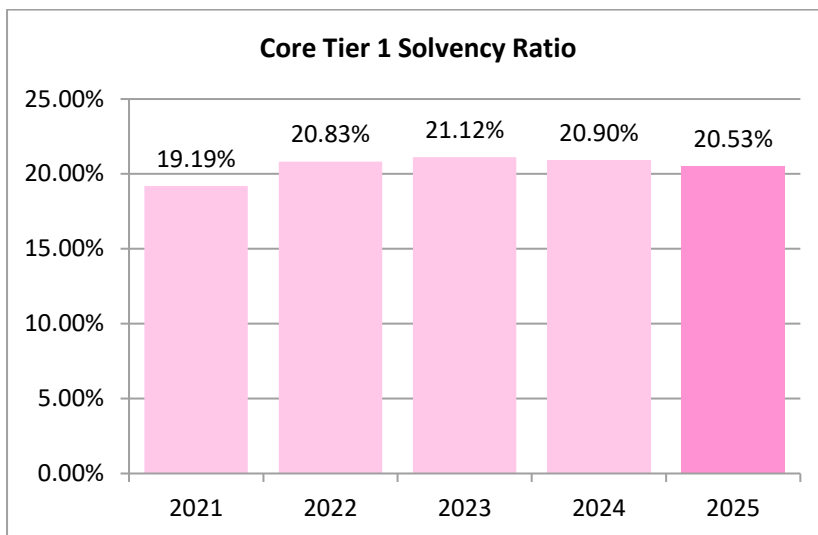
The proportion of funding not in the form of individual shares is 1.83% of total shares and borrowings (2024: 1.49%).

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 165-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 £56.9m or 7.09% of total share and deposit liabilities (2024: £54.7m or 7.44%). Gross capital comprises reserves, as shown in the balance sheet. Gross capital is £58.0m or 7.22% of share and deposit liabilities (2024: £55.5m or 7.54%).

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 0.37% to 20.53% (2024: decrease of 0.22% to 20.90%).

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 £20.279m, with total requirements constituted of £22.570m relating to Pillar 1 and £0.138m relating to Pillar 2A (2024: £21.359m, of which £21.190m Pillar 1 and £0.169m Pillar 2A).

Regulatory Capital held by the Society at the balance sheet date was £58.453m, of which £57.913m was CET1 and £0.540m Tier 2, well in excess of Individual Capital Guidance (2024: £55.748m of which £55.369m CET1 and £0.379m 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 0.41% to 7.26% (2024: increased by 0.50% to 7.67%).

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 proactive 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 include Risk Control Self Assessments; Incident Reporting; MI from Management Committees; Assurance and Audit Reports; external horizon scanning; and input from the BSA 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 from last year. 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 2025
<p>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 political context impacts the Society’s business model and</p>	<p>The Strategic Plan is the key document, owned and approved by the Board. The Board will consider strategic options which balance risk and reward provided that the capital ratio remains within appetite.</p>	<p>The risk profile remained stable during the year:</p> <ul style="list-style-type: none"> • Macroeconomic environment remained challenging with limited growth, falling interest rates and rising unemployment. • Funding performance both through branch network and online was particularly strong in the second half of the year.

<p>ability to achieve strategic objectives.</p>		<ul style="list-style-type: none"> • Lending performance in core markets exhibited strong, consistent growth and created a good year end pipeline. • Mortgage and Savings retention supported balance sheet growth. • We reviewed and enhanced our ICAAP. Profit after tax and solvency was in accordance with our corporate plan. • Further developed the suite of metrics to monitor changes in risk profile.
<p>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 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.</p>	<p>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 and Board reviews. Detailed management information is prepared for Credit Risk Committee 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. 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 credit ratings and</p>	<p>The risk profile remained stable during the year:</p> <ul style="list-style-type: none"> • We continued to apply a prudent underwriting approach, seeking to achieve a balance of risk, rate and concentration within risk appetite. • Appropriate monitoring, proactive forbearance and arrears management, resulted in excellent book performance. • CRC management information continues to evolve, drilling down into emerging trends, enabling effective management of 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. • Further developed the suite of metrics to monitor changes in concentration and credit risk. • Expanded the range of permitted Liquidity instruments to Supranationals and FCA Regulated Covered Bonds

	other market and financial data.	
<p>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.</p> <p>Funding Risk: The risk that the Society cannot secure sufficient long term, stable funding for lending needs, at a rate that is affordable.</p>	<p>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.</p>	<p>The risk profile remained stable during the year:</p> <ul style="list-style-type: none"> • We continue to manage liquidity efficiently, using the Overall Liquidity Adequacy Ratio. We maintain the majority of liquidity in high quality, easily accessible assets (e.g. Bank of England) but have broadened the range of HQLA instruments available. We also maintain a large amount of contingency liquidity through prepositioned assets with the Bank. • Increase in FSCS protection from £85,000 to £120,000 reduced the funding risk profile. • Growth in online funding, albeit with a significant proportion of FSCS protection • Reviewed and approved the ILAAP, taking account of the external risk environment. • Enhanced our contingency plans following testing. • Reviewed and approved the Financial Risk Management Policy.
<p>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.</p> <p>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</p>	<p>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.</p>	<p>The risk profile remained stable during the year:</p> <ul style="list-style-type: none"> • There continues to be a degree of volatility in market expectations for the path of interest rates. • We successfully commenced introduction of reserves hedging during the year with the objective of stabilisation in earnings. • We extended maximum duration for fixed ISA funding to 5 years given the balance of optionality risk taking into account the current level of interest rates relative to the

<p>changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).</p> <p>Basis Risk: Risk arising from the impact of relative changes in interest rates on interest rate 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.</p> <p>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).</p>		<p>interest penalty for early closure.</p> <ul style="list-style-type: none"> • We continue to monitor exposures, proactively manage them to ensure we remain within risk appetite and report through to Board and Board Risk Committee.
<p>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.</p> <p>Operational IT & Cyber Security 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</p>	<p>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</p>	<p>The risk profile remained stable during the year.</p> <ul style="list-style-type: none"> • Investment in technology, including successful upgrade of our core system, to deliver a sustainable, forward-looking Society for our members. • Continued investment in cyber security, strengthening Operational Resilience, through business continuity testing and enhancing our Playbook.

<p>management or from external events including legal risk.</p> <p>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.</p>	<p>party expertise where appropriate to reduce operational risks and protect our members, including receipt of regular input and reports from our Virtual Chief Information Security Officer. A range of metrics are reported to the Board Risk Committee to monitor exposures. The Society carries out regulatory horizon scanning and implements required changes in a timely manner.</p>	<ul style="list-style-type: none"> • The Society is cautiously making use of Artificial Intelligence to support efficiency whilst both being mindful of the risks in doing so and ensuring appropriate control utilisation. • Key Person Risk is being managed through cross training, developing colleagues, succession planning and apprentice schemes. • Positive colleague engagement through Best Companies Survey and Employer of the Year award from the BIBAs.
<p>Conduct Risk: The risk of delivering detrimental outcomes to customers. However, it is 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.</p>	<p>Conduct risk is controlled through adherence with the Board-approved Conduct Risk Policy. 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.</p>	<p>The risk profile has reduced during the year:</p> <ul style="list-style-type: none"> • The Board reviewed and approved the report assessing compliance with the Consumer Duty standards. • We continue to deliver good outcomes for members as evidenced by our consistently excellent Net Promoter Score.

Risk Outlook

Board and management constantly 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 there is potential for increasing unemployment and falling house prices to drive an increase in arrears. We still expect increases in a range of risks:

- External environment – The level of geopolitical risk in the UK and globally remains elevated with the potential for market volatility and economic impact on the Society and its members. This may impact both on volume of business and profitability. This 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 an increasing cost base and target traditional funding and lending markets. We will seek to mitigate risk to business volume through being 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. We will continue to enhance risk management to mitigate the impact of market volatility as far as practicable.

- Change management – We will continue to invest in IT infrastructure, expertise and resources with particular vigilance on Cyber Security and apply rigorous project management disciplines to achieve objectives and deliver 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 in the Corporate Governance Report.

On behalf of the Board of Directors

J L Walker

Chairman

4 March 2026

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. Our vision of “building something better” provides us with an authentic way to make a positive impact from both a business and sustainability perspective. In 2025, we aligned priority areas of our sustainability efforts with the pillars that make up our purpose, bringing our commitment to sustainable outcomes within the fabric of our strategy.

Our purpose is to support savers and borrowers whilst caring for our customers, colleagues and communities in a meaningful and sustainable way, which is underpinned by our strong and resilient foundations and the governance that keeps it all in place. Our approach to climate, therefore, is framed around identifying and delivering positive environmental impacts where we can, with a focus on the benefits that will bring for our customers, colleagues, and communities.

The purpose of this disclosure is to report to members on the approach of the Society towards its mitigation of climate risk. 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. The content of the report will evolve to members’ needs, taking into account feedback received.

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. The Society’s Executive Committee is the management committee responsible for ESG and Climate Change.

2026 will see the Society make further progress against our short and medium term ESG goals.

Strategy

Progress Made

- In March, we switched on a solar installation project at our Principal Office to generate our own clean energy and reduce our carbon footprint. The panels are projected to generate 58,000 kWh of electricity per year, providing 46% of our annual electricity needs, and is estimated to save around seven tonnes of CO₂ per year.
- We have transitioned all of our motor fleet leases to be entirely electric or hybrid vehicles, with all hybrids below 50g/km emissions.
- We continue to offer a salary sacrifice scheme for colleagues to lease electric vehicles, with three EVs currently being leased by colleagues on the scheme. We have expanded the scheme to include low-emission hybrid vehicles as well as full battery electric vehicles.
- 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 planning to install Solar Panels on our new Branch Office in Colne, installing a 14.6kWp system expected to deliver carbon savings of 2.4 tonnes of CO₂e per year.
- We are hoping to upgrade our heating system at Principal Office to an infrared panel system, in replacement of our gas central heating. Moving away from gas as a heat-source will enable us to significantly reduce our Scope 1 emissions whilst hopefully making more use of our own, clean, solar-generated electricity for heating the building.
- We are currently engaging with EV lease suppliers to assess the feasibility of widening our EV lease scheme to second-hand vehicles. This will reduce the lease price for the vehicles, thus opening up the accessibility of the scheme to a wider range of colleagues.
- We promote sustainable operations and procurement, and plan to embed that ethos into our operational policies and procedures throughout the coming years, as each policy falls due for renewal. This will integrate our commitment to sustainability within our daily operations, bringing it into the core of the way we work.
- In the longer term, we continue to have plans to progress carbon footprint reduction to Streamlined Energy and Carbon Reporting standards and become PPN06/21 carbon reduction plan compliant.

Risk Management

Climate Risk Drivers

Physical Risk

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 insurance of properties suffering damage at increasing frequencies. The Society's own property footprint is relatively small and low risk.

At 31 December 2025, the Society commissioned an external assessment of these risks in the mortgage portfolio. The results indicated that the percentage of the current mortgage book exposed to flood, subsidence, and coastal erosion out to 2080 in either of 'Early and Late Action Scenarios' or the 'No Action Scenario' is minimal.

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. Whilst legislation is already in place for commercial and buy to let properties, ongoing monitoring of any expansion to environmental legislation continues, ensuring awareness and prompt implementation of any necessary or appropriate actions.

At 31 December 2025 the Society commissioned an updated external assessment of these risks in the mortgage portfolio with the following relative exposure measures to the UK average (100% is the UK average):

Risk	Lender exposure relative to UK
EPC F or G rated properties	141%

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. For the Society’s impact assessment at 31 December 2025, we used the following scenarios:

RCP & 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 2025, the Society commissioned an updated external assessment of these risks in the mortgage portfolio. The assessment concluded that the Society had a low 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 from the latest exercise 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 ratings. 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 & Physical	<ul style="list-style-type: none"> Reduction in capital from changes in property values. Failure to meet member expectations of climate risk.
Credit	Transition	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Houses damaged by physical impacts, such as floods, causing a decline in property value. Higher insurance prices leading to uninsured properties.
Operational	Transition	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 & Funding	Transition	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

For 2025, the framework used for measuring and reporting greenhouse gas emissions (expressed as carbon dioxide equivalent, CO₂e) is based on the World Business Council for Sustainable Development and the World Resources Institute Greenhouse Gas (GHG) Protocol Standard. This globally recognised methodology was selected to provide consistency, transparency, and comparability for the Society, aligning its approach with best practice in carbon reporting. This year, Climate Essentials calculated Society emissions on our behalf, using the Department for Energy Security and Net Zero conversion factors for 2025 as available from <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2025>.

The data inputs combined primary activity data wherever available with applied average data methods to produce the carbon emissions results for 2025. The reporting period for each year is 1 January to 31 December. Emissions are reported based on the operational control approach and include all eight branches and Principal Office.

It is important to note that the 2025 reporting period included emissions sources not previously captured by the Marsden, namely products and services purchased and capital goods. Incorporating new relevant carbon emission sources means the Society is now able to measure its progress with greater completeness and transparency. This allows us to share evidence-based carbon data with customers and stakeholders. Monitoring emissions trends over time is essential to identifying areas of progress, pinpointing opportunities for further reductions, and ensuring accountability in climate action.

The newly-added categories for reporting, of products and services and capital goods, include all upstream emissions from the production of the goods and services we have purchased in the year. The former category relates to goods recognised in the year as expenses, through the Income Statement, and the latter category relates to assets purchased and capitalised on the balance sheet, for depreciation over the future years of their useful lives. The inclusion of these categories is to recognise that we generate emissions through the activities we drive in our suppliers.

Categorisation of Emissions according to the GHG Protocol

Scope 1: Direct emissions from sources owned or controlled by Marsden Building Society, such as fuel use in company vehicles or onsite combustion.

Scope 2: Indirect emissions from the generation of purchased electricity, heating, cooling, or steam consumed by Marsden Building Society.

Scope 3: All other indirect emissions linked to Marsden Building Society activities, but occurring outside its direct control, such as supply chain impacts, business travel, waste, commuting, and purchased goods and services.

Emissions Summary

	2025	2024
	tCO2e	tCO2e
Scope 1 emissions		
Natural gas	34.5	36.8
Fugitive emissions	60.5	-
	95.0	36.8
Scope 2 emissions		
Electricity*	27.0	39.7
	27.0	39.7
Scope 3 emissions		
Products and services**	803.3	Not Reported
Capital goods**	125.0	Not Reported
Other fuel & energy-related activities	2.8	3.5
Waste generated during operations	7.0	3.9
Wastewater	0.2	0.1
Business travel	16.3	7.7
Employee commute	47.4	45.2
Homeworking	25.9	33.1
	1,027.9	93.5
Total emissions	1,149.9	170.0
Total emissions on comparison basis to 2024**	221.6	170.0

*Electricity emissions are calculated on a location-based approach, which reflects the average grid emission factor in the UK

**Products and services, and capital goods, are new categories for inclusion in our carbon footprint calculation in 2025, as we strive to enhance and improve the quality and completeness of our carbon reporting year on year

The Society's total emissions on a comparable basis with those categories recorded and reported in 2024, have increased by 51.6 tCO2e to 221.6 tCO2e (2024: up 0.4 tCO2e to 170.0 tCO2e). This is primarily driven by the top-up of refrigerants in our air conditioning units, an activity that is not required every year, has a material impact on the carbon footprint when captured, and will be a key area for consideration in the coming year's carbon reduction planning.

On a total basis, the emissions from the two new categories added this year are being driven by, for products and services, our significant spending on IT services in the year and, for capital goods, our investment in, primarily, new computing equipment across the Society, and our solar panel installation at Principal Office. It is important to recognise the carbon impact of producing assets such as the solar panels, as there is a "carbon cost" to these assets, but alongside recognising the on-going carbon savings they will generate for many years to come and the benefits these investments will bring, overall, in the long run.

The Board is focused on actions to reduce our Scope 1 and 2 emissions, and clear progress has been made on Scope 2 reductions during 2025, following the successful installation of our solar panels at Principal Office. During 2026, we plan to continue this progress towards our ambitions to achieve Net Zero emissions by 2050.

On behalf of the Board of Directors

J L Walker

Chairman

4 March 2026

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.



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 Board Nominations Committee and is a member of the Board People, Remuneration & Culture Committee.

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



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 is a Non-Executive Director of Pendle Education Trust and the Building Societies Association.



Neal Walker BA (Hons) ACIB

Chief Financial Officer

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 & Secretary.

As Chief Financial Officer, 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. Neal chairs the Management Assets & Liabilities Committee.

Outside the Society, Neal is a Trustee of Northern Star Academies Trust.



Julia Brook BA (Hons)
Chief Customer Officer

Joined the Board in 2025

Julia joined the Society in November 2025 and brings a wealth of experience from across the financial services sector. Her background spans distribution, operational management, commercial leadership, strategic change, and regulatory oversight. As Chief Customer Officer, Julia is responsible for the entire customer journey, from acquisition through to retention. She leads the Society's customer-facing functions and plays a key role in shaping Marsden's commercial strategy, ensuring it supports sustainable growth, operational efficiency, and long-term value for members. A strong advocate of mutual values, Julia is passionate about diversity, inclusion, and finance.



Mark Gray BA (Hons)
Non-Executive Director

Joined the Board in 2018

Mark has extensive risk and governance experience. He is Chair of the Society's Board Risk Committee, is the Senior Independent Director and sits on the Board Audit & Compliance Committee. Outside the Society, Mark is a Non-Executive Director of Sopra Steria Financial Services Limited, State Bank of India (UK), Guarantee Trust Bank (UK) and Trustee of Westminster Citizens Advice Bureau Service.



Maura Sullivan FCA
Non-Executive Director

Joined the Board in 2021

Maura has 30 years' executive experience in Financial Services where she held leadership roles in international banking and wealth management organisations. Maura is Chair of the Board Audit & Compliance Committee and is a member of the Board Risk, Board Nominations and Board People, Remuneration & Culture Committees. Outside the Society, Maura has roles in the Public Sector, where she is Chair of Audit & Risk Committee and Board member at Gov Facilities Services Ltd and the Cabinet Office. She is also a Board member at Trinity Bridge Limited, a UK wealth manager.



Georgina Smith BSc (Hons)
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-founded and led three different mortgage lenders specialising in later life lending. George is a member of the Society's Board Risk, Board Audit & Compliance and Board People, Remuneration & Culture Committees. Outside the Society, George is a Non-Executive Credit Committee member at Innovate UK and a Board member of Street UK.



Nicola Webber MA (Cantab) FCA

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, Stonehaven Housing Association and 2gether Support Solutions.

For the Society, Nicola chairs the Board People, Remuneration & Culture Committee and is a member of the Board Audit & Compliance Committee.



Darin Landon

Non-Executive Director

Joined the Board in 2025

Previously Group Chief Commercial Officer at Coventry Building Society, Darin joined the Society's Board in September 2025 bringing significant commercial, customer and operational experience gained throughout his 42-year career at the Coventry. He also has extensive experience in transformation and change management.

Darin is a member of the Board Risk, Board Audit & Compliance, Board Nominations, the Board People, Remuneration & Culture 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 2025.

Business Objectives

Information on the business objectives of the Society is detailed within the Strategic Report on pages 8 to 25.

Business Review

The Chair's Statement on page 3, the Chief Executive's Review on pages 5 to 7 and the Strategic Report on pages 8 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 8 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 8 to 25 and Notes 24 Financial Instruments on pages 97 to 99, 25 Credit Risk on pages 99 to 106, 26 Liquidity Risk on pages 107 to 108 and 27 Market Risk on pages 109 to 110.

Profits and Capital

In 2025, the Society profit before tax was £3.390m (2024: £3.055m). Underlying performance profit before tax was £4.405m (2024: £3.385m). Total comprehensive income after tax transferred to general reserves was £2.519m (2024: £2.327m).

Total Society reserves at 31 December 2025 were £57.973m (2024: £55.454m).

Free capital represents gross capital and collective mortgage loss provisions less fixed assets as shown in the balance sheet. Society free capital is £56.9m or 7.09% of total share and deposit liabilities (2024: £54.7m or 7.44%). Gross capital comprises reserves, as shown in the balance sheet. Gross capital is £58.0m or 7.22% of share and deposit liabilities (2024: £55.5m or 7.54%).

Mortgage Arrears

At 31 December 2025, there was one (2024: three) mortgage account, including those in possession, which were twelve or more months in arrears. This account relates to a deceased customer where obtaining probate and then achieving sale of the property is currently taking a number of months.

Charitable Donations

During the year, the Society made provision for a further donation of £17,591 (2024: £106,000) 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 £1,000 to the Community Foundation for Lancashire and Merseyside, who administer the Society's Charitable Foundation (2024: £2,000), as part of their Investors in Lancashire scheme.

In 2025, the Society launched a new Charitable Donations initiative internally, where colleagues who choose to fundraise for charities close to their hearts receive support from the Society by way of a charitable donation from us, directly to a selected charity of their choice. During 2025, two such donations were made; £50 was donated to the Trinity Hospice for Palliative Care, Blackpool, and £50 was donated to Blood Cancer UK.

In addition, the Society pledged a donation of £1,241 (2024: £1,111) in respect of votes received at the AGM, to the Marsden Building Society Charitable Foundation as in the prior year.

In connection with Affinity Account relationships, the Society made donations of £22,981 (2024: £24,339) to the following charities in connection with Affinity Account relationships:

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

The Society accrued for donations of £25,864 (2024: £23,120) which will be paid during 2026 to the following charities in connection with Affinity Account relationships:

- North West Air Ambulance
- Burnley and Pendle Hospice
- Sight Advice South Lakes
- Clarets in the Community
- Trinity Hospice and Palliative Care, Blackpool
- Marsden Building Society Charitable Foundation
- The Community Foundation for Lancashire's Red Rose Responding Fund

No contributions were made for political purposes.

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 2025 were ten days (2024: nine days).

Stakeholder Engagement

The Chief Executive's Review on pages 5 to 7 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; 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 76).

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, and to the date of this report, were as follows:

J L Walker	
J A L Brook	from 12 December 2025
H J Crinion	to 10 September 2025
M R Gray	
D J Landon	from 22 September 2025
C McDonald	to 24 February 2025
R M Pheasey	
G L Smith	
M Sullivan	
N Walker	
N J Webber	

Biographies of the Directors appear on pages 33 to 35.

D J Landon and J A L Brook, both being eligible, will seek election without nomination at the Annual General Meeting (AGM). All remaining Directors will retire and being eligible, seek re-election at the AGM with the exception of M R Gray and N J Webber who will retire at the end of March 2026. At 31 December 2025, 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 2026

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.

This report has been compiled in accordance with the UK Corporate Governance Code 2024, for provisions applicable for accounting periods commencing 1 January 2025. Although the Code applies to publicly quoted companies, both the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) encourage each building society to explain in its annual report and accounts whether, and to what extent, it adheres to the Code in the interests of transparency.

The Board is committed to having regard to the UK Corporate Governance Code and the guidance on it issued by the FRC and the Building Societies Association, to the extent that its provisions are relevant to a building society of this scale, and in continuing to develop corporate governance practices 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 Board should ensure that the necessary resources, policies and practices are in place for the company to meet its objectives and measure performance against them.

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					
Chair: J Walker					
Responsible for the long term strategy and sustainability of the Society					
Board Committees					
The Board delegates certain matters to Board Committees so that they can be considered in more detail by those directors who have the most relevant skills and experience to do so.					
Audit & Compliance Committee	Risk Committee	Nominations Committee	People, Remuneration & Culture Committee	Technology Committee	Customer & Distribution Committee
Chair: M Sullivan	Chair: MR Gray	Chair: J Walker	Chair: N J Webber	Chair: G L Smith	Chair: G L Smith
Reports to the Board on financial reporting, internal controls and risk management systems and regulatory compliance. Receives reports from Internal Audit	Oversees Prudential Risk, Operational Risk and Conduct Risk, Risk Strategy, Risk Appetite and oversight.	Oversees board governance including the composition and succession planning for the Board	Responsible for policy on remuneration of the Executive Directors, senior management and the Chair of the Board. Oversees the remuneration practices for all colleagues.	Oversees the IT Target Operating Model Transformation Programme.	Oversees and promotes good governance of the strategy and activities in relation to its customers, key distribution partners and the products and services
The Terms of Reference for the Board and its Committees are available on our website					

Committee Changes

During the year, the Nominations Committee approved a proposal to remove the Board Technology and Board Customer & Distribution Committees from the governance structure with effect from 1 January 2026. These Committees operated as steering committees which dealt with matters delegated by the Board, now to be considered directly into Board.

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, including two days focused on strategy. Non-Executive Directors also meet informally without the Executive Directors being present. In addition to Committee members, others who regularly attended meetings (by invitation) include the Chief Executive, the Chief Financial Officer, the Chief Customer Officer, the Risk Director and the General Manager & Secretary.

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 8. The Board, through its committees, regularly receives information to provide assurance that culture is aligned to our purpose and values.

C. Governance reporting should focus on Board decisions and their outcomes in the context of the company’s strategy and objectives. Where the Board reports on departures from the Code’s provisions, it should provide a clear explanation.

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 to 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 Annual General Meeting (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.

Mark Gray, the Senior Independent Director, also acts as a point of contact for members wishing to make representation to the Board.

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 half yearly colleague engagement surveys, through Best Companies, achieving a 1 Star Very Good status with 87% of colleagues participating. Results are shared transparently with employees and the Board, and action plans are developed to address areas for improvement.

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 annual staff engagement survey.

Workforce policies and practices are regularly evaluated to ensure alignment with the Society's values, and compliance with the relevant legal framework. These policies are accessible to all employees via the Society's online employee portal, with additional support available from the People team. 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. Employees undertake learning and development activity to ensure they are aware of how to confidentially raise concerns without fear of victimisation. The Society's Whistleblowing Champion is Maura 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 2025, 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.

Mark 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 2025 and the attendance record of individual Directors are set out below.

Directors	Board	Risk	Audit	PRCC	Nominations	BCDC	BTEC
Non-Executive							
John Walker	9 (10)			3 (3)	8 (8)		
Mark Gray	10 (10)	5 (5)	5 (5)		8 (8)		3 (4)
Darin Landon	3 (3)						
Chris McDonald	1 (1)	1 (2)		1 (1)	2(2)		
Georgina Smith	10 (10)	5 (5)	5 (5)			1 (1)	4 (4)
Maura Sullivan	10 (10)	5 (5)	5 (5)	3 (3)	8 (8)		
Nicola Webber	8 (10)		5 (5)	3 (3)		1 (1)	4 (4)
Executive							
Rob Pheasey	10 (10)	5 (5) A	5 (5) A	3 (3) A	3 (3) A	1 (1) A	4 (4) A
Neal Walker	10 (10)	5 (5) A	5 (5) A				
Heather Crinion	5 (7)	3 (5) A	3 (5) A			1 (1) A	4 (4) A
Julia Brook	1 (1)						

Notes: **A** denotes attendee only () = number of meetings eligible to attend

Where Directors have other significant commitments, these are set out in the Annual Business Statement on pages 113 to 114 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.

Directors access Board-approved policies, the Board Governance manual, committee packs, minutes and other relevant information through the secure online Board portal. Management information is regularly reviewed and enhanced to support the Board and its Committees in discharging their terms of reference. Each Committee also conducts an annual effectiveness review, which includes an assessment of the quality and adequacy of the information provided.

The Secretary provides guidance on corporate governance matters, and individual members of the Board have access to independent advice 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. They should promote diversity, inclusion and equal opportunity.

The Nominations Committee has responsibility for succession planning for both the Board and senior management, 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 33 to 35. 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.

Board effectiveness is also periodically assessed by an external facilitator, the most recent assessment being June 2025. The outcomes from the assessment were reviewed by the Board which covered four key areas [1] Stakeholder understanding [2] Board focus and strategy development [3] Board composition and utilisation and [4] Board meeting efficiency. Actions were agreed and progress tracked via the Board.

The Board is of the view that all Directors contribute effectively and are considered suitable for election/re-election (where appropriate) at the 2026 AGM.

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 49 to 52 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 40 in the Directors' Report. The Chief Executive's Review on pages 5 to 7 and the Strategic Report on pages 8 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 49 to 52 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 (including Solvent Exit Analysis) (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 & 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 & 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 & 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 57 to 61 details the Board's position on code principles related to remuneration.

On behalf of the Board of Directors

J L Walker

Chair

4 March 2026

Audit and Compliance Committee Report

This report outlines how the Committee discharges its responsibilities in line with the FRC 'Guidance on Audit Committee's (April 2016) and the role of the Committee in relation to compliance with the following principles of the UK Corporate Governance Code (2024) as applicable for accounting periods commencing on or after 1 January 2025.

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.

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

It details the significant issues reviewed and concluded during the year, including the Committee's assessment of those areas on which accounting judgement was exercised.

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 2025 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, Chief Financial Officer, Chief Customer Officer 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.

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 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. The Committee also considered anonymised sector benchmarking data on provision input assumption and concluded the level of impairment provisions are appropriate.

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. During the year, the Committee oversaw remaining income and costs in the form of booking and valuation fee income brought into effective interest rate calculations as they were not fully offsetting. 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 and is satisfied that the estimates and accounting treatment are appropriate.

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 also 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 the introduction of a hedge portfolio for fixed rate funding in 2024, this was a key focus of the Committee during the year. The Committee is satisfied that the accounting treatment is appropriate in this area.

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 (2022 based). The Committee concluded the provision in respect of this obligation is appropriate.

Going Concern

This involves rigorous consideration, based on reports as requested by the Committee, of the Society's current and projected liquidity and capital positions, as well as consideration of potential stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of inflation and interest rate changes, focused on the Society's capital and liquidity position and operational resilience. Based on its review, the Committee concluded that the adoption of the going concern assumption to prepare the financial statements remains appropriate.

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:

- Individual Liquidity Adequacy Assessment Process (ILAAP)
- Senior Managers & Certification Regime (SM&CR)
- Cyber Risk Management
- Mortgage Underwriting and Processing and Mortgage Administration
- Strategy, Planning and Forecasting and Management Information
- Solvent Exit Analysis
- General IT Controls

Other assurance activity has also been considered in respect of the IT Transformation with Ongoing Advisory Assurance received.

The General Manager (Compliance) and Secretary provides second line assurance on systems and controls over compliance with regulatory obligations across Society operations. 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 (2024: 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 2026

Risk Committee Report

This report outlines the duties of the Committee and how the Committee has fulfilled its role in providing oversight for the Board of current and potential future risk exposures, the effectiveness of management and mitigation of these risk exposures and in overseeing the effectiveness of the Risk Management Framework.

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

- Advise the Board on the Society's performance against its risk appetite 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.
- Review and challenge of Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plans (including Solvent Exit Analysis).
- 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.

The four independent Non-Executive Directors composing the Committee as at 31 December 2025 were M R Gray (Chair), D Landon, G L Smith and M Sullivan. At the invitation of the Chair of the Committee, the Chief Executive Officer, Chief Finance Officer, Chief Customer Officer, Risk Director and General Manager (Compliance) & Secretary attend meetings.

Matters Considered by the Committee in 2025

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.
- Implementation of a Reserve Hedge strategy with the objective of stabilisation of earnings.
- Review of the Society ICAAP, ILAAP, Solvent Exit Analysis, ORSA and Business Continuity Playbook.
- Review of a range of policy statements including Lending, Financial Risk Management, Data Protection, Health & Safety, Information Technology, Model & EUCA Governance, Regulatory Returns, Conduct, Material Outsource and Supplier Management, and Financial Crime Prevention.
- Ad hoc reviews such as Lending Strategy and Business Continuity.

Future Areas of Focus

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

- Evolution of the Risk function to meet the future needs of the business in all principal risk areas.
- Close liaison with the Board Audit and Compliance Committee to ensure comprehensive oversight over the effectiveness of the Control Environment.
- Oversight of the transition of the Society to the new Small Domestic Deposit Takers regime and the new capital framework.
- Further development and evolution of how we manage our response to climate change.

M R Gray

Chair of the Board Risk Committee

4 March 2026

Nominations Committee Report

This report outlines the duties of the Nominations Committee (NOMCO) and how the Committee has fulfilled its role to provide oversight for the Board in relation to Board governance, succession planning and appointments made to the Board.

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

Advise the Board on governance, succession planning and appointments, to:

- Maintain and oversee succession plans for the Board and Executive team,
- Recommend to the Board the appointment of new Board Directors and members of the executive team
- Review the composition Board Committees
- Review the governance arrangements for Board and Board Committee effectiveness

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

Membership of the Committee is drawn from independent Non-Executive Directors. The Committee met nine times during the year. The composition of the Committee as at 31 December 2025 was J L Walker(Chair), alongside M R Gray and M Sullivan. At the invitation of the Chair of the Committee, the Chief Executive and Secretary attend meetings.

Matters Considered by the Committee in 2025

- In January 2025 the Committee received proposals for the engagement of an externally facilitated Board evaluation. Two external facilitators had been shortlisted to support the process, and it was concluded to engage Praesta, a company with which the Society has no prior connection or conflict of interest. The Committee agreed that the external facilitators would be invited to attend the June Board meeting to conduct their review, as well as interviews with Board stakeholders. Further information is within the Corporate Governance Report on page 41.
- The appointment of a new Non-Executive Director, Darin Landon, with effect from 22 September 2025. Darin will stand for election at the Annual General Meeting on 22 April 2026, pursuant to Rule 25.
- The appointment of a new Executive Director, Julia Brook, with effect from 12 December 2025. Julia will stand for election at the Annual General Meeting on 22 April 2026, pursuant to Rule 25.
- The appointment of a new Non-Executive Director, Keith Rolfe, with effect from 5 January 2026. Keith will stand for election at the 2027 Annual General Meeting.
- The governance framework and composition of Board Committees for 2026.
- During the year, the Nominations Committee approved a proposal to remove the Board Technology and Board Customer & Distribution Committees from the governance structure with effect from 01 January 2026. These Committees operated as steering committees which dealt with matters delegated by the Board, now to be considered directly into Board
- The progress made in delivering our People Strategy.
- Review the Board Diversity & Inclusion Policy.
- Board and Executive Succession Plans

The Committee is responsible for the re-appointment of all Non-Executive Directors at the end of each three-year term. Non-Executive Directors are usually expected to serve a minimum of two terms. During the year there were no Non-Executive Directors reaching a 3, 6 or 9 year anniversary.

Inclusion and Diversity

The Board carefully considers diversity, skills and experiences when making any appointments and ensures we use an objective set of criteria when recruiting. At 31 December 2025, there has been no requirement to address any under-represented gender gaps in our Board which is currently operating at 50.0% male to female representation. The gender ratio of Senior Managers reporting to an Executive Director is 66.5% female to 33.5% male.

Future Areas of Focus

The Nomination Committee will continue to support the Executive team by maintaining the strong performance and effectiveness of the Board, ensuring it has the right skills, qualities and performance to meet the Society's future plans and to deliver a high performing, inclusive and diverse culture.

J L Walker

Chair of the Nominations Committee

4 March 2026

People, Remuneration and Culture Committee Report

This report outlines the duties of the People Remuneration and Culture Committee (PRCC) and how the Committee has fulfilled its role to provide oversight for the Board in relation to remuneration policies and practices.

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

- Advise the Board on remuneration, culture and people policies and practices, which are designed to support strategy and promote long-term sustainable success.
- Ensure that remuneration is aligned to our purpose and values and is clearly linked to the successful delivery of the Society's long-term strategy.
- Ensure that the Society's remuneration principles comply with best practice and the appropriate legal and regulatory requirements.
- Review the effectiveness of the operation of the Committee on an annual basis.

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

Membership of the Committee is drawn from independent Non-Executive Directors. The Committee met four times during the year. The composition of the Committee as at 31 December 2025 was N J Webber (Chair), alongside J L Walker and M Sullivan. At the invitation of the Chair of the Committee, the Chief Executive and Secretary attend meetings. Neither the Chair nor Chief Executive take part in the discussions on their individual remuneration.

Matters Considered by the Committee in 2025

- All decisions relating to Executive Directors and the Executive team.
- The Committee also considers and governs the variable performance frameworks to ensure that annual performance is in accordance with objectives, long-term strategy, and the Society's values.
- The Committee has been kept informed and updated on the annual pay awards. In 2025, pay awards considered changes to national minimum wage and changes to employer's National Insurance contributions. The pay review for employees was conducted in two parts: [1] a benchmarking award reflecting any changes in the pay benchmark, using relevant information in our sector, the geographical area using national pay benchmark data and the Building Societies Annual Salary Survey and [2] annual increase applying to all colleagues.

Directors Remuneration Report

This report explains how the Society applies the principles of the UK Corporate Governance Code (relating to remuneration).

The level and components of 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 Society's objective when setting remuneration is to ensure that it is in line with the Society's business strategy, risk appetite and long-term objectives. Remuneration is comparable with that of similar organisations in the financial sector to retain, attract and motivate individuals with the required skills and competence.

The remuneration of the Chair, Executive Directors and other members of the Executive team is overseen by the Remuneration Committee, which consists of three Non-Executive Directors and meets a minimum of twice a year. During the reporting period, the composition of the Committee satisfied the Code provisions regarding independence. At the invitation of the Chair of the Committee, the Chief Executive, General Manager (Compliance) and Secretary, Head of People, and/or external advisers may attend all or part of the meeting when judged appropriate. Members of the Committee or attendees take no part in the discussion of their own remuneration.

The Remuneration Committee reviews and updates the Society's Remuneration Policy annually. In setting remuneration, the Committee considers the remuneration levels and structure provided by building societies that are similar in size and complexity. A report may be commissioned from external consultants to assist in this process. The Committee did not use the services of an external consultant during the reporting period.

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 as at 31 December 2025 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.

Executive Directors' Emoluments

The remuneration of the Executive Directors is detailed at the foot of this report. Total remuneration payable to the executive management team comprises basic salary, annual performance related pay and various benefits detailed below.

Basic salary

Basic salaries are reviewed and benchmarked annually in line with comparable roles within building societies, across locations and levels generally within the wider financial services industry.

Performance Related Pay Schemes

The Society operates two performance related pay schemes:

1. An annual “Society Bonus Scheme” available to all colleagues, including the Executive Directors. 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.
2. Executive Directors can receive an amount in excess of the Society Bonus Scheme reflecting performance in delivering long-term business plan objectives and individual performance in delivering outcomes in excess of planned performance of the Society.

Performance related payments are taxable but non-pensionable. As a mutual, the Society has no share option schemes.

Benefits

All colleagues, including the Executive Directors, participate in a defined contribution Group Personal Pension Scheme with a contribution rate of 10% of salary per annum. The executive management receive other benefits comprising death in service benefits, lease cars and private medical insurance.

Contractual Terms

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: for Rob Pheasey and Neal Walker, giving one year’s notice with compensation for loss of office being 12 months remuneration; for Julia Brook giving 6-months’ notice with compensation for loss of office being 6-months remuneration.

Other Members of Executive Management

The Committee is also responsible for determining the remuneration, terms and conditions of other members of the Executive management team in consultation with the Chief Executive. These are the Risk Director and General Manager & Company Secretary. These individuals are eligible for the same benefits as the Executive Directors and have access to the annual performance related Society Bonus Scheme available to all colleagues.

Non-Executive Directors’ Emoluments

The remuneration of the Non-Executive Directors is detailed at the foot of this report.

Remuneration comprises a basic fee with additional payments for the Chair of a Board Committee to reflect the additional responsibilities of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive schemes or receive any other benefits.

Non-Executive Directors have letters of appointment, and these are available for inspection prior to the Annual General Meeting (AGM) or at the Society’s registered address

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.

AGM Vote

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.

Directors' remuneration (audited information)

2025

Non-executive		Fees/Salary £	Variable Remuneration/ Other £	Benefits £	Pensions and group life contributions £	Total £
J L Walker	Chair	59,115	-	-	-	59,115
M R Gray	Senior Independent Director	34,880	-	-	-	34,880
C McDonald	to 24 February 2025	5,706	-	-	-	5,706
M Sullivan		34,880	-	-	-	34,880
N J Webber		34,173	-	-	-	34,173
G L Smith		34,216	-	-	-	34,216
D Landon	from 22 September 2025	8,916	-	-	-	8,916
		211,886	-	-	-	211,886
Executive						
R M Pheasey	Chief Executive Officer	221,862	40,459	34,750	19,955	317,026
N Walker	Chief Financial Officer	142,448	29,496	26,783	36,655	235,382
H J Crinion	Operations Director to 10 September and employed to 31 December 2025	90,849	29,195	7,944	128,380	256,368
J A L Brook	Chief Customer Officer employed from 10 November 2025 and appointed to the Board 12 December 2025	23,975	1,133	284	220	25,612
		479,134	100,283	69,761	185,210	834,388

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

Notes

1. The Executive Directors can elect to take as a cash allowance up to 10% of salary paid in lieu of pension contributions. During the year R M Pheasey and N Walker took advantage of this option.
2. 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. During the year R M Pheasey, N Walker and H J Crinion took advantage of this option, with H J Crinion also sacrificing part compensation for loss of office.

3. Included within Benefits is the taxable benefit in kind of company cars, provided to Executive Directors. The Society has a policy of offering to Directors only hybrid-electric or full battery-electric vehicles in line with our net zero goals
4. In respect of H J Crinion Fees/salary and pension contributions includes payments relating to the period from ceasing to act as a Director from 10 September until retirement at 31 December 2025. This includes a payment of £78,294, which relates to the payment to H J Crinion for loss of office on retirement from the Society at 31 December 2025. The total benefit is allocated to Variable Remuneration/Other of £12,992 and Pension Contributions £65,302.

N J Webber

Chair of the People, Remuneration and Culture Committee

4 March 2026

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 2025 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 31.

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 matter is identified as follows:

- ⊞ Similar level of risk

Materiality	The materiality that we used for the Society’s financial statements was £ 554k (2024: £531k) which was determined on the basis of 1% of net assets (2024: 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 audit approach has remained consistent 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 used in cashflow forecasts like growth rates and interest margins;
- 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, Financial Instruments: Recognition and Measurement, 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 £720m (2024: £661m). As at the 31 December 2025, the Society held provisions against residential mortgages of £540k (2024: £381k) as per note 15. This comprises of a collective provision for losses incurred but not reported of £540k (2024: £379k) and a specific provision for loans where there has been an observable impairment trigger of nil (2024: £2k).

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 25.

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 25), 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 remained consistent with the previous year.

The Society's associated accounting policies in relation to impairment provisions against loans and advances to customers are detailed on pages 80 to 81.

How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the impairment of loans and advances to customers process. This included assessment of the key management review controls. In conjunction with our 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 our internal macroeconomic specialists including utilising data from peer entities and external economic forecasts; 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.
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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	£554k (2024: £531k)
Basis for determining materiality	1% of net assets (2024: 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 2025 audit (2024: 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 £28k (2024: £27k), 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 risks of material misstatement was performed by the audit engagement team.

7.2. Our consideration of the control environment

Consistent with prior periods, we tested relevant controls and 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 core mortgage and savings system, which is key to the financial reporting processes in the Society. Through the involvement of our IT specialists, we have tested the relevant General IT Controls (GITCs) and automated controls associated with this system.

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 page 26 to 32.

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 38, 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 matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 29 to the financial statements for the financial year ended 31 December 2025 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 six years, covering the years ending 31 December 2020 to 31 December 2025.

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 2026

Income Statement

For the year ended 31 December 2025

	Note	2025 £000	2024 £000
Interest receivable and similar income	2	43,079	43,099
Interest payable and similar charges	3	(26,479)	(29,442)
Net interest income		16,600	13,657
Fees and commissions receivable		55	57
Fees and commissions payable		(106)	(104)
Other income		267	113
Net income from financial instruments at fair value through profit and loss	4	(1,015)	(330)
Total income		15,801	13,393
Administrative expenses	5	(12,036)	(10,732)
Depreciation and amortisation	16,17	(192)	(163)
Operating profit before impairment losses and provisions		3,573	2,498
Impairment (losses) / gains on loans and advances	15	(159)	568
Provisions for liabilities	22	(21)	-
Operating profit		3,393	3,066
(Loss) on disposal of tangible and intangible assets	16,17	(3)	(11)
Profit on ordinary activities before tax		3,390	3,055
Tax expense on ordinary activities	9	(891)	(730)
Profit for the financial year		2,499	2,325

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 76 to 112 form part of these accounts.

Statement of Comprehensive Income

For the year ended 31 December 2025

	Note	2025 £000	2024 £000
Profit for the financial year		2,499	2,325
Other comprehensive income			
Items that will not be reclassified to the income statement			
Re-measurement of the net defined benefit liability	23	(9)	6
Tax on items that will not be re-classified to the income statement	9	2	(1)
Gain / (loss) on available for sale debt securities	12	27	(3)
<hr/>			
Other comprehensive income for the period		20	2
<hr/>			
Total comprehensive income for the period		2,519	2,327

Statement of Financial Position

As at 31 December 2025

	Note	2025 £000	2024 £000
Assets			
Liquid assets			
Cash in hand	10	323	335
Loans and advances to credit institutions	11	68,002	100,295
Debt securities	12	72,616	29,540
Derivative financial instruments	13	546	2,682
Loans and advances to customers	14	720,318	661,333
Tangible fixed assets	16	1,527	1,051
Intangible assets	17	58	77
Deferred tax assets	21	-	196
Other debtors	18	985	702
Total Assets		864,375	796,211
Liabilities			
Shares	19	788,852	724,666
Amounts owed to credit institutions	26	-	5,061
Amounts owed to other customers	26	14,538	5,753
Derivative financial instruments	13	696	102
Other liabilities	20	736	3,629
Accruals and deferred income		984	828
Deferred tax liabilities	21	10	138
Provisions for liabilities	22	21	-
Retirement benefit obligations	23	565	580
Total Liabilities		806,402	740,757
Reserves			
General reserves		57,973	55,454
Total reserves attributable to members of the Society		57,973	55,454
Total reserves and liabilities		864,375	796,211

The notes on pages 76 to 112 form part of these accounts.

These accounts were approved by the Board of Directors on 4 March 2026 and signed on its behalf:

J L Walker
Chairman

R M Pheasey
Chief Executive

N Walker
Chief Financial Officer

Statement of Changes in Members' Interests

As at the year ended 31 December 2025

	General Reserve	Total
	2025 £000	2025 £000
Balance at 1 January 2025	55,454	55,454
Total comprehensive income for the period		
Profit for the year	2,499	2,499
Other comprehensive income	20	20
Total comprehensive income for the period	2,519	2,519
Balance at 31 December 2025	57,973	57,973
	General Reserve	Total
	2024 £000	2024 £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

Cash Flow Statement

For the year ended 31 December 2025

	2025	2024
	£000	£000
Cash flows from operating activities		
Profit before tax	3,390	3,055
<i>Adjustments for</i>		
Depreciation and amortisation of tangible and intangible assets	192	163
Amortisation of debt security premium / discount	(2,104)	(675)
Increase in accrued interest on debt securities	(330)	-
Loss on disposal of tangible fixed assets	3	11
Interest cost of the net defined benefit pension liability	29	25
Charge / (Recovery) on impairment on loans and advances to customers	159	(568)
Loans and advances written off net of recoveries	-	(52)
Total	1,339	1,959
Changes in operating assets and liabilities		
(Increase) / Decrease in prepayments, accrued income and other assets	(283)	55
(Decrease) / Increase in accruals, deferred income and other liabilities	(4,967)	3,885
(Increase) in loans and advances to customers	(57,559)	(18,094)
Decrease in fair values of derivatives and associated hedge items	1,015	330
Increase in shares	66,748	96,712
(Decrease) in amounts owed to credit institutions	(5,000)	(55,500)
Increase in amounts owed to other customers	8,662	168
Retirement benefit paid	(53)	(52)
Taxation paid	(941)	(508)
Net cash generated / (used in) by operating activities	8,961	28,955
Cash flows from investing activities		
Purchase of debt securities	(125,615)	(51,197)
Disposal of debt securities	85,000	22,329
Purchase of tangible fixed assets	(651)	(167)
Disposal of tangible fixed assets	1	2
Purchase of intangible assets	(1)	(53)
Net cash generated in investing activities	(41,266)	(29,086)
Net (decrease) / increase in cash and cash equivalents	(32,305)	(131)
Cash and cash equivalents at 1 January	100,630	100,761
Cash and cash equivalents at 31 December	68,325	100,630

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 also 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) Loans and receivables

'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) Available-for-sale

'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 within a range of 80 – 125%.

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

Mortgage assets are pledged as collateral to support access to Central Bank Drawing Facilities under the SMF. 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 2025 and in the prior year, these options included the provision of support to borrowing members impacted by 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 Mortgage Charter.

The Strategic Report and Credit Risk Section of Note 25 Credit Risk provides details of forbearance at the Balance Sheet date and in the prior 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 amounts 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 2025 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 £52,958 (2024: £37,331). 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 £258,941 (2024: £134,472).

2 Interest Receivable and Similar Income

	2025	2024
	£000	£000
On loans fully secured on residential property	36,283	33,985
On other loans	10	11
On liquid assets	3,307	5,762
On debt securities	2,148	675
Net interest on derivatives	1,331	2,666
	43,079	43,099

Interest on debt securities represented interest from available-for-sale assets of the Society in the form of UK Treasury Bills and Gilts, Covered Bonds, and Supranational fixed rate notes. For further details, see Note 12.

3 Interest Payable and Similar Charges

	2025	2024
	£000	£000
On shares held by individuals	25,883	25,994
On deposits and other borrowings	610	3,143
Net (interest) / expense on derivatives	(14)	305
	26,479	29,442

4 Net (Loss) / Gain on Derivative Financial Instruments

	2025	2024
	£000	£000
Net loss on derivatives in designated fair value hedge relationships	(2,278)	(273)
Adjustments to hedged items in fair value hedge relationships	1,592	(227)
Net (loss) / gain on derivatives not in designated fair value hedge relationships	(329)	170
	(1,015)	(330)

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 £0.598m (2024: £0.595m) with the remaining positive volatility of £0.088m (2024: positive volatility of £0.095m) relating to ineffectiveness in the hedge portfolio.

5 Administrative Expenses

	2025	2024
	£000	£000
Wages and salaries	4,746	4,212
Social security costs	557	439
Contributions to defined contribution plans	972	817
Expenses relating to defined benefit plans	29	25
	6,304	5,493
Other administrative expenses	5,732	5,239
	12,036	10,732

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

	2025	2024
	£000	£000
Audit of these annual accounts	365	319
	365	319

6 Employee Numbers

	2025	2024
	No.	No.
Full time	87	80
Part time	38	35
	125	115
Principal Office	84	75
Branch Offices	41	40
	125	115

7 Directors' Remuneration

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

Total Directors' emoluments for the year amounted to £1,046,274 (2024: £866,270).

8 Directors' Loans and Transactions

As at 31 December 2025, there were outstanding mortgage loans granted in the ordinary course of business to two Directors (2024: two) and no connected persons (2024: none), amounting in aggregate to £296,209 (2024: £335,337).

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 Annual General Meeting (AGM) and at the AGM.

9 Taxation

Income Statement Items	2025	2024
	£000	£000
Current tax		
Current tax on income for the period	801	726
Adjustments in respect of prior periods	24	(1)
Foreign tax relief/other relief	(1)	(1)
	824	724
Foreign tax suffered	1	1
Total current tax	825	725
Deferred tax (refer Note 21)		
Origination and reversal of timing differences	65	52
Adjustment in respect of previous periods	1	(47)
Total deferred tax	66	5
Total tax charged to the Income Statement	891	730
Other Comprehensive Income Items	2025	2024
	£000	£000
Current tax	(2)	-
Deferred tax	-	1
Total tax charged to the Statement of Other Comprehensive Income	(2)	1

	Current tax	Deferred tax	Total
	2025	2025	2025
	£000	£000	£000
Recognised in the Income Statement	825	66	891
Recognised in Other Comprehensive Income	(2)	-	(2)
Total tax	823	66	889

	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

Reconciliation of effective tax rate	2025	2024
	£000	£000
Profit for the year	3,390	3,055
Total tax expense	891	730
Tax using the UK corporation tax rate of 25% (2024: 25%)	845	768
Expenses not deductible for corporation tax purposes	21	9
Adjustment from previous periods	25	(47)
Total tax charge in the Income Statement	891	730

Current tax has been provided at the rate of 25% (2024: 25%). The deferred tax asset and liability have been provided at the rate of 25% (2024: 25%) which is the rate applicable when the deferred tax asset and liability is expected to crystallise.

10 Cash and Cash Equivalents

	2025	2024
	£000	£000
Cash in hand	323	335
Loans and advances to credit institutions (refer Note 11)	68,002	100,295
Cash and cash equivalents per the cash flow statements	68,325	100,630

11 Loans and Advances to Credit Institutions

	2025	2024
	£000	£000
Repayable on demand		
Balances with the Bank of England	67,793	75,021
Loans and advances to credit institutions	209	561
	68,002	75,582
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	68,002	100,295
Total included within cash equivalents	68,002	100,295

12 Debt Securities

	2025	2024
	£000	£000
Treasury bills and gilts	62,471	29,540
Covered bonds	5,230	-
Supranational fixed rate notes	4,915	-
	72,616	29,540

Maturity analysis is shown at Note 26 – Liquidity Risk.

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

	2025	2024
	£000	£000
At 1 January 2025	29,540	-
Additions	125,615	51,197
Movements in premium / discount	2,104	675
Movements in accrued interest	330	-
Disposals and maturities	(85,000)	(22,329)
Net movement in fair value recognised in the Statement of Comprehensive Income	27	(3)
At 31 December 2025	72,616	29,540

13 Derivative Financial Instruments

	Notional Principal	Fair Values Assets	Fair Values Liabilities
	2025	2025	2025
	£000	£000	£000
Derivatives designated as fair value hedges			
Interest rate swaps	145,500	546	674
Total derivatives designated as fair value hedges	145,500	546	674
Derivatives not designated as fair value hedges			
Interest rate swaps	8,000	-	22
Total derivatives not designated as fair value hedges	8,000	-	22
	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 in hedge relationships			
Interest rate swaps	21,000	185	0
Total derivatives not designated as fair value hedges	21,000	185	0

14 Loans and Advances to Customers

	2025	2024
	£000	£000
Loans fully secured on residential property	718,987	661,395
Loans fully secured on land	105	116
Effective interest rate adjustment	694	716
Provisions for impairment losses	(540)	(381)
Loans and advances to customers per Note 25	719,246	661,846
Fair value adjustment for hedged risk	1,072	(513)
	720,318	661,333

Maturity analysis is shown at Note 26 – Liquidity Risk.

At 31 December 2025, £159.3m (2024: £202.7m) 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
	2025	2025	2025
	£000	£000	£000
At 1 January 2025			
Individual impairment	2	-	2
Collective impairment	379	-	379
	381	-	381
Income Statement			
Impairment losses on loans and advances			
Individual impairment	(2)	-	(2)
Collective impairment	161	-	161
	159	-	159
At 31 December 2025			
Individual impairment	-	-	-
Collective impairment	540	-	540
	540	-	540

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

16 Tangible Fixed Assets

	Land and buildings	Equipment fixtures fittings and vehicles	Total
	2025	2025	2025
	£000	£000	£000
Cost			
Balance at 1 January 2025	1,107	1,437	2,544
Acquisitions	343	308	651
Disposals	-	(36)	(36)
Balance at 31 December 2025	1,450	1,709	3,159
Depreciation and impairment			
Balance at 1 January 2025	445	1,048	1,493
Depreciation charge for the year	17	154	171
On disposals	-	(32)	(32)
Balance at 31 December 2025	462	1,170	1,632
Net book value			
Balance at 1 January 2025	662	389	1,051
Balance at 31 December 2025	988	539	1,527

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

	2025	2024
	£000	£000
The net book value of land and buildings comprises:		
Freehold	988	662
	988	662

17 Intangible Assets

	Purchased software
	2025 £000
Cost	
Balance at 1 January 2025	216
Acquisitions	1
Written off in the year	-
Balance at 31 December 2025	217
Amortisation	
Balance at 1 January 2025	139
Amortisation charge for the year	21
Written off in the year	-
Balance at 31 December 2025	159
Net book value	
Balance at 1 January 2025	77
Balance at 31 December 2025	58

Intangible assets are included at cost.

18 Other Debtors

	2025	2024
	£000	£000
Cash collateral pledged against hedging contracts	100	-
Prepayments and accrued income	885	702
	985	702

19 Shares

	2025	2024
	£000	£000
Held by individuals	788,634	724,444
Other shares	181	180
Fair value adjustment for hedged risk	37	42
	788,852	724,666

Maturity analysis is shown at Note 26 – Liquidity Risk.

20 Other Liabilities

	2025	2024
	£000	£000
Corporation tax	238	344
Social Security	136	113
Cash collateral received against hedging contracts	-	2,735
Other creditors	362	437
	736	3,629

21 Deferred Tax Assets and Liabilities

	Assets		Liabilities		Net	
	2025	2024	2025	2024	2025	2024
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	-	-	162	137	(162)	(137)
Employee benefits	149	164	1	1	148	163
Other short term timing differences	4	32	-	-	4	32
	153	196	163	138	(10)	58

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

Presentation of deferred tax in the Statement of Financial Position has been shown in 2025 as the net liability, with prior year showing the gross asset and liability positions. This has not been restated for prior year comparatives in 2024; from 2026 both years will appear as a net asset or net liability, as applicable.

22 Provisions for Liabilities

	2025	2024
	£000	£000
At 1 January 2025	-	-
Additions/Adjustments	21	-
Provision utilised	-	-
Recovered	-	-
At 31 December 2025	21	-

Provisions added in the year relate to restructuring of the mortgage operation, due to complete early 2026.

23 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.

	2025	2024
	£000	£000
Defined benefit obligation	565	580
Net pension liability	565	580

Movement in present value of defined benefit obligation

	2025	2024
	£000	£000
At 1 January 2025	580	613
Interest expense	29	25
Re-measurement: actuarial losses / (gains)	9	(6)
Benefits paid	(53)	(52)
A 31 December 2025	565	580

Principal actuarial assumptions

	2025	2024
	%	%
Discount rate	5.15	5.21
Future pension increases	2.40	2.64

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 (2024: iBoxx AA Sterling Corporate Non-financial Bond Index)
- ONS National Population Projections (Lifetable) (2022 Based) Cohort Life Expectancy (2024: 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 £972,000 (2024: £817,000). At the beginning of the financial year there was an outstanding contribution brought forward of £68,476 that was settled during January 2025. There were no outstanding contributions as at the end of 2025 financial year.

24 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 category at 31 December 2025	Measured at amortised cost		Measured at fair value			Total £000
	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Derivatives designated as fair value hedges	Unmatched derivatives	
	£000	£000	£000	£000	£000	
Assets						
Cash in hand	-	323	-	-	-	323
Loans and advances to credit institutions	68,002	-	-	-	-	68,002
Debt securities	-	-	72,616	-	-	72,616
Derivative financial instruments	-	-	-	546	-	546
Loans and advances to customers	720,318	-	-	-	-	720,318
Other assets	-	2,570	-	-	-	2,570
Total assets	788,320	2,893	72,616	546	-	864,375
Liabilities						
Shares	-	788,852	-	-	-	788,852
Amounts owed to other customers	-	14,538	-	-	-	14,538
Derivative financial instruments	-	-	-	674	22	696
Other liabilities	-	60,289	-	-	-	60,289
Total liabilities	-	863,679	-	674	22	864,375

Carrying values by category at 31 December 2024	Measured at amortised cost		Measured at fair value			Total £000
	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Derivatives designated as fair value hedges	Unmatched derivatives	
	£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

At the year end, the Society had loan commitments of £25.2m (2024: £28.1m) 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.

Debt securities which are carried at fair value taken from quoted prices in active markets are disclosed in Note 12 and are considered Level 1 Assets.

The Society's Level 2 Assets comprise entirely of the Society's portfolio of derivative financial instruments held for risk management purposes, the fair value of which has been determined using generally observable Sterling Overnight Indexed Average (SONIA) yield curves derived from quoted interest rates which match the timings of the cashflows and maturities of the instruments.

25 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:

	2025	2024
	£000	£000
Cash in hand	323	335
Loans and advances to credit institutions	68,002	100,295
Debt Securities	72,616	29,540
Derivative Financial Instruments	546	2,682
Loans and advances to customers	719,246	661,846
Total statement of financial position exposure	860,733	794,698
Off balance sheet exposure: Mortgage Commitments	25,209	28,119
	885,942	822,817

Details on collateral held as security that mitigate the Society's exposure to credit risk are provided on page 105. The Society does not use credit derivatives, or similar instruments, to manage its credit risk.

Credit Risk – Wholesale Counterparties

The Management Asset and Liability Committee (MALCO) is responsible for approving treasury counterparties for both investment and derivatives purposes. Limits are placed on the amount of risk accepted in relation to one counterparty, or group of counterparties, and to industry sectors and instruments. Compliance with the limits is monitored by management and reviewed at MALCO.

The Society only permits lending to the UK Government (including Bank of England), banks with high credit ratings (including Supranationals) and building societies. Management and MALCO monitor counterparty credit risk regularly.

An analysis of the Society treasury asset concentration is shown in the table below:

Credit institutions and debt securities	2025	2025	2024	2024
	£000	%	£000	%
Industry sector				
Banks	5,439	0.04	25,274	0.19
Central Government	62,471	0.44	29,540	0.23
Central Bank	67,793	0.48	75,021	0.58
Supranationals	4,915	0.04	-	-
	140,618	100.00	129,835	100.00
	2025	CQS1	2024	CQS1
	£000	%	£000	%
Geographic Region				
United Kingdom	135,703	100.00	129,835	100.00
Supranationals	4,915	100.00	-	-
	140,618		129,835	

Analysis of the Society's derivative financial instruments is shown in the table below:

Derivatives	2025	CQS1	2024	CQS1
	£000	%	£000	%
Geographic Region				
United Kingdom	546	100.00	2,682	100.00
	546		2,682	

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.

There are no impairment charges against any of the Society's treasury assets at 31 December 2025 or in the prior year.

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	2025		2024	
	£000	%	£000	%
Residential				
Owner occupied	493,749	68.67	450,974	68.19
Buy to let	225,238	31.33	210,421	31.81
	718,987	100.00	661,395	100.00
Effective interest rate adjustment	694		716	
Provisions for impairment losses	(540)		(381)	
Fair value adjustment for hedged risk	1,072		(513)	
Total net exposure	720,213		661,217	

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	2025		2024	
	£000	%	£000	%
North	24,108	3.35	22,039	3.33
Yorkshire & Humberside	42,222	5.87	39,807	6.02
North West	72,559	10.09	74,195	11.22
East Midlands	44,719	6.22	34,983	5.29
West Midlands	42,002	5.84	40,521	6.13
East Anglia	25,546	3.55	22,326	3.37
South West	85,143	11.84	77,927	11.78
South East	166,755	23.20	157,542	23.82
Greater London	126,223	17.56	113,692	17.19
Wales	27,382	3.81	24,985	3.78
Guernsey	62,328	8.67	53,378	8.07
	718,987	100.00	661,395	100.00

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

Indexed Loan to Value Analysis	2025		2024	
	£000	%	£000	%
<=50%	434,243	60.40	426,416	64.47
>50% <=70%	204,478	28.44	180,559	27.30
>70% <=80%	64,781	9.01	52,368	7.92
>80% <=90%	4,104	0.57	1,407	0.21
>90% <=100%	11,381	1.58	645	0.10
>100%	-	-	-	-
	718,987	100.00	661,395	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 in the UK and the Guernsey Mix adjusted average according to the States of Guernsey, to derive the indexed valuation at the reporting date. At the reporting date the average indexed loan to value of residential property was 32.3% (2024: 28.9%).

The table below provides exposures by payment due status:

Indexed Loan to Value Analysis by Past Due/Impairment Status	2025		2024	
	£000	%	£000	%
Neither past due nor individually impaired	716,909	99.71	658,371	99.54
Past due but not impaired	2,078	0.29	2,870	0.44
<=70%	1,584	0.22	2,870	0.44
>70%	302	0.04	-	-
In possession	192	0.03	-	-
Impaired	-	-	154	0.02
<=70%	-	-	154	0.02
>70%	-	-	-	-
In possession	-	-	-	-
	718,987	100.00	661,395	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	2025		2024	
	£000	%	£000	%
Commercial				
Owner occupied	105	100.00	116	100.00
Investment	-	-	-	-
	105	100.00	116	100.00
Impairment adjustment	-	-	-	-
Total net exposure	105		116	

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

Geographical Analysis	2025		2024	
	£000	%	£000	%
North West	105	100.00	116	100.00
	105	100.00	116	100.00

The table below outlines the loan to value of exposures.

Loan to Value Analysis	2025		2024	
	£000	%	£000	%
<=50%	105	100.00	116	100.00
>50% <=70%	-	-	-	-
>70% <=80%	-	-	-	-
>80% <=90%	-	-	-	-
>90% <=100%	-	-	-	-
>100%	-	-	-	-
	105	100.00	116	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	2025		2024	
	£000	%	£000	%
Neither past due nor individually impaired	105	100.00	116	100.00
Past due but not impaired	-	-	-	-
<=70%	-	-	-	-
>70%	-	-	-	-
In possession	-	-	-	-
Impaired	-	-	-	-
<=70%	-	-	-	-
>70%	-	-	-	-
In possession	-	-	-	-
	105	100.00	116	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:

	2025				2024			
	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	716,909	99.71	105	100.00	658,371	99.54	116	100.00
Past due but not impaired	2,078	0.29	-	-	2,870	0.44	-	-
Past due less than 2 months but not impaired	1,027	0.14	-	-	1,303	0.20	-	-
Past due =>2 but <3 months	229	0.03	-	-	29	0.00	-	-
Past due =>3 but <6 months	118	0.02	-	-	960	0.15	-	-
Past due =>6 but <12 months	298	0.04	-	-	11	0.00	-	-
Past due over 12 months	214	0.03	-	-	567	0.09	-	-
Possessions	192	0.03	-	-	-	-	-	-
Impaired	-	-	-	-	154	0.02	-	-
Not past due	-	-	-	-	-	-	-	-
Past due less than 2 months	-	-	-	-	-	-	-	-
Past due =>2 but <3 months	-	-	-	-	-	-	-	-
Past due =>3 but <6 months	-	-	-	-	-	-	-	-
Past due =>6 but <12 months	-	-	-	-	-	-	-	-
Past due over 12 months	-	-	-	-	154	0.02	-	-
Possessions	-	-	-	-	-	-	-	-
	-	100.00	-	100.00	661,395	100.00	116	100.00
Allowance for impairment								
Individual	-		-		(386)		-	
Collective	540		-		147		-	
Total allowance for impairment	540		-		(239)		-	

Value of collateral held	Loans fully secured on residential property		Loans fully secured on land	Loans fully secured on residential property		Loans fully secured on land
	Indexed	Unindexed	Unindexed	Indexed	Unindexed	Unindexed
Neither past due nor impaired	2,219,223	1,987,626	550	2,280,360	1,843,313	550
Past due but not impaired	5,721	4,553	-	7,283	5,207	-
Impaired	-	-	-	258	250	-
	2,224,944	1,992,179	550	2,287,901	1,848,770	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 £1.886m (2024: £2.870m) and £0.192m (2024: £0.154m). 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 (2024: £nil) and £nil (2024: £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.

26 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 months 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 2025	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	323	-	-	-	-	323
Loans and advances to credit institutions	68,002	-	-	-	-	68,002
Debt securities	-	29,865	28,366	14,385	-	72,616
Derivative financial instruments	-	117	231	198	-	546
Loans and advances to customers	694	5,397	12,161	113,206	588,860	720,318
Total financial assets	69,019	35,379	40,758	127,789	588,860	861,805
Financial liabilities						
Shares	321,572	323,746	102,576	40,958	-	788,852
Amounts owed to other customers	3125	770	8,100	2,543	-	14,538
Derivative financial instruments	-	19	258	421	(2)	696
Total financial liabilities	324,697	324,535	110,934	43,922	(2)	804,086
Net liquidity gap	(255,678)	(289,156)	(70,176)	83,867	588,862	57,719

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

27 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, 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.

During the year to 31 December 2025, the Society enhanced its interest rate risk management through commencing the process of allocating its free reserves over a 63-month profile. The sensitivity analysis below captures the impact of the reserve hedge at the balance sheet date.

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	
	2025	2024
	£000	£000
Sensitivity of reported reserves to interest rate movement (economic value)		
At 31 December	252	(1,183)

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:

Instrument type	2025		2024	
	Assets	Liabilities	Assets	Liabilities
	£000	£000	£000	£000
Interest rate swap	546	696	2,682	102
	546	696	2,682	102

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

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 IV (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.

28 Commitments

Capital Commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £nil (2024: £116,500).

The contractual commitments for the acquisition of intangible assets at the year-end were £nil (2024: £nil).

29 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 2025 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 25 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

30 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 2025, the Society had mortgage loans to Directors and close family members of £296,209 across two accounts (2024: £335,377 across two accounts) on terms on offer to members.

At 31 December 2025, the Society had savings balances from Directors and close family members of £48,539 (2024: £107,721) on terms on offer to members.

During 2025, the Society recognised no transactions in relation to Directors or close family members.

31 Leases

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

	2025	2024
	£000	£000
Less than 1 year	127	71
1 to 5 years	180	62
After 5 years	51	-
Total	358	133

During the year, £164,650 was recognised as an expense in the income and expense account in respect of operating leases (2024: £137,750)

Annual Business Statement

for the year ended 31 December 2025

1. Statutory Percentages

	2025 %	Statutory limit %
Lending limit		
Proportion of business assets not in the form of loans secured on residential property	0.25	25
Funding limit		
Proportion of shares and borrowings not in the form of shares held by individuals	1.83	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

	2025 %	2024 %
As a percentage of shares and borrowings		
Gross capital	7.22	7.54
Free capital	7.09	7.44
Liquid assets	17.54	17.70
As a percentage of mean total assets		
Profit after taxation	0.30	0.30
Management expenses	1.47	1.41

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 2025

Name and Occupation	Year of Birth	Date of Appointment	Other Directorships
J L Walker ACIB Non-Executive Director & Chairman	1958	1 March 2018	River Capital Management Limited River Capital NWF (Biomedical) GP Limited River Capital NPIFII General Partner Limited River Capital NWEF GP 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
J A L Brook BA (Hons) Building Society Chief Customer Officer	1976	12 December 2025	-
M R Gray BA (Hons) Non-Executive Director	1962	1 June 2018	Sopra Steria Financial Services Limited State Bank of India (UK) Limited Guaranty Trust Bank (UK) Limited Westminster Citizens Advice Bureau Service
D J Landon Non-Executive Director	1966	22 September 2025	-
R M Pheasey BSc (Hons) Building Society Chief Executive and Director	1967	22 December 2008	Pendle Education Trust Realcustom Property Management Limited
G L Smith Bsc (Hons) Non-Executive Director	1968	1 June 2023	Street (UK) Services Limited Street (UK) C.I.C Street UK Homes Limited
M Sullivan FCA Non-Executive Director	1966	11 October 2021	Gov Facility Services Limited Trinity Bridge Limited
N Walker BA (Hons) ACIB Building Society Chief Financial Officer	1970	22 December 2008	Northern Star Academies Trust
N J Webber MA (Cantab) FCA Non-Executive Director	1981	1 June 2023	Westfield Contributory Health Scheme 2gether Support Solutions Limited Stonewater Housing Association 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 for R M Pheasey and N Walker by either party giving one year's notice, with compensation for loss of office being twelve months remuneration, and for J A L Brook by either party giving 6 months' notice with compensation for loss of office being 6 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