



**Melton
Building
Society**

Annual Report and Accounts 2025





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**“I am proud
that we
continued to
deliver on our
purpose.”**

2025



Chair's statement

Reflections on 2025

On behalf of the Board, I am pleased to present the Melton Building Society Report & Accounts for the year ended 31st December 2025. While our CEO Simon Taylor will outline the organisation's key achievements, I am proud that we continued to deliver on our purpose: to sustainably create homes and build thriving communities.

The Society operated against a fragile economic backdrop. Inflation eased compared with 2024 but remained above the Bank of England's target, and UK economic growth stayed subdued. Base Rate reductions since the 2023 peak of 5.25% have provided some relief for borrowers, while we have remained focused on offering competitive returns for savers. Global and geopolitical uncertainty has continued to influence financial markets.

This year we proudly marked our 150th anniversary. We reflected on our heritage, celebrated with members, partners and colleagues, supported local charities, and volunteered across our communities. We launched savings products tailored to member needs, including the Adcock Regular Saver, recognising founder William Adcock, and provided mortgage options to help both new and existing borrowers secure suitable deals. We continued to receive strong customer feedback and a Net Promoter Score that benchmarks well against the industry.

We also progressed our multi year digital transformation programme. A key milestone was the successful launch of our new core IT platform, giving us a stronger foundation

for future services. We are grateful to our colleagues, members and partners for their support throughout this major transition. Although 2025 marked the completion of this phase, we recognise that ongoing investment is essential to remain competitive.

Despite external challenges and significant investment in transformation, the Society delivered a sound financial performance, with underlying profit of £2.1m and net profit before tax of £0.5m after digital programme costs.

We remain committed to our role at the heart of the community and to supporting our colleagues. Our accreditations as a Real Living Wage and Real Living Pension employer underline our dedication to improving colleagues' financial wellbeing. I thank all our people for their commitment throughout a demanding year.

As we enter the new financial year with financial strength and positive momentum, we are well positioned to navigate competitive markets, support members, and invest for the long term success of the Society.

We were also delighted to see our CEO, Simon Taylor, appointed Chair of the Building Societies Association—a role in which he will champion the sector and the value of mutuality nationally.

Finally, I want to thank my Board colleagues for their support, and to extend our best wishes to Judith Mortimer Sykes on her retirement from the Board. Most importantly, I would like to thank our members for their continued loyalty.

Sue Douthwaite
Chair
17th March 2026





“After a successful year, I believe we have built a strong platform to build upon as we look forward to 2026 and beyond.”



Chief Executive's review

Reflections
on 2025

I am pleased to report our results in my fifth year as CEO of the Society, sharing what has been achieved during a challenging external environment this financial year. I am proud of the team and the work they have undertaken to balance the needs of savers and borrowers amongst a volatile interest rate environment. We celebrated turning 150 years old with our colleagues, partners and communities and reflected over the course of the year on our efforts to support building thriving communities.

We have invested in our technology and our members

We have been working with our technology partner, Finastra, for a number of years now to launch our new core banking platform to bring a next generation technology platform to the Society for our members. The platform will allow us to launch new products to market at pace enabling us to respond to evolving market conditions and customer needs.

The new platform will make regulatory compliance easier and more efficient, simpler processes will free up our colleagues to focus on customer experience and product development. We have plans to bring exciting new products to market for our members in 2026, making them available across a choice of channels.

We are here for our members

During the year we have continued to offer our range of products across all channels based on your feedback. Our face to face support in our five branches has again been well received with members seeking help and support. Our online and portal product ranges have continued to offer our members a choice on how they want to operate their savings account to suit their needs.

Our members have supported our results and continue to provide us with a good measure of how we are doing. We acknowledge that around the time of our new core banking platform going live we weren't able to uphold our usually high service standards, however we made every possible effort to ensure we could help our members to get access and service their accounts as efficiently as possible. I would like to thank our members for their patience and support during this time.

We measure the loyalty of our customers through a net promoter score metric. We achieved +64 for 2025, which is a reduction against 2024, but still benchmarks well within the industry. This position is understandable against the significant system changes we have undergone during 2025. Migrating from the core savings and mortgage platforms we have used for over 25 years was not easy, but it was necessary to support the future growth and resilience of the Society.

We have continued to make it easy for our borrowers and savers to stay with the Society at the end of their product term through proactive communications and great support from colleagues, to share details of other products which may be suitable.

Thank you to our Melton Voice panel members who have continued to provide us with timely feedback, to help us continually review and improve our products and services.



CEO of Melton Building Society, Simon Taylor and Chair of the Board, Sue Douthwaite at the Society's 150 year celebration

Highlights of the year

- Group mortgage assets increased by 3.2% to £615.7m
- Underlying profit before tax continues to improve, increasing from £1.5m to £2.1m
- Profit before tax increased from a loss of £0.4m in 2024 to a profit of £0.5m in 2025
- NEXA Finance growth in Assets under Management to £98m and helped build over 340 homes
- Our capital position remains robust
- Mortgage arrears have been well managed
- Our new Core Banking Platform went live
- A net promoter score (on customer loyalty) of +64
- Continued to support local communities across both the Society and the Charitable Foundation
- Our colleagues volunteered over 1,700 hours in our local communities

We are part of our communities

The Society continues to be an integral part of the wider community with the investment of both money and time given to our charity partners. Our Charitable Foundation, has supported a broad range of local charities across the year, donating over £14k. We continue to be proud to manage the legacy donation made by June Roper to the Foundation through the June Roper Sporting Trust. June Roper wanted to support charities and non profit making organisations or individuals from underprivileged backgrounds with a focus on sport in the Melton area.

In the year we have also worked closely with the Leicestershire and Rutland Community Foundation to broaden the role of the Charitable Foundation to support more grant applications from local charities and groups.

We were proud to support a grant to Rutland Sailability in the year. The grant was awarded to support 18 disabled people to participate in sailing and sailing competitions. Supported by non-disabled volunteers, Rutland Sailability is the only provider of disabled sailing facilities in Rutland, and the largest Sailability in the whole of the UK.



Members of Rutland Sailability enjoying a sail on the water

Our colleagues continue to take an active role in the community by offering their time. In total the Society has contributed over 1,700 hours, an increase on 2024. As part of our 150 year celebrations we set ourselves a challenge to achieve 1,500 hours and it is pleasing that we exceeded our target. Thank you to our colleagues who supported our local communities in many ways across the year. We have also been pleased to welcome many charities and local organisations to Mutual House to make use of our free community rooms. We continue to offer these rooms. Please contact us if you'd like more information.

We are proud of our three year partnership with Melton and District Money Advice Centre (MADMAC). We both understand the importance of children, young people and adults being educated on money matters to improve their financial capability skills. The Society fund a qualified Educational Officer going into schools, colleges and businesses in conjunction with MADMAC across Leicestershire. Since our partnership started there have been over 28,000 people attend a session, with some great feedback of how the support has changed lives.

As part of our social purpose, we place high importance on employability, ensuring we can help give members of our communities the skills and knowledge they need to prepare for work. We were delighted to be part of a scheme in 2025 to support young people from Melton Vale Sixth Form College with a work experience programme with a difference. We worked with The Business Hub Work Experience Community Interest Company to deliver an engaging work experience programme helping to develop all the key skills required for young people preparing for work. The three day programme was well received by the young people who attended and inspired our colleagues spending time with great individuals.

Feedback from the young people included:

'What surprised us during the week of work experience was how independent we had to be, but it gave us an insight into what the working environment would look like in the future. We were also amazed by how much experience we gained and the number of volunteers willing to give up their own time to talk to us about what career paths we may wish to go down'



Students from Melton Vale Sixth Form taking part in the work experience programme

We are invested in our people

We believe that we can only achieve our purpose by having amazing people, who place customers and the community at the heart of everything they do. Through a year of significant digital change, our colleagues went above and beyond, supporting the project, their fellow colleagues and customers with the changes.

This year, we implemented a new organisation structure to set us up in the right way to successfully deliver on our strategic goals. Every colleague was touched by the changes in some way, be this a new role, changes to a role, a change to reporting lines and functional area or change to their line management. Despite the magnitude of the change, this was delivered with minimal disruption to the business.

To support our colleagues further with a good work life balance, we reduced our full time working week in March from 37.5 hours to 35 hours.

We were delighted to be 'Highly Commended' in the 'Best Overall People Experience' category at the 2025 British HR Awards. This is a real credit to the work of everyone in creating a great place to work for our colleagues. This is also reflected in the results from our independent colleague engagement survey. In it we were pleased to maintain an excellent 79% for how our colleagues rate their people experience at the Society.

We maintained our 'Thriving Workplace Certification' from New Possible for the fourth consecutive year. This recognises organisations that give colleagues an outstanding people experience and is a great testament to the values and behaviours on display across the organisation.

We continue to be accredited as a Real Living Wage employer; we strongly believe that it's the right thing to do as a responsible employer. We are also a Real Living Pension employer, and offer our colleagues free financial planning to support them in making secure plans for now and the future.



Picking up 'Highly Commended' at the 2025 British HR Awards

Following consultation with colleagues, we transferred our defined contribution pension scheme to a Master Trust, where colleagues benefit from reduced management fees and a wider range of tools, encouraging them to engage with their pension scheme.

We are committed to colleague wellbeing and have a number of benefits to support colleagues, including an Employee Assistance Programme (EAP), access to mental health first aiders, a health cash plan, providing more support and access to a range of medical and health services. There is an ongoing focus on wellbeing through focus days and events open to all. We continue to demonstrate our commitment to being a Menopause Friendly employer, offering our managers and colleagues training and support in creating a culture where everyone feels welcome and supported.

We are committed to improving the environment

As a responsible business, we are obliged to operate in a way that reduces our impact on the environment. We remain steadfast in our aim to act as good corporate citizens, with the Board leading the Society forward in a sustainable way, protecting our legacy for future years.

We have continued to make good progress in 2025:

- We have maintained our focus on the United Nations' Sustainable Development Goals (see our Building a Sustainable Society report for more details on the work we have completed for our chosen UN Goals)
- We were delighted to be awarded the esteemed Climate Partner certification for another year. This is awarded to the Society as a testament to the efforts and ongoing commitments that go into significantly reducing our carbon footprint. We have made a number of impactful actions and pledges demonstrating our resolve to not only meet, but exceed environmental standards
- Work is ongoing to assess and address the risk of climate change and how we can help our members (see our Building a Sustainable Society report for more details of our work across the year)



We have performed well

Group total assets increased by 3.8% in the year, with mortgage asset growth of 3.2% as we supported our existing borrowers in finding a new product on maturity, as well as helping new borrowers to the Society find the right mortgage for them. The Group's net interest margin also increased to 1.90%, up from 1.75% in 2024, helped by growth in the mortgage book.

The increased income generated has enabled us to continue investing towards our strategic goals. As a result of the increased investment, our underlying management expenses ratio has increased to 1.94% from 1.73%. We remain conscious of balancing the need to invest with operating as efficiently as possible, for the benefit of members and although we will need to continue the investment in the Society, we believe we have seen the peak with our new core banking platform change in the year.

The Group reported profit before tax of £0.5m, an increase compared to the reported position last year. Profitability wasn't helped by the less than favourable fair value movement on derivative instruments across the year, the one-off costs incurred to buy-out the Group's defined benefit pension scheme, as well as the ongoing investment spend in our digital transformation.

The Society also has two important subsidiaries, which form the Group. They enable us to offer a broader range of products and services to existing and new customers. I am pleased with the full year performance, in particular NEXA Finance Limited reporting strong results and excellent growth in only its sixth year of trading.

Further details of the Group's financial performance are provided in the Strategic Report on pages 11 to 20.

Looking forward to 2026

As this phase of our transformation journey concludes, we will increase our product and services offerings, and digital propositions with the aim to seamlessly integrate with our face to face services as a direct response to your feedback on what you want from your Building Society. We will continue to listen to our members as we consider and design new products and services, assessing how we can effectively serve our customers across all our available channels.

We are grateful for the trust that members and our partners place in the Society. It is a responsibility we do not take lightly or for granted.

Simon Taylor
Chief Executive Officer
17th March 2026



Strategic Report



This report sets out the Group's progress against our strategic objectives. It also assesses the environment in which we operate and the principal risks we face. Please read it alongside the Chair's Statement and Chief Executive's Review.

Our business model

As a mutual organisation the Society is owned by its members, this is how we differ from banks. This model allows us to focus all our efforts on strength and resilience, which can help borrowers and savers achieve their financial goals.

Our business model is simple – the difference between the interest we receive from borrowers and the interest we pay to savers forms our net interest income. This income, along with other income we earn from our subsidiary businesses, covers our operating costs, impairment losses, provisions and tax expenses.

Our mutual status means we do not pay dividends to external shareholders. That means any remaining profits are reinvested in the Society for the future benefit of our members and our long term sustainability.

We are delighted to see the progress that has been made across the year with the Government engaging and committing to activities intended to double the size of the co-operative and mutual sector. We are dedicated to play our part in raising the profile of the sector and the great solutions it brings to wider economic growth agendas.

Our strategy

The first year of the new strategy is underway and we are pleased with the progress we have made. We aim to continue to develop the Society to continue to meet our customers' expectations, and to reach more members and communities.

As we move into the second year of delivering our strategy, we'll continue to develop new products and improve our services to help more customers into home ownership and improve their financial resilience. We remain committed to offering our members a choice in how they want to communicate with us and how they'd like to access our products and services, the continued investment in technology will support this. We also plan to make a bigger impact within our communities and support young people in building solid and secure futures.

Our vision is to build a modern mutual society.

OUR PURPOSE IS TO SUSTAINABLY CREATE HOMES AND BUILD THRIVING COMMUNITIES

We are driven by our four core principles, which represent what the Society stands for and form the basis for how it is governed. These principles ensure the Society does the right thing by our customers, communities and people.

These are our PRINCIPLES

- ✓ We treat everyone with courtesy and respect
- ✓ We make complex things easy to understand
- ✓ We constantly look for practical ways to innovate and improve
- ✓ We don't sell products, we build relationships



Our strategic pillars

These pillars help support and guide the delivery of the business model for members and have been a focus for us in 2025. With the help of our members and colleagues we have completed a refresh of our guiding pillars for 2025 and beyond. We will continue to share our progress in future reports.

The following shows our progress in 2025 against the agreed pillars.

Choice

Provide a wide breadth of solutions for a range of financial needs

- Proud to offer products for members to help us celebrate our 150th year birthday
- Our new Core Banking Platform went live, which will bring a next generation technology platform to the Society for our members
- Continue to make it easier for all stakeholders to do more business with us and remove friction, creating simpler and more efficient customer journeys
- We are proud to have maintained our colleague engagement close to 80% for another year

Inclusive

Create a place for everyone, using our differences to enrich our organisation

- We maintained our recognition as a signatory of the Women in Finance Charter
- We were proud to be awarded the Real Living Wage Accreditation for another year and delighted to now also be recognised as a Real Living Pension employer
- We are proud for another year to partner with Melton and District Money Advice Centre to provide financial education lessons to students with over 28,000 people attending a session
- We completed surveys with our Melton Voice panel with the feedback playing an integral part in the development of our products, services and how the Society operates
- We maintained our 'Thriving Workplace Certification' from New Possible for the 4th consecutive year

Connection

Build genuine relationships with our members, colleagues and communities

- We maintained our commitment to the environment through our support of the United Nations Sustainable Goals and our Climate Partner certification for our work on reducing our carbon footprint
- Our colleagues volunteered over 1,700 hours to local communities and charities to support our purpose
- Our Charitable Foundation continued to support local charities and groups through approval of Grant applications
- We were delighted to be 'Highly Commended' in the 'Best Overall People Experience' category at the 2025 British HR Awards

Excellence

Strive for excellence in everything we do and exceed expectations

- To ensure we remain relevant today, tomorrow and into the future
- We achieved a net promoter score (on customer loyalty) of +64, a reduction on 2024 but benchmarks well within the industry
- To grow our membership, assets, capability, profit and develop our people
- Achieved mortgage growth of 3.2%
- NEXA Finance growth in Assets under Management and helped build over 340 new homes
- We have continued to reduce our average mortgage application to offer timescales

The Group monitors and assesses its performance against the strategic objectives using a range of financial and non-financial key performance indicators (KPIs). The Group KPIs are selected to support its strategic pillars, including several Alternative Performance Measures (APMs) which are in common use across the Financial Services industry and are useful to explain Group performance. These KPIs, and the Society's performance against each are:

		2025	2024
Choice	Mortgage growth (%)	3.2%	-1.5%
	Savings growth (%)	-0.9%	6.1%
	Group Management expenses (as a % of mean total assets)	2.09%	1.99%
	Underlying management expenses (as a % of mean total assets)	1.94%	1.73%
Connection	Customer numbers	45,468	44,332
	Mortgage book in arrears (% of total mortgage book)	2.04%	1.98%
Excellence	Underlying profit before tax (£000)	2,050	1,471
	Profit/(loss) before tax (£000)	515	(448)
	Net interest margin (as a % of mean total assets)	1.90%	1.75%
	Cost to income (%)	96.4%	104.4%
	CET 1 (as a % of risk-weighted assets)	13.6%	14.1%
Inclusive	Net promoter score (% score achieved)	64.0%	86.0%

Business review

The external environment has been challenging with bank base rate reducing from 4.75% to 3.75%, driving down the cost of lending for mortgage borrowers. Savings rates on the other hand have not reduced at the same rate, which whilst good for our savings members, has had a negative impact on the Society's profitability. The Group has managed these challenges well and in terms of financial performance, reported results have improved. The Society successfully migrated to its new core banking platform during the year, reducing the level of project costs incurred compared to 2024. This led to a reported profit before tax of £0.5m (2024: loss of £0.4m). When strategic implementation costs and fair value volatility are excluded, underlying profit before tax for the year was £2.1m (2024: £1.5m).

With no external pressure from shareholders to make short term profits, we can take a longer term strategic view to provide value to members. This has allowed us to invest in our people and systems to ensure the Society remains relevant for many years to come.

The following section provides information about our financial performance and key performance indicators that support our strategic pillars.

Summary Income Statement

	2025 £'000	2024 £'000
Net interest income	14,132	13,139
Fees, commissions and other income	2,412	1,168
Total underlying income	16,544	14,307
Underlying management expenses	(14,435)	(13,012)
Underlying operating profit	2,109	1,295
(Loss) on sale of asset held for sale	-	(10)
Impairment on loans and advances to customers	(59)	186
Underlying profit before tax	2,050	1,471
Fair value movement	(225)	(4)
Strategic IT investment costs	(1,139)	(1,915)
Voluntary payments associated with Phillips Trust Corporation	(171)	-
Profit/(Loss) before tax	515	(448)

Profit/(loss) before tax

Profit is the Group's primary source of new capital and is important to give members long term security and allow for future growth and strategic investment.

Profit/(loss) before tax is shown on both a statutory and underlying basis. The underlying measure reflects the Board's view of the Group's underlying performance and adjusts for fair value volatility arising from derivative financial instruments, strategic IT investment costs and voluntary compensation payments associated with the Phillips Trust Corporation, all of which are non-recurring.

The Group's underlying profit before tax increased to £2.1m (2024: £1.5m) with statutory performance improving also with a reported profit of £0.5m (2024: £0.4m loss).

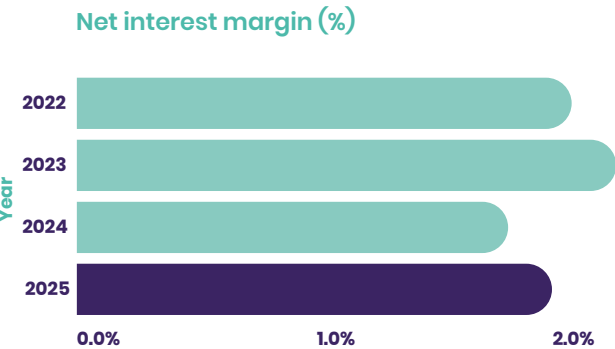
Despite the challenging external conditions, the Group has reported an improvement to both underlying and statutory profits. This has been achieved through the Society successfully migrating to its new IT platform, reducing the ongoing costs incurred, alongside reporting strong business growth in its property development subsidiary, NEXA Finance Ltd.



Net interest income and net interest margin

Net interest income is our main source of income. We aim to balance the needs of our members through offering competitive rates of interest to both mortgage and saving members whilst ensuring sufficient returns are generated to support the Society’s capital position.

Net interest margin increased during the year to 1.90% (2024: 1.75%) despite the competitive market conditions. Net interest income increased by £1.0m to £14.1m. As highlighted earlier net interest income was impacted by the competitive operating environment and the four bank base rate reductions, but the Society has been able to offset these impacts through pro-active management of its loan book and focusing on higher yielding lending.



Total interest income reduced by £1.8m to £40.2m, with interest received from mortgages reducing by £0.8m as the decrease in income seen from reducing mortgage rates was partially offset by increases in the level of higher yielding assets held on the mortgage book. The remainder of the reduction came from reduced interest income received from the Society’s liquidity portfolio as returns fell in line with bank base rate reductions.

Interest payable also decreased during the year, by £2.8m to £26.1m. The main driver of this reduction was from the repayment of funding from the Bank of England’s Term Funding Scheme. Excluding this, interest paid to customers only reduced by £0.7m, similar to the reduction in mortgage income.

Fees, commissions and other income

Fees, commissions and other income increased from £1.2m to £2.2m. This increase in fees was primarily driven by growth in its subsidiary business, NEXA Finance Ltd.

NEXA Finance connects SME property developers with funders to provide an alternative lending model to support developments. The subsidiary continues to grow its investor and borrower numbers, delivering a successful year with net fee income increasing to £3.6m (2024: £1.7m) and loans under management increasing to £98.8m (2024: £48.2m).

Independent mortgage advice is provided through the Society’s subsidiary MMBS Services Ltd, which acts as an appointed representative of the Mortgage Advice Bureau to provide customers access to over 90 lenders, comparing over 1,000 mortgage products. MMBS Services reported a small decrease in fee income during the year which reflected a reduction in general mortgage activity because of the challenging market conditions.

Fair value losses

The Group uses derivative financial instruments to manage interest-rate risk arising from fixed-rate mortgages and savings products. These are held on the balance sheet at fair value, which is the value that a third party would pay for them. The movement in fair value is recognised through the Income Statement. Unless the instruments are sold early, which we have no need or intention to do, any gains or losses will unwind over the life of the instrument.

The net loss on derivative financial instruments was £0.2m (2024: £0.004m) and reflects movements in market yield curves during the year.

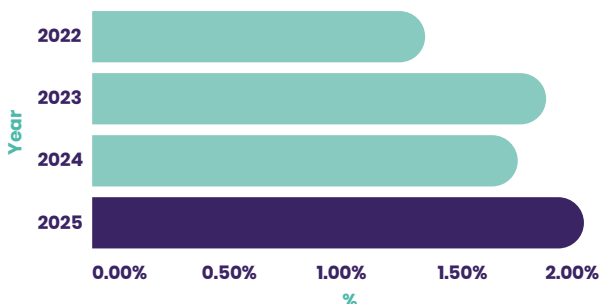
Management expenses

Management expenses comprise staff costs and all other overheads necessary for the Group's operation including depreciation and amortisation. As highlighted last year, we expected management expenses to remain elevated in 2025 until we completed the implementation of our new core banking platform. This was because we are required to recognise many of the implementation costs through the Income Statement as they are incurred rather than spread over the life of the system. As these are non-recurring, and have now ceased, they have been excluded from the underlying measure.

Total management expenses increased to £15.6m (2024: £14.9m). Underlying management expenses, consisting of administrative expenses and depreciation & amortisation but excluding £1.1m of IT investment costs, increased by £1.4m to £14.4m. The increase was a combination of increased staff costs, inflationary increases and costs incurred to wind-up the Group's defined benefit pension scheme (£0.7m). The wind up of the pension scheme is almost complete and we do not expect to incur this level of costs in 2026.

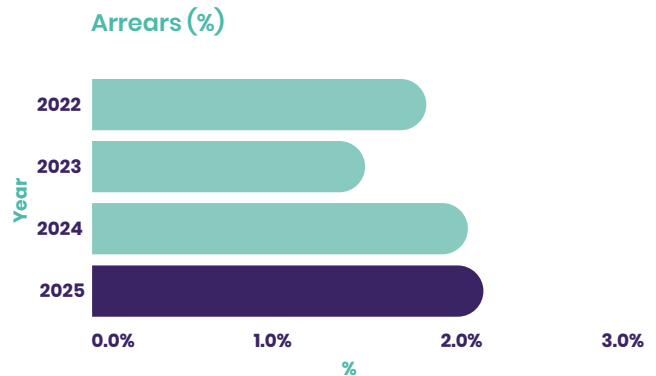
This resulted in our underlying management expenses ratio increasing from 1.73% to 1.94%. The statutory management expenses ratio increased to 2.09% (2024: 1.99%).

Underlying management expenses ratio (%)



Impairment on loans and advances to customers

Group mortgage balances in arrears as a percentage of the book increased from 1.98% to 2.04%, with the total value of arrears increasing slightly to £0.3m (2024: £0.2m).



The total number of arrears cases in the Group have increased from 83 to 86. While arrears figures have not increased significantly, we remain mindful that all cases need to be treated individually.

An impairment charge of £0.1m (2024: £0.2m release) was recognised reflecting growth in the mortgage book. The Group impairment provision is £0.4m and represents 0.06% (2024: 0.06%) of the mortgage book.

Summary statement of financial position

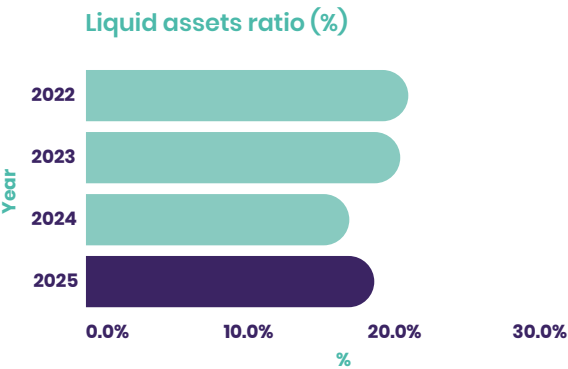
Group	2025 £'000	2024 £'000
Liquid assets	132,414	121,075
Mortgages	615,694	596,550
Fixed and other assets	10,536	13,158
Total assets	758,644	730,783
Retail	629,095	634,817
Non-retail funding	82,749	50,861
Other liabilities	4,640	4,143
Reserves	42,160	40,962
Total liabilities and reserves	758,644	730,783

Total assets

Group total assets increased from £731m to £759m. The increase was driven by a combination of an increase in liquid assets and growth in the mortgage book.

Liquid assets

‘Liquid assets’ means cash in hand and balances held with the Bank of England, loans and advances to credit institutions and debt securities as disclosed in the Statement of Financial Position. Liquid assets are held to ensure the Society can meet its financial obligations under both normal and stressed scenarios.



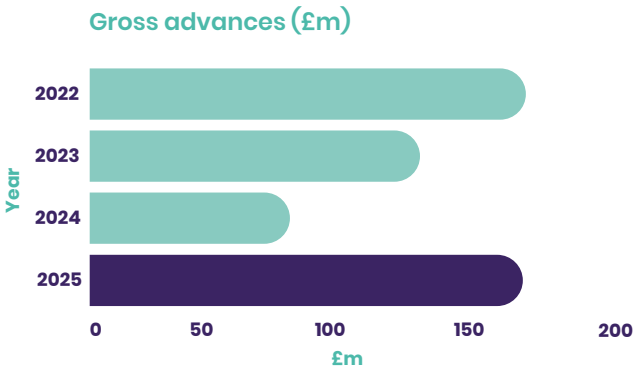
The level of liquid assets as a percentage of shares and deposits has increased from last year to 18.6% (2024: 17.7%). At 31st December, total liquid assets amounted to £132.4m (2024: £121.1m) of which £123.9m was held with the Bank of England or HM Treasury. The level of liquidity held remains significantly above the Board’s internal assessment of its minimum requirements.

The Society’s regulator, the Prudential Regulatory Authority (PRA) monitors the level of liquidity held through the liquidity coverage ratio (LCR). At 31st December, our LCR was 393% (2024: 469%), significantly above the 100% regulatory minimum.

Mortgages

The overall mortgage portfolio totalled £615.7m at 31st December (2024: £596.6m) and primarily consisted of prime owner-occupied and buy-to-let lending but also comprises small portfolios of impaired credit and property development loans.

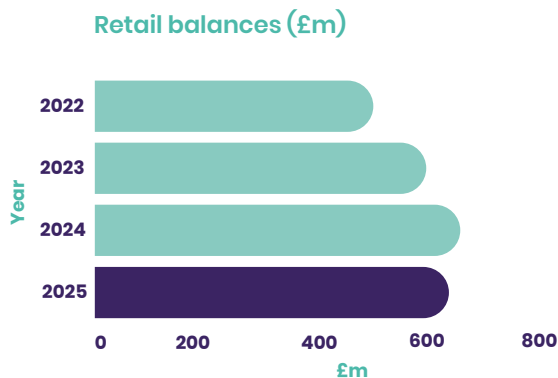
Gross lending in the year totalled £164m and was an increase from the £86m reported last year, when we took a decision to hold the mortgage book flat so that resources could be focused on the digital transformation project. Retention levels remained strong with over two thirds of customers who reached the end of their fixed or discounted term staying with the Society.



The Group’s mortgage portfolio remains very high quality, with over two thirds of the portfolio represented by prime owner-occupied mortgages. The indexed loan to value also remains strong at 56% (2024: 51%).

Retail

Retail savings and deposits remain the foundation of the Society's funding profile. Total member share balances remained broadly flat at £629.1m (2024: £634.8m) and was supported by growth in non-member deposit balances. The Society continued to see good growth in new account openings with a range of competitively priced products and support of its established branch network.

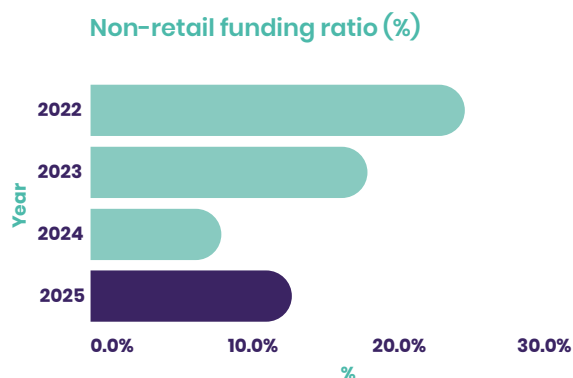


Non-retail funding

It is important that the Society has a diverse funding profile and maintains access to different forms of non-retail funding. The Society utilises the Bank of England's Sterling Monetary Framework (SMF), principally through drawings from the Index Long Term Repo (ILTR) scheme which supports liquidity management. During the year, the Society repaid the remaining £22m it had drawn under the term funding scheme with additional incentives for small and medium enterprises (TFSME).

The Society also has access to the unsecured wholesale funding market, where funding can be obtained from other financial institutions and local authorities. At 31st December, this totaled £13.2m (2024: £10.9m).

The Group's non-retail funding ratio at the end of the year was 11.6% (2024: 7.7%).



Capital

Capital, which consists mainly of accumulated profits, is required to protect members and other stakeholders in the event of unexpected losses and to support future development. As a mutual organisation, we have no external shareholders so we need not maximise profits. We can focus on giving value to our members through competitively priced products and services while ensuring we maintain a robust capital position.

The Group's Common Equity Tier (CET) 1 ratio reduced from 14.1% to 13.6% during the year, due to a combination of composition of the mortgage book and lower profits because of the strategic investment. The Group's Leverage ratio remained at 5.4%.

Our regulatory capital position at 31st December 2025 remains robust, with common equity tier 1 capital increasing to £41.7m (2024: £40.6m) comprising general reserves less intangibles and other regulatory adjustments. The Society has no tier 2 capital. This compares to the Society's total capital requirement set by the PRA of £24.6m (2024: £23.0m), meaning the Society continues to operate well above its minimum capital requirements.

Risks to the Group's strategy and business model

The inherent risks and uncertainties faced by the Society are similar to those involved in running any financial service business. These risks and uncertainties and how the Group mitigates them are detailed in the Risk Management Report. Alongside those risks detailed in the Risk Management Report, the Group has identified the following emerging risks that may affect its future strategy and business model.

External economic environment

The overall economic environment remains finely balanced. The Bank of England has lowered base rate to counter the low growth and increasing unemployment but with inflation remaining above the Bank of England's 2% target, it is yet to be seen how much lower the base rate will reduce.

In addition, the geopolitical situation remains uncertain with several ongoing conflicts and geo-political disagreements. Any escalation in conflict or change to international governments' priorities has the potential to disrupt global supply chains and reignite inflationary pressures.

Despite our current strong credit position, we may yet see an increase in the number of forbearance and arrears cases across the Group's mortgage portfolio. Initially we manage credit through underwriting, which seeks to ensure that borrowers only take on debt they can afford to repay. If borrowers struggle to pay their mortgage, we have a team that can support and advise them of their options. In addition, the Group's forward looking mortgage provisioning assumptions continue to reflect the uncertain economic environment.

Technology and digitalisation

The Society's strategy involves continuing to invest in its digital capabilities to ensure it remains relevant to existing and future members and competitive in the market place. Increasing digitalisation is likely to lead to a change in the risks faced by the Society. This may materialise through poor customer journeys or insufficient skills and resource to manage the increased digital capability.

Increasing our digital capability also increases the threat of cyber risk. We continue to focus on managing the Group's cyber risk to ensure the business and its members' savings and data are protected from cyber criminals. The Group continues to invest in technology to prevent and detect cyber attacks while ensuring employees are trained to recognise cyber security threats and manage the risks.

Climate risk

The Group recognises that climate change risks are not just an immediate issue but that their impact may materialise over much longer timescales. With extreme weather events occurring more often, the Group is managing these risks not as they materialise but by looking ahead over a longer term timescale.

Simon Taylor
Chief Executive
17th March 2026

Building a Sustainable Society



At the heart of our Society's ambition is a commitment to social responsibility and making a meaningful difference in the communities we serve. We remain dedicated to being sustainable, delivering our social purpose and being an environmentally conscious Society.

Our efforts go beyond just products and services as we take an active part in our local communities providing both money and time of our colleagues to make positive change. We continue to be proud of our work towards our social purpose and have strengthened our relationships with existing partners and created new partnerships to support our work together. We aim to support activities, groups and charities of all sizes with a priority of making a difference to how local communities and people's lives evolve.

We recognise the importance of Climate change, and we want to play our part in the transition to a more sustainable future for current and future members.

Our commitments to sustainable development

In the last year we continue to understand our responsibility to build a sustainable society. We manage and measure this through our alignment to the United Nations Sustainable Development Goals. These 17 goals cover a wide spectrum of social and environmental issues, with targets set for 2030. We have continued to make progress against the chosen five goals for the Society during 2025, shown below:



The Board has a responsibility to keep the Society and its members safe and remain fit to carry out its obligations as a modern mutual. This is managed through our risk appetite areas: protect financial stability; maintain capital adequacy, reputation and protection; and provide fair customer outcomes. The bedrock of customer-owned mutual organisations such as ours, to run for purpose not profits, has more importance than ever in times of challenging social and economic climates.

We continue to make good progress against the above goals, such as:

- contributing over 1,700 volunteering hours in our local communities, this is an increase on 2024
- maintaining our Real Living Pension Employer accreditation
- delivering Financial Education sessions to over 28,000 people in partnership with Melton and District Money Advice Centre (MADMAC)
- through our partnership with JUST ONE Tree we made a donation as part of their £1 for 1 tree campaign. They use this funding to support reforestation organisations around the world, focusing on areas severely affected by mass deforestation. We maintained our agreement to contribute £1 for each employee and an annual contribution equal to the number of new members attracted in the previous calendar year. In 2025, we attracted 3,032 new members, so in January we donated £3,032. Our forest now stands at 9,874 trees and we're offsetting about 3,041 tonnes of CO₂ through the partnership
- introduction of digital posters in our branches



Colleagues taking part in a volunteering opportunity at Power in the Park 2025



The sun shining on new digital posters in our Melton branch

As part of our Climate Partner certification, we demonstrate our efforts and ongoing commitments to significantly reduce our carbon footprint through a series of impactful actions and future pledges which we continue to align to, including:

- a commitment to a 10% reduction in commuting by 2025, facilitated by an innovative electric vehicle (EV) scheme for colleagues through salary sacrifice and the installation of 8 free EV charging points
- we have transitioned to exclusive use of green energy, underpinned by our solar panels at our Principle Office
- offer a flexible working policy to further reduce commuting emissions

We continue to make progress on climate action, and we aim not only to meet but exceed environmental standards. Our certification as a Climate Partner demonstrates our proactive stance in the financial sector's green agenda and commitment to continue to look for ways to significantly reduce our environmental impact.

Beyond our own impact as an organisation, we also encourage our members to consider taking steps to review their own environmental footprint. Since 1st May 2023 we've been in partnership with third-party provider Vibrant in order to offer all customers who complete on mortgage applications a free EPC Plus survey on their mortgaged property, including further borrowing and product transfers. This enables our members to identify opportunities to save money, add value to their property and reduce their environmental footprint. In addition, we are reducing our reliance upon postal communications by increasing the number of email communications we send to members, encouraging them to go paperless wherever possible.



ClimatePartner
certified

Training and culture

We have invested in our people to ensure our colleagues feel included and valued for their commitment to deliver our strategy for our members. We continue to ask colleagues for feedback through our bi-annual colleague survey and monitoring forms, covering areas such as socio-economic status and caring responsibilities. This information is proving useful in the ongoing development of colleagues.

Climate change

Strategy

The Group recognises the importance of delivering a sustainable business model. Climate change is considered as part of the strategic plan due to its possible widespread impacts, both positive and negative, on the Society and its members.

As a building society, our business model means we do not lend to or invest in the fossil-fuel industry. Our approach continues to evolve, with the Board remaining aware of our impact on the climate and, where possible, being proactive in making adaptations to meet the changing needs of our customers and communities. The Group remains committed to supporting the Government's target of reaching net zero emissions by 2050.

Governance

Climate change risk is owned by the Board and is periodically discussed as part of the Group's review of strategy. The Board is responsible for setting the Group's overall risk appetite for climate change and has delegated oversight of climate change risks to the Group's Risk Committee.

The Audit Committee has oversight of the Group's financial statement disclosures relating to risks arising from climate change.

Risk management

The Group recognises that climate change risks are not just an immediate issue but will have effects that materialise over longer timescales. The risks will have various implications for our operations, longer term product strategy, members, colleagues and suppliers.

The Group aims to manage these risks by looking well ahead and taking actions that are proportionate to its business model and operations.

We have adopted a range of metrics and targets to help us understand the current and potential future impact of climate change on the Group, and also to understand the Group's impact on the climate.

Metrics and targets

The Group continues to make progress in monitoring and understanding its carbon footprint and of the potential risks that it is exposed to. The key metrics and targets adopted are detailed below.

Physical risk metrics

We have modelled the impacts of a range of scenarios on our mortgage portfolio, assessing the number of properties exposed to current and potential climate risks by 2050. The scenario disclosed below is the high emission scenario (representative concentration pathway (RCP) 8.5). The table below shows that to date we do not have significant climate related financial risks in our mortgage portfolio.

Risk		31st December 2025		RCP 8.5 2050	
		No. of properties	% of mortgage book	No. of properties	% of mortgage book
River flooding	High	185	4.7%	209	5.3%
	Med	60	1.5%	36	0.8%
	Low	3,611	93.9%	3,611	93.9%
Surface flooding	High	135	3.6%	135	3.6%
	Med	77	2.2%	77	2.2%
	Low	3,644	94.3%	3,644	94.3%
Coastal flooding	High	100	2.1%	111	2.3%
	Med	15	0.4%	10	0.4%
	Low	3,741	97.5%	3,735	97.4%
Subsidence	High	-	-	-	-
	Med	584	17.0%	693	20.3%
	Low	3,272	83.0%	3,163	79.7%
Landslide/coastal erosion	High	227	6.8%	230	6.9%
	Med	124	2.9%	124	2.9%
	Low	3,505	90.3%	3,502	90.2%

Transition risk metrics

Transitional financial risk is assessed through analysis of the Group's mortgage portfolio by Energy Performance Certificate (EPC) rating. We obtain current

EPC information from records in the EPC register or by using information from neighbouring properties. Potential EPC ratings reflect the highest feasible EPC band for each property by undertaking improvements to reduce emissions.

EPC rating	31st December 2025		31st December 2024	
	No. of properties	% of mortgage book	No. of properties	% of mortgage book
A	17	0.7%	24	1.0%
B	682	14.3%	750	15.5%
C	751	17.9%	822	18.5%
D	1,716	43.7%	1,921	43.9%
E	501	15.1%	550	13.5%
F	148	5.9%	145	5.4%
G	41	2.4%	44	2.2%
Total	3,856	100%	4,256	100%

The results indicate that our mortgage portfolio is mainly spread over the middle ranges of EPC ratings. Only a few properties have an F and G rating, the least efficient. There is potential for significant upgrade to the energy efficiency of our portfolio, as shown below.

EPC rating	Potential rating	
	No. of properties	% of mortgage book
A	558	13.0%
B	1,969	46.7%
C	1,065	31.0%
D	185	6.1%
E	54	1.7%
F	21	1.0%
G	4	0.5%
Total	3,856	100%

Carbon emissions

Carbon emissions fall into three categories as described below:

Group	Description	Example
Scope 1	Direct emissions from owned or controlled assets	Natural gas used by the Group's offices for heating
Scope 2	Indirect emissions form purchased energy	Electricity bought for Group premises
Scope 3	Indirect emissions that occur as a result of Group operations.	Water use, business travel and employee commuting

Carbon emissions data

To help plot our pathway to net zero, we continue to evolve how we capture and report our carbon emissions to allow us to measure and then target reductions. The table below shows our progress on reducing carbon emissions against our original baseline data, with the latest recorded data from 2024. Total emissions have reduced year on year and are down 50% from the original baseline position. This is in part due to the refurbishment of our head office, which included the installation of more efficient heating and cooling systems. We have also taken other initiatives, which have included moving all our electricity supply to fully renewable supplies and offering an electric car salary sacrifice scheme.

Scope	Emissions (tCo2) Current	Emissions (tCo2) Baseline
Scope 1		
Natural gas	40.4	47.2
Company vehicles	0.9	28.0
Refrigerant	-	21.8
Scope 2		
Electricity	-	119.5
Total scope 1 and 2 emissions	41.3	216.5
Scope 3		
Water consumption	1.3	0.5
Gas and electricity	15.5	38.1
Business travel	13.6	19.5
Employee commuting	165.4	215.7
Total scope 3 emissions	195.8	273.8
Total emissions	237.1	490.3

Scope 3 data is restricted to emissions generated by the Group's business operations. It does not include upstream emissions from our supply chain or downstream emissions generated from our mortgage portfolio.

During 2025, the Group has fully offset the scope 1, 2 and 3 emissions disclosed above under standards approved by the International Carbon Reduction and Offset Alliance (ICROA). Although all our emissions originate in the UK, we offset our emissions through verified carbon offset projects both inside and outside the UK.

Looking ahead we plan to continue reducing our overall net carbon footprint by making further reductions in our total emissions.



Meet our Board

Non Executive Directors



Sue Douthwaite – Chair of the Board and Chair of the Nominations Committee

I became Chair of the Board in August 2024, after joining the Board of Directors in May 2021 as a Non Executive Director. I also have the privilege of chairing the Nominations Committee. Alongside my work at the Melton, I serve as Chair of the NHS Business Services Authority and Chair of the Advisory Board at Queen's University Business School in Belfast.

My career in Financial Services has spanned almost 40 years, covering leadership roles across SME, corporate, and retail banking, including as Managing Director of Santander Business in the UK. Over the years, I've led major fintech transformation projects and helped shape new operating models, systems and cultures. I'm also passionate about promoting diversity, equality and inclusion and often speak on these topics.

I live in Yorkshire with my husband and our two daughters. Outside work, I enjoy staying connected with my community and supporting initiatives that make a difference.



Elizabeth Lockwood – Chair of the Risk Committee

I was appointed to the Board of Directors on 1st July 2022 and am Chair of the Risk Committee. I was appointed to the Board of Directors of NEXA Finance on 6th October 2022. Alongside my Non Executive role at the Melton, I sit on the Board of Directors of Cambridge & Counties Bank. I am a qualified executive coach and therapeutic counsellor.

I joined the Melton Board after 25 years in banking as a risk management specialist, spending 15+ years covering corporates and financial institutions at Deutsche Bank in the UK before holding a number of senior and executive risk roles in commercial, retail and private banking at RBS/NatWest in the subsequent decade.

I am married with two adult children and a rescued Belgian Shepherd and live in Surrey.



Simon Thomas – Chair of the Audit Committee

I am a Chartered Accountant and trained with Price Waterhouse. I have over 30 years' experience in financial services and retired from my most recent role as Group CFO of Provident Financial Group PLC in March 2020.

Before that, I was Group CFO of Just Group PLC, a FTSE 250 financial services Company, for approximately 12 years. I also spent 10 years at Nationwide, where I started working in the financial systems area and ultimately became their Group Financial Controller.

I am the vice-Chair of the Board and Chair the Audit Committee. I also Chair the Audit Committee and Investment Committee at National Deposit Friendly Society Limited.

I am married with one son and live in Surrey.



Michele Ibbs – Chair of Remuneration Committee and Senior Independent Director

I joined the Board in June 2024 and was appointed Senior Independent Director and Chair of Remuneration Committee in April 2025. I am an experienced Non Executive Director in private and public sectors with a professional background in marketing, sales and international business development.

I am currently a Non Executive Director and shareholder representative on the Board of Cambridge & Counties Bank and have previously been Chair of the Board at Connexus Homes Limited, Senior Independent Director and Chair of Remuneration Committee at Marsden Building Society, a Non Executive Director at the UK's leading dispute resolution provider, and Chair of Finance Committee at an NHS Foundation Trust.

I am married and live in Shropshire.

Kath Myers



I was appointed to the Board of Directors and NEXA Finance Limited on 1st January 2025.

I am a member of Risk Committee and the Remuneration and Nominations Committees.

This is my first Non Executive Director role following over 40 years working in the Financial Services sector.

I've enjoyed Senior Executive roles with a number of organisations, including National Australia Group and as a Managing Director at Barclays Bank. My last Executive position was as a Chief Customer Officer at a Building Society. I am a Fellow of the Chartered Institute of Bankers, hold a Financial Studies Diploma and I have a Lombard MBA.

I am married with two children and live in Lancashire.

Ashraf Piranie



I was appointed to the Board of Directors on 1st March 2025 and I am a member of the Society's Audit Committee. I also Chair NEXA Finance Limited.

I have had a long and successful career in Financial Services including Chief Financial Officer at Redwood Bank, Group Finance and Operations Director at West Bromwich Building Society for six years, and previously held the position of Deputy Chief Executive and Finance Director at Nottingham Building Society for ten years. I was also a member and Deputy Chair of the PRA's Practitioners Panel. I have also held the positions of Finance Director and Joint Managing Director at AlRayan Bank (formerly Islamic Bank of Britain) and Director of Finance at Santander (formerly Alliance & Leicester).

I currently Chair the Risk Committees at both Monument Bank and GB Bank and also Chair the Audit & Risk Committee at the Connells Group.

In my spare time I enjoy travelling, football and providing support to a charity engaged in Malawi.

Executive Directors

Simon Taylor - Chief Executive Officer



I joined the Society in June 2020 as Chief Executive and I have worked in Financial Services for over 30 years. Previously I was Chief Operating Officer for the Nottingham Building Society for almost eight years. I have held a number of senior roles at Lloyds and Barclays and was a Regional Director for Lloyds Banking Group before joining the Building Society Sector.

I was appointed as Chair of the Building Societies Association with effect from December 2025.

I am an Associate of the Chartered Institute of Bankers, I hold an MBA and am an alumnus in Advanced Strategic Management from Kellogg North-Western Business School in Chicago.

Andy Lumby - Chief Financial Officer



I joined the Society in July 2021 as Chief Financial Officer. I am a Chartered Accountant and started my career with PricewaterhouseCoopers before moving into the mutual sector. I have over 20 years' experience in Financial Services and have held a number of senior finance positions within the building society sector.

I chair the Society's Assets & Liabilities Committee and have responsibility for the Finance and Treasury functions along with the Group's NEXA subsidiary.

I am married with one daughter and live in Leicestershire.



Directors' Report

The Directors are pleased to present the Annual Report & Accounts of the Society and its subsidiary undertakings (together, the 'Group') for the year ended 31st December 2025. The Directors' Report should be read alongside the Chair's Statement, Chief Executive's Review and Strategic Report.

Business review

The review of the business for the year ended 31st December 2025, including the business objectives and key performance indicators, is contained in the Strategic Report.

Financial risk management objectives and policies

The Group operates in a business environment that contains financial risks. To mitigate them, the Board has implemented a clearly defined risk management framework, details of which are provided in the Risk Management Report.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group and our approach to managing them can be found in the Risk Management Report.

Capital and reserves

The Group reported a profit before tax for the year of £0.5m (2024: £0.4m loss). The Group profit after tax transferred to general reserves was £0.3m (2024: £0.4m loss).

Gross capital at 31st December 2025 was £42.2m (2024: £41.0m), being 5.92% of total shares and borrowings (2024: 5.97%). Free capital at 31st December 2025 was £34.7m (2024: £33.3m), being 4.87% of total shares and borrowings (2024: 4.85%).

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 place certain reporting obligations on financial institutions that are within the scope of Capital Requirements Directive IV (CRD IV). The regulations aim to provide clarity on the source of the Society's income and the location of its operations. The annual reporting requirements at 31st December 2025 are shown in Note 32 of the annual accounts.

Mortgage arrears

At 31st December 2025, the Group had 2 (2024: nil) mortgage loans 12 months or more in arrears, with total amounts outstanding of £270,000 (2024: £nil).

At 31st December 2025, the Group held no property (2024: nil) in possession.

Political donations and gifts

The Group has not made any political donations or gifts in the year (2024: £nil).

Creditor payment policy

The Society does not follow a code or standard on prompt payment practices. But it seeks to pay its trade creditors within agreed payment terms, which helps them fulfil their contracts. The creditor days were 6 days at 31st December 2025 (2024: 7 days).

Going concern and viability

The Directors have prepared detailed three year forecasts of the Group's profitability, capital, funding and liquidity positions that take account of its current position, strategic plans and principal risks as set out in the Risk Management Report. Forecasts have also been prepared to assess the impact on the Group's business and its profitability, capital, funding and liquidity positions of operating under stressed but plausible conditions. The forecasts reflect the current and anticipated economic environment including the conflict in the Middle East, future inflation expectations and the reducing interest rate environment. The detailed assumptions adopted in line with this scenario include those used by the Bank of England to test the capital adequacy of firms in the UK banking system.

The Directors considered a three year forecast period to be appropriate because, beyond that timescale, assessment of the impact of changes in the economic, technological and regulatory environment is much less certain.

The Group's capital and liquidity positions have been assessed through the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP). Within these

assessments, severe but plausible stresses have been applied. The stresses consider a range of factors, including but not limited to, a fall in house prices, an increase in unemployment, changes in interest rates, and circumstances that give rise to additional funding outflows. The Directors' assessment is that the Group's capital and liquidity resources are enough to withstand the stress.

As a result:

- the Directors are satisfied that the Group has adequate resources to continue in business for at least twelve months from the date of approval of the accounts. Accordingly, the accounts continue to be prepared on a going-concern basis
- the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period covered by the forecasts

Directors' responsibilities regarding the Annual Report & Accounts, incorporating the Director's Report, the annual accounts and the Annual Business Statement

The Directors are responsible for preparing the Annual Report & Accounts incorporating the Director's Report, the annual accounts and the Annual Business Statement, in line with applicable law and regulations.

The Building Societies Act 1986 (the 'Act') requires the Directors to prepare Group and Society annual accounts for each financial year. In compliance with the Act, they have elected to prepare the Group and Society annual accounts in line with UK adopted international accounting standards.

The Group and Society annual accounts are required by the Act and international accounting standards to present fairly the financial position and the performance of the Group and Society. References in the Act to annual accounts giving a true and fair view are references to their achieving a fair presentation.

In preparing the annual accounts, the Directors must:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether the accounts have been prepared in line with UK adopted international accounting standards, in compliance with the Act

- prepare the accounts on the going-concern basis unless it is inappropriate to presume that the Group and Society will continue in business

The Act also requires the Directors to prepare, for each financial year, an Annual Business Statement and Directors' Report, each containing prescribed information about the Group's business.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Group:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Society, in line with the Act
- takes reasonable care to establish, maintain, document and review such systems and controls as rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000 require

The Directors are responsible for such internal controls as they decide are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. They also have general responsibility for taking reasonable steps to safeguard the Group's assets and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information, including on the Society's website. UK legislation about preparing and disseminating financial statements may differ from that in other jurisdictions.

Directors

The following people served as Directors of the Society during the year:

Non Executive Directors

S M Douthwaite – Chair

M L Ibbs – Senior Independent Director

E A Lockwood

J A Mortimer Sykes (retired 29th April 2025)

K M Myers (appointed 1st January 2025)

M A Piranie (appointed 1st March 2025)

S G Thomas

Executive Directors

S J Taylor – Chief Executive

A J Lumby – Chief Financial Officer

None of the Directors had any beneficial interest in the shares or debentures of any connected undertaking of the Society as at the end of the financial year.

Post-balance sheet events

There are no post-balance sheet events to report.

The Board continues to monitor the events in the Middle East, which has increased economic uncertainty. Energy prices are already affected, as are businesses with trade both to and from this region. The Group has no interests that are directly impacted by the conflict although the longer term financial consequences for members are unknown.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of it.

Auditor

The External Auditor, BDO LLP, has indicated its willingness to continue in office and accordingly a resolution for its re-appointment will be proposed at the Annual General Meeting.

Acknowledgements

The Directors wish to record their appreciation of the dedication and commitment of all members of staff during what has proved to be a successful year despite the economic challenges.

The Directors would also like to thank all members and suppliers for their continued support.

Sue Douthwaite

Chair

17th March 2026

Corporate Governance Report

The Board of Directors is committed to best practice in corporate governance. The Financial Reporting Council updated the UK Corporate Governance Code (“Code”) in January 2024 and the Prudential Regulation Authority, the Society’s regulator, expects building societies to have regard to the Code’s provisions. The Board supports its general principles, and this report sets out how the Society has regard to the principles of the Code as they apply to a building society and its subsidiary entities (together referred to as “Group”).

Board Leadership and Company Purpose

Code principles:

- A successful company is led by an effective and entrepreneurial board, whose role is to promote the long term sustainable success of the company, generating value for shareholders and contributing to wider society
- The Board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture
- Governance reporting should focus on board decisions and their outcomes in the context of the company’s strategy and objectives. Where the board reports on departures from the Code’s provisions, it should provide a clear explanation
- In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties
- The Board should ensure that workforce policies and practices are consistent with the company’s values and support its long term sustainable success. The workforce should be able to raise any matters of concern

The principal functions of the Board are to determine the Society’s strategy, risk appetite and policies, to establish guidelines within which the business is managed, and to review business performance and its management. The Board has a general duty to ensure that the Society operates in line with its Rules, complies with relevant legislation and regulation, maintains proper accounting records, and adopts effective systems of business control that are documented, followed and audited. In addition to their duties under the Code, all Directors are fully aware of their duties under common law.

The Board comprises Directors who have skills and experience gained and developed in diverse institutions, both shareholder and mutually owned, at varying levels of seniority. To support the proficiency with which individual Board members are able to fulfil their duty to act in a manner most likely to promote the longer-term success of the Group, Directors are given comprehensive training during induction. They are also subject to continuous oversight of their Continuing Professional Development (CPD) activities.

Each year the Board holds a strategy planning session to set and review the Group’s longer term targets, consistent with its purpose, values, and culture, and to establish strategic initiatives to fulfil those targets. Every three years, the Board establishes independent reviews of its effectiveness in conducting its business and in promoting a culture to support its strategic initiatives.

The annual strategic process is informed by prior assessment of current industry trends, economic and market conditions, opportunities provided by technological developments, and scanning for product, design, or delivery innovation in the marketplace. This allows the Group to design its strategic business model with full awareness of the environment in which it operates.

The Group's successful core business model is based on specialism in niche market areas where it can leverage its strength in individual and bespoke underwriting to deliver optimum margin returns consistent with its stated risk appetite. However, the Board has also recognised that diversification of income streams is essential to avoid the risk of over-reliance on mainstream lower margin residential mortgage business, an area that continues to be subject to increased competitive pressure from new entrants. The risk management framework and the operation of regulatory requirements, regarding levels of liquidity and capital, serve to ensure that the longer term business model is both sustainable and maintained on a prudent basis.

The Board has formally reviewed its mission and values statements during the year and the main way by which it assesses whether its culture promotes those values is via periodic externally facilitated Board effectiveness reviews, periodic colleague surveys, the feedback from colleagues obtained through various channels including our colleague experience surveys and suggestion scheme and, from time to time, via a thematic review by Internal Audit. When these processes identify actions for improvement, these are formally recorded and the outcomes monitored. For example, the relevance and focus of information provided in Board papers is regularly reviewed.

The Board is committed to promoting its culture with appropriate investment in, and rewarding of, its workforce, including through:

- (i) continuous learning and development activity which it monitors through regular review of CPD logs. Its learning management system holds digital logs and records of learning activity, including for those employees subject to formal training and competency schemes; and through
- (ii) our Real Living Wage accreditation which is recognition that we voluntarily pay colleagues a salary based on the actual cost of living, rather than just the Government's National Living Wage. As an accredited employer this is intended to strengthen our employer brand and supports employee retention

Through its oversight of the operation of the Remuneration Committee, the Board ensures that pay and employment conditions are consistent with, and support, both the Society's values and the attainment of its longer term objectives. All bonus schemes

combine financial and non-financial measures with targets aligned to these strategic objectives. Payments are subject to a power of veto by the Risk Committee before being recommended for Board approval by the Remuneration Committee. Further details are provided in the Directors' Remuneration Report.

Within the boundaries of budgetary constraint, which the Board continually assesses, and having regard to the regulatory framework in which it operates and to the requisite level of competence and expertise of key personnel engaged in specific lines of business, the Board ensures it has the necessary resource to meet its objectives.

The Board has established a comprehensive risk management framework, which embraces (i) the continual identification and measurement of risk, including the risk of climate change (ii) the environmental, social and governance issues facing the Society, and (iii) the setting of controls, to manage those risks effectively, the effectiveness of which is reviewed by a longer term assurance plan supported by internal and independent auditing activity. Further details are provided in the 'Audit, Risk and Internal Control' section below.

The Group engages with members via the AGM, the distribution of the Annual Report and Accounts, including providing summary financial information, and through post sales surveys and use of independent web based media. The Group has signed up to Smart Money People as a medium for direct customer engagement and feedback. This may be accessed at: <https://smartmoneypeople.com/melton-mowbraybuildingsociety-reviews/products>

The Group continues to support our local community through both financial and non-financial commitments. Examples during 2025 have included, continued provision of a donation so that an Education Officer can deliver financial education sessions in local schools and colleges; colleagues working hard giving time back to the community across various projects, including litter picking in local community areas, supporting schools with mock interview sessions for students, reviving and tidying up key areas in a number of schools in Melton; and the delivery of sessions with the local Police for our members to share knowledge on scam awareness. We have also seen good use of our free meeting rooms by groups and charities as we continue to share our revamped office with our community. This support is supplemented by branch based initiatives aimed at engaging at a local level with community stakeholders.

Across the year all colleagues are invited to presentations to ensure they are informed of Group progress. The Group conducts an anonymous colleague survey, that is facilitated by an external company to ensure independence and anonymity, at least once a year. The Group completes interim 'pulse' surveys to obtain

feedback on specific topics across the year with responses published to all colleagues relating to issues raised and agreed actions.

In addition to submitting of regulatory returns, the Group engages with its regulators by means of structured annual visits, and by keeping them informed on an ongoing basis of key Group developments and issues.

Board discussions and decision making focus mainly on the interests of savings and mortgage customers as a whole, such customers being the members of the Society. The Board ensures that the interests of the Society and its members are promoted through compliance with regulatory and legal requirements. Regulators' expectations regarding their requirements are communicated generally through supervisory statements and guidance and feedback on specific Society performance, including recommended actions. Details are reported to the Board, following an annual onsite Supervisory visit. Workforce concerns and issues raised through our various feedback channels are communicated to the Board.

Colleagues are encouraged to raise issues and concerns in confidence with their line manager or, if that is not appropriate, with a member of the Executive, with anonymity guaranteed when requested. The Board has approved a Speak-Up policy. If the issue relates to a matter of public concern, including damage to the Group's reputation, a colleague may, in line with the Group's Whistleblowing Policy, refer the issue to the Group's Whistleblowing Champion, or to an external authority provided for that purpose. For matters which require formal investigation, and which may involve disciplinary action, the Group uses an independent employment consultant. All such matters are reported to the Board.

The Board considers potential conflicts of interest when significant new contracts are entered into with third or connected parties, or when such contracts are subject to significant variation. Review of potential conflicts of interest is a standing Board meeting agenda item.

In line with the principles of openness and transparency, Directors are encouraged to challenge and raise issues of concern at Board meetings that are fully minuted. On termination of their tenure, Directors may raise issues of concern, which are then reported to the Board. In line with regulatory requirements, Directors who undertake regulated functions maintain a handover certificate that can be used when they cease to be responsible for those functions. They are obliged to set out issues of concern in line with this process.

Division of Responsibilities

Code Principles:

- The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all non executive directors, and ensures that directors receive accurate, timely and clear information
- The Board should include an appropriate combination of executive and non executive (and, in particular, independent non executive) directors, such that no one individual or small group of individuals dominates the Board's decision making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business
- Non Executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account
- The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently

The terms of reference of the Board and of its Audit, Risk and Remuneration and Nominations Committees, which set out their respective responsibilities, are available on the Society's website: www.themelton.co.uk

The Board ordinarily comprises of Executive Directors and Non Executive Directors, with clear demarcation of responsibilities and accountabilities between each group, reflected in the role profiles of the individual members of each group. Before appointment, an assessment is made of a Non Executive Director's time commitments, other than those to the Society, to ensure that they can devote sufficient time to Society business. Non Executive Directors are required to inform the Board of changes in their commitments and circumstances, so that this can be kept under continual review. The Board does not permit Directors to take on additional external commitments without its prior approval. A Board Skills and Competency framework is maintained so that continuing recruitment of Directors promotes the capacity of the governing body to provide constructive challenge, strategic guidance, and specialist input. A critical element of the Framework is that the Non Executive Directors have sufficient relevant knowledge and experience to constructively challenge the Executive Directors and the wider Executive Team.

All the Non Executive Directors who have served during

the year have been independent during their period of service. Over half of the Board membership comprises Non Executive Directors who are independent. Non Executive Directors lead and have the primary role in the appointment and removal of Executive Directors. At each Board meeting the Non Executive Directors review the performance and strategic progress of the Group against agreed performance targets, which are summarised through a range of KPIs and metrics. The Chair holds regular meetings throughout the year with Non Executive Directors without Executive Directors present.

The Board appoints an independent Non Executive Director to be the Senior Independent Director and, accordingly, to act as a sounding board for the Chair and to serve as an intermediary for the other Directors and for Society members. The Senior Independent Director ("SID") holds a NED only meeting without the Chair being present to discuss their feedback and views on the Chair's performance. This includes an assessment of effective leadership as well as getting the views of the Executive Directors to enable the SID to conduct the annual appraisal of the Chair's performance.

The role profiles of the Chair, Chief Executive and Senior Independent Director, which set out their respective responsibilities, are available on request. The roles of Chair and Chief Executive are performed by different individuals. It is not proposed that the current Chief Executive should become Chair of the Board in the future. A document, approved by the Board, is held in the Board Manual setting out the division of responsibilities between the Chair and Chief Executive. The current Chair, Susan Margaret Douthwaite, was independent on appointment.

The Board's operations are subject to independent review by an external assessor, normally on a triennial basis, and to an annual on-site review by the Prudential Regulation Authority. Such reviews variously address the extent to which the Board has the policies, processes, information, time, and resources it needs to function effectively and efficiently.

Each Director has access to external legal advice in respect of corporate governance matters. The appointment of external legal advisers is a matter for the whole Board.

Board and Committee Membership Attendance Record

The table below shows the attendance of each Director at the relevant Board and Board committee meetings.

The number to the left is the number of meetings attended; the number to the right is the number of meetings the Director was eligible to attend during 2025.

Name	Board	Risk	Audit	Remuneration	Nominations
Number of meetings held	11	9	5	4	4
S M Douthwaite	11/11*	-	-	4/4	4/4*
M L Ibbs	11/11	-	5/5	4/4*	4/4
E A Lockwood	11/11	9/9*	-	-	-
A J Lumby	11/11	-	-	-	-
J A Mortimer Sykes ∞	4/4	-	2/2	1/1	1/1
K M Myers Ω	11/11	9/9	-	3/3	3/3
M A Piranie Δ	9/9	-	4/5	-	-
S J Taylor	11/11	-	-	-	-
S G Thomas	11/11	8/9	5/5*	-	-

* Denotes Chair of the Board or committee at 31st December 2025

∞ Judith Mortimer Sykes resigned from the Board on 29th April 2025

Ω Kathleen Myers joined the Board on 1st January 2025

Δ Ashraf Piranie joined the Board on 1st March 2025

Remuneration Committee and Nominations Committee were a combined committee at the start of 2025, but became separate committees with effect from 1 May 2025

Audit, Risk and Internal Control

Code principles:

- The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements
- The Board should present a fair, balanced and understandable assessment of the company’s position and prospects
- The Board should establish and maintain an effective risk management and internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long term strategic objectives

The Audit Committee report provides details of its activities in relation to ensuring the independence and effectiveness of internal and external audit functions. It also details how the committee satisfies itself as to the integrity of the financial statements and whether they provide a fair, balanced, and understandable assessment of the Group’s position.

The Directors’ report details the responsibilities of the Directors in preparing the financial statements. These include ensuring suitable accounting policies are followed, that a true and fair view of the Group’s financial position is provided, and that the Group’s business is a going concern.

The Board, assisted by the Risk Committee, is responsible for establishing the Group’s Risk Management Framework to manage and oversee risk. The Risk Management report provides further details on the Risk Management Framework and how the Group manages risks including details of the Group’s principal risks.

Remuneration

Code principles:

- Remuneration policies and practices should be designed to support strategy and promote long term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company’s long term strategy
- A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome
- Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances

The Remuneration Committee is responsible for developing remuneration policy and considering the level and make-up of Directors’ remuneration. Details of how the Remuneration Committee has regard to the Code Principles on remuneration is explained in the Directors’ Remuneration report.

Sue Douthwaite
Chair
17th March 2026



Audit Committee Report

The Board has established an Audit Committee (“the Committee”), comprising independent Non Executive Directors, excluding the Chair of the Board, including members with competence relevant to the sector in which the Group operates, including skills and experience gained in regulated financial services entities.

The committee meets five times a year, with one meeting devoted to the review and approval of the Annual Report & Accounts. Executive Directors and senior management, representatives of the Group’s Risk & Compliance function, Internal Auditor and External Auditor attend by invitation. These meetings conclude with a closed session between the committee members and the Internal and External Auditor without the Executive Directors and senior management present.

The Terms of Reference of the committee, which are published on the Society’s website at themelton.co.uk, include the following roles and responsibilities:

- Monitoring the integrity of the financial statements of the Group, any formal announcements relating to the Group’s financial performance, and reviewing significant financial reporting judgements contained in them
- Providing an opinion to the Board on whether the Annual Report & Accounts, taken as a whole, provides a true and fair view and whether it is balanced, understandable, and provides the information necessary for members to assess the Group’s position and performance, business model and strategy
- Reviewing the adequacy and effectiveness of the Group’s internal controls and risk management systems
- Monitoring and reviewing the effectiveness of the Group’s outsourced Internal Audit Function
- Conducting the tender process and making recommendations to the Board, about the appointment, reappointment and removal of the External Auditor
- Approving management’s proposal for the remuneration and terms of engagement of the External Auditor
- Reviewing and monitoring the External Auditor’s independence and objectivity
- Reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements
- Developing and implementing policy on the engagement of the External Auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence
- Reporting to the Board on how it has discharged its responsibilities
- Monitoring the Group’s compliance with appropriate codes of governance having due regard to evolving best practice

Financial reporting

The Directors' responsibilities regarding the preparation of the Group's Annual Report & Accounts are set out in the Statement of Directors' Responsibilities. The Audit Committee discharges its responsibilities through:

- Advising the Board on whether the Annual Report & Accounts, when taken as a whole are true and fair, balanced and understandable and provide the necessary information necessary for Members to assess the Group's position and performance, business model and strategy
- Reviewing the appropriateness of the accounting policies adopted in the preparation of the financial statements
- Reviewing the fairness and reasonableness of material judgements and estimates made in the preparation of the financial statements
- Reviewing the appropriateness of the adoption of the going concern basis in the preparation of the financial statements

The Committee confirms it has reviewed the Annual Report & Accounts and accounting policies and recommend that, taken as a whole, they are true and fair, balanced and understandable and provide the necessary information for Members to assess the Group's position and performance, business model and strategy.

The Committee has also reviewed the appropriateness of continuing to adopt the going concern basis of accounting and the longer term viability of the Group and has advised the Board accordingly. Related Disclosures are set out in the Directors' Report.

The Audit Committee considered the following areas of significant judgement, estimates and assumptions relating to the financial statements:

- Assessment of the Society's approach to calculating Expected Credit Losses (ECL) under IFRS 9 and the appropriateness of the overall impairment provision. The committee reviewed the key accounting judgements, estimates and assumptions contained in the Society's ECL provisioning model, including Probability of Default and Loss Given Default calculations under different economic scenarios, and the related disclosure in the Annual Report & Accounts. The review included consideration of the low level of impairment data available, the quality of the

underlying mortgage portfolios, the current interest rate environment, customer affordability, the impact of climate change and the overall level of impairment provision including the application of any post model adjustments

- Assessment of the appropriateness of estimates and methodology for effective interest income recognition. The committee reviewed the approach taken, including the estimate of mortgage product lives and profiles based on actual customer behaviour and management's judgement
- Review of managements assessment over the carrying value of intercompany loans and the appropriateness of their stated carrying value
- Review of accounting judgements and disclosures for the settlement of the Society's defined benefit pension obligation during the year

Internal controls

The Group operates in a business environment that contains significant risks, including financial risks. To mitigate these risks, the Board has responsibility for determining risk management processes, including the design, operation and monitoring of risk management and internal control systems across all areas of the organisation. More detailed information about the risk management framework is set out in the Risk Management report.

The Committee reviews the adequacy and effectiveness of the risk management and internal control systems, including compliance with legal and regulatory requirements, throughout the year to ensure they remain appropriate. It also ensures the Group has sufficient resources to meet the above objectives. The Risk function provides second line support and assurance to the Group, independent of first line management, alongside advice on risk mitigation, including the design of internal control procedures. Internal Audit also provides independent assurance to the Committee on the effectiveness of the internal control framework. The areas of internal control which were reviewed by the Committee during 2025 were:

- Legal compliance related issues
- Prudential regulation related issues
- Annual Internal Audit plan

- Combined Assurance Plan
- Control weaknesses identified by the external auditor in relation to the financial reporting process
- Status of control issues raised in internal audit reports, including risk rating and age of outstanding issues

The Audit Committee’s annual review of the Group’s internal-control and risk management systems concluded that internal controls and risk management systems are adequate and operating effectively. In addition, Mazars LLP (as internal auditor) opined that an effective internal control framework had been maintained throughout the year.

Internal Audit

The Group’s Internal Audit function is outsourced to Mazars LLP. During the year the committee monitored the effectiveness of Internal Audit and the programme of Internal Audit work, reviewed and approved the internal audit charter, approved the audit plan and budget, and confirmed that appropriate resources were in place to execute the plan effectively.

In line with the Combined Assurance Plan, which is approved annually by the Risk Committee, the following areas were reviewed by Internal Audit during the year:

- Arrears and collections
- NEXA Finance key controls, governance and business model
- Model risk management
- Complaints handling
- Corporate governance & SMCR
- Core system replacement go live readiness

The Audit Committee monitors the independence of the function by ensuring that no other personal or business relationships exist with the Group and also undertakes an annual review of the effectiveness of the function.

External Audit

The committee is responsible for assessing the effectiveness of the annual audit process, for monitoring the independence and objectivity of the External Auditor and making recommendations to the Board in relation to the appointment or reappointment of the External Auditor.

The Committee undertakes a formal annual effectiveness review of the External Auditor. The EU Directive and Regulation on Audit Reform relating to public interest entities sets requirements relating to mandatory audit firm rotation and audit tendering and use of the auditor for non-audit services. Under these requirements, the Group is required to put the external audit out to tender at least every 10 years and change the External Auditor every 20 years following a tender process. This exercise was completed during 2019 with BDO LLP being appointed as the External Auditor.

The Group has a policy for the use of external auditors for non-audit work and would not consider the appointment of the external auditor for the provision of non-audit services where it might impair their independence. All material non-audit services require committee’s approval to ensure that auditor objectivity and independence is safeguarded.

Details of the fees paid to the External Auditor for audit and non-audit services are set out in Note 8 of the Annual Report & Accounts.

Simon Thomas
Chair of Audit Committee
17th March 2026

Risk Management Report

Financial risk management objectives and policies

The Group operates in an environment that contains a range of financial and non-financial risks. The objective is to manage these risks so that the financial impact remains within stated risk appetite while delivering strategic objectives and protecting members' interests.

The Board is responsible for setting the risk appetite and ensuring that an effective risk management framework is in place, that supports and directs financial security and promotes fair outcomes. This is clearly stated in both the Group's Enterprise Risk Management Framework and Risk Appetite Policy, which are outlined below.

Enterprise Risk Management Framework

The Group has adopted an Enterprise Risk Management Framework (ERMF), which means that all risks are considered and managed under one structured framework. The ERMF is designed to ensure compliance with applicable rules and regulations, support decision making, assist in having efficient operations and support the delivery of a successful strategy.

The ERMF is supported by additional policies and frameworks, that sets out parameters to mitigate risk in those specific areas and within agreed risk appetite.

Such policies and frameworks include:

- Risk Appetite Policy
- Lending Policy
- Financial Risk Management Policy
- Conduct Risk Policy
- Financial Crime Policy
- Remuneration Policy
- SM&CR Framework
- Cyber Security Framework
- Operational Resilience Policy
- Partner & Supplier Management Policy
- Data Protection Policy
- Data Security Policy
- Climate Change Policy
- ICAAP & ILAAP documents

These are reviewed on a regular basis with the key components amended and approved by either the Board or a Board sub-committee.

The ERMF is supported by the Group's three lines of defence approach with risk responsibilities extending throughout all business areas and functions.

Three lines of defence model

1 Risk ownership

Management are responsible for:

- Implementing risk management frameworks
- Setting risk appetite
- Identifying, managing and mitigating risk
- Establishing and promoting a strong culture of risk management
- Compliance with regulation and legislation

2 Risk oversight

The Risk & Compliance function are responsible for:

- Designing and developing the risk management frameworks
- Monitoring adherence to the risk management frameworks
- Providing oversight and challenge of risk management by First Line
- Overseeing compliance with regulation and legislation

3 Independent assurance

Internal audit are responsible for:

- Providing independent assurance on the design and implementation of the risk management frameworks
- Providing independent assurance on the effectiveness of the internal control environment
- Evaluating and improving the effectiveness of risk management control and governance processes

Risk appetite

Risk appetite is a core part of the ERMF. The Risk Appetite Policy defines the amount and type of risks the Group is willing to take to meet its strategic and financial objectives.

Appetite is set alongside the Group Strategy and ensures that the business has clear guidelines and boundaries on its risk taking and business activities. It does this by:

- providing a clear framework in which the strategy is executed and the business operates
- providing clear thresholds that aim to prevent excessive risk taking and support the Group's strategy by preventing strategic drift
- protecting the Group and mitigating against severe external economic impacts

The Risk Appetite Policy is reviewed and approved by the Board annually on the recommendation of the Risk Committee.

Risk appetite limits are regularly monitored by management. Any breaches of risk appetite are reported to the Risk Committee in the first instance, with further notifications as appropriate.

Risk governance

The Group has a formal governance framework for managing the identification, management and reporting of risk across the Group. It incorporates the Board, which is supported by the Audit Committee, Risk Committee and Remuneration & Nominations Committee. In addition, the Group operates two executive committees that report directly to the Board committees: Assets & Liabilities Committee (ALCo), and Executive Committee (ExCo). There are four other executive appointed committees which report directly into ExCo or ALCo. The roles and responsibilities of the Board and Senior Executive Committees are outlined in the next section.

Board

The Board is responsible for defining and approving the risk appetite of the Group. The Board is also responsible for leading, developing and overseeing the culture of the Group, including a culture of risk awareness. The Board provides overall oversight of risk management and risk culture. The Board specifically approves the ERMF and Risk Appetite Policy.

Risk Committee

The Risk Committee is responsible for overseeing all major risks across the Group. It oversees the Group's approach to Risk Strategy, Management and Risk Appetite. This includes the ongoing review of management information on risk appetite limits. The Committee also provides oversight on the effectiveness of the Risk, Compliance

and Financial Crime function. The Committee will, as required, review and recommend to the Board, risk strategy, policies and risk limits in accordance with the overall risk appetite of the Group.

In addition, the Risk Committee also considers the emergence of new risks which are identified principally through consideration of the changing external environment and through reports from the Chief Risk Officer, including significant changes in regulatory requirements. The Committee membership consists of Non Executive Directors only.

Audit Committee

The Committee is responsible for monitoring and reviewing the integrity of the Group's financial statements and accounting policies. It also oversees the effectiveness of the Group's control functions and policies, including: the Group's internal controls and risk management systems; the internal audit function; and external auditor. The Committee membership consists of Non Executive Directors only.

Remunerations Committee

The Committee is responsible for overseeing the development and implementation of Group wide remuneration policies. The Committee membership consists of Non Executive Directors only and includes the Chair of the Board.

Nominations Committee

The Committee is responsible for overseeing Board governance, including the composition, succession and appointment process. The Committee reviews the balance, composition and size of the Board to ensure it is appropriate and contains the necessary skills and experience required to effectively operate the Group. The Committee membership consists of Non Executive Directors only and includes the Chair of the Board.

Executive Committee

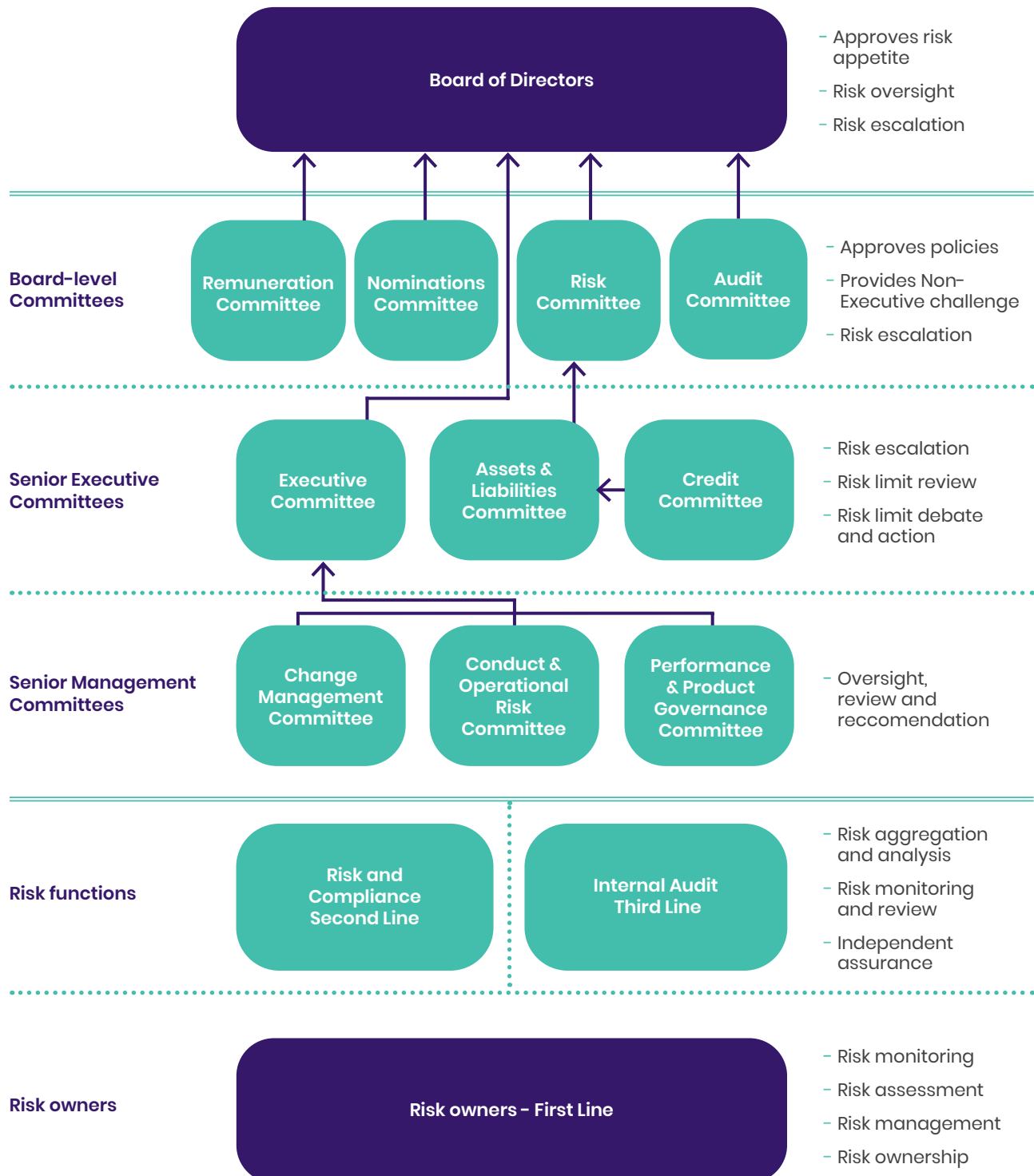
The Committee is responsible for the execution of the Board agreed strategy which includes ensuring the Group's risk management and control frameworks are operating effectively and resourced for current and future business demands. The Committee exercises oversight by assessing and monitoring of conduct, operational and business risk across the Group. The committee members are Executive Directors and senior management.

Assets and Liabilities Committee

The Committee is responsible for the oversight of balance sheet and financial risk management including credit risk, liquidity risk, interest rate risk, pension obligation risk and certain other business risks. The committee membership consists of Executive Directors and senior management.

Risk Governance Framework

Committee Structure and Three Lines of Defence



Principal risks and uncertainties

The Group has identified the following principal risks:

Principal risk	Key controls and mitigating factors
Credit risk	Credit risk is the risk that customers or counterparties may fail to meet their contractual payments. The Group is exposed to credit risk by providing mortgage loans to customers and the investment of liquid assets to treasury counterparties. The Board approved Risk Appetite Policy and Lending Policy have explicit risk limits in place for mortgage lending and the concentration of loans. All mortgage applications are assessed against the criteria set out in the Lending Policy and supporting standards. The Lending Policy is reviewed at least annually but is actively assessed on an ongoing basis to consider the impact from external or internal events. The Group also purchases external Mortgage Indemnity Guarantee insurance for mortgages above 75% LTV, for a period of seven years from inception. The Group aims to maintain a balanced lending portfolio, to attract the required return but also limit the overall risk of the portfolio. During the year 57.0% (2024: 57.9%) of all advances were to high quality owner-occupier lending. The risk profile of the Group's mortgage portfolio remains strong with an average balance weighted LTV of 54.5% (2024: 49.3%) for its residential portfolio. The Group recognises that the personal and financial circumstances of our borrowers can be affected by various factors. This includes changing economic conditions such as higher interest rates or unplanned life events for customers. When this happens, we apply a formal policy directed towards forbearance and good customer outcomes. The Group is a signatory to the Mortgage Charter and has various measures available to assist those borrowers in difficulty, including agreeing a reduced monthly payment, transfer to interest only payments or an extension of the mortgage term to reduce the borrowers' financial pressures. We expect borrowers to resume normal payments once they can. During the year arrears levels have increased slightly to 2.31% (2024: 1.98%). When considering arrears greater than three months, volumes have also increased slightly to 35 (2024: 23) but remain low compared to historical levels. Further details of the Group's arrears analysis can be found on page 124. The Group also has a small but growing property development lending portfolio of £41.7m (2024: £26.9m). Lending is to experienced SME house builders and is closely monitored against risk appetite and lending policy. All loans are reviewed by an experienced credit risk team supported by independent third party monitoring reports. Exposures to credit risk are carefully managed and monitored at the Mortgage Credit Committee and ALCo, with further oversight provided by Risk Committee. Counterparty credit risk is controlled through the Financial Risk Management Policy and Risk Appetite Policy. The policies set out limits to restrict exposures to Treasury counterparties and industry sectors. Monitoring of treasury positions is performed by the Finance function with regular oversight provided by ALCo and Risk Committee. As at the end of 2025 96.4% (2024: 91.8%) of the Group's liquidity portfolio was invested with counterparties with an external credit rating of AA- or better.

Principal risk	Key controls and mitigating factors
Climate Change risk	Climate change risk is the risk of losses from the deterioration in an asset's value (physical risk) or the impacts from a disorderly transition to a lower carbon economy (transitional risk). The primary physical risk to the Group is the impact of climate change on the value of its mortgage portfolio. This is reviewed as part of the Group's capital stress testing and concluded that, based on current exposures, the potential exposure to climate related losses was immaterial. Transitional risk is harder to quantify. One of the main impacts identified through scenario analysis is the potential financial risk from legislation requiring homes to transition to an improved energy efficiency category, as measured by the industry standard energy performance rating (EPC). The Group controls Climate Change Risk through the Climate Change Policy which outlines the strategic approach to climate change. Key areas of the approach are outlined below: Governance – The Group has in place a clear governance framework to oversee climate related financial risks. Risk Management – Climate change risks are managed through the Group's Enterprise Risk Management Framework. Metrics and Targets – The Board has agreed metrics and targets to provide proportionate management information on the Group's climate change risks. This will mature as the Group's understanding of these risks evolves. Scenario Analysis – The Group performs scenario analysis across its mortgage portfolio to assess potential climate-related financial risks and to help inform its strategy and risk appetite. Details of these risks can be found on page 24. The impacts of climate change are monitored by the ALCo with the management of climate change monitored by the Executive Committee.

Principal risk	Key controls and mitigating factors
Operational risk	Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems. This includes processes for financial crime, business change, information security and third party management. The Group is exposed to operational risk across a wide range of business operations. The Group's Enterprise Risk Management Framework sets out how risks are identified, measured, mitigated, and controlled. Operational risk is supported by other policies and other documentation such as procedures. Some of these policies include: Risk Appetite Policy; Business Continuity Policy; Data Security Policy; Operational Resilience Policy; Third Party and Supplier Policy; Cyber Security Framework, Change Management Framework; Incident Management Framework; Climate Change Policy; and Financial Crime Policy. The Group has a clear Board-approved IT and technology strategy. During the year the Group successfully migrated its core banking platform to a new system which has significantly enhanced digital capabilities and customer journeys. This was managed and monitored through a Board approved project with a framework of regular governance committees. This included attendance by the key suppliers so any issues or challenges were resolved in a timely manner. The management of cyber risk is an ongoing focus. The Group combines investment in technological security measures with effective policies and procedures to ensure cyber risk management remains appropriate to protect both Group assets and customer data. Enhancing operational resilience and maintaining a good level of service for customers is a key element of the Group's business strategy. The Group has in place an Operational Resilience Policy and continues to enhance the implementation of these regulations. Operational risk is primarily managed through the Conduct and Operational Risk Committee, monitored by the Executive Committee and oversight provided by the Risk Committee and Board.

Principal risk	Key controls and mitigating factors
Conduct risk	Conduct risk is the risk of providing poor outcomes to customers. The Group is exposed to Conduct risk through the provision of products and services to customers. The Conduct Risk Policy sets out the Group's high level expectations on conduct. This is supported by other key policies such as the Vulnerable Customers Policy and Financial Difficulty Policy. The Board has set Risk Appetite limits in relation to Conduct risk. All conduct related metrics are monitored regularly and reviewed by the Conduct and Operational Risk Committee. This ensures that the Group is alerted to and can take, timely action in relation to any potential customer detriment. The Performance and Product Governance Committee ensures that products are designed and monitored to ensure good customer outcomes. A Consumer Duty Dashboard is in place which is reviewed by the Executive Committee and the Board. As part of the Group's Consumer Duty framework a Non Executive Director is appointed as Consumer Duty Board Champion. The Board Champion supports the Chair and Chief Executive in raising Consumer Duty regularly, challenging the Board and Executive on how it is embedding the Duty and focusing on consumer outcomes.
Funding & liquidity risk	Funding & Liquidity risk is the risk that the Group has insufficient financial resources to meet its liabilities as they fall due or can secure them only at an excessive cost. The Group ensures it maintains adequate liquid assets having regard to both the amount and the quality, to mitigate the risk that its liabilities cannot be met as they fall due, both in business as usual and stressed scenarios. The Financial Risk Management Policy sets out the key liquidity limits. Adherence to the policy limits is managed by the Group's Finance department and monitored monthly by ALCo, with additional oversight provided by the Risk Committee. The Board undertakes a full review of liquidity adequacy at least once a year, referred to as the Internal Liquidity Adequacy Assessment Process (ILAAP). This includes the assessment of the quantity and quality of liquid assets that the Group should hold to mitigate the liquidity risks to which it is exposed, under both normal and stressed conditions. The Groups also complies with the requirements for the Liquidity Coverage Ratio (LCR), which measures the amount of high quality liquidity held in relation to net stressed 30-day cash outflows. This is reported monthly to the Group's regulator, the Prudential Regulation Authority (PRA).

Principal risk	Key controls and mitigating factors
Interest rate risk	Interest Rate is the risk of losses from adverse movements in interest rates. The Board-approved Financial Risk Management Policy sets out the key interest rate risk limits. The limits are based on capital at risk due to the mismatch of assets and liabilities re-pricing in defined time periods. The Group uses vanilla derivative financial instruments to help manage the mismatches. Management of interest rate risk is undertaken by the Group's Finance department with monitoring performed by ALCo and oversight provided by the Risk Committee. Details of the Group's interest rate sensitivity and the use of derivatives for hedging purposes are set out in Note 30 of the annual accounts.
Capital adequacy risk	Capital Adequacy risk is the risk that the Group has insufficient capital resources to cover from unexpected or extreme losses. Capital Adequacy is one of the Board's four core objectives and forms an overarching boundary condition to most material Risks. The Board has no appetite for breaching the minimum regulatory capital requirements. As such it has set minimum internal thresholds to manage this effectively. The Board regularly reviews and monitors the strategic plan against internal capital thresholds when considering future growth and investment strategies. An Internal Capital Adequacy Assessment Process (ICAAP) is carried out at least once a year to test and assess the Group's ability to maintain sufficient capital levels under differing stressed scenarios. The Group also has a Board-approved Recovery Plan in place which provides the Group with plausible options to improve its capital position should its capital adequacy be threatened for any reason.

Principal risk	Key controls and mitigating factors
Strategic risk	Strategic Risk is the risk of loss or reduction in profitability due to failure to achieve strategic objectives. The Group manages this risk by having a long-term focus on a sustainable business model which encompasses carefully developed and detailed business plans and policies. These include the maintenance of a diverse range of products and services to suit customers' needs. The Board reviews its long-term strategy on an annual basis, ensuring that it continues to meet both the needs of the Group and its members. The Group also carries out horizon scanning and monitors the external economic environment to ensure that it reacts appropriately to changing conditions that may impact its strategic goals. The Board oversees and monitors business performance against the approved strategic objectives. The Executive Team manages the execution of the Board-approved strategy. Monthly reporting is provided to the Board on Strategic Key Risk Indicators. The Group also operates a growing subsidiary business, Nexa Finance Ltd, which arranges and manages property development finance funded by a number of building society investors including Melton. The subsidiary is a growing contributor to the Society's capital surplus. Whilst the Group provides shared services to Nexa, Nexa has a separate Board to oversee Nexa performance. The risk profile of Nexa is reviewed regularly at Risk Committee and its financial performance is regularly reviewed by the Board of the Society.

Elizabeth Lockwood
Chair of Risk Committee
17th March 2026

Directors’ Remuneration report

The Board has established a Remuneration Committee. It comprises three Non Executive Directors, including the Chair of the Board, and is supported by a non member, the Chief People Officer. This report describes how the Society complies with the FCA’s Remuneration Code for dual regulated firms. It also explains how the Group has regard to the principles of the UK Corporate Governance Code 2024 (‘the Code’) on remuneration (pay and benefits).

Remuneration Policy

Code principle P:

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

The Committee is chaired by Michele Ibbs, a Non Executive Director and the Society’s Senior Independent Director. Its key purpose is to ensure that the Group Remuneration Policy supports the achievement of the business strategy by rewarding the right behaviours and outcomes consistent with the Society’s risk appetite and its members’ long term interests.

The Group Remuneration Policy has a number of key principles relevant to the Code:

- Attract and retain directors and senior managers with the right skills and competencies by offering a fair and competitive total reward, benchmarked against the external market
- Recognise the importance of total reward including benefits and flexible working in attracting, engaging and retaining a diverse and talented workforce
- Reward colleagues based on both the Group and individual performance with a focus on demonstrating the right behaviours in carrying out their performance

- Ensure good and effective risk management and promote the highest standards of professional conduct
- Take into account the Group’s strategic and business plans, ensuring that its objectives and long term interests, including strengthening its capital base, are not compromised

The Group has a clear strategy, vision and mission. It encourages four key values for all colleagues: respect for the individual; trust matters; everyone should have a sense of belonging; and we all strive to achieve.

These values underpin everything we do to support the Group’s culture and are reflected in its pay and benefits package. In assessing the performance of Directors, culture and values are an explicit component of annual appraisals. This includes each Director:

- affirming that they are acting in line with the ‘fit and proper conditions’ required by regulation
- attesting that they fully understand prescribed responsibilities and giving evidence that they have been fulfilled

The pay of individual Directors is detailed on page 55.

Level and components of pay

Executive Directors' pay

Executive Directors' pay reflects the Director's specific responsibilities, experience and performance. It comprises a number of elements: basic salary, pension, annual bonus and other taxable benefits as detailed below:

Component	Level	Basis
Basic salary	Set annually after review by the Remuneration Committee.	Based on job specific responsibilities using financial services market benchmarking for similar roles.
Pension	Contribution of 10% of base salary (before salary sacrifice) for all colleagues or paid as a cash allowance as an alternative.	Executive Directors are invited to join the Group's defined contribution scheme.
Annual bonus	The annual bonus is only awarded if the minimum threshold criteria are achieved, linked to delivery of the Group's strategic objectives. On target performance across all measures will result in a bonus award of 20% of base salary with the ability to earn up to a maximum of 30% for over performance.	Variable pay is linked to the delivery of the Group's strategic objectives. There are financial and non-financial targets alongside individual performance targets. The aim is to safeguard against poor conduct or risk taking outside the Society's risk appetite. The Risk Committee has a power of veto over any variable remuneration payments. They may be reduced or withdrawn if there is an item of material importance or relevance that significantly adversely affects the Society's regulatory status, financial performance or financial statements.
Other benefits	The Group provides other taxable benefits including a car allowance and health care provision.	Set at a level considered appropriate for each Executive Director by the committee in line with market practice.

Both Executive Directors are employed on permanent service contracts. The Chief Executive has a service contract terminable by the Society giving 12 months' notice or by the individual giving 6 months' notice. The Chief Financial Officer's service contract requires 6 months' notice from either party. There are no special terms in the event of amalgamation, transfer of engagements or transfer of business where employment is to be terminated.

2025 performance and awards

The Chair’s Statement, Chief Executive’s Review and Strategic Report on pages 5 to 20 describe 2025 as a year of transformation and progress against a period of external volatility.

It is in this context that performance related pay awards to Executive Directors have been set and are detailed in this report.

Non Executive Directors

The Chair and other Non Executive Directors (NEDs) each receive an annual fee for their services. It reflects the time commitment and responsibilities of their roles and is in line with those paid by other Societies of a similar size and structure. Fees are structured so that NEDs with the additional responsibility of chairing a board committee or chairing a subsidiary board are paid an additional fee. They do not receive any salary, performance incentives or pension.

NEDs are reimbursed for reasonable expenses incurred during their work on Group business.

The Society’s Rules limit NED pay to 2.5 times the annual salary of the lowest paid full time clerical employee.

Procedure for setting pay

Code principle Q:

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

Code principle R:

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

The Remuneration Committee meets at least four times each year and reports its key decisions directly to the Board. The committee annually reviews the Group Remuneration Policy, including director remuneration frameworks.

The overall pay level of Executive Directors is considered by the Committee. In setting pay, the committee takes account of the salaries, fees and benefits offered within similar financial organisations (including other building societies) to ensure that the salary and benefits packages offered align with those available in the marketplace and enable Directors of high calibre and diversity to be attracted and retained in line with the business strategy. The committee uses the services of independent consultants, third party surveys and peer group benchmarking to ensure pay levels are appropriate and in line with the external market. The committee has authority to override formulaic pay outcomes for bonuses when considering the Society’s performance, both regulatory and financial. The committee will, before its recommendation to the Board for approval of any bonus payments, refer to the Risk Committee to ascertain whether it wishes to exercise its power of veto.

The Chief Executive appraises the individual performance of the Chief Financial Officer and other members of the executive team and makes recommendations to the Committee. The Chief Executive’s performance is appraised by the Chair of the Board with input from fellow Board members.

The measures, targets and rules of the Group’s Executive Incentive Plan and Bonus Scheme for colleagues are aligned to each other. The Group’s Remuneration Policy is available to view on the Society’s website.

Committee members are unable to set their own pay. The pay of the Chair of the Board is considered by the Committee, together with the Society’s Chief Executive. The pay of the NEDs is considered by the Chair of the Board after proposals from the Executive Directors. Fees are approved by the Board on the Committee’s recommendation.

Non Executive Directors (audited)	2025 Total fees £'000	2024 Total fees £'000
S M Douthwaite	57	43
J G Farrington (retired 19th April 2024)	-	10
M L Ibbs (appointed 1st June 2024)	36	17
E A Lockwood	38	35
J A Mortimer Sykes (retired 29th April 2025)	12	35
K M Myers (appointed 1st January 2025)	31	-
F A Pollard (retired 30 September 2024)	-	36
M A Piranie (appointed 1st March 2025)	29	-
S G Thomas	38	33
Total	241	209

Executive Directors (audited) 2025	Salary £'000	Annual Bonus ¹ £'000	Deferred bonus ² £'000	Benefits £'000	Sub-total £'000	Pension Contributions ³ £'000	Total £'000
S J Taylor	278	61	36	38	413	-	413
A J Lumby	187	25	12	11	235	23	258
Total	465	86	48	49	648	23	671

Executive Directors (audited) 2024	Salary £'000	Annual Bonus ¹ £'000	Deferred bonus £'000	Benefits £'000	Sub-total £'000	Pension Contributions ³ £'000	Total £'000
S J Taylor	270	-	-	37	307	-	307
A J Lumby	182	-	-	11	193	23	216
Total	452	-	-	48	500	23	523

¹ The annual bonus figure reflects the amounts awarded in the year which have not been deferred. The remaining element, which is subject to deferral, will be disclosed in the year of payment.

² The deferred bonus figures relate to bonus earned in 2021 but which have been deferred for three years in accordance with the scheme rules.

³ S J Taylor, with agreement from the Society, took pension contributions as cash.

The unpaid deferred elements of the annual bonus scheme are detailed below:

Executive Director	Due in 2026 Earned in 2022 £'000	Total Deferred £'000
S J Taylor	37	37
A J Lumby	23	23

Michele Ibbs
Chair of Remuneration Committee
17th March 2026

Independent auditor's report



to the members of Melton Building Society

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and of the Society's affairs as at 31st December 2025 and of the Group's and Society's profit and of the Group's and the Society's cash flows for the year then ended
- have been properly prepared in accordance with UK-adopted international accounting standards
- in conformity with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable

We have audited the financial statements of Melton Building Society (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 December 2025 which comprise of the following:

Group and Society:

- Income Statements
- Statements of comprehensive income
- Statements of financial position
- Statements of changes in members' interests
- Cash Flow Statements
- Notes 1 to 33 to the consolidated financial statements
- Material accounting policy information

The financial reporting framework that has been applied in their preparation is UK-adopted international accounting standards in conformity with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is

consistent with the additional report to the audit committee.

Independence

We remain independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Society.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Society's ability to continue to adopt the going concern basis of accounting included:

- obtaining the Directors' assessment of going concern which includes the going concern assumptions applied in the financial statements
- assessing the appropriateness of the assumptions and judgements made in the base case and stress tested forecasts, including reverse stress test scenarios, used to support the going concern assessment by considering the consistency of the forecasts with our understanding of the business, as well as looking at the historic accuracy of the forecasts by comparing with actual results
- assessing how the Directors have incorporated key external factors, such as interest rate fluctuations, housing price changes, and the current uncertain geopolitical and economic outlook, into their going concern assessment, considering whether these had been appropriately considered as part of the Directors' going concern assessment
- reviewing regulatory correspondences
- reviewing going concern disclosures in the accounts

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's

ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s and the Society’s ability to continue as a going concern.

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

Overview

Key audit matters	Revenue Recognition (Effective Interest Rate adjustment)	2025 ✓	2024 ✓
	Expected credit losses on loan and advances	✓	✓
Materiality	Group financial statements as a whole £724,000 (2024: £508,000) based on 1.7% (2024: 1.25%) of Net assets (2024: Net assets)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group’s system of internal control. On the basis of this, we identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

As part of performing our Group audit, we have determined the components in scope as follows:

- Melton Building Society
- NEXA Finance Limited

These components represent the material operating companies within the Group.

For components in scope, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included:

- procedures on the entire financial information of the component, including performing substantive procedures and tests of operating effectiveness of controls
- procedures on one or more classes of transactions, account balances or disclosures
- specific audit procedures

We used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included examining the entire financial information of Melton Building Society and NEXA Finance Limited, including performing substantive procedures, and testing the operating effectiveness of controls.

The Group engagement team performed all procedures directly and did not involve component auditors in the Group audit.

Procedures performed centrally

We considered there to be a high degree of centralisation of financial reporting and commonality of controls. Therefore, we designed and performed procedures centrally.

The group operates a centralised IT function that supports IT processes for certain components. This IT function is subject to specified risk-focused audit procedures, predominantly the testing of the relevant IT general controls and IT application controls.

Climate change

As part of our audit, we performed a risk assessment of the impact of climate change risk and the commitments made by the Group in respect of climate change on the financial statements and our audit approach. In doing this assessment, we performed the following:

- enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the financial statements
- we assessed how the Group considers the impact of physical risks on the valuation of mortgage collateral. Specifically, we performed climate risk data analytics risk assessment procedures to understand the potential impact of flooding and subsidence on the valuation of mortgage collateral and made enquiries of management to understand how this is considered within their own collateral valuation process
- reviewed the minutes of Board and Audit Committee meeting related to climate change and performed a risk assessment as to how the impact of the Group’s commitment as set out in the sustainability report may affect the financial statements and our audit

We also assessed the consistency of management’s disclosures included as ‘Other Information’ on pages 21-26 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – Effective Interest Rate (“EIR”) adjustment The Group’s accounting policies are detailed on page 73 with detail about judgements in applying accounting policies and critical accounting estimates on page 79. The Group has an effective interest rate asset included in the Statement of Financial Position of £2.74m (2024: £2.66m).	The Group’s mortgage interest income is recognised using an effective interest rate (“EIR”) method in accordance with the requirements of IFRS 9. Management judgement is required in initially recognising financial instruments under the EIR method, and assumptions made by management will also impact subsequent amortisation of EIR adjustments. The calculation of the effective interest rate method includes directly attributable contractual transaction costs and fees paid or received where the future cash flow can be measured reliably. We assessed the period over which to defer these costs and fees, (the ‘behavioural life’) which is determined by reference to analysis of historical customer behaviours of the EIR calculation as most critical and requiring increased audit focus. Given the significant management judgements and assumptions involved, we identified this as a fraud risk relating to potential management bias.	Our key procedures on the significant risk included: We assessed the design and implementation of the controls over the effective interest rate process performed by the Group. We assessed and challenged management’s expected behavioural life assumptions against recent historical experience of loan lives, ensuring the data used, segmentation applied, and adjustments made accurately reflected the current and expected behaviour of the Society’s borrowers, considering the economic outlook. On a sample basis, tested the completeness and accuracy of data used to calculate the current year behavioural life assumption, including the appropriateness and length of data used. With the assistance of our data and analytics specialist team, on a selected sample, we recalculated the year-end effective interest rate adjustment required. For a sample, we verified all key inputs relevant to the cash flows against supporting evidence such as fees, contractual interest rate, maturity, and year-end balance. Assessed whether the revenue recognition policies adopted by the Society complied with IFRS 9, including an evaluation of the types of fees being spread within the EIR model. Key observations: Based on our audit work performed, we concluded that the assumptions regarding expected behavioural life redemption profiles used in the EIR model are reasonable.
Expected credit losses for loans and advances to customer The Group’s accounting policies are detailed on page 74 with detail about judgements in applying accounting policies and critical accounting estimates on page 78. Refer to note 17 for Impairment provision on loans and advances. At year-end, the Group recognised impairment provisions over commercial loans of £0.07m (2024: £0.03m).	The Group accounts for the impairment of loans and advances to customers using an expected credit loss (“ECL”) model under IFRS 9 Financial Instruments. The key areas where we have identified greater levels of judgement and therefore increased levels of audit focus in the estimation of ECL are: – Model estimations – Inherently judgemental modelling is used to estimate ECL, particularly in determining the Probability of Default (“PD”) for the commercial loans. This model utilises both the Group’s historical data and external data inputs. – Significant increase in credit risk (SICR) – The assessment of ECL for commercial exposures involves a relatively higher level of judgement than for retail portfolios. Commercial loans typically rely on qualitative early-warning indicators (such as borrower financial performance, business model viability, and sector-specific pressures) that require significant management interpretation when determining whether SICR has occurred. Accordingly, we identified a significant audit risk in determining the PD and the appropriateness of SICR assessments for the commercial loans.	Our key procedures on the significant risk included: Assessed the design and implementation of controls around approval including the selection and probability weighting of relevant macroeconomic scenarios. Evaluated the Society’s identification and the completeness of macro-economic variables relevant to their portfolio and their consideration of forward-looking information. Engaged the BDO Quantitative Solutions & Economic expert team to review and challenge the selection and probability weighting of relevant macroeconomic scenarios and forward-looking assumptions in the ECL model. Key observations: Based on our audit work performed, the determination of PDs and appropriateness of the SICR assessments are considered to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Society financial statements	
	2025	2024	2025	2024
Materiality	£724,000	£508,000	£652,000	£501,000
Basis for determining materiality	1.7% of Net assets	1.25% of Net assets	1.7% of Net assets	1.25% of Net assets
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. This is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Group and Society as well as the purpose of the Group and Society which is to optimise rather than maximise profits. The key driver for increase year on year to 1.7% net assets is the stability of the Group’s and Society’s capital and liquidity.			
Performance materiality	£453,000	£356,000	£408,000	£331,000
Basis for determining performance	75% of materiality	70% of materiality	75% of materiality	70% of materiality
Basis for determining performance materiality	On the basis of our risk assessment together with our assessment of the overall control environment and expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Group and Society should be 75% (2024: 70%) of materiality.			

Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, except for the Society, whose materiality is detailed above, dependent on a number of factors including our assessment of the risk of material misstatement, aggregation risk and history of misstatements. Component performance materiality was set £397,000 (2024: £331,000) for NEXA Finance Limited.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £36,000 (2024: £20,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other Building Societies Act 1986 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

Annual business statement and directors' report	In our opinion, based on the work undertaken in the course of the audit: - the annual business statement and the Directors' report have been prepared so as to conform to the requirements of, or made under, section 74 and 75 of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) - the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements - the information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion: - adequate accounting records have not been kept by the Society - the Society financial statements are not in agreement with the accounting records - we have not received all the information and explanations we require for our audit

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 32 for the financial year ended 31 December 2025 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and management.

Extent to which the audit was capable of detecting irregularities, including fraud.

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and Society and the industry in which it operates
- Discussion with management and those charged with governance
- Obtaining and understanding of the Group’s and Society’s policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the Building Societies Act 1986, pension legislation, tax legislation.

The Group and Society are also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our procedures in respect of the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations
- review of legal correspondence and correspondence with regulatory authorities for any instances of non-compliance with laws and regulations
- review of financial statement disclosures and agreeing to supporting documentation
- enquires of management whether there were any litigations and claims
- enquires of the legal team of the Group and Society

Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud.

Our risk assessment procedures included:

- enquiry with management, internal audit, and those charged with governance regarding any known or suspected instances of fraud
- obtaining an understanding of the Group’s and Society’s policies and procedures relating to:
 - detecting and responding to the risks of fraud
 - internal controls established to mitigate risks related to fraud
- review of minutes of meeting of those charged with governance for any known or suspected instances of fraud
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and in relation to accounting estimates such as the EIR and loan loss provisioning.

Our procedures in respect of the above included:

- testing a sample of journal entries throughout the year, which met defined risk criteria, by agreeing to supporting documentation
- assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed)

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed

and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

We were appointed by the Melton Building Society Board of Directors on 19th June 2025 to audit the financial statements for the period ended 31st December 2025.

Our total uninterrupted period of engagement is 7 years, covering the periods ended 31st December 2019 to 31st December 2025.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

Timothy Lawrence

For and on behalf of BDO LLP, Statutory Auditor
London, UK

17th March 2026

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statements

for the year ended 31st December 2025

	Notes	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Interest receivable and similar income using the effective interest rate method	2	40,213	39,695	42,016	41,378
Interest payable and similar charges	3	(26,081)	(26,081)	(28,877)	(28,877)
Net interest income		14,132	13,614	13,139	12,501
Other finance income	10	146	146	115	115
Fees and commissions receivable	4	3,581	330	1,681	144
Fees and commissions payable	5	(1,337)	(106)	(635)	(39)
Other operating income	6	85	602	55	508
Other operating expense	6	(234)	(1,112)	(48)	(508)
Income from shares in subsidiary undertakings	18	-	892	-	2,069
Net (loss) from derivative financial instruments	7	(225)	(225)	(4)	(4)
Total net income		16,148	14,141	14,303	14,786
Administrative expenses	8	(15,063)	(13,553)	(14,337)	(13,244)
Depreciation and amortisation	19,20	(511)	(481)	(590)	(545)
Operating profit / (loss) before impairment losses and provisions		574	107	(624)	997
(Loss) on investment property	21	-	-	(10)	(10)
Impairment provisions on loans and advances	17	(59)	(59)	186	123
Impairment of loans to subsidiary undertakings	18	-	-	-	(62)
Operating profit / (loss) and profit / (loss) before tax		515	48	(448)	1,048
Tax (expense) / income	12	(228)	(5)	9	141
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		287	43	(439)	1,189

Profit/(loss) for the financial year arises from continuing operations and is attributable to the members of the Society.

Statements of comprehensive income

for the year ended 31st December 2025

	Notes	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Profit / (loss) for the financial year		287	43	(439)	1,189
Items that will not be re-classified to the income statement					
Remeasurements of defined benefit obligations	10	1,077	1,077	(1,208)	(1,208)
Tax on items that will not be re-classified		(269)	(269)	303	303
Items that may subsequently be re-classified to the income statement					
Debt securities: net change in fair value	14	138	138	(285)	(285)
Tax on items that may subsequently be re-classified to the income statement		(35)	(35)	71	71
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		1,198	954	(1,558)	70

The notes on pages 72 to 139 form part of these accounts.

Statements of financial position

as at 31st December 2025

	Notes	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
ASSETS					
Liquid assets					
Cash in hand and balances with the Bank of England		88,787	88,787	66,064	66,064
Loans and advances to credit institutions	13	6,181	5,767	14,988	14,894
Debt securities	14	37,446	37,446	40,023	40,023
Derivative financial instruments	15	1,340	1,340	3,969	3,969
Loans and advances to customers	16	615,694	616,033	596,550	596,789
Investments in subsidiary undertakings	18	-	716	-	145
Property, plant and equipment	19	7,027	6,617	7,323	6,907
Intangible assets	20	465	465	378	355
Other assets	22	1,609	1,303	1,238	856
Current tax		95	229	250	393
TOTAL ASSETS		758,644	758,703	730,783	730,395

	Notes	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
LIABILITIES					
Shares	24	629,095	629,095	634,817	634,817
Amounts owed to credit institutions	25	43,791	43,791	33,455	33,455
Amounts owed to other customers	26	38,958	38,958	17,406	17,406
Derivative financial instruments	15	1,712	1,712	1,218	1,218
Deferred tax	23	784	790	719	741
Other liabilities and accruals	27	2,144	3,043	2,206	2,398
TOTAL LIABILITIES		716,484	717,389	689,821	690,035
RESERVES					
General reserves		42,125	41,279	41,030	40,428
Fair value reserve		35	35	(68)	(68)
TOTAL RESERVES ATTRIBUTABLE TO MEMBERS OF THE SOCIETY		42,160	41,314	40,962	40,360
TOTAL LIABILITIES AND RESERVES		758,644	758,703	730,783	730,395

The notes on pages 72 to 139 form part of these accounts.

These accounts were approved by the Board of Directors on 17th March 2026 and were signed on its behalf by:

S M Douthwaite
Chair

S J Taylor
Chief Executive

A J Lumby
Chief Financial Officer

Statements of changes in members' interests

for the year ended 31st December 2025

	General reserves £'000	Revaluation reserve £'000	Fair Value reserve £'000	Total £'000
Group 2025				
Balance as at 1st January 2025	41,030	-	(68)	40,962
Profit for the year	287	-	-	287
Other comprehensive income for the year (net of tax)				
Net gains from changes in fair value	-	-	103	103
Remeasurement of defined benefit obligations	808	-	-	808
Total other comprehensive income	808	-	103	911
Total comprehensive income for the year	1,095	-	103	1,198
Balance as at 31st December 2025	42,125	-	35	42,160
Society 2025				
Balance as at 1st January 2025	40,428	-	(68)	40,360
Profit for the year	43	-	-	43
Other comprehensive income for the year (net of tax)				
Net gains from changes in fair value	-	-	103	103
Remeasurement of defined benefit obligations	808	-	-	808
Total other comprehensive income	808	-	103	911
Total comprehensive income for the year	851	-	103	954
Balance as at 31st December 2025	41,279	-	35	41,314

	General reserves £'000	Revaluation reserve £'000	Fair Value reserve £'000	Total £'000
Group 2024				
Balance as at 1st January 2024	42,644	(270)	146	42,520
Loss for the year	(439)	-	-	(439)
Other comprehensive income for the year (net of tax)				
Net (loss) from changes in fair value	-	-	(214)	(214)
Remeasurement of defined benefit obligations	(905)	-	-	(905)
Total other comprehensive income	(905)	-	(214)	(1,119)
Total comprehensive (expense) for the year	(1,344)	-	(214)	(1,558)
Reclassification on disposal of asset	(270)	270	-	-
Balance as at 31st December 2024	41,030	-	(68)	40,962
Society 2024				
Balance as at 1st January 2024	40,334	(190)	146	40,290
Profit for the year	1,189	-	-	1,189
Other comprehensive income for the year (net of tax)				
Net gains from changes in fair value	-	-	(214)	(214)
Remeasurement of defined benefit obligations	(905)	-	-	(905)
Total other comprehensive income	(905)	-	(214)	(1,119)
Total comprehensive income / (expense) for the year	284	-	(214)	70
Reclassification on disposal of asset	(190)	190	-	-
Balance as at 31st December 2024	40,428	-	(68)	40,360

Cash Flow Statements

for the year ended 31st December 2025

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Cash flows from operating activities				
Profit/(loss) before tax	515	48	(448)	1,048
Depreciation and amortisation	511	481	590	545
Loss on disposal of properties	-	-	10	10
Loss on disposal of property, plant and equipment	-	-	69	69
Net gain on derivative financial instruments including unrealised accrued interest	387	387	254	254
Net gains on disposal and amortisation of debt securities	(214)	(214)	(562)	(562)
Increase/(decrease) in impairment of loan and advances	59	59	(196)	1
Total	1,258	761	(283)	1,365
Changes in operating assets and liabilities				
Increase in other assets	(370)	(202)	(305)	117
Increase/(decrease) in other liabilities	18	558	(421)	(558)
Increase/(decrease) in loans and advances to customers	(15,953)	(16,053)	9,278	(57,312)
(Decrease)/increase in shares	(6,236)	(6,236)	37,359	37,359
Decrease/(increase) in loans and advances to credit institutions	3,006	3,006	(3,006)	(3,006)
Increase/(decrease) in amounts owed to credit institutions and other customers	31,888	31,888	(71,130)	(71,130)
Decrease in retirement benefit asset	1,077	1,077	1,246	1,246
Taxation paid	(261)	(124)	(428)	(312)
Net cash from operating activities	14,427	14,675	(27,690)	(92,231)

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Cash flows from investing activities				
Purchase of debt securities	(47,585)	(47,585)	(30,126)	(30,126)
Disposal and maturity of debt securities	50,514	50,514	20,443	20,443
Purchase of property, plant and equipment	(109)	(108)	(82)	(83)
Purchase of intangible assets	(193)	(193)	(352)	(352)
Proceeds from sale of assets held for sale	-	-	760	760
(Increase)/decrease in loan from subsidiary undertakings	-	(571)	-	64,666
Net cash (used in) investing activities	2,627	2,057	(9,357)	55,308
Cash flows from financing activities				
Principle lease payments	(132)	(130)	(157)	(157)
Net cash (used in) financing activities	(132)	(130)	(157)	(157)
Net increase/(decrease) in cash and cash equivalents	16,922	16,602	(37,204)	(37,080)
Cash and cash equivalents at 1st January	78,046	77,952	115,250	115,032
Cash and cash equivalents at 31st December	94,968	94,554	78,046	77,952

Interest received was £40.2m (2024: £42.0m) and interest paid was £26.1m (2024: £28.9m).

For the purposes of the cash flow statements, cash and cash equivalents comprise the following balances with less than 90 days maturity:

Cash in hand and balances with the Bank of England	88,787	88,787	66,064	66,064
Loans and advances to credit institutions repayable in not more than 3 months	6,181	5,767	11,982	11,888
	94,968	94,554	78,046	77,952

Notes To The Accounts

1. Accounting policies

The material accounting policies applied in the preparation of these annual accounts of Melton Building Society (the “Society”) and its subsidiaries (together, the “Group”) are set out below.

a) Basis of preparation

The Group and Society financial statements are prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards in conformity with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended) that are applicable.

The Group and Society financial statements comprise the standalone financial statements of the Society and the consolidated financial statements of the Group. They are prepared under the historical cost convention as modified by debt securities measured at Fair Value through Other Comprehensive Income (FVOCI) assets, and derivative financial instruments classified as Fair Value through Profit & Loss (FVTPL).

The Group and Society financial statements are presented in pounds Sterling, the functional currency of the Society, and except where otherwise indicated, have been rounded to the nearest thousand.

The accounting policies for the Group also include those for the Society unless otherwise stated.

b) Going Concern

The accounts have been prepared on the going concern basis. The Group has prepared forecasts for a three-year time horizon which considers current and future operating conditions and uncertainties, including continued cost of living pressures and reducing interest rate environment. Furthermore, the Group is required to review annually its Internal Capital Adequacy Assessment Process (ICAAP) and its Internal Liquidity Adequacy Assessment Process (ILAAP) which include the requirement to stress test its capital

and liquidity positions respectively over a range of severe but plausible scenarios. The stress tests model the impact of changes to various factors including residential house prices, borrower’s propensity to default, interest rates and circumstances that may give rise to funding outflows.

Supported by the results of these scenarios and stress tests the directors are satisfied that the Group has sufficient operating liquidity and capital for the foreseeable future and for a period of at least 12 months from the date of signing these accounts.

c) Changes in accounting policy and future accounting developments

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB) with an effective date for annual reporting periods beginning on or after 1st January 2025. The adoption of these amendments had no significant impact on the Group and Society’s financial statements.

The International Accounting Standards Board (IASB) have issued a number of amendments to accounting standards with an effective date of on or after 1st January 2026, some of which have not yet been endorsed in the EU or UK. These include:

- Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7
- IFRS 18 Presentation and Disclosure in Financial Statements

These amendments will require some changes to the presentation of the financial statements, the full impact of which is still under assessment.

d) Basis of consolidation

The Group’s financial statements include, assets, liabilities, and results of the Society and its subsidiaries

1. Accounting policies (continued)

as of the reporting date.

Investments in subsidiary undertakings are recorded in the Society's accounts at cost less any provisions for impairment in value.

e) Interest income and expense

Interest income and interest expense for all financial instruments are recognised in interest receivable or interest payable using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the gross carrying amount of the financial asset or liability. Any changes to the expected life assumptions of the financial instruments are recognised through interest receivable or payable and reflected in the carrying value of the financial asset or liability.

When calculating the effective interest rate, cash flows are estimated by considering all contractual terms of the financial instruments, such as early redemption penalty charges and anticipated customer behaviour. This calculation includes all fees received and paid, costs incurred that are integral to the effective interest rate, and transaction costs.

Interest income is recognised on the gross loan balance before provisions for non-impaired (Performing and Underperforming) loans, and on the net loan balance after provisions for loans that have become impaired (Non-performing) subsequent to initial recognition. If the asset is no longer impaired, then the calculation of interest income reverts to the gross basis.

The key assumptions used in the effective interest rate calculation and sensitivities are outlined in Note 1(r).

f) Fees and commissions receivable and payable

Fees which are an integral part of the effective interest rate of a financial instrument are recognised as an adjustment to the effective interest rate and recorded in interest receivable or payable. For mortgage products, this includes application and completion fees received, cashback incentives, mortgage indemnity guarantee (MIG) costs and procurement fees paid.

Other fees, commissions and costs are recognised as follows:

- Transaction based fees relating to mortgages and savings products that are not included in the effective interest rate calculation, are recognised when the transaction takes place
- Introducer commission received from third party product providers following the introduction of customers is recognised at the point at which the customer enters into an arrangement with the provider. Annual renewal commission received relating to third party product providers is recognised in the period to which it relates
- Administration and servicing fees received by the Society from subsidiaries relating to services provided on an ongoing basis are recognised in the period to which the service relates

g) Derivative financial instruments and hedge accounting

All derivatives are held for risk management purposes. Derivatives are measured at fair value in the Statement of Financial Position.

The Group looks to designate derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the relationship between the hedging instruments and hedged items is formally documented, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. An assessment is made, both at the inception of the hedge relationship as well as on an ongoing basis as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated.

Fair value hedges are used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages and savings products and are measured at fair value in the Statement of Financial Position. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair values are obtained by applying quoted market rates to a discounted cash flow model. Changes in the fair value of derivatives are recognised immediately in the Income Statement (Fair Value through Profit & Loss)

1. Accounting policies (continued)

together with changes in the fair value of the hedged item that are attributable to the hedged risk in the same line in the Income Statement.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised to the Income Statement as part of the recalculated effective interest rate of the item over its remaining life. Any gain or loss made on sale or termination of a hedging derivative is recognised immediately in the Income Statement.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the Income Statement in the period in which they arise.

h) Financial assets

Financial assets comprise cash, loans and advances to credit institutions, debt securities, derivative financial instruments and loans and advances to customers. The Group classifies non-derivative financial assets as measured at either amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit & Loss (FVTPL) depending on the business model for managing the assets and the contractual cash flow characteristics. Management determines the classification of financial assets at initial recognition.

i) Amortised Cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL;

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI)

Assets held at amortised cost are initially recognised at fair value, which is the fair value of the consideration paid to originate the asset including any directly attributable costs, and subsequently measured at amortised cost using the effective interest rate method.

The following financial assets are classified as amortised cost:

- cash in hand and balances with the Bank of England
- loans and advances to credit institutions
- loans and advances to customers

ii) Fair Value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI)

Debt securities are measured at FVOCI.

FVOCI assets are initially recognised at fair value, which is the fair value of the consideration paid to originate the asset including any directly attributable costs, and subsequently measured at fair value with gains and losses recognised in Other Comprehensive Income except for impairment losses which are recognised in the Income Statement. Interest income is recognised in the Income Statement using the effective interest rate method.

Upon sale or maturity of the asset, the cumulative gains and losses recognised in Other Comprehensive Income are reclassified from Other Comprehensive Income to the Income Statement.

iii) Fair Value through Profit & Loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL.

Derivative financial instruments are recognised as FVTPL.

1. Accounting policies (continued)

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice, how the performance of the portfolio is evaluated and reported to management, the risks that affect the performance of the business model and how they are managed, and the frequency and volume of assets sales and reasons for them.

SPPI assessment

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the instrument contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition, such as contingent events or leverage features.

Modifications of financial assets and liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset have substantially changed. If the cash flows have substantially changed then the original asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the cash flows of a financial asset measured at amortised cost or FVOCI have not substantially changed then the revised carrying amount of the financial asset is calculated using the original effective interest rate. If the cash flows are modified when the borrower is in financial difficulties and this involves the waiving of cash flows, then the Group considers whether a portion of the asset should be written off before the modification occurs.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering the asset (either partially or in full). This is generally the case when the Group determines that the borrower does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Recoveries of amounts previously written off are included within 'impairment losses on loans

and advances' within the Income Statement.

i) Financial liabilities

All non-derivative financial liabilities including shares and deposits, held by the Group are recognised initially at fair value, being the amount received, net of discounts and directly attributable costs incurred.

Financial liabilities are subsequently measured at amortised cost with interest payable recognised in the Income Statement using the effective interest rate method.

j) Impairment of financial assets

The Group recognises impairment provisions on financial assets held at amortised cost and FVOCI using a forward-looking expected credit loss (ECL) model.

ECLs are based on an assessment of the probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), discounted to give a net present value. The estimation of ECLs requires an assessment of forward looking economic assumptions which are determined on a probability-weighted basis.

Definition of default has been defined as possession.

A three stage approach to impairment is used:

- Stage 1: No significant increase in credit risk since origination ('Performing assets')
- Stage 2: A significant increase in credit risk (SICR) has occurred since origination ('Underperforming assets')
- Stage 3: Credit risk has increased such that losses are incurred or the asset is considered credit impaired ('Non-performing assets')

The Group has characterised a financial asset as Stage 2 - Underperforming when it meets any of the following criteria:

- A significant increase in the likelihood of default by the borrower since origination of the loan as evidenced by an external credit score
- Is greater than or equal to 1 month in arrears (but less than 3 months in arrears)
- Forbearance has been applied to the loan, such as granting an interest-only period, a reduced monthly payment or a full payment holiday

1. Accounting policies (continued)

- Interest only term expiry

- Other evidence of potential impairment, such as evidence that the borrower or counterparty is in financial difficulty

Further characteristics for residential property development include:

- Downgrade of borrower risk rating by 2 grades
- Borrower risk rating is grade 7 or worse
- Loan is past contractual maturity and conditions exist so that it would not be extended

A loan is considered to no longer be in Stage 2 (i.e. to have been cured) when a consecutive period of six months has passed since it met any of the above criteria.

The Group has characterised a financial asset as Stage 3 - Non-performing when it meets any of the following criteria:

- Is greater than or equal to 3 months in arrears
- Borrower is deceased or declared bankrupt

A loan is considered to no longer be in default (i.e. to have been cured) when a consecutive period of 12 months has passed since it met any of the above criteria.

All other financial assets are classified as Performing. Provisions for Performing assets are based on an ECL over a 12 month period, being that portion of the ECL that is possible within the 12 months from the reporting date. Provisions for Non-performing and Underperforming assets are based on an ECL over the assets expected life.

In determining ECLs, the Group has considered four economic scenarios, based on different house price index and unemployment assumptions, and weighted these according to their likely occurrence. The scenarios include a Central scenario, based on the current economic environment, an Upside scenario, a Downside scenario and a Severe downturn scenario.

The PD, LGD and economic scenario assumptions are subject to periodic reassessment, on at least an annual basis. PD and LGD assumption are assessed using actual arrears and loss experience for validation purposes, while economic scenario assumptions are based on external data where possible to ensure the scenarios are unbiased. Sensitivity analysis is undertaken to assess the significance of assumptions used. As a result, the following areas are considered to

be key assumptions:

- Future economic forecasts, particularly relating to changes in house prices
- The weighting given to the different economic scenarios
- The extent to which the borrower credit score can reduce before it is considered to constitute a significant increase in credit risk

In addition, additional provisions may be made on an individual basis where there are significant emerging impairment characteristics, further evidence of impairment or where the standard provision calculations do not reduce the carrying value of the mortgage asset to the expected recoverable amount.

The Group reviews the external credit ratings of its liquid assets, which include Cash in hand and balances with the Bank of England, Loans and advances to credit institutions and debt securities at each reporting date. Those assets which are investment grade or higher are considered to have a low credit risk and therefore assumed to have not had a significant increase in credit risk since initial recognition.

The key assumptions used in the loan loss provision calculation and sensitivities are outlined in Note (r)(ii).

k) Forbearance

The Group recognises that the personal and financial circumstances of our borrowers can be affected by deteriorating economic conditions and unplanned events. When this happens, we apply a formal policy directed towards forbearance and fair treatment of customers. The Group uses various forbearance measures to assist such borrowers including agreeing a reduced monthly payment, transfer to interest only payments or extension of the mortgage term. Forbearance measures are only provided to borrowers following a full assessment of their circumstances. Accounts on which forbearance has been provided are monitored and borrowers are expected to resume normal payments, including any increase to repay the mortgage at the end of the agreed term, once they are able. Loans that receive forbearance may only be classified as up-to-date once six months' normal payments have been received.

l) Intangible assets – computer software

Computer software which is not an integral part of the related hardware is recorded as an intangible asset. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic

1. Accounting policies (continued)

benefits that exceed its cost will flow from its use over more than one year. Where the software is not controlled by the Group, such as in the case of a Software as a Service (SaaS) contract, costs are expensed through the Income Statement as incurred.

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment. Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful life of 3 to 10 years. Intangible assets are subject to regular impairment reviews. Costs associated with maintaining software are recognised as an expense when incurred.

m) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

Additions and improvements to office premises and equipment, including costs directly attributable to the acquisition of the asset, are capitalised at cost. The costs, less estimated residual values of assets, are depreciated on a straight-line basis over their estimated useful economic lives as follows:

- Office equipment – 3 to 10 years straight line basis
- Motor vehicles – 30% per annum reducing balance basis
- Freehold buildings – 50 years straight line basis
- Refurbishment of premises – 5 to 20 years straight line basis
- Freehold land is not depreciated

Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

n) Employee benefits

The Group operates a pension scheme which consisted of a defined benefit section in respect of members' service up to its curtailment on 30th September 2008 and full buy out on 30th November 2025. It also operates a defined contribution scheme.

The assets of the defined benefit section are measured at market value at each reporting date and the liabilities are measured using the projected unit

valuation method, by a qualified actuary, discounted using a corporate bond rate.

Net interest, comprising interest income on plan assets less interest costs on scheme liabilities, and other expenses relating to the defined benefit pension scheme are recognised in the Income Statement. Actuarial gains or losses, that is gains or losses arising from differences between previous actuarial assumptions and actual experience, are recognised in Other Comprehensive Income.

For the defined contribution section, contributions are recognised as an employee benefit expense in the Income Statement when they are due, in accordance with the rules of the scheme.

o) Leases

A leased asset under IFRS 16 is recognised in the Statement of Financial Position as a separate right-of-use asset and a matching lease liability, measured at the value of future lease payments discounted at the marginal cost of funding. Depreciation of the asset on a straight-line basis over the term of the lease and an interest expense on the lease liability at the marginal cost of funding, are recognised in the Income Statement. Where leases contain options and break clauses, the term of the lease is adjusted to reflect the expected lease term.

Right-of-use assets are included in Property, plant and equipment and lease liabilities are included in Other liabilities.

p) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid investments that are convertible into cash with maturities of 90 days or less.

q) Significant accounting judgements, estimates and assumptions

The Group makes assumptions and estimates that affect the reported amounts of assets and liabilities. The assumptions and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1. Accounting policies (continued)

i) Employee benefits

The Group operated a defined benefit pension scheme. Significant judgements have to be exercised in estimating the value of the scheme liabilities, including future interest rates, inflation rates and mortality rates. The Board receives advice from an external qualified actuary in making these judgements.

In the current year, these judgements would be relevant up to the date of transfer.

The assumptions used in the valuation of scheme liabilities and key sensitivities are outlined in Note 10.

ii) Impairment losses on loans and advances to customers

The Society measures impairment using an Expected Credit Loss (ECL) model in accordance with IFRS 9. The ECL model incorporates a number of significant accounting estimates and judgements, particularly those relating to forward-looking macroeconomic

assumptions and the effect these have on the probability of default and loss outcomes across the mortgage portfolio.

Key judgements include the selection and weighting of macroeconomic scenarios and the forecasts applied within those scenarios, such as changes in interest rates, unemployment levels and UK house price index (HPI). These macroeconomic assumptions are inherently uncertain, subjective and can materially impact the level of impairment recognised. HPI forecasts are particularly sensitive for a mortgage-secured portfolio, as movements directly influence expected collateral values and loss given default.

The Society's model incorporates four macroeconomic scenarios (central, upside, downside and severe downside). Each scenario includes a range of economic variables identified as key credit risk drivers, and management assigns probability weightings to reflect its view of future economic conditions. Changes to these weightings or to the underlying assumptions (particularly HPI) have a significant impact on the total impairment provision.

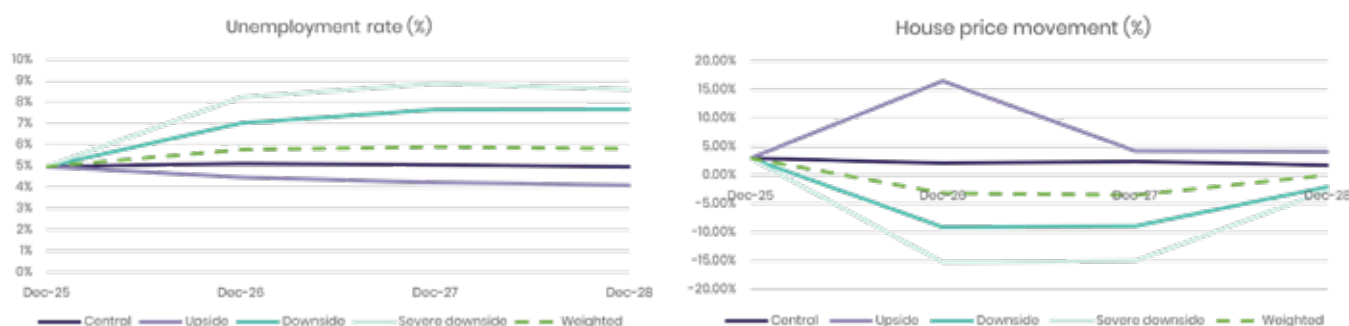
The table below outlines the scenario weightings applied and provides a sensitivity analysis showing the impact on the impairment provision of applying a 100% weighting to each scenario, as well as a 10% increase in weighting for each non-central scenario (with a corresponding reduction to the central scenario).

2025 Scenario	Weighting	Increase/(decrease) in provision with 100% scenario weighting £'000	Increase/(decrease) in provision with 10% increase in scenario weighting £'000
Central	65%	(118)	-
Upside	5%	(231)	(11)
Downside	20%	233	35
Severe downside	10%	413	53

2024 Scenario	Weighting	Increase/(decrease) in provision with 100% scenario weighting £'000	Increase/(decrease) in provision with 10% increase in scenario weighting £'000
Central	65%	(120)	-
Upside	5%	(237)	(11)
Downside	20%	231	35
Severe downside	10%	434	55

1. Accounting policies (continued)

The tables in note 17 show the key macro economic variables for each scenario. The impairment calculation is most sensitive to the variables of unemployment and house price inflation. The charts below show the assumptions used for these variables across all four scenarios.



The sensitivity of the provision calculations to key assumptions in the current and prior year is as follows:

Assumption	Sensitivity	Increase/(decrease) in provision 2025 £'000	Increase/(decrease) in provision 2024 £'000
HPI	+ 10%	(235)	(236)
HPI	- 10%	485	464
Change in borrowers credit scores to constitute a significant increase in credit risk	+ 20%	(10)	(13)
Change in borrowers credit scores to constitute a significant increase in credit risk	- 20%	63	74

iii) Effective Interest rate

The Society recognises interest income using the Effective Interest Rate (EIR) method. The EIR calculation incorporates significant accounting estimates, particularly behavioural assumptions relating to the expected life of mortgages. These assumptions include expected prepayment rates and expected customer behaviour at the end of the initial product term (for example, the proportion of customers who revert to the Standard Variable Rate (SVR) and the duration for which they remain on SVR).

These behavioural life assumptions are inherently judgemental and require management to apply trend adjustments based on observed and expected customer activity. Changes to these assumptions affect the timing and amount of interest income recognised over the life of the mortgage, particularly for products where fees and rate differentials are material. Products most sensitive to these

assumptions include fixed-rate mortgages (2, 3 and 5 years) and 3-year discounted mortgages.

Sensitivity of assumptions

An increase or decrease of one month in the expected behavioural life of mortgages would result in a £0.02m increase (or £0.02m decrease) in the carrying value of mortgages at the year end, with a corresponding impact on interest income recognised in the Statement of Comprehensive Income.

2. Interest receivable and similar income using the effective interest rate method

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
On financial assets measured at amortised cost				
On loans fully secured on residential property	29,244	28,718	29,875	27,430
Loans fully secured on land	3,825	3,825	2,329	2,329
On other loans to subsidiary and other undertakings	-	8	-	1,807
On other liquid assets	3,313	3,313	4,813	4,813
On debt securities measured at FVOCI	2,105	2,105	1,652	1,652
Interest receivable calculated using the effective interest rate method	38,487	37,969	38,669	38,031
Net interest income on derivatives	1,726	1,726	3,347	3,347
	40,213	39,695	42,016	41,378

Interest on loans fully secured on residential property includes interest accrued on impaired residential mortgages assets: Group & Society £614,000 (2024: £598,000).

Interest on other loans includes interest accrued on other loans assets: Group & Society £nil (2024: £12,000).

Interest on debt securities includes £2,105,000 (2024: £1,652,000) in respect of income from fixed income securities.

3. Interest payable and similar charges

	Group & Society 2025 £'000	Group & Society 2024 £'000
On financial liabilities measured at amortised cost		
On shares held by individuals	24,141	23,778
On other shares	-	161
On deposits and other borrowings	1,810	3,797
Other interest	18	27
Total interest payable on instruments held at amortised cost	25,969	27,763
On financial liabilities held at FVTPL		
Net interest expense on derivatives	112	1,114
Total interest payable on instruments held at FVTPL	112	1,114
	26,081	28,877

4. Fees and commissions receivable

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Mortgage related administration fees	2,488	203	1,159	33
Commission income	37	28	44	36
Other fees and commissions	1,056	99	478	75
	3,581	330	1,681	144

5. Fees and commissions payable

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Banking fees	10	10	6	6
Mortgage related fees	423	43	168	-
Other fees and commissions	904	53	461	33
	1,337	106	635	39

'Other fees and commissions' within the Group includes valuation fees paid by its subsidiary NEXA Finance Ltd.

6. Other operating income and expense

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Other operating income includes:				
Rent receivable on investment property	-	-	30	30
Other	85	602	25	478
	85	602	55	508

'Other' income within the Society includes administration and servicing fees charged or recharged during the year to or from its subsidiaries MBS Lending Limited a charge of £nil (2024: £285,000), NEXA Finance Limited a recharge of £510,000 (2024: a recharge of £160,000) and MMBS Services Limited a charge of £7,500 (2024: £7,500).

6. Other operating income and expense (continued)

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Other operating expense	234	1,112	48	508
	234	1,112	48	508

Other operating expense includes £171,000 (2024: £nil) for voluntary compensation payments associated with Philips Trust. Corporation.

7. Net (losses) from derivative financial instruments

	Group & Society 2025 £'000	Group & Society 2024 £'000
Derivatives in designated fair value hedge relationships	(2,918)	(868)
Adjustments to hedged items in fair value hedge accounting relationships	2,811	853
Derivatives not in designated fair value hedge relationships	(118)	11
	(225)	(4)

The Society has elected to continue applying IAS 39 'Financial Instruments' for derivatives designated as hedging instruments in qualifying hedging relationships.

8. Administrative expenses

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Staff costs:				
Wages and salaries	6,611	5,769	6,035	5,396
Social security costs	737	644	677	606
Pension costs:				
Expenses related to the defined benefit section	685	685	357	357
Contributions to the defined contribution section	1,010	880	1,004	888
Other administrative expenses	6,020	5,575	6,264	5,997
	15,063	13,553	14,337	13,244
Other administrative expenses include:				
Remuneration of the Auditors and their associates (excluding VAT):				
Statutory Audit of the Annual Report and Accounts	337	337	303	303
Statutory Audit of the financial statements of subsidiaries	23	-	26	-
Audit related assurance services	3	3	-	-

Included within other administrative expenses is £1.1m (2024: £1.9m) related to the Group's digital transformation project.

9. Employees

	Group 2025	Society 2025	Group 2024*	Society 2024*
The average number of persons employed during the year was:				
Full time	102	93	111	105
Part time	40	35	45	38
	142	128	156	143
Central administration	114	100	126	114
Branches	28	28	30	30
	142	128	156	144

* 2024 restated to exclude Non-Executive Directors and Pension Scheme Trustees.

10. Retirement benefit obligations

The Melton Mowbray Building Society Staff Pension and Life Assurance Scheme contains a defined benefit section and a defined contribution section.

During the year ended 31st December 2025, the Group transferred both the defined benefit and defined contributions sections from the scheme. All defined contribution scheme members, both active and deferred, were transferred to a Master Trust administered by Aviva Life & Pensions UK Limited. In addition, a full buy-out of the Group's defined benefit scheme obligations were completed. The Group transferred all existing annuity contracts to individual policies with insurance companies, thereby transferring responsibility for the payment of all future benefits to the insurer. As a result the Group no longer has any obligations under the Scheme and plans to wind it up during 2026.

(a) Defined benefit section

The Group defined benefit section was closed to future accrual with effect from 30 September 2008. The assets of the scheme were held separately from those of the Group in an independently administered fund until completion of the buy-out.

A full actuarial valuation of the defined benefit section was carried out by the Scheme Actuary as at 31st December 2023 and updated to 31st December 2025 by an independent actuary, allowing for the actuarial method and assumptions prescribed under IAS 19 'Employee Benefits'.

The scheme assets did not include any property occupied by, or other assets used by, the Society.

10. Retirement benefit obligations (continued)

	Group & Society 2025 £'000	Group & Society 2024 £'000
The amounts recognised in the Statement of Financial Position are as follows:		
Fair value of scheme assets	4	14,773
Present value of funded obligations	-	(13,523)
Surplus in scheme	4	1,250
Effect of asset ceiling/minimum funding requirement	(4)	(1,250)
Net defined benefit asset	-	-
The amounts recognised in the Income Statement are as follows:		
Current service cost	-	34
Non-investment related expenses	685	323
Contributions to the defined contribution section	538	1,004
(Gain) on settlements	(77)	-
Service cost	1,146	1,361
Net interest on the defined benefit asset	(69)	(115)
Total recognised in the Income Statement	1,077	1,246
Service costs are recognised with administrative expenses whilst net interest on the defined benefit asset and gain on settlement is disclosed as Other finance income.		
The amounts recognised in Other Comprehensive Income are as follows:		
Remeasurement (decrease) of defined benefit obligation	(286)	(753)
Return on plan assets, excluding amounts included in net interest on the net defined benefit asset	455	711
Change in effect of the asset ceiling, excluding amounts included in net interest on the defined benefit liability	(1,246)	1,250
Total recognised in Other Comprehensive Income	(1,077)	1,208

The cumulative amount recognised outside the Income Statement in Other Comprehensive Income at 31st December 2025 is an actuarial loss of £5,324,000 (2024: £5,497,000).

10. Retirement benefit obligations (continued)

	Group & Society 2025 £'000	Group & Society 2024 £'000
Changes in the present value of the defined benefit obligations are as follows:		
Opening defined benefit obligation	13,523	14,365
Current service cost	-	34
Interest cost	730	655
Remeasurement arising from changes in demographic assumptions	-	734
Remeasurement arising from changes in financial assumptions	(317)	(1,498)
Remeasurement arising from experience	31	11
Benefits paid	(722)	(778)
Liabilities extinguished on settlements	(13,245)	-
Closing defined benefit obligation	-	13,523
Changes in the fair value of scheme assets are as follows:		
Opening fair value of scheme assets	14,773	16,819
Interest income	799	770
Actual return on plan assets, excluding interest income	(455)	(711)
Contributions to the defined contribution section	(538)	(1,004)
Benefits paid	(722)	(778)
Assets distributed on settlements	(13,168)	-
Non-investment related expenses and other payments	(685)	(323)
Closing fair value of scheme assets	4	14,773

The trustees had agreed with the Society that it can use the surplus to fund Employers contributions to the defined contribution scheme. From 1st January 2025 this arrangement stopped and it is the Directors' judgement that the Society no longer has an unconditional right to the surplus, creating an asset ceiling/minimum funding requirement.

10. Retirement benefit obligations (continued)

Amounts for the current and previous periods are as follows:

Group & Society	2025 £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000
Scheme assets	4	14,773	16,819	17,326	27,239
Defined benefit obligation	-	(13,523)	(14,365)	(13,751)	(20,835)
Surplus	4	1,250	2,454	3,575	6,404
Experience adjustments on scheme liabilities	31	11	387	806	352
Experience adjustments on scheme assets	(455)	(711)	529	(8915)	(851)

The duration of the scheme obligations as at 31st December 2025 was nil (2024: 12 years).

The major categories of scheme assets as a percentage of total scheme assets are as follows:	Group & Society 2025	Group & Society 2024
Quoted		
Bonds	0%	3%
Unquoted		
Annuities	0%	92%
Cash	100%	5%

All bonds have quoted market prices in active markets.

10. Retirement benefit obligations (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):	Group & Society 2025	Group & Society 2024
Discount rate	5.60%	5.57%
Future increases of pensions in payment, split:		
Inflation linked (RPI) up to 5%	2.80%	3.10%
Inflation linked (CPI) up to 3%	2.30%	2.60%
Mortality:		
Actuarial tables used	S4PA Year of Birth Projected using CMI 2023 M / F subject to 1.25% / 1.25% minimum improvement rate for males/females	S4PA Year of Birth Projected using CMI 2023 M / F subject to 1.25% / 1.25% minimum improvement rate for males/females
Male/female life expectancy from age 60 at year end date	-	26.6 / 28.6
Male/female life expectancy from age 60 at year end date plus 20 years	-	28.1 / 30.10

Approximate sensitivities of the principal assumptions are set out in the table below which shows the increase or reduction in the pension obligations that would result. Each sensitivity considers one change in isolation.

Principal actuarial assumptions	Change in assumption	Group & Society 2025 £'000	Group & Society 2024 £'000
Discount rate	+ 0.1%	-	(153)
	- 0.1%	-	156
Price inflation	+ 0.1%	-	153
	- 0.1%	-	(154)
Life expectancy	+ 1 year	-	484
	- 1 year	-	(484)

10. Retirement benefit obligations (continued)

(b) Defined contribution section

The Group operated a defined contribution pension section of the scheme with the assets of the scheme held separately from those of the Group in independently administered funds. During the year all defined contribution scheme assets were transferred to a Master Trust administered by Aviva Life & Pensions UK Ltd.

The Group provides the option for all staff to sacrifice part of their salary in exchange for the Group making additional pension contributions on their behalf. The pension cost for the year, representing contributions payable by the Group including those made under salary sacrifice arrangements are shown below. There were no contributions payable by the Group outstanding at the year-end.

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Pension cost for the year	1,010	880	1,004	888

11. Directors' emoluments

Directors' remuneration totalling £912,000 (2024: £732,000) is shown as part of the Directors' Remuneration Report on page 55.

12. Tax expense

(a) Analysis of tax expense/(income) for the year in the Income Statement

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
UK corporation tax on profit/(loss) for the year	207	-	339	168
Adjustment in respect of prior years	(9)	(9)	(120)	(120)
Total current tax	198	(9)	219	48
Deferred tax movement	22	24	(180)	(189)
Adjustment in respect of prior years	8	(10)	(48)	-
Tax expense/(income) for the year in the Income Statement	228	5	(9)	(141)

12. Tax expense (continued)

(b) Analysis of tax expense/(income) for the year in Other Comprehensive Income

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
UK corporation tax on profit/(loss) for the year	269	269	-	-
Total current tax	269	269	-	-
Deferred tax movement	35	35	(374)	(374)
Tax expense/(income) for the year in the Income Statement	304	304	(374)	(374)

(c) Factors affecting total tax expense/(income) for the year in the Income Statement

The total tax expense/(income) for the year in the Income Statement differs to the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Profit/(loss) before tax	515	48	(448)	1,048
Profit/(loss) before tax multiplied by the UK standard rate of tax of 25% (2024: 25%)	129	12	(112)	262
Effects of:				
Expenses not deductible for tax purposes	39	2	374	344
Non taxable dividend income	-	(223)	-	(518)
Losses claimed from fellow group companies	-	172	-	(6)
Effect of changes to tax rate on deferred tax	55	55	-	-
Adjustment in respect of prior years	(1)	(19)	(168)	(120)
Other movements	6	6	(103)	(103)
Tax expense/(income) for the year	228	5	(9)	(141)

13. Loans and advances to credit institutions

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Amounts Repayable on demand	6,181	5,767	11,982	11,888
In more than three months but not more than one year	-	-	3,006	3,006
	6,181	5,767	14,988	14,894

14. Debt securities

	Group & Society 2025 £'000	Group & Society 2024 £'000
UK Government Gilts	13,676	15,245
Treasury Bills	21,689	20,675
UK bank and building society certificates of deposit	2,081	4,103
	37,446	40,023

Movements during the year of debt securities are analysed as follows:

	Group & Society 2025 £'000	Group & Society 2024 £'000
At 1st January	40,023	30,063
Additions	47,585	30,126
Disposals and maturities	(50,514)	(20,443)
Movements in accrued income	214	562
Net gains / (losses) from changes in fair value recognised in Other Comprehensive Income	138	(285)
At 31st December	37,446	40,023

15. Derivative financial instruments

	Notional amount £'000	Fair values – Assets £'000	Fair values – Liabilities £'000
Group & Society 2025			
Unmatched derivatives – Interest rate swaps	12,500	41	(57)
Derivatives designated as fair value hedges – Interest rate swaps	333,000	1,299	(1,655)
Total recognised derivative assets/(liabilities)	345,500	1,340	(1,712)
Group & Society 2024			
Unmatched derivatives – Interest rate swaps	31,000	57	(40)
Derivatives designated as fair value hedges – Interest rate swaps	357,000	3,912	(1,178)
Total recognised derivative assets/(liabilities)	388,000	3,969	(1,218)

All derivative financial instruments are interest rate swaps held for risk management purposes and are all over-the-counter and bilaterally agreed.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high quality counterparties, subject to counterparty swap limits. No derivative instruments are subject to initial margin requirements. Agreements covering variation margin are in place with all swap counterparties where collateral is posted to mitigate the risk of loss through counterparty failure. However these are subject to market value limits which have not been triggered and therefore no collateral has been provided or received in respect of any derivative instruments held at the end of the year. (2024: no collateral has been provided or received)

Derivatives transactions are entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA arrangements do not meet the criteria for offsetting assets and liabilities in the Statement of Financial Position because the right of set off is enforceable only following a default event by the Group or the counterparty. In addition, the Group and its counterparties do not intend to settle obligations on a net basis.

Before fair value hedge accounting is applied by the Group, the Group determines whether an economic

relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item.

The Group establishes a hedge ratio by aligning the par amount of the fixed-rate loan or note and the notional amount of the interest rate swap designated as a hedging instrument. Under the Group policy, in order to conclude that a hedge relationship is effective, all of the following criteria should be met:

- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 0.8
- The slope of the regression line is within a 0.8 – 1.25 range
- The confidence level of the slope is at least 95%

15. Derivative financial instruments (continued)

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and Group's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate
- differences in maturities of the interest rate swap and the loans

There were no other sources of ineffectiveness in these hedge relationships.

The effective portion of fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in net losses from derivative financial instruments.

At the end of the year, the Group held the following interest rate swaps as hedging instruments in fair value hedges of interest rate risk.

	Maturity		
	Less than 1 year £'000	1-5 years £'000	More than 5 years £'000
Group & Society 2025			
Hedge of loans and advances			
Nominal amount	51,000	192,000	-
Average fixed rate	3.12%	3.58%	-
Hedge of shares			
Nominal amount	56,500	33,500	-
Average fixed rate	4.11%	3.84%	-
Group & Society 2024			
Hedge of loans and advances			
Nominal amount	43,000	149,500	-
Average fixed rate	3.97%	3.18%	-
Hedge of shares			
Nominal amount	88,500	76,000	-
Average fixed rate	4.50%	4.05%	-

15. Derivative financial instruments (continued)

Fair value hedges

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	Notional amount £'000	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness £'000	Ineffectiveness recognised in profit and loss £'000	Line item in profit and loss that includes hedge ineffectiveness
		Assets £'000	Liabilities £'000				
Group & Society 2025							
Interest rate swaps – hedge of loans and advances	243,000	919	(1,642)	Derivative financial instruments	(2,381)	(144)	Net losses from derivative financial instruments
Interest rate swaps – hedge of shares	90,000	380	(13)	Derivative financial instruments	(537)	(81)	Net losses from derivative financial instruments
Group & Society 2024							
Interest rate swaps – hedge of loans and advances	192,500	3,672	(560)	Derivative financial instruments	(907)	(1,069)	Net losses from derivative financial instruments
Interest rate swaps – hedge of shares	164,500	240	(618)	Derivative financial instruments	39	1,054	Net losses from derivative financial instruments

15. Derivative financial instruments (continued)

The amounts relating to items designated as hedged items were as follows:

	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged item	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness £'000
	Assets £'000	Liabilities £'000	Total balance		
Group & Society 2025					
Loans and advances	67,206	-	1,539	Loans and advances to customers	3,325
Shares	-	1,782	410	Shares	(514)
Group & Society 2024					
Loans and advances	156,293	-	(1,711)	Loans and advances to customers	(162)
Shares	-	116,008	(104)	Shares	1,015

16. Loans and advances to customers

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Loans fully secured on residential property	572,171	572,171	570,772	570,772
Loans fully secured on land	42,367	42,706	27,813	28,052
	614,538	614,877	598,585	598,824
Provisions for impairment losses on loans and advances (see Note 17)	(383)	(383)	(324)	(324)
Fair value adjustment for hedged risk	1,539	1,539	(1,711)	(1,711)
	615,694	616,033	596,550	596,789

Loans and advances to customers include items with a carrying value of £125,233,000 (2024: £160,611,000) that were pledged to the Bank of England as collateral.

Loans fully secured on land include £41,664,000 (2024: £26,889,000) relating to residential property developments through its subsidiary NEXA Finance Ltd.

17. Provisions for impairment losses on loans and advances

A summary of the Group's loan and advances and associated provisions for impairment are detailed in the table below:

	Loans and advances to customers £'000	Impairment Provision £'000	Provision Coverage %
Group & Society 2025			
Stage 1	533,846	91	0.0%
Stage 2	70,120	158	0.2%
Stage 3	10,572	134	1.3%
	614,538	383	0.1%
Loan commitments - stage 1	27,749	-	-
Loan commitments - stage 2	-	-	-
Loan commitments - stage 3	-	-	-
Group 2024			
Stage 1	529,839	78	0.0%
Stage 2	56,475	152	0.3%
Stage 3	12,271	94	0.8%
	598,585	324	0.1%
Loan commitments - stage 1	31,324	-	-
Loan commitments - stage 2	-	-	-
Loan commitments - stage 3	-	-	-
Society 2024			
Stage 1	530,078	78	0.0%
Stage 2	56,475	152	0.3%
Stage 3	12,271	94	0.8%
	598,824	324	0.1%
Loan commitments - stage 1	31,324	-	-
Loan commitments - stage 2	-	-	-
Loan commitments - stage 3	-	-	-

17. Provisions for impairment losses on loans and advances (continued)

The tables below provide analysis of the movements in the gross loans and advances exposures and provisions for impairment losses on loans and advances:

Loans and advances to customers	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Group & Society 2025				
Balance at 1st January	529,839	56,475	12,271	598,585
Transfers between stages arising from changes in credit risk				
Transfer from Stage 1	(38,970)	37,161	1,809	-
Transfer from Stage 2	20,099	(22,910)	2,811	-
Transfer from Stage 3	1,333	2,799	(4,132)	-
Net movement arising from transfer of stages	(17,538)	17,050	488	-
New financial assets originated or purchased	135,690	4,110	684	140,484
Redemptions and repayments	(114,145)	(7,515)	(2,871)	(124,531)
Balance at 31st December	533,846	70,120	10,572	614,538

Impairment provision	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Group & Society 2025				
Balance at 1st January	78	152	94	324
Transfers between stages arising from changes in credit risk				
Transfer from Stage 1	45	(53)	8	-
Transfer from Stage 2	4	(5)	1	-
Transfer from Stage 3	-	12	(12)	-
Net movement arising from transfer of stages	49	(46)	(3)	-
Net remeasurement of loss allowance	(53)	43	34	24
New financial assets originated or purchased	31	15	14	60
Financial assets that have been derecognised	(14)	(6)	(5)	(25)
Balance at 31st December	91	158	134	383

The movement in the provision during the year is mainly due to change in assumptions in the economic environment, being house price index, GDP and unemployment and increase in the mortgage book.

The amounts shown in the Income Statement for impairment provisions on loans and advances is made up as follows:

	Group & Society 2025 £'000
Increase in loss provision	59
Provision utilised	-
Release to the Income Statement	59

17. Provisions for impairment losses on loans and advances (continued)

Loans and advances to customers	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Group 2024				
Balance at 1st January	541,657	57,872	8,334	607,863
Transfers between stages arising from changes in credit risk				
Transfer from Stage 1	23,399	(23,074)	(325)	-
Transfer from Stage 2	(28,150)	28,496	(346)	-
Transfer from Stage 3	(4,116)	(1,825)	5,941	-
Net movement arising from transfer of stages	(8,867)	3,597	5,270	-
New financial assets originated or purchased	97,038	4,434	187	101,659
Redemptions and repayments	(99,989)	(9,428)	(1,520)	(110,937)
Balance at 31st December	529,839	56,475	12,271	598,585
Society 2024				
Balance at 1st January	491,318	45,514	4,680	541,512
Transfers between stages arising from changes in credit risk				
Transfer from Stage 1	17,448	(17,195)	(253)	-
Transfer from Stage 2	(19,747)	20,433	(686)	-
Transfer from Stage 3	(2,492)	(2,840)	5,332	-
Net remeasurement of loss allowance	(4,791)	398	4,393	-
New financial assets originated or purchased	132,173	18,799	3,733	154,705
Repayments and redemptions	(88,622)	(8,236)	(535)	(97,393)
Balance at 31st December	530,078	56,475	12,271	598,824

17. Provisions for impairment losses on loans and advances (continued)

Provision for impairment losses	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Group 2024				
Balance at 1st January	135	114	271	520
Transfers between stages arising from changes in credit risk				
Transfer from Stage 1	29	(29)	-	-
Transfer from Stage 2	(6)	6	-	-
Transfer from Stage 3	(5)	(1)	6	-
Net movement arising from transfer of stages	18	(24)	6	-
Net remeasurement of loss allowance	(49)	54	(174)	(169)
New financial assets originated or purchased	13	28	-	41
Financial assets that have been derecognised	(39)	(20)	(9)	(68)
Balance at 31st December	78	152	94	324
Society 2024				
Balance at 1st January	123	74	126	323
Transfers between stages arising from changes in credit risk				
Transfer from Stage 1	29	(29)	-	-
Transfer from Stage 2	(6)	6	-	-
Transfer from Stage 3	(5)	(1)	6	-
Net movement arising from transfer of stages	18	(24)	6	-
Net remeasurement of loss allowance	(51)	60	(114)	(105)
New financial assets originated or purchased	26	61	85	172
Financial assets that have been derecognised	(38)	(19)	(9)	(66)
Balance at 31st December	78	152	94	324

The movement in the provision during the year is mainly due to change in assumptions in the economic environment, being house price index, GDP and unemployment, and growth in the mortgage book.

The amounts shown in the Income Statement for impairment provisions on loans and advances is made up as follows:

	Group 2024 £'000	Society 2024 £'000
(Decrease) in loss provision	(196)	(133)
Provision utilised	10	10
Release to the Income Statement	(186)	(123)

17. Provisions for impairment losses on loans and advances (continued)

Post model adjustment

Model overlays have been applied to the Group's core ECL models in certain situations where it is considered that the historic PD's understate current risks. PD's have been uplifted to take account of the cost of living challenges and stretched affordability. As a result of the PD uplifts, an overlay of £0.1m has been recognised in the above figures at 31st December 2025 (2024: £0.1m) in addition to the output from the core ECL model. The management overlay recognises £0.1m of ECL in stage 2.

Forward looking information

Central scenario – reflecting the Group's view of the most likely scenario. US tariffs and weaker global growth continue to limit GDP growth. With lingering concerns over inflation and interest rates starting to approach estimates of their neutral rate, the Bank of England is likely to slow the pace of rate cuts in 2026. The unemployment rate is expected to level off. The risk of a more rapid deterioration in the labour market is rising.

Upside scenario – reflecting a more optimistic scenario. The trade war quickly de-escalates and the intensive war in Ukraine results in a negotiated peace agreement. This results in a boost to aggregate demand and supply increasing GDP growth expectations and a slower reduction in interest rates.

Downside scenario – reflecting a more pessimistic scenario. Increasing concerns around global growth, driven by a new phase of US trade wars and increased geopolitical tensions. The uncertainty results in GDP falling and an economic recession with inflation falling and the Bank reducing base rate quicker than in the central or upside scenario.

Severe downside scenario – reflecting a more severe downside scenario with escalation in global trade wars impacting overall global growth. The Bank cuts rates more quickly than in central scenario and reach close to zero.

	2025 %	2024 %
Central	65%	65%
Upside	5%	5%
Downside	20%	20%
Severe downside	10%	10%

17. Provisions for impairment losses on loans and advances (continued)

The table below shows the average macroeconomic assumptions used in each scenario:

		2025 %	2024 %
Gross Domestic Product (GDP)	Central	1.37%	1.47%
	Upside	2.22%	2.42%
	Downside	0.34%	0.38%
	Severe downside	-0.12%	-0.14%
Unemployment rate	Central	5.02%	4.42%
	Upside	4.46%	3.87%
	Downside	6.73%	6.14%
	Severe downside	7.51%	6.91%
House price inflation	Central	2.29%	2.82%
	Upside	7.15%	6.90%
	Downside	-3.48%	-2.98%
	Severe downside	-6.12%	-5.64%

18. Investment in subsidiary undertakings

(a) Investments at cost

	Society 2025 £'000	Society 2024 £'000
Investment in subsidiary undertakings – shares	80	100
Investment in subsidiary undertakings – loans	636	45
	716	145

Movement in investments at cost:

	Subsidiary undertakings – Shares £'000	Subsidiary undertakings – Loans £'000
At 1st January 2025	100	45
Net increase in loans	-	591
Repayment of share capital	(20)	-
At 31st December 2025	80	636

Loans to subsidiary undertakings are repayable on demand and have no fixed repayment date. Interest is charged at a rate linked to the Society's funding cost.

At the 31st December 2025, based on future expected cash flows of the subsidiary undertakings there was no write off relating to the intercompany loan balance in MMBS Services Ltd, due to Melton Building Society, (2024: £62,000).

(b) Subsidiary undertakings

Entity	Principal Activity	Place of Incorporation	Class of Shares Held	Cost of Investment £'000	Society's Interest
MBS Lending Limited	Mortgage Lending	England	Ordinary	-	100%
NEXA Finance Limited	Alternative Lending Platform	England	Ordinary	-	100%
MMBS Services Limited	Mortgage Broking	England	Ordinary	30	100%
MMBS Services Limited	Mortgage Broking	England	Preference	50	100%
				80	

During the year dividends of £192,000 (2024: £2,069,000) were paid by MBSL to the Society and £700,000 (2024: £nil) were paid by NEXA to the Society.

MMBS Services Ltd is exempt from the requirements of audit of the individual financial statements under Section 479A of the Companies Act 2006.

MBSL was dissolved during 2025 with the paid up share capital being repaid to Melton Building Society.

19. Property, plant and equipment

Group	Freehold Land & Buildings £'000	Office Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st January 2025	6,123	4,064	12	10,199
Additions	6	103	-	109
Disposals	-	(229)	-	(229)
At 31st December 2025	6,129	3,938	12	10,079
Depreciation				
At 1st January 2025	1,879	989	8	2,876
Charged in year	137	265	3	405
Disposals	-	(229)	-	(229)
At 31st December 2025	2,016	1,025	11	3,052
Net book value at 31st December 2025	4,113	2,913	1	7,027

19. Property, plant and equipment (continued)

Society	Freehold Land & Buildings £'000	Office Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st January 2025	5,530	4,064	12	9,606
Additions	6	102	-	108
Disposals	-	(228)	-	(228)
At 31st December 2025	5,536	3,938	12	9,486
Depreciation				
At 1st January 2025	1,702	989	8	2,699
Charged in year	132	264	2	398
Disposals	-	(228)	-	(228)
At 31st December 2025	1,834	1,025	10	2,869
Net book value at 31st December 2025	3,702	2,913	2	6,617

Included in the net book value of Property, plant and equipment shown above were the following right-of-use assets:

Group & Society	Freehold Land & Buildings £'000	Office Equipment £'000	Motor Vehicles £'000	Total £'000
At 1st January 2025	283	85	-	368
Additions	6	1	-	7
Amortisation	(45)	(20)	-	(65)
Disposals	-	-	-	-
At 31st December 2025	244	66	-	310

19. Property, plant and equipment (continued)

Group	Freehold Land & Buildings £'000	Office Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st January 2024	6,184	4,080	12	10,276
Additions	-	82	-	82
Disposals	(61)	(98)	-	(159)
At 31st December 2024	6,123	4,064	12	10,199
Depreciation				
At 1st January 2024	1,747	803	5	2,555
Charged in year	132	276	3	411
Disposals	-	(90)	-	(90)
At 31st December 2024	1,879	989	8	2,876
Net book value at 31st December 2024	4,244	3,075	4	7,323

19. Property, plant and equipment (continued)

Society	Freehold Land & Buildings £'000	Office Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1st January 2024	5,591	4,079	12	9,682
Additions	-	83	-	83
Disposals	(61)	(98)	-	(159)
At 31st December 2024	5,530	4,064	12	9,606
Depreciation				
At 1st January 2024	1,576	803	5	2,384
Charged in year	126	276	3	405
Disposals	-	(90)	-	(90)
At 31st December 2024	1,702	989	8	2,699
Net book value at 31st December 2024	3,828	3,075	4	6,907

Included in the net book value of Property, plant and equipment shown above were the following right-of-use assets:

Group & Society	Freehold Land & Buildings £'000	Office Equipment £'000	Motor Vehicles £'000	Total £'000
At 1st January 2024	384	81	-	465
Additions	-	39	-	39
Amortisation	(40)	(21)	-	(61)
Disposals	(61)	(14)	-	(75)
At 31st December 2024	283	85	-	368

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Net book value of land and buildings occupied by the Group and Society for its own activities	4,113	3,702	4,244	3,828

20. Intangible assets

Group	Group 2025 Purchased Software £'000	Society 2025 Purchased Software £'000	Group 2024 Purchased Software £'000	Society 2024 Purchased Software £'000
Cost				
At beginning of year	968	722	675	370
Additions	193	193	200	200
Write-off	-	-	(59)	-
At end of year	1,161	915	816	570
Amortisation				
At beginning of year	590	367	470	227
Charged in year	106	83	179	140
Write-off	-	-	(59)	-
At end of year	696	450	590	367
Work in progress	-	-	152	152
Net book value at end of year	465	465	378	355
Net book value at beginning of year	378	355	205	143

21. Assets held for sale

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Valuation				
At 1st January	-	-	770	770
Disposal	-	-	(760)	(760)
Loss on disposal	-	-	(10)	(10)
At 31st December	-	-	-	-

Investment properties are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

The investment properties were sold during 2024.

22. Other assets

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Prepayments	882	797	840	766
Other debtors	727	506	398	90
	1,609	1,303	1,238	856

23. Deferred tax

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Movement on deferred tax				
At 1st January	(719)	(741)	(1,321)	(1,304)
Current year Income Statement (charge)/ credit (see Note 12)	(22)	(24)	180	189
Adjustment in respect of prior years in the Income Statement (Note 12)	(8)	10	48	-
Amount recognised directly in Other Comprehensive Income	(35)	(35)	374	374
At 31st December	(784)	(790)	(719)	(741)

The deferred tax charge in the Income Statement comprises the following temporary differences:

Accelerated Capital Allowances	10	8	(111)	(102)
Other provisions	(32)	(32)	(19)	(19)
IFRS transition adjustment	-	-	(6)	(6)
IFRS 9 transition	-	-	3	3
Pensions and other post retirement benefits	-	-	313	313
Adjustment in respect of prior years	(8)	10	48	-
Income Statement (charge) / credit (see Note 12)	(30)	(14)	228	189

Deferred tax assets and liabilities are attributable to the following items:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Deferred tax assets				
Other provisions	35	29	69	58
IFRS 9 transition	-	-	13	-
Debt securities measured at FVOCI	-	-	27	27
	35	29	109	85
Deferred tax liabilities				
Accelerated capital allowances	624	624	637	635
Debt securities at FVOCI	7	7	-	-
IFRS 9 transition	7	7	10	10
Rolled over gain on property disposal	181	181	181	181
	819	819	828	826
Net deferred tax liability	784	790	719	741

Deferred tax is recognised at 25% (2024: 25%) being the tax rate enacted at the Statement of Financial Position date at which the balances are materially expected to reverse.

24. Shares

	Group & Society 2025 £'000	Group & Society 2024 £'000
Held by individuals	628,685	632,871
Other shares	-	2,050
Fair value adjustment for hedged risk	410	(104)
	629,095	634,817

Shares are repayable from the Statement of Financial Position date in the ordinary course of business as follows:

Accrued interest	10,057	11,223
Repayable on demand	170,886	241,045
In not more than three months	80,956	33,540
In more than three months but not more than one year	215,324	52,936
In more than one year but not more than five years	151,872	296,073
	629,095	634,817

25. Amounts owed to credit institutions

Amounts owed to other customers are repayable from the Statement of Financial Position date in the ordinary course of business as follows:

	Group & Society 2025 £'000	Group & Society 2024 £'000
Accrued interest	421	345
Repayable on demand	370	3,110
In less than three months	28,000	3,000
In more than three months but not more than one year	15,000	27,000
	43,791	33,455

Amounts owed to credit institutions include £40,000,000 (2024: £27,000,000) secured against certain loans and advances to customers.

At 31st December 2025, £370,000 (2024: £3,110,000) had been received from credit counterparties as collateral against derivative contracts.

26. Amounts owed to other customers

Amounts owed to other customers are repayable from the Statement of Financial Position date in the ordinary course of business as follows:

	Group & Society 2025 £'000	Group & Society 2024 £'000
Accrued interest	235	192
Repayable on demand	5,038	2,388
In not more than three months	22,840	6,774
In more than three months but not more than one year	7,701	5,732
In more than one year but not more than five years	3,144	2,320
	38,958	17,406

27. Other liabilities and accruals

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Lease liabilities	402	402	508	508
Accruals	1,516	1,197	1,308	1,161
Other creditors	226	1,444	390	729
	2,144	3,043	2,206	2,398

The lease liabilities represent contractual cash flows discounted using the marginal cost of funding. A maturity analysis of the undiscounted contractual cash flows is as follows:

	Group & Society 2025 £'000	Group & Society 2024 £'000
Less than one year	123	129
One to five years	316	447
Total undiscounted lease liabilities	439	576

Interest on lease liabilities recognised in the Income Statement was £18,000 (2024: £27,000).
Amounts paid in the year in respect of lease liabilities was £129,000 (2024: £148,000).

The movements in lease liabilities is as follows:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
At 1st January	508	508	493	492
Cash flow items				
Additions	5	5	145	146
Payments	(129)	(129)	(157)	(157)
Non-cash flow items				
Movement in interest accrual	18	18	27	27
At 31st December	402	402	508	508

28. Related party transactions

a) Transactions with Group entities

Details of the Society's shares in and loans to group undertakings are set out in Note 18.

Interest paid by group undertakings to the Society and loans outstanding at the end of the year are as follows:

	Interest paid 2025 £'000	Loan outstanding 2025 £'000	Interest paid 2024 £'000	Loan outstanding 2024 £'000
MBS Lending Limited	-	-	1,785	(193)
NEXA Finance Limited	8	606	20	238
MMBS Services Limited	-	30	2	-
	8	636	1,807	45

In addition, the transactions listed below took place during the year. Unless otherwise stated, there were no outstanding debtors or creditors at the year-end.

- 1) MBS Lending Limited paid £nil (2024: £285,000) in administration and servicing fees to the Society during the year.
- 2) NEXA Finance Limited paid £510,000 to the Society (2024: £160,000) in administration and servicing fees to NEXA Finance Limited during the year.
- 3) MMBS Services Limited paid £7,500 (2024: £7,500) in administration and servicing fees to the Society during the year. At 31st December 2025, the Society owed £nil (2024: £nil) to MMBS Services Limited relating to cash held on its behalf.

28. Related party transactions (continued)

b) Transactions with key management personnel

The Directors of the Society are considered to be the only key management personnel as defined by IAS 24.

Details of Directors' emoluments are disclosed in the Directors' Remuneration report on page 55. No directors are members of the defined benefit pension scheme. One director is an active member of the defined contribution scheme.

The table below shows outstanding balances and transactions with key personnel, which comprises Group Directors and their close family members:

	Number of key management personnel and their close family members 2025	Amounts in respect of key management personnel and their close family members 2025 £'000	Number of key management personnel and their close family members 2024	Amounts in respect of key management personnel and their close family members 2024 £'000
Loans and advances				
Balances outstanding 31st December	1	917	-	-
Interest paid	1	38	-	-
Savings				
Balances outstanding 31st December	8	44	11	130
Interest received	8	1	11	4

Mortgage loans and savings are available to key management personnel and members of their close family at normal commercial terms.

A register is maintained in accordance with the requirements of Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the register, for the financial year ended 31st December 2025, will be available for inspection at the Society's Principal Office for a period of 15 days up to and including the Annual General Meeting.

c) Contributions to pension schemes

Contributions paid by the Society to the pension scheme are shown in Note 10.

d) Donations to the Melton Mowbray Building Society Charitable Foundation

During the year, the Society donated £13,600 (2024: £10,000) to the Melton Mowbray Building Society Charitable Foundation.

29. Guarantees and other financial commitments

Capital commitments

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Capital expenditure contracted for but not provided in the accounts at the end of the financial year	-	-	-	-

30. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Society is a retailer of financial instruments in the form of mortgage and savings products, and also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and to manage risks arising from its operations.

As a result of these activities, the Group is exposed to a variety of risks, the most significant of which are credit risk, liquidity risk and market risk. These risks are described below.

a) Classification of financial assets and financial liabilities

The following tables show the classification of the Group's and Society's financial assets and liabilities:

Group at 31st December 2025	Amortised cost £'000	Fair value through OCI £'000	Fair value through profit & loss £'000	Total £'000
Assets				
Cash and balances with the Bank of England	88,787	-	-	88,787
Loans and advances to credit institutions	6,181	-	-	6,181
Debt securities	-	37,446	-	37,446
Derivative financial instruments	-	-	1,340	1,340
Loans and advances to customers	615,694	-	-	615,694
Other Debtors	727	-	-	727
Total financial assets	711,389	37,446	1,340	750,175
Non-financial assets				8,469
Total assets				758,644
Liabilities				
Shares	629,095	-	-	629,095
Amounts owed to credit institutions	43,791	-	-	43,791
Amounts owed to other customers	38,958	-	-	38,958
Derivative financial instruments	-	-	1,712	1,712
Lease Liabilities	402	-	-	402
Accruals	1,516	-	-	1,516
Other Creditors	226	-	-	226
Total financial liabilities	713,988	-	1,712	715,700
Non-financial liabilities				784
Total liabilities				716,484

30. Financial instruments (continued)

Society at 31st December 2025	Amortised cost £'000	Fair value through OCI £'000	Fair value through profit & loss £'000	Total £'000
Assets				
Cash and balances with the Bank of England	88,787	-	-	88,787
Loans and advances to credit institutions	5,767	-	-	5,767
Debt securities	-	37,446	-	37,446
Derivative financial instruments	-	-	1,340	1,340
Loans and advances to customers	616,033	-	-	616,033
Loans to subsidiary undertakings	636	-	-	636
Other Debtors	506	-	-	506
Total financial assets	711,729	37,446	1,340	750,515
Non-financial assets				8,188
Total assets				758,703
Liabilities				
Shares	629,095	-	-	629,095
Amounts owed to credit institutions	43,791	-	-	43,791
Amounts owed to other customers	38,958	-	-	38,958
Derivative financial instruments	-	-	1,712	1,712
Lease Liabilities	402	-	-	402
Accruals	1,197	-	-	1,197
Other Creditors	1,444	-	-	1,444
Total financial liabilities	714,887	-	1,712	716,599
Non-financial liabilities				790
Total liabilities				717,389

30. Financial instruments (continued)

Group at 31st December 2024	Amortised cost £'000	Fair value through OCI £'000	Fair value through profit & loss £'000	Total £'000
Assets				
Cash and balances with the Bank of England	66,064	-	-	66,064
Loans and advances to credit institutions	14,988	-	-	14,988
Debt securities	-	40,023	-	40,023
Derivative financial instruments	-	-	3,969	3,969
Loans and advances to customers	596,550	-	-	596,550
Other Debtors	398	-	-	398
Total financial assets	678,000	40,023	3,969	721,992
Non-financial assets				8,791
Total assets				730,783
Liabilities				
Shares	634,817	-	-	634,817
Amounts owed to credit institutions	33,455	-	-	33,455
Amounts owed to other customers	17,406	-	-	17,406
Derivative financial instruments	-	-	1,218	1,218
Lease Liabilities	508	-	-	508
Accruals	1,308	-	-	1,308
Other Creditors	390	-	-	390
Total financial liabilities	687,884	-	1,218	689,102
Non-financial liabilities				719
Total liabilities				689,821

30. Financial instruments (continued)

Society at 31st December 2024	Amortised cost £'000	Fair value through OCI £'000	Fair value through profit & loss £'000	Total £'000
Assets				
Cash and balances with the Bank of England	66,064	-	-	66,064
Loans and advances to credit institutions	14,894	-	-	14,894
Debt securities	-	40,023	-	40,023
Derivative financial instruments	-	-	3,969	3,969
Loans and advances to customers	596,789	-	-	596,789
Loans to subsidiary undertakings	45	-	-	45
Other Debtors	90	-	-	90
Total financial assets	677,882	40,023	3,969	721,874
Non-financial assets				8,521
Total assets				730,395
Liabilities				
Shares	634,817	-	-	634,817
Amounts owed to credit institutions	33,455	-	-	33,455
Amounts owed to other customers	17,406	-	-	17,406
Derivative financial instruments	-	-	1,218	1,218
Lease Liabilities	508	-	-	508
Accruals	1,161	-	-	1,161
Other Creditors	729	-	-	729
Total financial liabilities	688,076	-	1,218	689,294
Non-financial liabilities				741
Total liabilities				690,035

30. Financial instruments (continued)

b) Fair value of financial assets and financial liabilities

Fair value is the value for which an asset or liability could be sold or settled in an arms length transaction between knowledgeable willing parties. The Group determines fair values by the following three tier valuation hierarchy detailed in IFRS 13: 'Fair Value Measurement':

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Valuation techniques where inputs, other than quoted prices included within level 1, are taken from observable market data for the asset or liability either directly or indirectly
- Level 3 – Valuation techniques where inputs for the asset or liability that are not based on observable market data

The valuation techniques used by the Group to establish the fair value of each category of financial asset or liability are described below.

Financial assets and financial liabilities held at amortised cost

The tables below show the fair values of the Group's and Society's financial assets and liabilities held at amortised cost in the Statement of Financial Position, analysed according to the fair value hierarchy described above.

Group at 31st December 2025	Carrying value £'000	Fair value Level 1 £'000	Fair value Level 2 £'000	Fair value Level 3 £'000	Total £'000
Financial assets					
Cash and balances with the Bank of England	88,787	88,787	-	-	88,787
Loans and advances to credit institutions	6,181	6,181	-	-	6,181
Loans and advances to customers	615,694	-	-	607,075	607,075
	710,662	94,968	-	607,075	702,043
Financial liabilities					
Shares	629,095	-	-	627,742	627,742
Amounts due to credit institutions	43,791	370	43,421	-	43,791
Amounts due to other customers	38,958	-	-	38,958	38,958
	711,844	370	43,421	666,700	710,491

30. Financial instruments (continued)

Society at 31st December 2025	Carrying value £'000	Fair value Level 1 £'000	Fair value Level 2 £'000	Fair value Level 3 £'000	Total £'000
Financial assets					
Cash and balances with the Bank of England	88,787	88,787	-	-	88,787
Loans and advances to credit institutions	5,767	5,767	-	-	5,767
Loans and advances to customers	616,033	-	-	607,414	607,414
Loans to subsidiary undertakings	636	-	-	636	636
	711,223	94,554	-	608,050	702,604
Financial liabilities					
Shares	629,095	-	-	627,742	627,742
Amounts due to credit institutions	43,791	370	43,421	-	43,791
Amounts due to other customers	38,958	-	-	38,958	38,958
	711,844	370	43,421	666,700	710,491

Group at 31st December 2024	Carrying value £'000	Fair value Level 1 £'000	Fair value Level 2 £'000	Fair value Level 3 £'000	Total £'000
Financial assets					
Cash and balances with the Bank of England	66,064	66,064	-	-	66,064
Loans and advances to credit institutions	14,988	14,988	-	-	14,988
Loans and advances to customers	596,550	-	-	592,034	592,034
	677,602	81,052	-	592,034	673,086
Financial liabilities					
Shares	634,817	-	-	631,555	631,555
Amounts due to credit institutions	33,455	3,110	30,345	-	33,455
Amounts due to other customers	17,406	-	-	17,406	17,406
	685,678	3,110	30,345	648,961	682,416

30. Financial instruments (continued)

Society at 31st December 2024	Carrying value £'000	Fair value Level 1 £'000	Fair value Level 2 £'000	Fair value Level 3 £'000	Total £'000
Financial assets					
Cash and balances with the Bank of England	66,064	66,064	-	-	66,064
Loans and advances to credit institutions	14,894	14,894	-	-	14,894
Loans and advances to customers	596,789	-	-	592,273	592,273
Loans to subsidiary undertakings	45	-	-	45	45
	677,792	80,958	-	592,318	673,276
Financial liabilities					
Shares	634,817	-	-	631,555	631,555
Amounts owed to credit institutions	33,455	3,110	30,345	-	33,455
Amounts due to other customers	17,406	-	-	17,406	17,406
	685,678	3,110	30,345	648,961	682,416

i) Cash and balances with the Bank of England

The fair value of cash in hand and deposits with the central bank is the amount repayable on demand.

ii) Loans and advances to credit institutions

The fair value of overnight deposits is the amount repayable on demand. The estimated fair value of loans and advances to credit institutions is calculated based on discounted expected future cash flows.

iii) Loans and advances to customers

The estimated fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received taking account of impairment and expected prepayment rates. Estimated cash flows are discounted at prevailing market rates for items of similar remaining maturity.

iv) Loans to subsidiary undertakings

The fair value of loans to subsidiary undertakings is the amount repayable on demand.

v) Shares and borrowings

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

30. Financial instruments (continued)

Financial assets and financial liabilities held at fair value

The tables below show the fair values of the Group's and Society's financial assets and liabilities held at fair value in the Statement of Financial Position, analysed according to the fair value hierarchy described above.

Group & Society at 31st December 2025	Fair value Level 1 £'000	Fair value Level 2 £'000	Total £'000
Financial assets			
Debt securities	37,446	-	37,446
Derivative financial instruments	-	1,340	1,340
	37,446	1,340	38,786
Financial liabilities			
Derivative financial instruments	-	1,712	1,712
	-	1,712	1,712

Group & Society at 31st December 2024	Fair value Level 1 £'000	Fair value Level 2 £'000	Total £'000
Financial assets			
Debt securities	40,023	-	40,023
Derivative financial instruments	-	3,969	3,969
	40,023	3,969	43,992
Financial liabilities			
Derivative financial instruments	-	1,218	1,218
	-	1,218	1,218

i) Debt securities

Market prices have been used to determine the fair value of listed debt securities.

ii) Derivative financial instruments and fair value adjustments of hedged items

The estimated fair value of interest rate swaps and hedged items are calculated based on discounted expected future cash flows. Expected interest cash flows are discounted using prevailing interest rate yield curves. The yield curves are based on generally observable market data derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

30. Financial instruments (continued)

c) Credit Risk

Credit risk is the risk of loss if a customer or counterparty fails to perform its obligations. The risk arises from the Group's loans and advances to customers and the investment of liquid assets with treasury counterparties. The Group's exposure to credit risk can be influenced by changes in the wider economy, including unemployment levels, property values, household finances impacting the affordability of mortgages and the credit quality of treasury counterparties. The Board of Directors has defined the Group's risk appetite for credit risk which clearly sets out the level of credit risk the Group is prepared to accept.

The maximum credit risk exposure is the carrying value as shown in the tables on pages 124 to 130. In addition, mortgage offer commitments at the year-end amounted to £38,870,000 (2024: £31,324,000) for the Group and Society.

i) Loans and advances to customers

The Board of Directors has defined the Group's risk appetite for credit risk exposure to mortgage borrowers by targeting the origination of a balanced portfolio of mortgage assets that match the expertise and experience of underwriters.

The Group has documented its general principles for mortgage lending and the detailed systems and controls for mitigating credit risk within its Lending Policy. Any changes in policy are submitted to the Risk Committee for consideration before recommendation to the Board for approval. These systems and controls include:

- the setting and regular monitoring of applicable lending limits, including product, borrower and loan related limits, to avoid concentrations of exposures in higher risk lending categories
- the setting of full underwriting criteria for each product category, designed to ensure the adequacy of security, the creditworthiness of borrowers and the affordability of mortgage repayments
- the manual assessment of all new mortgage applications by staff who are experienced in residential property finance and are accredited through a formal training and competence scheme. Mortgage applications are approved by staff with specific underwriting mandates approved by the Board
- the use of appropriately qualified and experienced external property surveyors, solicitors and accountants as necessary to assist the assessment of mortgage applications

- the prevention of mortgage fraud through thorough mortgage application assessment and use of external fraud prevention systems
- the pricing of all new mortgage products using a model that incorporates an expected Probability of Default (PD) and Loss Given Default (LGD) to ensure that the margin received appropriately reflects the risks involved
- the use of mortgage indemnity policies to insure the Society against the risk of lending at higher Loan to Value (LTV) ratios
- the use of insurance warranties to provide specialist cover in self-build and renovation lending

The Group has a separate Arrears Policy covering the systems and controls relating to the processes for dealing with arrears and forbearance. Any changes in policy are submitted to the Risk Committee for consideration before recommendation to the Board for approval.

The Assets & Liabilities Committee (ALCO) is responsible for monitoring credit risk associated with mortgage assets. This is undertaken through the review of credit portfolio analysis, mortgage arrears, forbearance and provisions schedules, mortgage stress testing analysis, mortgage concentration analysis, lending limit monitoring, external insurance provider rating and exposure and limit stress testing analysis. ALCO reports into the Board's Risk Committee, which is responsible for the oversight and challenge of risk management across the Group. It receives reports relating to key decisions made at ALCO, an independent view of each risk category from the Chief Risk Officer, including a quarterly credit portfolio analysis, and access to all ALCO papers.

The Group's exposure to residential and commercial loans and advances to customers is set out below. From 2019 any new Commercial lending advanced is in the form of property development finance.

30. Financial instruments (continued)

Residential loans and advances to customers

The table below shows the concentration by loan type of the residential loan portfolio at the year end date:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Prime owner occupied	454,894	454,894	456,519	456,519
Buy to let	117,277	117,277	114,253	114,253
Gross balances	572,171	572,171	570,772	570,772
Impairment provisions	(317)	(317)	(289)	(289)
Fair value adjustments for hedged risk	1,539	1,539	(1,711)	(1,711)
	573,393	573,393	568,772	568,772

The table below shows the geographical spread of the residential loan portfolio at the year end date:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
East Midlands	116,990	116,990	99,241	99,241
South East	101,330	101,330	110,246	110,246
North West	53,512	53,512	52,596	52,596
South West	73,548	73,548	81,197	81,197
East	68,967	68,967	74,249	74,249
West Midlands	46,663	46,663	46,741	46,741
Yorkshire	44,924	44,924	43,865	43,865
London	21,562	21,562	19,811	19,811
Wales	31,069	31,069	30,710	30,710
North East	13,606	13,606	12,116	12,116
	572,171	572,171	570,772	570,772

30. Financial instruments (continued)

The table below shows the indexed loan to value distribution of the residential loan portfolio at the year end date:

	Group & Society 2025				Group & Society 2024			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
>95%	260	647	-	907	2,142	436	-	2,578
90%-95%	15,640	2,081	-	17,721	11,630	1,390	-	13,020
85%-90%	21,819	1,775	172	23,766	18,006	2,023	-	20,029
75%-85%	40,890	3,599	712	45,201	49,699	4,189	441	54,329
50%-75%	224,371	33,708	5,237	263,316	213,216	30,763	5,164	249,143
<50%	188,968	27,842	4,450	221,260	207,868	17,674	6,131	231,673
	491,948	69,652	10,571	572,171	502,561	56,475	11,736	570,772

The Group's average indexed loan to value ratio at the year end date for the residential loan portfolio was 54.5% (2024: 49.3%).

The table below shows the loan to value distribution of the mortgage offer commitments at the year end date:

	Group & Society 2025				Group & Society 2024			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
90%-95%	597	-	-	597	7,465	-	-	7,465
85%-90%	3,357	-	-	3,357	6,022	-	-	6,022
75%-85%	2,873	-	-	2,873	3,294	-	-	3,294
50%-75%	14,087	-	-	14,087	9,854	-	-	9,854
<50%	6,835	-	-	6,835	4,689	-	-	4,689
	27,749	-	-	27,749	31,324	-	-	31,324

The table below shows the Group's residential loan portfolio by payment due status:

	Group 2025				Society 2025			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Current and past due up to 1 month	491,947	68,147	2,575	562,669	491,947	68,147	2,575	562,669
Past due 1 to 3 months	-	1,505	3,116	4,621	-	1,505	3,116	4,621
Past due over 3 months	-	-	4,881	4,881	-	-	4,881	4,881
	491,947	69,652	10,572	572,171	491,947	69,652	10,572	572,171

30. Financial instruments (continued)

	Group 2024				Society 2024			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Current and past due up to 1 month	502,561	56,149	4,440	563,150	502,561	56,149	4,440	563,150
Past due 1 to 3 months	-	326	2,228	2,554	-	326	2,228	2,554
Past due over 3 months	-	-	5,068	5,068	-	-	5,068	5,068
	502,561	56,475	11,736	570,772	502,561	56,475	11,736	570,772

Performance of residential interest only loans at maturity

Interest only loans which are judged to have a significantly increased risk of inability to refinance at maturity are transferred to stage 2. At 31st December 2025 7 (2024: 1) interest only loans were transferred to stage 2 totalling £1,223,000 (2024: £119,000).

The table below shows the collateral held against the residential loan portfolio:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Not impaired	1,570,443	1,570,443	1,242,895	1,131,160
Impaired	26,683	26,683	24,774	18,329
	1,597,126	1,597,126	1,267,669	1,149,489

The collateral consists of residential property. Collateral values are adjusted by the Nationwide price index, produced by the Nationwide Building Society to derive the indexed valuation at 31st December. The price index is produced on a regional basis and is used to update the property values for residential mortgages on a quarterly basis.

With collateral capped to the amount of outstanding debt, the value of collateral held against 'Not impaired' loans at 31st December 2025 was £556,882,000 (2024: £556,455,000) against outstanding debt of £556,882,000 (2024: £556,455,000). In addition, the value of collateral held against 'Impaired' loans at 31st December 2025 was £10,556,000 (2024: £11,680,000) against outstanding debt of £10,556,000 (2024: £11,680,000).

Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 75% of the value of the property at the point of application. The mortgage indemnity insurance relates to the Society's residential portfolio only and reduces the level of impairment provision held at the year-end by £26,000 (2024: £30,000).

Residential assets obtained by taking possession of collateral

During the year the Group took possession of property held as security, against loans and advances to customers, and held at the year end security of £nil (2024: £nil).

During the year the Society took possession of property held as security, against loans and advances to customers, and held at the year end security of £nil (2024: £nil).

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

30. Financial instruments (continued)

Residential forbearance

The Group recognises that the personal and financial circumstances of our borrowers can be affected by deteriorating economic conditions and unplanned events. When this happens, we apply a formal policy directed towards forbearance and fair treatment of customers. The Group uses a number of forbearance measures to assist such borrowers including agreeing a reduced monthly payment, transfer to interest only payments and extension of the mortgage term. Forbearance measures are only provided to borrowers following a full assessment of their circumstances. Accounts on which forbearance has been provided are monitored and borrowers are expected to resume normal payments, including any increase to repay the mortgage at the end of the agreed term, once they are able. Loans that receive forbearance may only be classified as up to date once six months' normal payments have been received.

Group & Society	Concessions 2025 £'000	Term extensions 2025 £'000	Total 2025 £'000	Concessions 2024 £'000	Term extensions 2024 £'000	Total 2024 £'000
Not impaired	16,000	398	16,398	4,490	297	4,787
Impaired	2,916	517	3,433	560	-	560
Total forbearance	18,916	915	19,831	5,050	297	5,347

Commercial loans and advances to customers

The table below shows the concentration by loan type of the commercial loan portfolio, including property development loans, at the year end date:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Investment property	42,367	42,706	27,813	28,052
Loans secured on commercial property	42,367	42,706	27,813	28,052
Impairment provisions	(66)	(66)	(35)	(35)
	42,301	42,640	27,778	28,017

The increase in the investment property portfolio reflects increased demand for property development loans from its subsidiary, NEXA Finance Ltd.

30. Financial instruments (continued)

The table below shows the geographic spread of the commercial loan portfolio at the year end date:

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
East Midlands	22,182	22,341	18,880	19,021
West Midlands	8,140	8,235	4,913	4,946
North West	4,802	4,826	3,937	3,994
East	523	527	83	91
Yorkshire	4,466	4,474	-	-
South West	2,254	2,303	-	-
	42,367	42,706	27,813	28,052

The table below shows the current loan to value distribution of the commercial loan portfolio at the year end date:

	Group 2025				Society 2025			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
75%-100%	23,101	468	-	23,569	23,205	482	-	23,687
50%-75%	8,761	-	-	8,761	8,848	-	-	8,848
<50%	10,037	-	-	10,037	10,171	-	-	10,171
	41,899	468	-	42,367	42,224	482	-	42,706

	Group 2024				Society 2024			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
75%-100%	11,424	-	535	11,959	11,441	-	535	11,976
50%-75%	10,204	-	-	10,204	10,297	-	-	10,297
<50%	5,650	-	-	5,650	5,779	-	-	5,779
	27,278	-	535	27,813	27,517	-	535	28,052

As at the 31st December 2025 uncommitted mortgage facilities for the commercial portfolio were £29,014,000 (2024: £18,177,000).

The Group's average current loan to value ratio at the year end date for the commercial loan portfolio was 65.1% (2024: 65.3%).

30. Financial instruments (continued)

The above analysis includes no loans (2024: nil) which were impaired at year end. The loans had a value of £nil (2024: £nil), an average LTV of nil (2024: nil) and a loan loss provision of £nil (2024: £nil) was held in relation to them.

The table below shows the collateral held against the commercial loan portfolio:

Group and Society	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Not impaired	83,943	2,140	59,103	59,103
Impaired	-	-	650	650
	83,943	2,140	59,753	59,753

Collateral consists of land and partly constructed property with collateral values reflecting the latest valuation undertaken.

With collateral capped to the amount of outstanding debt, the value of collateral held against 'Not impaired' loans at 31st December 2025 was £42,706,000 (2024: £27,518,000) against outstanding debt of £42,706,000 (2024: £27,518,000).

There were no loans within the commercial loan portfolio receiving forbearance as at 31st December 2025 or 31st December 2024.

ii) Loans and advances to credit institutions and debt securities

The Group holds treasury investments in order to meet liquidity requirements and for general business purposes. The Board of Directors has defined the Group's risk appetite for credit risk exposure to treasury counterparties by defining within the Financial Risk Management Policy the permissible instruments that can be used, the minimum counterparty credit ratings required and maximum counterparty and sector exposure limits. Any changes in policy are submitted to the Risk Committee for consideration before recommendation to the Board for approval.

Permissible counterparties include supranational bodies, the UK government, UK banks and building societies. The limits for all rated counterparty exposures are linked to Fitch credit ratings in addition to management's own assessment. Unrated building societies are assessed by the Assets & Liabilities Committee (ALCO).

ALCO is responsible for monitoring adherence to the relevant Financial Risk Management Policy limits, with oversight provided by the Risk Committee, which is responsible for the oversight and challenge of risk management across the Group. It receives reports relating to key decisions made at ALCO, an independent view of each risk category from the Director of Risk & Compliance, including a quarterly analysis of treasury related key risk indicators and access to all ALCO papers.

30. Financial instruments (continued)

The Group's exposure to treasury counterparties is set out below.

	Group 2025 £'000	Society 2025 £'000	Group 2024 £'000	Society 2024 £'000
Concentration by credit rating:				
AAA to AA-	127,174	127,174	111,172	111,157
A+ to A-	4,035	4,035	7,094	7,015
BBB+ to BBB-	560	560	289	289
Other	645	231	2,520	2,520
	132,414	132,000	121,075	120,981

'Other' relates to investments in unrated Building Societies.

Concentration by sector:				
Sovereign	123,921	123,921	101,741	101,736
Financial institutions	8,493	8,079	19,334	19,245
	132,414	132,000	121,075	120,981
Concentration by region:				
UK	132,414	132,000	121,075	120,981
	132,414	132,000	121,075	120,981

All exposures are categorised as Stage 1 for loan loss provisioning with no significant deterioration in credit risk since origination.

30. Financial instruments (continued)

iii) Loans to subsidiary undertakings

The value of the Society's loans to subsidiary undertakings has been assessed against the future expected net cash flow of the subsidiary. At the 31st December 2025 no write off (2024: £62,000) was recognised based on future expected cash flows of the subsidiary undertakings.

d) Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its liabilities as they fall due, or can secure them only at an excessive cost. The Group's policy is to hold a significant amount of its total assets in the form of readily realisable assets in order to:

- maintain liquidity resources at all times which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due
- smooth out the effect of maturity mismatches between assets and liabilities
- maintain the highest level of public confidence in the Group

The Group's risk appetite, policies, systems and controls relating to the management of liquidity risk are set out in the Financial Risk Management Policy which is approved by the Board and reviewed at least annually to ensure it remains appropriate and adequate. The key aspects of the control framework to mitigate liquidity risk are as follows:

- The setting and regular monitoring of applicable liquidity limits, including those covering the amount, instrument type and maturity of liquidity held
- The monitoring of both short term and long term liquidity ratios, including the Liquidity Coverage Ratio and Net Stable Funding Ratio, to ensure that these are maintained above minimum levels
- Segregated treasury front and back offices. The front office is responsible for adherence on a day to day basis to the liquidity limits set by the Board. The Group's liquidity position against all key liquidity limits is calculated and monitored on a daily basis by the treasury back office
- The holding of a high quality Liquid Assets Buffer, including deposits with the Bank of England and UK Government Treasury Bills and Gilts
- Monthly liquidity stress testing, to ensure that the level of the Liquid Assets Buffer and total liquidity held are sufficient to meet liabilities under severe but plausible stressed conditions
- A Recovery Plan is maintained that sets out the governance processes and the options available to the Society if it experienced liquidity stress event. The Plan includes a menu of possible actions depending on the severity of the liquidity event

The minimum level of the Liquid Assets Buffer is set in accordance with an Internal Liquidity Adequacy Assessment Process (ILAAP) that is reviewed by the Risk Committee and approved by the Board on an annual basis. The ILAAP incorporates severe stress testing linked to the Board's formal assessment of the liquidity risks to which the Group is exposed.

The Assets & Liabilities Committee (ALCO) monitors liquidity risk on a monthly basis, including management information on liquidity and funding limits, Liquid Asset Buffer levels and composition, liquidity stress testing results, cash flow forecasts and liquid asset and wholesale borrowing maturity analysis. ALCO reports into the Risk Committee, which receives reports relating to key decisions made at ALCO, an independent view of each risk category from the Chief Risk Officer, including key risk indicators relating to liquidity and funding and access to all ALCO papers.

30. Financial instruments (continued)

The table below analyses the Group's assets and liabilities across maturity periods that reflect the residual maturity from the year end date to the contractual maturity date. The actual repayment profile of loans and advances is likely to be significantly different to that shown in the analysis.

Group at 31st December 2025	Repayable on demand £'000	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Financial assets						
Cash and balances with the Bank of England	88,787	-	-	-	-	88,787
Loans and advances to credit institutions	6,181	-	-	-	-	6,181
Debt securities	-	15,893	9,869	11,684	-	37,446
Total liquid assets	94,968	15,893	9,869	11,684	-	132,414
Derivative financial instruments	-	41	305	994	-	1,340
Loans and advances to customers	-	13,635	7,107	45,021	549,931	615,694
Other debtors	450	-	277	-	-	727
	95,418	29,569	17,558	57,699	549,931	750,175
Financial liabilities						
Shares	173,662	82,271	218,822	154,340	-	629,095
Amounts due to credit institutions	371	28,357	15,063	-	-	43,791
Amounts due to other customers	5,071	22,991	7,752	3,144	-	38,958
Derivative financial instruments	-	180	1,529	3	-	1,712
Other liabilities	-	2,144	-	-	-	2,144
	179,104	135,943	243,166	157,487	-	715,700
Loan commitments	27,749	-	-	-	-	27,749
Net liquidity gap	(111,435)	(106,374)	(225,608)	(99,788)	549,931	6,726

30. Financial instruments (continued)

Society at 31st December 2025	Repayable on demand £'000	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Financial assets						
Cash and balances with the Bank of England	88,787	-	-	-	-	88,787
Loans and advances to credit institutions	5,767	-	-	-	-	5,767
Debt securities	-	15,893	9,869	11,684	-	37,446
Total liquid assets	94,554	15,893	9,869	11,684	-	132,000
Derivative financial instruments	-	41	305	994	-	1,340
Loans and advances to customers	-	13,643	7,143	45,217	550,030	616,033
Investments in subsidiary undertakings	636	-	-	-	-	636
Other debtors	-	506	-	-	-	506
	95,190	30,083	17,317	57,895	550,030	750,515
Financial liabilities						
Shares	173,662	82,271	218,822	154,340	-	629,095
Amounts due to credit institutions	371	28,357	15,063	-	-	43,791
Amounts due to other customers	5,071	22,991	7,752	3,144	-	38,958
Derivative financial instruments	-	180	1,529	3	-	1,712
Other liabilities	-	3,043	-	-	-	3,043
	179,104	136,842	243,166	157,487	-	716,599
Off-Balance Sheet loan commitments	27,749	-	-	-	-	27,749
Net liquidity gap	(111,663)	(106,759)	(225,849)	(99,592)	550,030	6,167

30. Financial instruments (continued)

Group at 31st December 2024	Repayable on demand £'000	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Financial assets						
Cash and balances with the Bank of England	66,064	-	-	-	-	66,064
Loans and advances to credit institutions	14,988	-	-	-	-	14,988
Debt securities	-	5,952	24,767	9,304	-	40,023
Total liquid assets	81,052	5,952	24,767	9,304	-	121,075
Derivative financial instruments	-	28	487	3,454	-	3,969
Loans and advances to customers	-	13,635	7,107	45,021	530,787	596,550
Other assets	38	-	360	-	-	398
	81,090	19,615	32,721	57,779	530,787	721,992
Financial liabilities						
Shares	245,383	34,143	53,889	301,402	-	634,817
Amounts due to credit institutions	3,122	3,025	27,308	-	-	33,455
Amounts due to other customers	2,419	6,861	5,806	2,320	-	17,406
Derivative financial instruments	-	4	360	854	-	1,218
Other liabilities	-	2,206	-	-	-	2,206
	250,924	46,239	87,363	304,576	-	689,102
Loan commitments	31,324	-	-	-	-	31,324
Net liquidity gap	(201,158)	(26,624)	(54,642)	(246,797)	530,787	1,566

30. Financial instruments (continued)

Society at 31st December 2024	Repayable on demand £'000	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Financial assets						
Cash and balances with the Bank of England	66,064	-	-	-	-	66,064
Loans and advances to credit institutions	14,894	-	-	-	-	14,894
Debt securities	-	5,952	24,767	9,304	-	40,023
Total liquid assets	80,958	5,952	24,767	9,304	-	120,981
Derivative financial instruments	-	28	487	3,454	-	3,969
Loans and advances to customers	-	13,643	7,143	45,217	530,786	596,789
Investments in subsidiary undertakings	45	-	-	-	-	45
Other assets	-	90	-	-	-	90
	81,003	19,713	32,397	57,975	530,786	721,874
Financial liabilities						
Shares	245,383	34,143	53,889	301,402	-	634,817
Amounts due to credit institutions	3,122	3,025	27,308	-	-	33,455
Amounts due to other customers	2,419	6,861	5,806	2,320	-	17,406
Derivative financial instruments	-	4	360	854	-	1,218
Other liabilities	-	2,398	-	-	-	2,398
	250,924	46,431	87,363	304,576	-	689,294
Loan commitments	31,324	-	-	-	-	31,324
Net liquidity gap	(201,245)	(26,718)	(54,966)	(246,601)	530,786	1,256

30. Financial instruments (continued)

The table below shows an analysis of the gross contractual cash flows payable under financial liabilities:

Group & Society at 31st December 2025	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	Total £'000
Liabilities				
Shares	252,739	222,528	182,795	658,062
Amounts owed to credit institutions and other customers	48,625	20,874	3,786	73,285
Derivative financial instruments	180	1,529	528	2,237
	301,544	244,931	187,109	733,584

Group & Society at 31st December 2024	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five years £'000	Total £'000
Liabilities				
Shares	278,416	54,450	321,225	654,091
Amounts owed to credit institutions and other customers	14,326	19,513	92,579	126,418
Derivative financial instruments	227	463	528	1,218
	292,969	74,426	414,332	781,727

30. Financial instruments (continued)

e) Market Risk

The Group's exposure to market risk arises from interest rate risk. Interest rate risk is the risk of reductions in net interest margin arising from unfavourable movements in interest rates due to mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates and the re-pricing of assets and liabilities according to different interest bases (basis risk).

The main causes of interest rate risk are the imperfect matching of fixed rate mortgages and savings products. While the Group aims to match fixed rate assets with liabilities, it is not always possible to achieve exact matches due to the need to estimate initial customer demand for mortgage and savings products and the early repayment of mortgages. Interest rate swaps are utilised to reduce mismatches where economic to do so, but remain susceptible to early repayment of fixed rate products by customers.

The Board has set a risk appetite for exposure to this risk by setting a maximum limit for the impact of a 2% shift in rates on the economic value of the Group. In addition to the risk appetite, the Board has set individual and cumulative gap limits for each time band analysed. In order to manage interest rate risk, an interest rate gap report is prepared on a Group basis showing how assets and liabilities re-price or mature over time. The Assets & Liabilities Committee (ALCO) monitors both historic and projected gap analyses and the results of stress tests assessing the impact of a shift in interest rates as a percentage of capital on a monthly basis in order that action can be taken to minimise the risk. Various parallel and non-parallel interest rate shift scenarios are modelled to ensure that capital allocation remains appropriate across a range of scenarios. ALCO reports into the Risk Committee, which receives reports relating to key decisions made at ALCO, an independent view of each risk category from the Chief Risk Officer, including key risk indicators relating to interest rate risk relating re-pricing mismatch and basis risk, and access to all ALCO papers.

	Group 2025 £'000	Group 2024 £'000
Sensitivity to profit and reserves		
Parallel shift of +2%	395	(724)
Parallel shift of -2%	(395)	724

The Group does not have any financial assets or liabilities that are offset with the net amount presented in the Statement of Financial Position as IAS 32 'Financial Instruments – Presentation' requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Group.

All financial assets and liabilities are presented on a gross basis in the Statement of Financial Position.

The Group has Credit Support Annexes (CSA) for its derivative instruments which provides for the exchange of collateral to mitigate net mark to market credit exposure. At 31st December 2025 £370,000 (2024: £3,110,000) collateral had been received against derivative contracts.

The Group is not exposed to foreign currency risk.

31. Capital

The Board's policy is to maintain a strong capital base to provide protection for members, promote market confidence and support future growth. The principal component of capital is retained earnings in General

Reserves (Common Equity Tier 1). The Group is required to manage its capital to meet the requirements of the Capital Requirements Directive (CRD IV) and related requirements set by the Prudential Regulation Authority.

The Group undertakes a formal Internal Capital Adequacy Assessment Process (ICAAP) to determine and demonstrate its capital adequacy, including meeting its minimum regulatory Total Capital Requirement (TCR).

During the year, the Group has complied with its minimum capital requirements at all times.

The Board manages the Group's capital and risk exposures to maintain capital in line with regulatory requirements which includes monitoring of:

- Lending and Business decisions – The Group does not use an application scorecard and all lending decisions are individually underwritten, with the assessment designed to ensure the adequacy of security, the credit worthiness of borrowers and affordability of mortgage repayments. A detailed Lending policy sets out the Group's lending criteria for different types of lending supported by ongoing monitoring by ALCO and Credit Committee.
- Pricing – the pricing of all new mortgage products utilises a pricing model that incorporates an expected Probability of Default (PD) and Loss Given Default (LGD) to ensure that the margin received appropriately reflects the risks involved
- Concentration risk – Concentration risk is the risk of loss due to either a large individual or connected exposure, or significant exposures to groups of counterparties who could be affected by common factors, including geographical location. The Board has set limits for the geographical concentration of mortgage assets within all UK regions and the maximum value of large exposures to single or connected mortgage borrowers and treasury counterparties. These concentrations are reviewed monthly by ALCO
- Counterparty risk – Wholesale lending is only carried out with approved counterparties in line with the Group's risk appetite and is subject to a range of limits. The limits are monitored by ALCO to ensure the Group remains within policy

Capital is subjected to regular stress tests to ensure the Group maintains sufficient capital for future possible events.

32. Country-by-Country Reporting

The regulations under Article 89 of the CRD IV require the Society to disclose the following information about the source of the Society’s income and the location of its operations.

- a) Name, nature of activities and geographical location: Melton Mowbray Building Society has one regulated subsidiary and operates only in the United Kingdom. The principal activities of the Society are noted in the Directors’ Report under Business Objectives. The principal activities of the subsidiary are disclosed in Note 18(b) to the accounts.
- b) Average number of employees: 142 (2024: 164)
- c) Annual turnover: £14,132,000 (2024: £13,139,000)

Profit/(loss) before tax £515,000 (2024: £(448,000))
- d) Corporation tax paid £124,000 (2024: £286,000)
- e) Public subsidies: there were none received in the year (2024: none)

Basis of preparation

The Country by Country information for the year ended 31st December 2025 has been prepared on the following basis:

The number of employees has been calculated as the average number of full and part-time employees, on a monthly basis, as disclosed in note 9.

Turnover represents total operating income as disclosed in the Income Statement. Total operating income comprises net interest income, fees and commissions receivable and payable and other income.

Pre-tax profit or loss represents the Group profit or loss before tax, as reported in the Income Statement.

Corporation tax paid represents the cash amount of corporation tax paid during the year, as disclosed in the Statement of Cash Flow.

No public subsidies were received during the year, however the Society was a participant of the Term Funding Scheme with additional incentives for SME’s (TFSME). Borrowings under the scheme are shown in note 25.

Statement of Directors’ responsibilities in relation to the Country by Country Reporting (CBCR) Information.

The Directors of the Society are responsible for preparing the CBCR Information for the year ended 31st December 2025 in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013. In preparing the CBCR information, the Directors are responsible for:

- interpreting the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013
 - determining the acceptability of the basis of preparation set out above to the CBCR information
 - making judgements and estimates that are reasonable and prudent
 - establishing such internal control as the Directors determine is necessary to enable the preparation of CBCR information that is free from material misstatement, whether due to fraud or error
-

33. Transfer of assets from MBS Lending Ltd to Melton Building Society

On 30th June 2024 MBS Lending Ltd (MBSL) transferred the remaining loan book to Melton Building Society. The transaction resulted in the transfer of MBSL's mortgage book at cost to Melton Building Society in exchange for repayment of the outstanding intercompany loan and the preference share capital held by the Society in MBSL.

There was no impact on the Group's financial statements as a result of the transfer.

Following the transfer MBSL became dormant in 2024 and was formally wound up during 2025.

Annual Business Statement

for the year ended 31st December 2025

1. Statutory percentages

	Group 2025	Statutory Limit
Lending limit	7.34%	25.00%
Funding limit	11.62%	50.00%

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986.

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets are the total assets of the Group as shown on the Statement of Financial Position plus provisions for bad and doubtful debts, less fixed assets and liquid assets. Loans fully secured on residential property are the amount of principal owed by borrowers and interest accrued not yet payable. This is the amount shown in the Statement of Financial Position plus provisions for bad and doubtful debts.

The Funding Limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are as laid down under the Building Societies Act 1986 and ensure that the principal purpose of the Group is that of making loans which are secured on residential property and are funded substantially by its members.

2. Other percentages

	Group 2025	Group 2024
As a percentage of shares and borrowings:		
Gross capital	5.92%	5.97%
Free capital	4.87%	4.85%
Liquid assets	18.60%	17.66%
As a percentage of mean total assets:		
Profit for the financial year	0.04%	-0.06%
Group management expenses	2.09%	1.99%
Society management expenses	1.88%	1.84%

The above percentages have been prepared from the Group's accounts and in particular:

'Shares and borrowings' represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

'Gross capital' represents the aggregate of general reserves, revaluation reserves and fair value reserves.

'Free capital' represents the aggregate of gross capital less property, plant and equipment and intangible assets.

'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

'Liquid assets' represent the total of cash in hand and balances with the Bank of England, treasury bills and similar securities, loans and advances to credit institutions and debt securities.

'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

3. Information Relating to Directors and Other Officers at 31st December 2025

Directors

Name	Date of Appointment	Business Occupation	Date of Birth	Other Directorships
Susan Margaret DOUTHWAITE	1st May 2021	Building Society Director	1962	Apricus Consultancy Limited
Michele Lesley IBBS	1st June 2024	Building Society Director	1963	Cambridge & Counties Bank Limited
Elizabeth Anne LOCKWOOD	1st July 2022	Consultant & Building Society Director	1973	Cambridge & Counties Bank Cawthorne and Cooke Limited NEXA Finance Limited
Andrew John LUMBY	1st July 2021	Building Society Chief Financial Officer	1978	MMBS Services Limited NEXA Finance Limited NEXA Lending & Security Services Ltd
Kathleen Mary MYERS	1st January 2025	Building Society Director	1962	NEXA Finance Ltd
Mahomed Ashraf PIRANIE	1st March 2025	Building Society Director	1963	NEXA Finance Ltd Connells Limited Elite Eateries Limited Elite Star Investments Limited Osbourne House Property Management Limited DPC (2011) Limited GB Bank Limited Monument Bank Limited J D Williams & Company Limited
Simon James TAYLOR	1st June 2020	Building Society Chief Executive	1970	MMBS Services Limited NEXA Finance Limited NEXA Lending & Security Services Ltd Half Acre Management Consultancy Limited
Simon George THOMAS	1st May 2021	Building Society Director	1964	National Deposit Friendly Society Limited

Documents may be served on any of the Directors at the Society's Principal Office at Mutual House, Leicester Road, Melton Mowbray, Leicestershire, LE13 0DB.

Directors' Service Contracts

S J Taylor, Chief Executive, has a service contract with the Society, terminable by the Society giving 12 months' notice or the director giving 6 months' notice. The contract was entered into on 1st June 2020.

A J Lumby, Chief Financial Officer, has a service contract with the Society, terminable by the Society giving 6 months' notice or the director giving 6 months' notice. The contract was entered into on 1st July 2021.

Officers and senior management

Name	Business Occupation	Other Directorships
Debbie FLINT	Chief Operating Officer	None
Tracy GILL	Chief People Officer	None
Rachel KOLEBUK	Chief Customer Officer	None
Craig PRIESTLEY	Chief Risk Officer	None
Rob EWIN	Society Secretary	None

No Director or other Officer of the Society, or any member of their immediate families, at the end of the year was entitled to any right to subscribe for shares in, or debentures of, any connected undertaking of the Society and no such right was granted to, or exercised during the year.

Glossary

Arrears

A customer is in arrears when they are behind in meeting their contractual obligations with the result that an outstanding loan payment is overdue. The value of the arrears is the value of any payments that have been missed.

Application to offer

Application to offer is a measure of the time taken between the receipt of a mortgage application form to a full offer being made. The Society measures the movement in application to offer year on year using the results in December of each year.

Buy-to-let loans (BTL)

Buy-to-let loans are those loans which are offered to customers buying residential property specifically to let out and generate a rental income.

Carrying value

The carrying value is the measure of the Group's assets and liabilities as reported in the Statement of Financial Position.

Common Equity Tier 1 capital (CET1)

CET1 capital consists of internally generated capital generated from retained profits, other reserves less intangible assets and other regulatory deductions. CET1 capital is fully loss absorbing.

Contractual maturity

The final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal and interest is due to be repaid.

Cost income ratio

A ratio that represents the proportion of administrative expenses, including depreciation & amortisation to total net income.

Counterparty

The other party to a financial transaction with the Group.

Credit risk

This is the risk that a customer or counterparty is unable to pay the interest or to repay the capital on a loan when required.

Debt securities

Assets held by the Group representing certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Derivative financial instruments

A derivative financial instrument is a type of financial instrument (or an agreement between two parties) whose value is based on the underlying asset, index or reference rate to which it is linked. The Group uses derivative financial instruments to hedge its exposures to market risks, such as interest rate and currency risk.

Effective interest rate method (EIR)

The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense to produce a level yield over the relevant period.

Expected credit loss (ECL)

Expected credit loss is a calculation of the present value of the amount expected to be lost on a financial asset over its expected life.

Fair value

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

FCA

The statutory body responsible for conduct of business regulation and supervision of UK authorised firms.

General reserves

The accumulation of the Group's historic and current year profits which is the main component of Common Equity Tier 1 capital.

Impaired loans

Loans where there is objective evidence that an impairment event has occurred, meaning that the Group does not expect to collect all the contractual cash flows or expect to collect them when they are contractually due.

Impairment losses

An amount recognised to reduce the carrying value of an asset where there has been a reduction in expected cash flows following an impairment event.

Interest rate risk

The risk of loss due to a change in market interest rates. Interest rate risk can have an impact on Group's mortgages and savings products.

Interest margin

Represents net interest income divided by mean total assets.

Liquidity

Treasury assets which are either in the form of cash or are readily convertible into cash. The total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.

Loan to value ratio (LTV)

LTV expresses the amount of a mortgage as a percentage of the value of the property.

Loans past due

Loans on which a payment has not been made by its due date.

Management expenses

Management expenses are the aggregate of administrative expenses, depreciation and amortisation.

Management expenses ratio

The management expenses ratio is management expenses expressed as a percentage of mean total assets.

Mean total assets

Represents the average of the total assets at the beginning and end of the financial year.

Member

A person who has a share investment or a mortgage loan with the Society of not less than £100.

Operational risk

The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Prudential Regulation Authority (PRA)

The statutory body responsible for the prudential supervision of banks, building societies, insurers and small number of significant investment firms in the UK. The PRA is a subsidiary of the Bank of England.

Residential loans

Loans that are made to individuals rather than institutions and which are secured against residential property.

Risk appetite

The articulation of the level of risk that the Group is willing to take (or not take) in order to safeguard the interests of the Group's members whilst achieving business objectives.

Risk weighted assets (RWA)

The value of assets, after adjustment, under the relevant Basel III capital rules to reflect the degree of risk they represent.

Shares

Funds deposited by a person in a retail savings account with the Group. Such funds are recorded as liabilities for the Group.

Stage 1

Stage 1 assets are assets which have not experienced a significant increase in credit risk since the asset was originally recognised on the balance sheet.

Stage 2

Stage 2 assets have experienced a significant increase in credit risk since initial recognition.

Stage 3

Stage 3 assets are those which are credit impaired.

TFSME

Term Funding Scheme with additional incentives for SMEs. A term funding scheme offered by the Bank of England for an original four-year term.

Underlying profit

A measure that aims to present management's view of the Group's underlying performance for the reader of the Annual Report & Accounts with like for like comparisons of performance across years without the distortion of one-off volatility and items which are not reflective of the Group's ongoing business activities.

Underwriting

The process which the Group undertakes in assessing mortgage applications.

Wholesale funding

The total of amounts owed to credit institutions and amounts owed to other customers.



**Melton
Building
Society**