

Members' Review



marsden
BUILDING SOCIETY

TRUSTED BY YOU **SINCE 1860**

Contents

Chairman's Welcome	3
Your Chief Executive's Review	4-6
A More Sustainable Society	7
Meet Our Board	8-9
A Fond Farewell	10
Supporting Our Communities	11-13
Making the Most of Your Tax-Free Savings	14
Summary Financial Statement	15-23
Auditor's Statement	24
Summary Directors' Remuneration Report	25-27



John Walker
Chairman

Chairman's Welcome

I'm delighted to welcome you to this year's Members' Review, which provides an update on the Society's performance and details some of our key initiatives.

The Society made good progress in 2023, increasing gross lending and retail inflows against a backdrop of financial and political uncertainty, high interest rates and inflationary pressures.

In a year characterised by uncertainty, we maintained a focus on our members, responding to market conditions by increasing rates for our savers and balancing the impact of rising rates on our borrowers.

2023 was a significant year for changes made to our Board. We said goodbye to Michele Ibbs and Carol Ritchie who came to the end of their term with the Society and welcomed Georgina Smith and Nicola Webber to the Board. We also appointed a new Operations Director, Heather Crinion, who's worked for the Society for over two decades.

My role as Chairman is to lead the Board and support Rob and his colleagues in delivering plans set for the future. Plans which include delivering our vision for a financially strong and growing Society, supporting our communities and members.

John Walker



Rob Pheasey
Chief Executive

2023
A YEAR IN VIEW



Total Assets
£748.6m
(2022: £733.8m)



Share Balances
£623.3m
(2022: £590.1m)



New Members
2,880
(2022: 2,475)



Loans to Customers
£642.9m
(2022: £627.1m)



Underlying Profit After Tax
£2.7m
(2022: £3.3m)

Your Chief Executive's Review

In 2023 we delivered a strong and balanced performance, supporting members whilst responding to changes in the market.

Before I share an overview of our business performance, I want to thank my colleagues for their hard work and commitment to the Society and our members for their ongoing support.

Business performance

We welcomed 1,908 new savers in 2023 and increased our share balances to £623.3m (2022: £590.1m). Attracting and retaining savers is an important part of our business model, and our product positioning and pricing requires careful management as members look for opportunities to make their savings work harder.

The competition for funding will be a key challenge over the coming year as we look to grow our mortgage base and repay drawings made under the Bank of England's Term Funding Scheme.

We also welcomed 972 borrowers to the Society in 2023, taking residential loans to customers to £642.9m (2022: £627.1m).

Although we continue to see very low levels of arrears, we expect more borrowers will require our support in 2024. As mortgages continue to transition from historically low rates into a higher interest rate environment, we stand ready to assist members having difficulty with their mortgage payments.

Our statutory profit after tax reduced by £3.1m to £2.3m (2022: increased by £2.3m to £5.4m). This movement in statutory profit highlights the volatility in fair value adjustments, which are a significant driver behind this movement. You can read more about fair value adjustments in the Summary Financial Statement on pages 15-23, or in our full Annual Report & Accounts.

Given this volatility, the Board regards underlying profit from operating activities as a more meaningful measure of financial performance when appraising profitability. Underlying profit after tax was £2.7m, down £0.6m (2022: £3.3m, up £0.3m).

Reflected in our operating profit is the continued investment in the Society, with significant spend in both people and technology alongside further support for the Marsden Building Society Charitable Foundation. The Foundation will receive a profit contribution of £160,000, taking its endowment fund, which includes our participation in the Alternative Reclaim Fund, to £900,000.

We expect to see profit settle at a level commensurate with a Society of our size and scale over the coming years. As a mutual, we don't seek to maximise profits, but we do need to achieve a level of profitability that balances the return of value to members, supports continued investment in the Society and maintains our strong capital position that shows we provide a safe home for savers and borrowers alike.



A More Sustainable Society

We've been making changes to become a more sustainable Society.

Reducing our carbon footprint

We've launched a range of initiatives to reduce our carbon footprint. In 2022, we moved to a renewable energy contract for our electricity consumption, and in 2023 we moved to a 'green gas' contract.

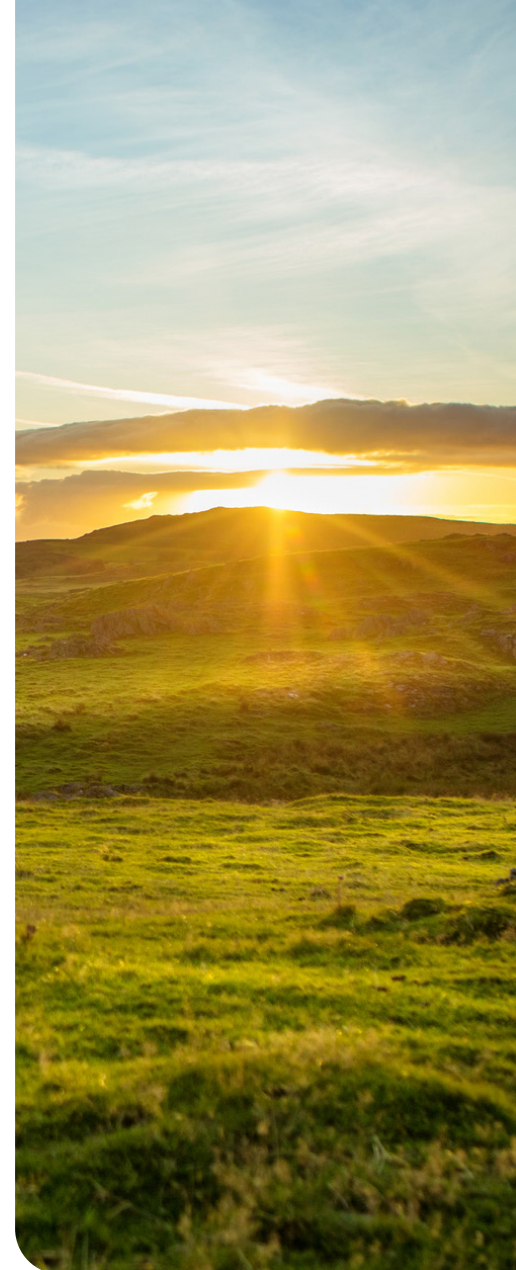
Cars provided by the Society are now fully electric or hybrid, and we launched a salary sacrifice scheme for colleagues wanting to make the move to an electric vehicle, helping to reduce emissions from commuting to work.

We've upgraded the windows at our Principal Office and in 2024, we'll install solar panels, creating a further reduction in our carbon footprint.

You can read more about the work we've undertaken to reduce our carbon footprint and how we're mitigating climate risk in our full Annual Report & Accounts.

Embedding sustainability in our business

We've been working hard to embed sustainability in our business model and in 2024, will be launching our first Impact Report, aligned to the United Nation's Sustainable Development Goals.



Technology and digital transformation

In 2023 the Board approved a significant investment to move to a 'one-house' digital solution. The project will see an upgrade to our internal platforms, with new customer-facing platforms, including mortgage and savings self-service and our first mobile app, available from early 2025.

This investment supports the changing needs of our members, as well as driving operational efficiencies that will support our teams managing higher volumes of business to support our growth plans.

Maintaining a commitment to the high street

We'll continue to maintain our commitment to branches on the high street. We refurbished our Nelson branch in 2023, with changes to the look and feel of our Colne and Lytham branches planned this year.

We concluded our retail franchise review which highlighted the opportunities to extend our reach to new customers within our existing branch catchments. This has resulted in the widening of our distribution, with the Society now offering a range of online and postal accounts, improving access for those who want the convenience of dealing with us remotely.

Looking to the future

We've set an ambition to grow the Society to a balance sheet of £1bn and to reach more members, within more households, from across the regions we serve. This means you'll see new ways of working, new products and services.

We're aware of the high standards expected of us and will continue as a responsible, sustainable and future-focused mutual building society in the delivery of our plans.

Rob Pheasey

Sign up to our e-newsletter for the latest updates from the Marsden. Visit www.themarsden.co.uk to find out more.

Meet Our Board

As a member of the Marsden, you get the opportunity to vote for a range of resolutions at our AGM, including the election and re-election of our Board. This year, we asked our Non-Executive and Executive Directors what they bring to their role at the Marsden.



Heather Crinion, Operations Director

I'm passionate about operations and finding ways to make the customer experience as easy as possible. I've always worked in financial services and have many years' experience. As newly appointed Operations Director, I'm looking forward to expanding my role further at the Marsden.



Mark Gray, Non-Executive Director

I bring experience in risk, control and finance, having been a Chief Risk Officer and a member of risk and audit committees for about 20 years. I've worked mainly in financial services and joined the Marsden having been a member of the team that set up the Government's British Business Bank.



Chris McDonald, Non-Executive Director

Local building societies provide a real alternative to national banks and I see my role as helping to ensure we deliver long-term value for our members and community. Before joining the Marsden, I was an Executive Director at Cumberland Building Society with a range of experience in marketing, operations, people and change management.



Rob Pheasey, Chief Executive

I'm proud to lead the team at the Marsden and bring a passion for mutuality to my role. I'm committed to supporting my colleagues in maintaining the high standards expected of us so we can remain a trusted, sustainable and future-focused building society.



Georgina Smith, Non-Executive Director

I've always believed in the mutual sector and see my role as championing members, whilst encouraging timely innovation and forward thinking. Before joining, I co-founded and led three different mortgage lenders, so have experience across all aspects of lending and building a successful financial organisation.



Maura Sullivan, Non-Executive Director

I've operated at Executive Director and CFO level in large financial services organisations over the course of my 30 year career, so bring a wealth of experience to the role. I have family connections in Lancashire and I'm proud to support the Marsden in its goal to achieve the best outcomes for its members.



John Walker, Chairman

I joined the Board following a career in banking and private equity. Living and working in the North West, what attracted me to the Marsden was its people and plans to grow with purpose, supporting our members and communities. My role as Chairman is to ensure we deliver on the promises we've made.



Neal Walker, Finance Director

I'm proud of the role the Society performs, both for members in Lancashire and beyond, and believe the mutual structure supports making decisions which support their interests. I've operated at Board level since 2008, bringing career experience in a range of functions including accounting and prudential regulation.



Nicola Webber, Non-Executive Director

I joined the Marsden because I believe businesses should be run for the benefit of their customers, colleagues and communities. My executive career was primarily in corporate finance and private equity and as a non-executive, I work with a number of public sector, social enterprise and member-owned businesses.

Find out more about the Board on our website.

A Fond Farewell

In 2023 we said goodbye to two of our Non-Executive Directors as they came to the end of their term with the Marsden.



Michele Ibbs

Michele joined the Board in 2014, bringing with her a range of experience across brand, development and partnerships. She stepped down as Non-Executive Director, Senior Independent Director and Chair of our Board People, Remuneration & Culture Committee in June 2023.



Carol Ritchie

Carol also joined the Board in 2014, bringing with her financial and risk experience gained during both interim and permanent positions. She stepped down as Non-Executive Director and Chair of the Board Audit & Compliance Committee in November 2023.

“Michele and Carol made significant contributions to the Board during their time with us” said Rob Pheasey, Chief Executive. “Bringing experience from a range of areas and providing challenge and guidance, they’ve contributed to the success of the Society and I’d like to thank them both for their commitment and input since they joined us in 2014.”



We’ve been recognised by Best Companies and our colleagues as an ‘outstanding’ company to work for!



Supporting Our Communities

Last year we launched the Marsden Building Society Charitable Foundation with just over £30,000 to donate to projects in Lancashire, supporting at least one of our three key themes; financial well-being, social inclusion and the environment.

We received 41 applications, with eligible applications sent to our Charitable Foundation Panel, made up of colleagues from across the Society. Panel members read each and every one of the applications, scoring them before discussing them at our inaugural panel meeting. At the end of the meeting, they’d chosen 11 applications to receive funding for their projects.

AFC Fylde Community Foundation (Lytham)

We provided funding for a staff member to hold weekly group sessions for isolated adults over the age of 55. The sessions, held in Lytham, include activities such as ‘Walk & Talk by the Sea’, armchair exercises, quizzes, and workshops.

Aged Blind & Disabled Centre Charitable Trust (Rossendale)

Our funding covered the cost of room hire to continue running three different groups; ‘Thursday Lunch Club’ (a dementia carers and friends group), ‘Crafting Group’ (where retired people shared arts and crafts to reduce isolation and loneliness) and ‘Friday Club’ (an over 65s social club).

Bodies in Motion (Brierfield)

We helped to cover staffing costs for a project supporting elderly people across Brierfield. Staff contacted and worked with those in the area to help them access the group’s ‘Well-Being Hub’, giving them a warm space, food and support.

The Flowhesion Foundation (Burnley)

Our funding delivered a ‘Money Matters’ programme lasting 12 weeks for 37 Pashtun men aged 23 to 65. The programme provided much-needed financial education covering tax, credit, savings, and other financial management skills.

Visit the news section of our website or follow our social media channels to read about our project visits!

The Greater Good (Rossendale)

We provided funding to support music, movement, and poetry workshops for over 60s living in care homes across Burnley. The workshops were designed to improve mood and tackle loneliness.

Lancashire County Cricket Club Foundation (Brierfield)

Our funding helped to deliver an hour-long weekly 'Walking Cricket' session for over 60s. Lasting for nine months, it was delivered by a trained coach, with two participants receiving coach training to allow them to facilitate future sessions.

Layton Methodist Church (Blackpool)

We helped the church buy 20 basic smartphones and paid for a digital skills tutor to help older people with their digital literacy and increase their access to services and socialisation.

Park View 4 U (Lytham)

Our funding provided a weekly 'Wood and Well-Being' session for 8 to 12 men, mainly over the age of 60. The sessions gave them a great opportunity to make new connections whilst working on seasonal projects that benefit the local community and other clubs.

Spring into Action (Hyndburn)

We provided funding to deliver financial education courses for adults with learning disabilities to increase their autonomy and reduce their risk of financial abuse. Four separate 12-week courses were run with 12 participants attending each course.

TramShed Theatre Company (Blackpool, Wyre & Fylde)

We helped TramShed to engage over 60s in performing arts, confidence building, and sign language workshops. Sessions ran weekly for 12 weeks and were followed by a celebratory afternoon tea event.

Urban Organic (Blackpool)

Our funding covered staff costs and materials for a weekly gardening club for older people at N-Vision (Princess Alexandra Blind Home). This gave the participants access to a regular hobby, socialisation, and additional activities during the afternoon tea break.



Our 2024 Fund

We're excited to announce that our 2024 fund will open for applications on 2 April. We have another £30,000 to donate this year, supporting a minimum of 10 projects within Lancashire who support at least one of our three key themes.

Visit our website, www.themarsden.co.uk, for more details about our key themes and the criteria your project will need to meet. If your project meets the criteria, you'll need to fill in an application form on the Community Foundation for Lancashire's website. You'll have until 7 May 2024 to apply. Good luck!

Did you know?

You can help us to support our communities further by saving into our newly re-launched Affinity Saver. The account, available in our branches and online, donates 0.5% of the total average balance each year to one of four charities. You can choose from Pendleside Hospice, Trinity Hospice, North West Air Ambulance or the Marsden Building Society Charitable Foundation.

Find out more about our Affinity Saver at your local branch or on our website.



Making the Most of Your Tax-Free Savings

If you're looking to make the most of your tax-free savings allowance, we could help with a range of accounts to meet your needs.

Your tax-free allowance is the amount you can save each year without paying tax on the interest you earn.

Making the most of this year's allowance

If you haven't used your full tax-free allowance, there's still time to do so. The new tax year starts on 6 April, so you can make the most of your 2023/2024 allowance of £20,000 until 5 April.

When the new tax year starts, your allowance will reset. The allowance for the 2024/2025 tax year is £20,000.

Remember, your savings are protected

Your eligible deposits with the Society are protected up to a total of £85,000 for sole accounts by the Financial Services Compensation Scheme, the UK's deposit protection scheme. You can find out more at www.fscs.org.uk.

Talk to our branch teams about your tax-free savings or visit our website to see our latest rates.

Summary Financial Statement

for the year ended 31 December 2023

This financial statement is a summary of information in the audited Annual Report & Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to members and depositors free of charge, online or by contacting your local branch from 25 March 2024.

Summary Directors' Report

The information contained in the Chairman's Welcome and Your Chief Executive's Review on pages 3-6 and the Financial Performance Review detailed below address the requirements of the Summary Directors' Report.

Financial Performance Review

Overview of Income Statement

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 had a steady trading year, comparable with the pre-Covid era, with statutory profit before tax down £3.741m (55.9%) to £2.948m. A significant driver of this reduction was the transition from a net gain (2022) to a net loss (2023) on financial instruments.

Statutory Income Statement	2023	2022
	£m	£m
Net interest receivable	35.452	20.804
Net interest payable	(21.666)	(7.900)
Net interest income	13.786	12.904
Other income	0.051	0.230
Net (losses) / gains from financial instruments	(0.498)	2.579
Total income	13.339	15.713
Management expenses & depreciation	(10.172)	(8.983)
Operating profit	3.167	6.730
Impairment losses	(0.158)	(0.090)
(Losses) / Gains on disposal	(0.061)	0.049
Profit on ordinary activities	2.948	6.689
Tax	(0.665)	(1.294)
Profit after tax	2.283	5.395

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. 15

Underlying Income Statement	2023	2022
	£m	£m
Net interest receivable	35.452	20.804
Net interest payable	(21.666)	(7.900)
Net interest income	13.786	12.904
Other income	0.051	0.230
Underlying total income	13.837	13.134
Management expenses & depreciation	(10.172)	(8.983)
Underlying operating profit	3.665	4.151
Impairment losses	(0.158)	(0.090)
(Losses) / Gains on disposal	(0.061)	0.049
Underlying profit on ordinary activities	3.446	4.110
Tax	(0.782)	(0.804)
Underlying profit after tax	2.664	3.306
Net (losses) / gains from financial instruments	(0.498)	2.579
Tax on net gains from financial instruments	0.117	(0.490)
Statutory profit after tax	2.283	5.395

Underlying performance reveals a decrease in underlying profit after tax of £0.642m (16.2%) to £2.664m.

Statutory profit after tax as a percentage of mean assets relates the level of profitability to the average of total assets on the balance sheet at the beginning and end of the year. Underlying profit as a percentage of mean assets represents the same ratio, with the post-tax impact of net gains on financial instruments excluded. During the year, the statutory ratio reduced by 44bps to 0.31% (2022: +29bps to 0.75%). The underlying ratio decreased by 10bps to 0.36% (2022: +1bp to 0.46%).

Looking forward, profitability is anticipated to moderate further as a result of a combination of increased operating costs, primarily as a result of our transition to a new cloud-based IT platform during 2024 and 2025.

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 6bps to 1.86% (2022: +2bps to 1.80%). In response to changes in Bank Rate during the year, changes to administered rate savings have been

applied at the same time as administered mortgage rates, 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 2024, competition in the savings market is anticipated to increase as the Bank of England Term Funding Scheme with additional Incentives for SME's (TFSME) comes to an end. Repayment is anticipated to place pressure on all funding channels, including retail, corporate and secured funding markets. The outlook for interest rates also remains uncertain and the relationship of variable rate deposits to Bank Rate may change at the point Bank Rate begins to reduce.

The Board will continue to manage the NIM to deliver the level of profitability judged appropriate to support a sustainable level of growth in both assets and capital in the long term.

Other Income

Other income represents a combination of general insurance commission receivable, bank charges payable and fees receivable by customers which are not included within effective interest rate calculations. Other income for 2023 was £0.051m, down £0.179m (2022: £0.230m, down £0.037m) as a result of remaining income and costs in the form of booking and valuation fee income being brought into effective interest rate calculations as they were not fully offsetting.

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 £0.498m (2022: gain of £2.579m) 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.

In contrast to the significant market volatility in the autumn of 2022, interest expectations have been less volatile. As a result, the Society experienced a material decrease in net gains on financial instruments not in/prior to hedge relationships of £0.244m (2022: £2.598m).

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

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

Management Expenses

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

During 2023, the absolute value of management expenses and depreciation increased by £1.189m to £10.172m (2022: +£0.629m to £8.983m). A significant driver of this increase, £0.648m or 60%, was the recognition of initial setup costs relating to the planned transition of the core IT platform to a cloud-based service, related legal advice on the contract and write down of the carrying value of intangible software assets where the licence was revoked on signature of the new contract. The majority of the remaining increase was attributable to staff costs, with the remainder attributable to other IT and professional services, these being essential to support provision of services to members.

In pursuit of the Society vision, which extends beyond supporting members through savings, mortgages and other financial products, to a heightened sense of broader corporate responsibility, in 2021 the Society established the Marsden Building Society Charitable Foundation. In recognition of reduced but above average profitability, the Board has again made a significant donation to the endowment of the Foundation of £160,000 (2022: £250,000) to support its objectives for many years to come. Further donations to the Foundation will be guided by the judgement of the Board, rather than a commitment to donate a fixed proportion of profitability per annum.

The ratio of management expenses represents the cost of operating the Society when measured against mean total assets. This represents a measure of the Society's net cost efficiency. During the year, the ratio of management expenses increased by 11bps to 1.37% (2022: +1bp at 1.26%) indicating cost growth moving faster than asset growth.

Looking ahead, upward pressure on absolute cost continues as further IT setup costs will be incurred in 2024 and increased IT run costs phase in. Upward pressure remains on the broader cost base as inflation remains above the 2% target.

Loan Impairment

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

During the year, the collective provisioning charge has increased by £0.044m to £0.611m (2022: £0.152m to £0.567m), driven primarily by forecast house price decline and the change in the mix of the loan book. Individual provisions have increased by £0.114m to £0.390m (2022: (£0.062m) to £0.276m).

Mortgage Arrears and Forbearance

At 31 December 2023, only 0.43% of the residential portfolio was three months or more in arrears or impaired (2022: 0.20%). Of these accounts, 0.19% (44%) relates to deceased customers where obtaining probate and then achieving sale of the property is currently taking in excess of 12 months. In terms of forbearance, nine accounts (£1.458m) have benefited from forbearance, eight of which were mortgage charter equivalent six-month payment moratoriums (2022: one account of £0.117m).

In terms of the commercial portfolio, no loans were past due or impaired (2022: none).

Looking forward, whilst the economic outlook is improved in comparison to prior year, the outlook for house prices remains uncertain, interest rates remain elevated and cost-of-living pressures remain.

Whilst the Society operates a prudent lending policy to ensure borrowers' affordability is stressed appropriately when loans are underwritten, the combined impact of elevated interest rates, cost-of-living pressures and potential increased unemployment will mean some borrowers experience payment difficulties and require our support. The Society is ready to assist members having difficulty servicing their mortgage.

Taxation

The Corporation Tax charge in the year to 31 December 2023 was £0.665m (2022: £1.294m) representing an effective rate of 23.5% (2022: 19.3%). Further detail is provided in the full Annual Report & Accounts.

Statement of Financial Position

During the year, the Society continued to achieve asset growth, with an increase of £14.8m to £748.6m, up 2.0% (2022: £36.7m to £733.8m, up 5.3%).

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. However, the Society has to refinance borrowing under TFSME of £60.5m across 2024 and 2025, £9.5m having been pre-paid in December 2023. As we will have to generate additional funding to fund mortgages already on the balance sheet, the pace of growth will continue to be moderated in this period.

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 2023, the Society maintained liquidity resources of 113% (2022: 117%) of its internally modelled stress requirement. The Society held High Quality Liquid Assets (HQLA) of £99.2m (2022: £97.4m), £98.9m of which represented balances in Central Bank Reserves and £0.3m in cash.

In terms of regulatory metrics, the Liquidity Coverage Ratio was 276% (2022: 316%), the Society holding HQLA of £99.2m (2022: £97.4m) vs. an outflow requirement of £36.0m (2022: £31.3m), a surplus of £63.2m (2022: £66.1m). Net Stable Funding Ratio was 153% (2022: 154%), the Society having available stable funding of £704m (2022: £683m) vs. required stable funding of £460m (2022: £442m), a surplus of £244m (2022: £228m).

Mortgage Assets

Total residential lending, before effective interest rate, impairment and fair value adjustments was £642.9m, up £15.8m (2022: £627.1m, up £19.5m). Gross new lending in year was £139.5m (2022: £133.3m).

Society lending is focused primarily on loans to owner occupiers and both residential buy to let and furnished holiday let. Loans to owner occupiers represent 70.3% (2022: 75.3%) of mortgages secured on residential property with the remaining 29.7% (2022: 24.7%) being secured on residential buy to let and furnished holiday let property.

The Society has a nationally diversified portfolio of loans secured on residential property with the largest concentrations of 24.0% in the South East (2022: 24.4%), 16.9% in London (2022: 17.8%) and 11.7% in the North West (2022: 12.5%).

The average indexed loan to value is 31.6% (2022: 30.4%).

The Society retains a modest exposure to commercial lending, this aspect of the loan book being managed down. At 31 December 2023, these loans net of impairment provisions amounted to £0.126m (2022: £0.451m). 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 can be found in the full Annual Report & Accounts.

Funding

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

During the year, the Society managed retail inflows to broadly equate to growth in mortgage lending and planned prepayment of TFSME with net growth in share balances of £33.3m to £623.3m, up 5.6% (2022: £25.9m to £590.1m, up 4.6%).

Looking forward, the Society continues to focus primarily on generation of growth in retail funding through the branch network across Lancashire. This will be supplemented by secondary funding lines including online funding as judged appropriate. The Society has positioned its mortgage asset strategy to support payment of competitive savings rates relative to high street competitors and continues to work hard to provide a high-quality customer experience in terms of both service and branch environment. The increased growth in retail funding in the coming year will be targeted to meet plans for net mortgage lending growth and plans for phased prepayment of TFSME funding from the Bank of England, due in late 2024 and 2025.

The Society also maintains other deposit funding, predominantly from small and medium sized companies of £5.6m (2022: £5.4m). The Society maintains a degree of funding from central bank funding schemes and where judged appropriate, term deposits from local authorities and other building societies of £61.3m (2022: £78.9m). The proportion of funding not in the form of individual shares is 9.7% of total shares and borrowings (2022: 12.5%), the reduction being attributable to a combination of prepayment of TFSME borrowing and a reduction in borrowing from local authorities and other building societies.

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 163-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 £52.7m or 7.63% of total share and deposit liabilities (2022: £50.2m or 7.45%). Gross capital comprises reserves, as shown in the balance sheet. Gross capital is £53.1m or 7.70% of share and deposit liabilities (2022: £50.8m 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 increased in the year by 0.29% to 21.12% (2022: increase of 1.64% to 20.83%).

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 £20.110m relating to Pillar 1 and £0.169m relating to Pillar 2A (2022: £19.668m, of which £19.499m Pillar 1 and £0.169m Pillar 2A).

In terms of quality of capital, Prudential Regulation requires a Core Tier 1 requirement of 4.5% (56.25%), a Total Tier 1 requirement of 6% (75%) and a Total Capital Ratio of 8% (100%). The Society is required to hold a minimum of £11.407m in Core Equity Tier 1 Capital (2022: £11.063m), a minimum of £15.209m in Tier 1 Capital (including the minimum CET1 plus £3.802m Tier 1) and a maximum of £5.070m in Tier 2 Capital (2022: £14.751m Tier 1 and £4.754m Tier 2).

Regulatory Capital held by the Society at the balance sheet date was £53.689m, of which £53.078m was CET1 and £0.611m Tier 2, well in excess of Individual Capital Guidance (2022: £51.280m of which £50.713m CET1 and £0.567m 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 increased by 0.20% to 8.17% (2022: increased by 0.67% to 7.97%).

The Pillar 3 Disclosure as at 31 December 2023, which contains key pieces of information on the Society's Capital, Risk Exposures, Risk Assessment Process and Individual Capital Guidance, is available on our website, www.themarsden.co.uk.

Risk Management Framework

The Society utilises a Risk Management Framework to manage the financial and non-financial risks in our operating environment. It is aligned to our Strategic Plan and utilises metrics to help Board and management understand risks and effectively manage them in everyday decision making and behaviours.

Details of these risks can be found in the full Annual Report & Accounts.

Results for the Year	2023	2022
	£000	£000
Net interest receivable	13,786	12,904
Other income and charges	51	230
Fair value (losses) / gains on financial instruments	(498)	2,579
Administrative expenses	(10,172)	(8,983)
Provisions for bad and doubtful debts	(158)	(90)
Operating profit	3,009	6,640
(Loss) / Profit on sale of tangible and intangible assets	(61)	49
Profit on the year before taxation	2,948	6,689
Taxation	(665)	(1,294)
Profit for the year	2,283	5,395

Financial Position at the End of the Year	2023	2022
	£000	£000
Assets		
Liquid assets	100,761	100,884
Derivative financial instruments	2,955	5,958
Mortgages	642,868	624,631
Fixed and other assets	2,020	2,344
Total assets	748,604	733,817
Liabilities		
Shares	623,348	590,093
Borrowings	66,898	84,367
Derivative financial instruments	242	82
Other liabilities	4,989	8,436
Reserves	53,127	50,839
Total liabilities	748,604	733,817

Summary of Key Financial Ratios	2023	2022
	%	%
Gross capital as a percentage of shares and borrowings	7.70	7.54
Liquid assets as a percentage of shares and borrowings	14.60	14.96
Profit for the year as a percentage of mean total assets	0.31	0.75
Management expenses as a percentage of mean total assets	1.37	1.26

Definitions

The gross capital ratio gives an indication of the extent to which the Society is funded by retained earnings and other reserves compared with shares and borrowings. Gross capital provides a financial cushion against any losses which might arise from the Society's activities to safeguard the interests of investors.

The liquid assets ratio is a measure of the proportion of the Society's funding covered by cash assets or those readily convertible into cash. Liquid assets are, by their nature, realisable to allow the Society to meet withdrawals by investors, make new mortgage loans and fund its business activities.

Profit for the year as a percentage of mean total assets measures the profit after taxation for the year as a proportion of the Society's total average assets during the year. The Society maintains a reasonable level of profit each year in order to keep its capital ratio at a suitable level to protect investors.

Management expenses represent the total cost of administrative expenses and depreciation. They constitute the cost of employing staff, complying with legislation, advertising and maintaining the branch network and Principal Office. The management expenses ratio measures the proportion that these expenses bear to the simple average of total assets at the beginning and end of the financial year.

Approved by the Board of Directors on 6 March 2024 and signed on its behalf by

J L Walker
Chairman

R M Pheasey
Chief Executive

N Walker
Finance Director

Independent Auditor's Statement to the Members and Depositors of Marsden Building Society

We have examined the Summary Financial Statement of Marsden Building Society for the year ended 31 December 2023 which comprises the Summary Income Statement and Statement of Financial Position together with the Summary Directors' Report.

Respective Responsibilities of Directors and Auditor

The Directors are responsible for preparing the Summary Financial Statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Members' Review with the Annual Report & Accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

We also read the other information contained in the Members' Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Basis of Opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the Annual Report & Accounts, Annual Business Statement and Directors' Report. Our report on the Society's Annual Report & Accounts describes the basis of our audit opinion on those Annual Report & Accounts.

Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the Annual Report & Accounts, the Annual Business Statement and the Directors' Report of Marsden Building Society for the year ended 31 December 2023 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of Our Report

This report is made solely to the Society's members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our 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, for our audit report, or for the opinions we have formed.

Statutory Auditor

Deloitte LLP
9 Haymarket Square, Edinburgh EH3 8RY
6 March 2024

Summary Directors' Remuneration Report

Annual Statement from the Chair of the People, Remuneration & Culture Committee

I am pleased to share this summary of the Directors' Remuneration Report on behalf of the People, Remuneration & Culture Committee to inform members about the policy for the remuneration of Executive, senior management and Non-Executive Directors and the process for determining the level of remuneration.

The Society has adopted a Remuneration Policy which describes how it has complied with the requirements of the Remuneration Code, as defined by the Regulator. We are committed to best practice in corporate governance and will ask members to vote, on an advisory basis, on the Directors' Remuneration Report at the forthcoming Annual General Meeting.

The Society's remuneration policy supports our achievement of our strategic objectives to deliver long-term sustainable value to our members, avoiding a focus on short-term performance.

The Society's people live by our five core values, which underpin delivery of our strategy:

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

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

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

Executive Directors, senior managers and colleagues participate in the Society's Bonus Scheme. The level of bonus paid is based on criteria set by the Board each year, linked to the overall performance of the Society including both business and risk management objectives. From 1 July 2011, the Society introduced a Salary Sacrifice Scheme for all colleagues including Executive Directors.

In addition, Executive Directors can receive an amount in excess of the Society Bonus Scheme, reflecting performance in delivering long-term business plan objectives and/or individual performance in delivering outcomes in excess of planned performance of the Society. Any payment is taxable but non-pensionable.

The Committee approved an 8% bonus, as a proportion of reference salary prior to any salary sacrifice, in respect of 2023 performance (2022: 15%). This represented 4% in respect of the Society Bonus Scheme and 4% in recognition of the scheme for Executive Directors (2022: 6% plus 9%). Payments under the scheme are made during the first half of the year following that in question and are not currently subject to deferral.

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

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

The People, Remuneration & Culture Committee is responsible for determination of policy on the level of remuneration payable to the Executive Directors, the senior management team and the Chair.

The Chair takes no part in the discussion in respect of his own remuneration. The Committee takes account of information on remuneration payable at comparable building societies and the time commitment and responsibility in respect of the Chair.

The People, Remuneration & Culture Committee had one meeting during 2023. The composition of the Committee as at 31 December 2023 was C McDonald (Chair), M Sullivan and J L Walker. The Chief Executive attends each meeting by invitation. Neither the Chair nor Chief Executive take part in the discussions on their individual remuneration.

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

Remuneration of Non-Executive Directors, excluding the Chair, is determined by the Non-Executive Director Remuneration Committee taking account of the time commitment and responsibility of the role and the remuneration and conditions for Non-Executive Directors at comparable societies and financial institutions.

The composition of the Committee at 31 December 2023 was J L Walker (Chair) and R M Pheasey. The remaining Non-Executive Directors take no part in discussion in respect of their own remuneration.

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

From 1 July 2017, in response to implementation of changes to personal taxation in respect of pension contributions, the Board resolved to transition from a contribution of 10% of salary in respect of pension contributions to a cash allowance of 10% of salary paid in lieu of pension contributions.

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.

C McDonald

Chair of the People, Remuneration & Culture Committee

6 March 2024

Directors' Remuneration (Audited Information)

2023		Fees/ Salary	Variable Remuneration	Benefits	Pension & Group Life Contributions	Total
Non-Executive		£	£	£	£	£
J L Walker	Chairman	56,064	-	-	-	56,064
M R Gray	Senior Independent Director From 1 July 2023	33,072	-	-	-	33,072
M L Ibbs	Senior Independent Director To 30 June 2023	16,536	-	-	-	16,536
C McDonald		31,710	-	-	-	31,710
C A Ritchie	To 30 November 2023	30,316	-	-	-	30,316
M Sullivan		31,256				31,256
N J Webber	From 1 June 2023	17,703				17,703
G L Smith	From 1 June 2023	17,703				17,703
		234,360	-	-	-	234,360
Executive		£	£	£	£	£
R M Pheasey	Chief Executive	209,475	17,640	34,999	16,427	278,541
N Walker	Finance Director	142,380	13,440	23,491	30,550	209,861
H J Crinion	Operations Director From 5 May 2023	61,336	6,134	6,052	25,856	99,378
		413,191	37,214	64,542	72,833	587,780
2022		Fees/ Salary	Variable Remuneration	Benefits	Pension & Group Life Contributions	Total
Non-Executive		£	£	£	£	£
J L Walker	Chairman	52,750	-	-	-	52,750
M R Gray		31,125	-	-	-	31,125
M L Ibbs	Senior Independent Director	31,125	-	-	-	31,125
C McDonald		28,550	-	-	-	28,550
C A Ritchie		31,125	-	-	-	31,125
M Sullivan		28,550				28,550
		203,225	-	-	-	203,225
Executive		£	£	£	£	£
R M Pheasey	Chief Executive	193,832	31,126	38,997	15,231	279,186
N Walker	Finance Director	144,291	23,438	25,690	12,379	205,798
		338,123	54,564	64,687	27,610	484,984

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

If you'd like a copy of this document in large print, braille or audio, email info@themarsden.co.uk or call 01282 440500 and we'll be happy to assist.

Marsden Building Society is a member of the Building Societies Association. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 206050. Principal Office, 6-20 Russell Street, Nelson, Lancashire BB9 7NJ. *Calls will be recorded and may be monitored. FP194891