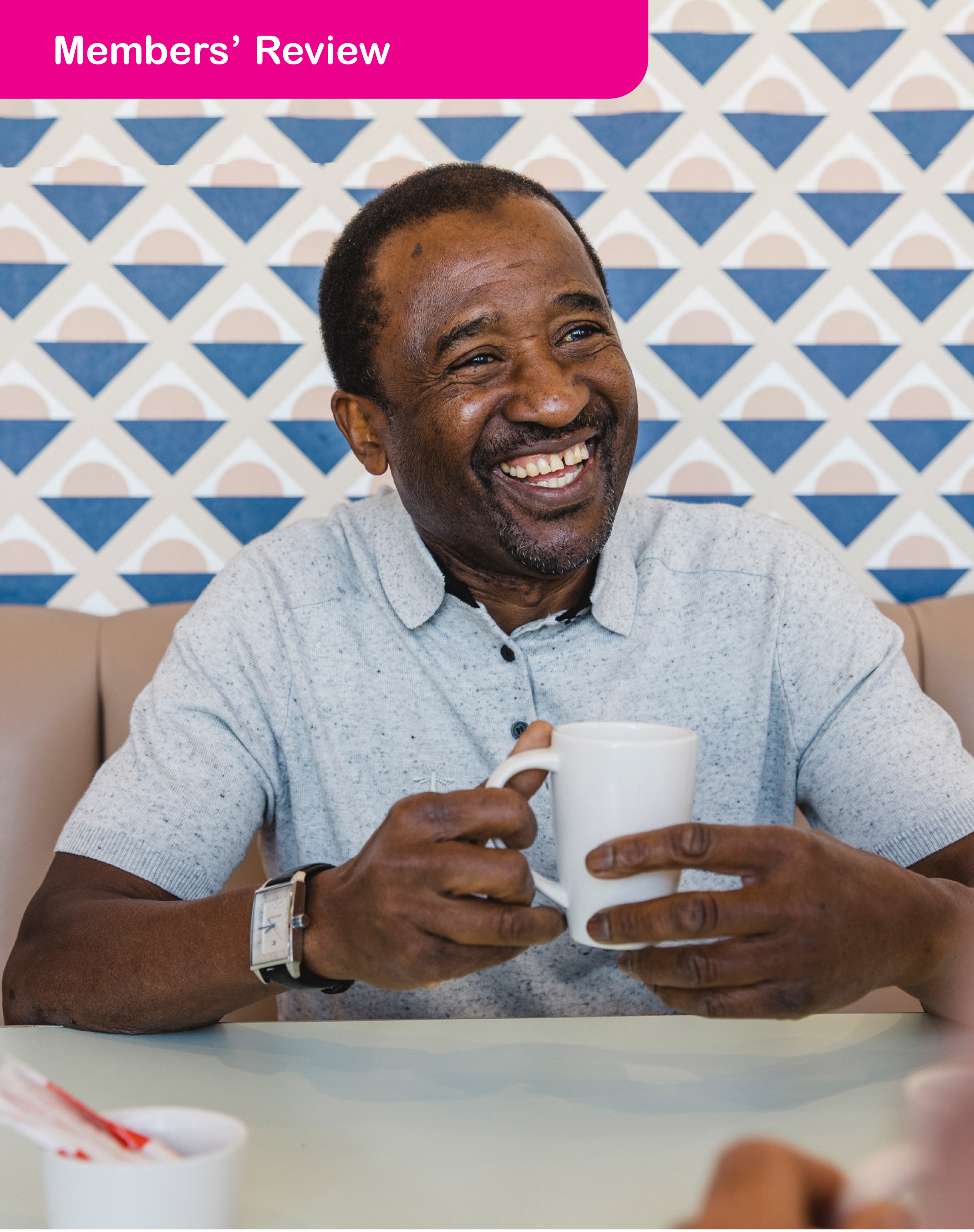
Members' Review



marsden
BUILDING SOCIETY

TRUSTED BY YOU SINCE 1860

Contents

Chairman's Welcome

A warm welcome to this year's Members' Review which focuses on the Society's performance in 2024, as well as giving you an insight into the Marsden and its plans for the future.

2024 was a challenging year, but I'm pleased to report that the Society once again performed strongly, maintaining its capital base which underpins our plans for sustainable growth in the years ahead.

We made progress on many key initiatives throughout the year, which Rob will touch on in his Chief Executive's Review, but I'd like to express my gratitude to colleagues from across the Society who have worked hard to keep us moving in the right direction.

As we enter our 165th year, we remain a safe and trusted home for our members' money, well positioned to deliver our strategy and meet the challenges and opportunities that lie ahead. With a clear vision, and a purpose that aligns with our goals for the future, we're here to support not just our members, but our colleagues and communities too.

I look forward to 2025, and thank you, our members, for your continued support and engagement with the Society.

John Walker

2024
A YEAR IN VIEW

Total Assets
£796.2m
(2023: £748.6m)

Share Balances
£724.7m
(2023: £623.3m)

New Members
3,931
(2023: 2,880)

Loans to Customers
£661.4m
(2023: £642.9m)

Underlying Profit After Tax
£2.6m
(2023: £2.7m)

Chief Executive's Review

Before I share an overview of our business performance in 2024, 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 3,013 new savers to the Society in 2024, increasing share balances to £724.7m (2023: £623.3m). The higher-than-normal flow of new funds was achieved through branch and online activity in equal volume, allowing us to repay borrowings made under the Bank of England's Term Funding Scheme, with the final payment made in January 2025.

The lending market remained challenging, and we saw gross lending dip to £130.0m (2023: £139.5m). Despite this, we achieved mortgage growth of 2.9%, increasing our base to £661.4m (2023: £642.9m) and welcoming 918 new borrowers to the Society.

We continued to see very low levels of arrears, but as pressures on household finances continue, we stand ready to support members experiencing difficulties.

As a business owned by our members, we don't seek to maximise profits, but we do have to achieve a level of profitability so we can retain a strong capital position and invest back into the business.

We enter the year with a capital ratio of 20.9%, achieved by having a sustainable growth strategy, low credit losses and prudent cost control. Strong asset growth of 6.4% provides increased scale to absorb cost pressures, however the impact on operating profit is still evident. In 2024, our underlying profit after tax was £2.6m (2023: £2.7m).

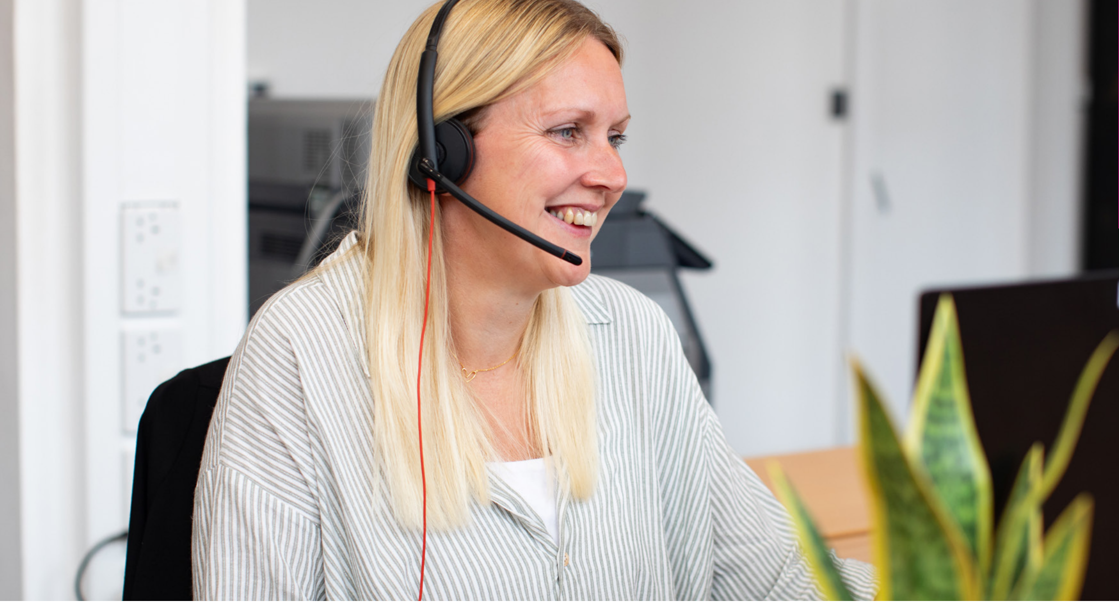
Increased support for our region

Supporting Lancashire is incredibly important to us and we once again approved a donation from profit to our Charitable Foundation's endowment fund. The additional £106,000 will take the fund to our target of £1m, giving us a sustainable way to keep supporting our local communities at a grassroots level. You can read more about the Charitable Foundation from page 10 onwards.

Our commitment to the high street continued, and we've just completed the refurbishment of our Lytham branch. We continue to assess new opportunities to support under-served communities with access to financial services, and we're making great progress in our digital transformation journey.

Making accessing our services easier

Our investment in digital will give members better access to our services online. In 2024, we successfully laid the foundations for our move to a cloud-based managed service and for the upgrades to core platforms, planned for the first half of this year.



New savings and mortgage self-service platforms will follow, along with an app to give users access to their accounts from a mobile device.

Our investments in IT are significant, but they support our plans for growth and will help us to widen our reach to a larger customer base, supporting us on the path to building a balance sheet of £1bn.

An award-winning team

We were pleased to receive two awards in 2024; Customer Service Champion at the British Bank Awards, and Medium Business of the Year at the Be Inspired Business Awards (BIBAs). This external recognition is testament to the hard work and dedication of all our colleagues and I'm extremely proud of our achievements.

A more sustainable way of working

We aspire to be a sustainable business, working in a socially responsible and environmentally friendly way. We now have a third-party-verified carbon footprint and reduction plan to help us reduce emissions under our operational control.

Celebrating 165 years

2025 is a year of celebration for the Marsden as we celebrate our 165th birthday. Many things have changed since we were founded in 1860, but our aim to 'build something better' remains.

Supporting savers and borrowers whilst caring for our customers, colleagues and communities in a meaningful and sustainable way, I look forward to the year ahead and everything we'll achieve together.

Rob Pheasey

Our Commitment to Sustainability

Last year we launched our very first Impact Report. The report highlights our commitment to sustainability and the progress we've made so far.

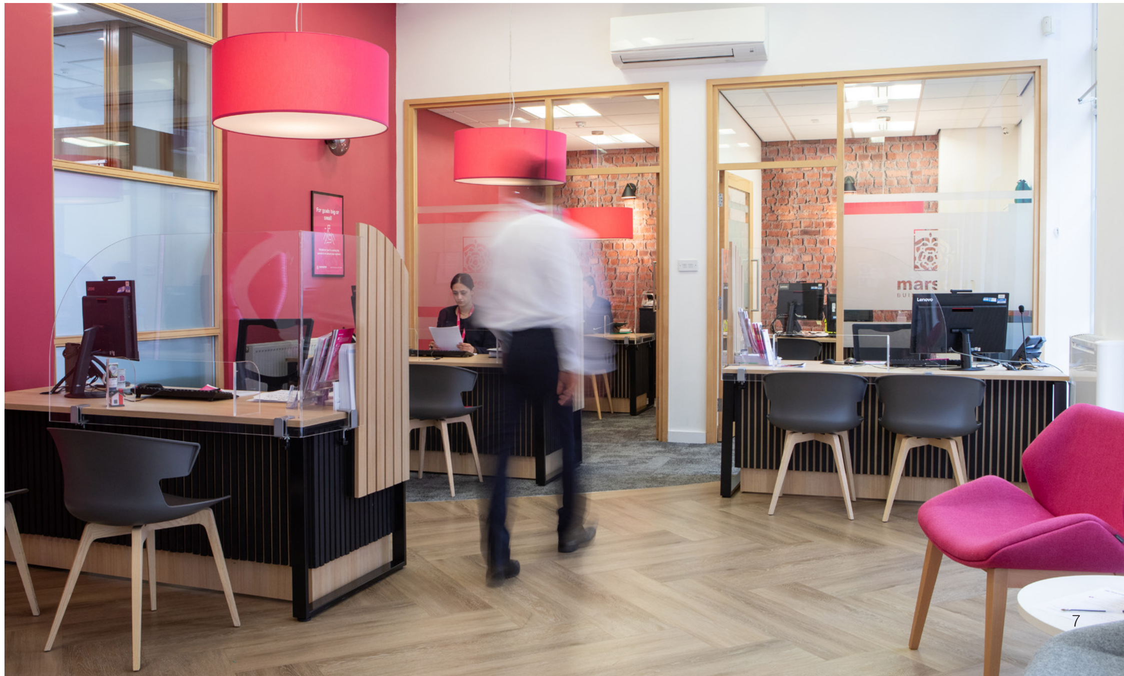
Whilst we aim to excel in our day-to-day business activities, we also want to make a positive contribution to society and the environment, ensuring better and more sustainable outcomes for current and future generations.

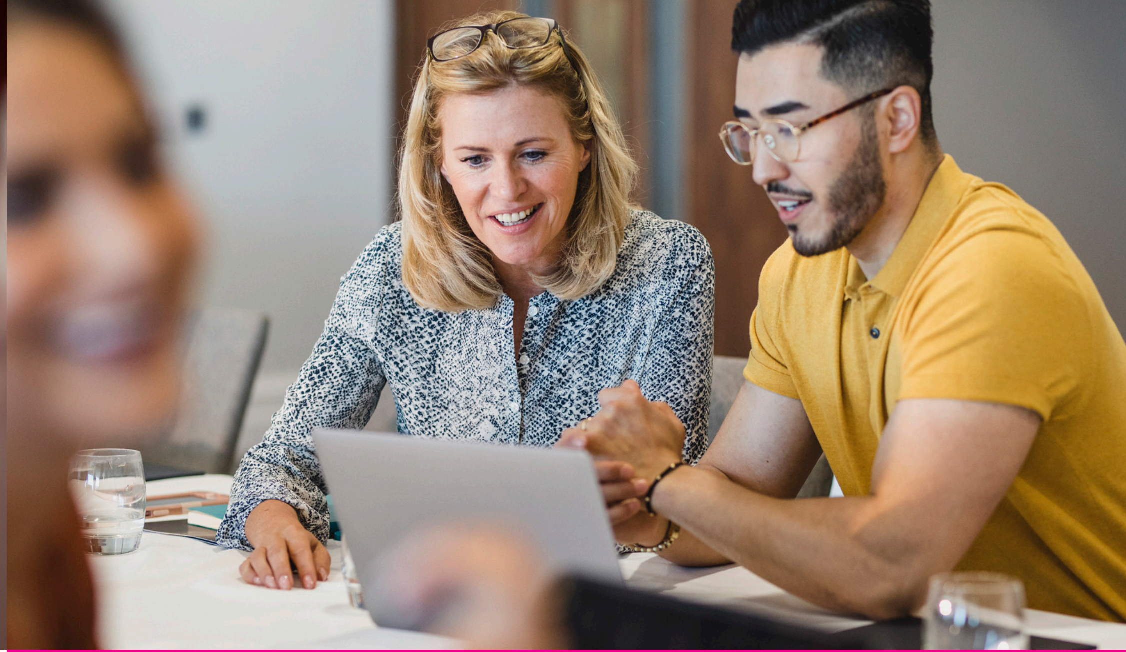
Our Impact Report details the short and medium-term goals we've set to build something better for our customers, colleagues, communities and the environment.

Being sustainable is about being made to last. We've been a trusted home for our members' money for 165 years and want to make sure we're still here to support our members and communities in the future.

To do that, we need to...

- Look after our environment so we have a safe, lasting, habitable planet to call home.
- Look after our society, supporting one another as a community to share the future together.
- Make sure we put the right governance in place to provide the structure and rules to keep us on track to achieve our goals.





The sustainability goals we've set are a natural progression of our founding purpose; a collective approach to helping others. This means playing our part in responding to the climate emergency and realising the impact we have.

From an environmental perspective, it means improving our direct impact on the environment. It also means recognising the support we can give to members to help them improve their impact.

The social impact of the Marsden ranges from the products and services we offer, which support financial resilience, to providing good work for our colleagues and contributing positively to the communities we work in.

Governance reflects how we organise the business and operate to remain solvent, whilst making ethical decisions that support our environmental and social goals.

We believe the right thing to do is to be accountable for the impact we have on people and the planet, working hard to make those impacts positive ones.

Read the full report on our website. Our latest report will be launching soon. Keep your eyes peeled!

Supporting Businesses in Lancashire

Last year, we launched business deposit accounts, designed to support businesses in Lancashire with their savings whilst giving something back to the region.

Our business deposit accounts help businesses to separate the things they're saving for from their day-to-day business banking, but with a twist...

As a business deeply rooted in Lancashire, our vision is to build something better for our region, so, like our branch affinity accounts, our business deposit accounts support the local community without costing the account holder a penny.

Each year, 0.25% of the total average balance from our business deposit accounts will be donated to the Community Foundation for Lancashire's Red Rose Responding Fund. The fund supports the mental health and well-being of those in the region. A great way for businesses to make the most of their savings whilst having a real impact on the place they call home.

If you have a business and want to find out more, scan the QR code with your smartphone camera...

Apply for a Grant of up to £3,000

We're pleased to announce that, once again, our Charitable Foundation will be supporting up to 10 local projects with grants totalling £30,000.

Supporting projects that focus on at least one of our key themes, our Charitable Foundation aims to provide financial support to the initiatives that make Lancashire a great place to call home.

Covering financial well-being, social inclusion and the environment, you can find out more about the themes and the criteria your project will need to meet on our website, www.themarsden.co.uk.

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 07 May 2025 to apply and each applicant will be contacted in June/July with news of the outcome.

Did you know that our Affinity Saver supports the Charitable Foundation? Ask our branch teams or visit our website for more information.

The Impact of Our 2024 Grants

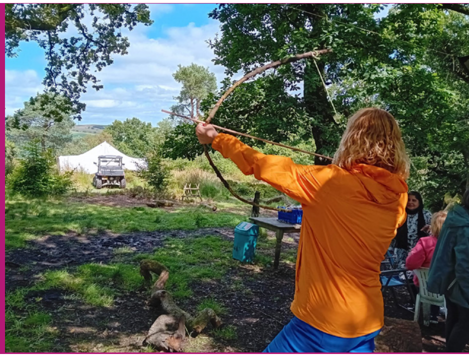
Last year we received 33 applications from projects across Lancashire that aligned with one of our key themes. Our Charitable Foundation Panel, comprised of colleagues from across the Society, reviewed each application, discussing them at a panel meeting before selecting 11 worthy causes to receive grants.

Carers Link Lancashire

We funded bi-weekly sessions for unpaid carers aged 50+ in Burnley, Barrowford, Nelson and Colne. Working in partnership with Hawes Farm CIC, Carers Link Lancashire provided carers with opportunities to take a break from their duties, build peer networks and seek advice. Each session focused on different activities, including music, foraging, archery and outdoor cooking.

"We're extremely grateful to have been awarded this funding which provided unpaid carers with respite, an opportunity to take a break from their caring role and activities based on improving overall emotional health and well-being."

Rebecca Hodgson
CEO at Carers Link Lancashire



Nature Warriors

We supported Nature Warriors' 'Custodians of the Earth' initiative to empower young people to reduce their carbon footprint. Based in Brierfield, they used the funding to offer environmental education sessions. The sessions focused on practical ways to lower carbon footprints, such as recycling and growing food, along with outdoor activities such as hiking, fishing, and camping.

"We're trying to educate young people through practical action, which includes activities such as tree planting, recycling and litter picking in Burnley and Pendle. We truly appreciate Marsden Building Society's support for our environmental project, which has enabled us to take young people to venues all over the north including overnight camping stays, fishing and visits to a water sports centre."

Rashid Hussain
Project Manager at Nature Warriors

Heartbeat North West

We funded a series of cardiac rehabilitation classes in Lytham, led by qualified instructors from Heartbeat North West Cardiac Care. With Lancashire having the second highest prevalence of cardiovascular disease in the country, the service provided by this charity is vital for the local community. The classes aimed to assist individuals with cardiovascular disease, or those at high risk of developing it, by helping them improve their heart health through a combination of fitness, strength and cardio exercise.

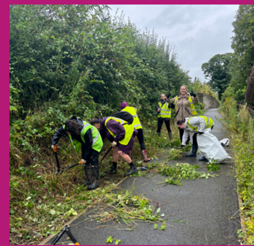
"Heartbeat's exercise programmes help people live healthier, longer lives with their families and loved ones, but we couldn't do it without the support of local organisations such as the Marsden. Every year we need to raise just under £1 million to run our services, so donations like this are vital to keep us running. We are extremely grateful to everyone at Marsden Building Society for supporting and championing Heartbeat this year."

Michelle Hunt
Head of Fundraising at Heartbeat

Find out more about the other projects we supported on our website.

Colleague Volunteering

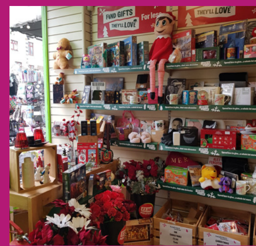
Our volunteering scheme gives colleagues up to two paid days each year to support causes close to their hearts. 19 colleagues volunteered in 2024, giving 172 hours to good causes.



Ribble Rivers Trust

We teamed up with Ribble Rivers Trust to host a volunteering day, open to all colleagues, to tackle the overgrowth at Primrose Lodge in Clitheroe.

"It was great to spend time with colleagues from across the business whilst giving something back to the local area" said Jas, Marketing Manager.



Barnado's

Sue, Customer Representative at Poulton branch, has been a volunteer with Barnardo's for 9 years. She used the volunteering scheme to support one of their retail stores in the run up to Christmas.

"I'm grateful to the Marsden for supporting me with volunteering leave so I could give more back to a charity I'm so passionate about."

Oxfam

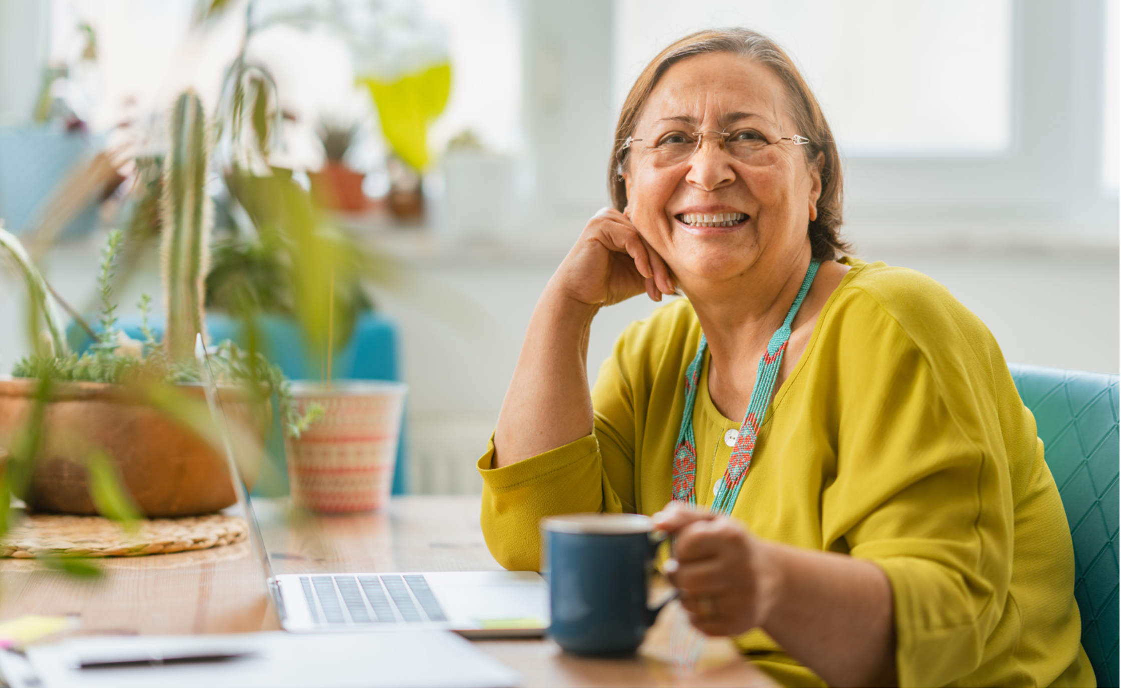
Phil, Risk Director, volunteered with Oxfam as a steward at Reading Festival. The festival pay Oxfam for the work their volunteers do, so for Phil's time, Oxfam received about £300.

"It was great chatting to people and hearing about their journeys. It was certainly tiring, but to be able to experience the festival whilst giving back to a worthy cause was fantastic."

Samaritan's Purse

Several colleagues volunteered with the Samaritan's Purse, helping to sort and pack Christmas boxes for people in need across the world.

"The notes in the boxes were so heartfelt and the presents were lovely" said Katy, Head of Savings. "I had a positive experience and wouldn't hesitate to do it again next year."



Are You Making the Most of Your Tax-Free Savings Allowance?

Your tax-free savings allowance is the amount you can save into an ISA each year, without paying tax on the interest you earn.

If you haven't used your allowance, there's still time to do so. You can save £20,000 into an ISA until 05 April. Please note, the end of the new tax year falls on a Saturday this year, so check the dates for last payments with your ISA provider, as they'll need time to clear.

When the new tax year starts on 06 April, your allowance will reset.

Remember, your savings are protected
Eligible deposits with the Society are protected up to a total of £85,000 for sole accounts (£170,000 for joint accounts) by the Financial Services Compensation Scheme. You can find out more at www.fscs.org.uk.

Scan the QR code with your smartphone camera to see our latest ISA rates...

Summary Financial Statement

for the year ended 31 December 2024

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 27 March 2025.

Summary Directors' Report
The information contained in the Chairman's Welcome and 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 up £0.107m (3.6%) to £3.055m.

Statutory Income Statement	2024	2023
	£m	£m
Net interest receivable	43.099	35.452
Net interest payable	(29.442)	(21.666)
Net interest income	13.657	13.786
Other income	0.066	0.051
Net (losses) / gains from financial instruments	(0.330)	(0.498)
Total income	13.393	13.339
Management expenses & depreciation	(10.895)	(10.172)
Operating profit	2.498	3.167
Impairment losses	0.568	(0.158)
(Losses) / Gains on disposal	(0.011)	(0.061)
Profit on ordinary activities	3.055	2.948
Tax	(0.730)	(0.665)
Profit after tax	**2.325**	2.283

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

Underlying Income Statement	2024	2023
	£m	£m
Net interest receivable	43.099	35.452
Net interest payable	(29.442)	(21.666)
Net interest income	13.657	13.786
Other income	0.066	0.051
Underlying total income	13.723	13.837
Management expenses & depreciation	(10.895)	(10.172)
Underlying operating profit	2.828	3.665
Impairment losses	0.568	(0.158)
(Losses) / Gains on disposal	(0.011)	(0.061)
Underlying profit on ordinary activities	3.385	3.446
Tax	(0.813)	(0.782)
Underlying profit after tax	**2.572**	2.664
Net (losses) / gains from financial instruments	(0.330)	(0.498)
Tax on net gains from financial instruments	0.083	0.117
Statutory profit after tax	2.325	2.283

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

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

Looking forward, profitability is anticipated to moderate further as a result of increased operating costs, primarily as a result of the transition to a new cloud-based IT platform during 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 decreased by 9bps to 1.77% (2023: +6bps to 1.86%) driven by a competitive market for retail funding, particularly in the first six months of the year.

In response to changes in Bank Rate during the year, changes to administered rate savings have been applied at the same time as administered mortgage rates. Margins have been managed to ensure funding costs remain aligned to market levels to manage funding flows, with the pass-through of reductions in mortgage administered rates managed to ensure appropriate margins were maintained. This has had the impact of ensuring we end the year at a higher margin in accordance with our financial plans.

Looking forward to 2025, competition in the savings market is anticipated to remain strong as the Bank of England Term Funding Scheme with additional Incentives for SMEs (TFSME) comes to an end for drawings relating to non-SME lending. Whilst the Society has now repaid its TFSME borrowings, other participants have not and as a result, repayment is anticipated to continue to place pressure on all funding channels including retail, corporate and secured funding markets.

The outlook for interest rates also remains uncertain, however, the Board will continue to manage the NIM to deliver the level of profitability judged appropriate to support a sustainable level of growth in both assets and capital in the long term.

Other Income

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

Financial Instruments

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

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

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

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

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

Management Expenses

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

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

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

The ratio of management expenses represents the cost of operating the Society when measured against mean total assets. This represents a measure of the Society's net cost efficiency. During the year, the ratio of management expenses increased by 4bps to 1.41% (2023: +11bp at 1.37%) indicating cost growth moving faster than asset growth.

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

Loan Impairment

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

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

Mortgage Arrears and Forbearance

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

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

Looking forward, whilst the economic outlook is improved in comparison to the 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 may experience payment difficulties and require our support. The Society is ready to assist members having difficulty servicing their mortgage.

Taxation

The Corporation Tax charge in the year to 31 December 2024 was £0.730m (2023: £0.655m), representing an effective rate of 25% (2023: 23.5%). Further detail can be found in the full Annual Report & Accounts.

Statement of Financial Position

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

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

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

Liquid Assets

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

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

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

Mortgage Assets

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

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

The Society has a nationally diversified portfolio of loans secured on residential property, with the largest concentrations of 23.8% in the South East (2023: 24.0%) and 17.2% in London (2023: 16.9%). The average indexed loan to value is 28.9% (2023: 31.6%).

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

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

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

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

Capital

A strong capital position provides a financial cushion against any difficulties which might arise in the business of the Society and provides protection for members and depositors.

Society capital is made up almost entirely of retained profits accumulated over its 164-year history.

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

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

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

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

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

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

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

Risk Management Framework

The Society utilises a Risk Management Framework to manage the financial and non-financial risks in our operating environment. We take a positive approach to risk management, utilising collective skills and experience to drive continuous improvement and to deliver our Strategic Plan.

Metrics are reported to help Board and management understand risks, provide early warning of changes in risk profile, and facilitate effective risk management in everyday decision making and behaviours.

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

Results for the Year

	2024	2023
	£000	£000
Net interest receivable	13,657	13,786
Other income and charges	66	51
Fair value (losses) / gains on financial instruments	(330)	(498)
Administrative expenses	(10,895)	(10,172)
Provisions for bad and doubtful debts	568	(158)
Operating profit	3,066	3,009
(Loss) / Profit on sale of tangible and intangible assets	(11)	(61)
Profit on the year before taxation	3,055	2,948
Taxation	(730)	(665)
Profit for the year	2,325	2,283

Financial Position at the End of the Year

	2024	2023
Assets	£000	£000
Liquid assets	130,170	100,761
Derivative financial instruments	2,682	2,955
Mortgages	661,333	642,868
Fixed and other assets	2,026	2,020
Total assets	796,211	748,604
Liabilities		
Shares	724,666	623,348
Borrowings	10,814	66,898
Derivative financial instruments	102	242
Other liabilities	5,175	4,989
Reserves	55,454	53,127
Total liabilities	796,211	748,604

Summary of Key Financial Ratios

	2024	2023
	%	%
Gross capital as a percentage of shares and borrowings	7.54	7.70
Liquid assets as a percentage of shares and borrowings	17.70	14.60
Profit for the year as a percentage of mean total assets	0.30	0.31
Management expenses as a percentage of mean total assets	1.41	1.37

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 04 March 2025 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 2024 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 2024 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
04 March 2025

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.

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.

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 six meetings during 2024. The composition of the Committee as at 31 December 2024 was C McDonald (Chair), M Sullivan, N J Webber 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 2024 was J L Walker (Chair) and R M Pheasey. The remaining Non-Executive Directors take no part in discussion in respect of their own remuneration.

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

From 01 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.

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

N J Webber
Interim Chair of the People, Remuneration & Culture Committee

04 March 2025

Directors' Remuneration (Audited Information)

2024		Fees/ Salary	Variable Remuneration	Benefits	Pension & Group Life Contributions	Total
Non-Executive		£	£	£	£	£
J L Walker	Chairman	57,536	-	-	-	57,536
M R Gray	Senior Independent Director	33,945	-	-	-	33,945
C McDonald		33,945	-	-	-	33,945
M Sullivan		33,945				33,945
N J Webber		31,145				31,145
G L Smith		31,145				31,145
		221,661	-	-	-	221,661
Executive		£	£	£	£	£
R M Pheasey	Chief Executive	217,333	15,049	37,476	16,897	286,755
N Walker	Finance Director	137,944	11,466	25,058	35,251	209,719
H J Crinion	Operations Director	94,425	6,547	7,412	39,751	148,135
		449,702	33,062	69,946	91,899	644,609

2023		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

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 a more accessible format, email **info@themarsden.co.uk** or call **01282 440500** and we'll be happy to help.