



Annual Report & Accounts

31 December 2025

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In a world that doesn't
add up, daring to be
different is our calling,
lending our power so
everyone's story gets a
chance to thrive.



Chair's Statement

In 2025, Ecology Building Society continued to evolve.

We made significant progress with modernising, refreshing and improving our products and services, so we can attract more Members and increase our positive impact. In doing so, we remain mindful that the needs of our existing and new Members continue to change, as does the world around us.

The fight against climate change felt like it was stalling or even backsliding in 2025, with a disappointing outcome from COP30. A weakened consensus on the climate crisis and action needed to tackle it continued to be a political football at home and abroad. Yet this apathy or opposition from politicians, particularly on the right and often fuelled by and creating misinformation, flies against public opinion. Global research consistently shows most people want governments to do more to address the climate emergency, which should give us heart.

As the cost of living remains a worry for so many, some people claim the green transition is too costly, personally and collectively. We think that argument is false but understand how investment in net zero can



feel like an added burden on us all. But the cost of “not zero” is far greater, and this investment in everyone’s futures will support the economic growth the Government is seeking, without relying on ever-increasing consumption.

Our imperfect world is full of uncertainties so we must show creativity, flexibility and tenacity in meeting its challenges on behalf of our Members. Ecology continues to campaign for a greener society, including being part of conversations in our industry and beyond. In 2025 we joined public panel discussions, met MPs and wrote to ministers about affordable homes and the crisis in housing supply. As an impact-led business, we’ll continue to press for progress.

Ecology was founded as a pioneer in sustainable finance and is still an exemplar in our sector. Pioneers don’t hang back

and wait for others to act – they step up and seek solutions. Even when things don’t work out as expected, they know their efforts have enabled progress towards the end goal. Sometimes we need to be brave and press on. And sometimes it takes bravery to acknowledge the need to adjust course.

We retain a clear vision and strategy but have to deal with the world as it is, not how we’d like it to be. That includes remaining responsive to changes in climate science and policy. Available data has advanced significantly since 2021, when we published our 2030 Strategy, and key UK green transition deadlines have been pushed back by five years or more. For example, National Grid decarbonisation is now unlikely before 2035, causing a knock-on effect on our financed emissions. We’re staying true to the spirit of our Strategy and the intensity of our ambitions is undimmed as we update our objectives for the next five years, which we’ll be sharing with our Members for feedback during 2026.

I look forward to speaking to more Members at Member Meet-ups and the AGM, when you will be invited to elect a new Non-Executive Director to further strengthen our Board. Details are included in the Notice of AGM.

Louise Pryor
Chair
17 March 2026

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Ecology was founded as a pioneer in sustainable finance and is still an exemplar in our sector. Pioneers don’t hang back and wait for others to act – they step up and seek solutions.

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Chief Executive Officer's Review

A great many successful changes made 2025 a transformative year for Ecology, as we move towards the culmination of our major investment to futureproof the Society.

At the mid-point of a pivotal decade, I'm pleased to report that we've laid the foundations which will enable us to meet our ambitions to grow and deliver greater positive impact.

After so much hard work behind the scenes, I'm excited about our Members' reactions when the fruits of these labours start to become more apparent in the coming months.

As well as completing the main phase of our digital transformation journey early in 2026, we will be launching our new brand, which follows the restatement of our Purpose in 2024. Again, this is the result of many months' work through 2025 and will help us to reach new and different customer groups, an important part of our Society's future sustainability.

Other progress in 2025 is supporting our move to completing more lending through intermediaries, having bolstered our specialist mortgage team and made ready our new online mortgage platform. New digital functionality will make us quicker and simpler to deal with, for brokers and borrowers alike, which they have told us is important to them.



2025 was also a busy year for product launches, as we refreshed our range with a selection of new mortgages focused on supporting energy-efficient new builds and retrofits, as well as self-builders and purchasers of affordable and community-led housing.

We reviewed and refreshed existing products and criteria, to ensure all align with our values, and we will be adding to our sustainable savings products in 2026, following the launch of our new Ecology App and enhanced online services. With our new core banking platform, we'll be able to offer fixed rate savings and mortgage products for the first time.

For 2025, we'd expected to make a small loss due to the planned investment in transformation. As the project completion date moved into 2026, this forecast loss also moves into that year.

This means Ecology made a modest profit in 2025 and we forecast a return to usual levels of profitability in 2027.

Investment in our digital transformation and new brand, for the benefit of current and future Members, has been significant for a mutual our size. This one-off cost broken down to cost per Member, equates to less than £1 per day for transformation and little over 1p per day for our rebrand. I think both represent good value for the long-term benefits delivered.

Modernising our business to become a 21st century mutual goes far beyond improving our systems and IT; we've also strengthened our risk and governance functions to meet the ever-changing demands of the regulatory landscape. And like the rest of the financial services sector, we must invest in and maintain prudent measures to keep our Members' money and data safe and secure.

The achievements and progress made during 2025 would not have been possible without the professional skill and dedication of our colleagues. They have stepped up to every challenge, finding solutions, identifying improvements and supporting each other throughout.

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I am proud of their commitment to our purpose as a business and their care for our Members, who've received and will continue to enjoy the benefit of great, people-powered service from our base in West Yorkshire.

We've almost doubled our workforce since I joined Ecology in 2022 and we will add to our team to bring in skills we need as the Society continues to evolve and mature.

Day to day, we aim to carry on leading by example in how we operate, including reducing our own environmental impact. Our Head Office was already running on 100% renewable electricity, with a fifth of our power supplied by our own solar panel arrays. Now, having reduced emissions from our gas boiler over recent years, for the last phase of decarbonising our office we've replaced that boiler with a heat pump.

Founded as a building society to challenge the norm, we've always sought out ways to do business differently and show our peers how this is achievable, aspiring to go further in delivering a positive impact.

In 2025, we successfully completed a second issue of Core Capital Deferred Shares (CCDS), which raised £4.1m, taking the total CCDS balance to £7.1m. This enables us to significantly increase our impact-led mortgage lending – for every £1m raised through CCDS, we can lend £22m.

CCDS holders benefit from higher (though not guaranteed) returns than our savings Members but their holdings are not protected by FSCS or other guarantees.

CCDS were created as a way for building societies to raise extra high-quality capital and the issue involved my meeting professional and corporate investors across the UK, such as pension funds. I was gratified by how warmly they welcomed our vision for Ecology and our ethical standards.

As the world around us changes, the Board and I have been giving much thought to Ecology's response in the face of developing climate science, while remaining true to why we were created, to help people through a just transition.

The transition is not just if people are left behind and never has this been more important. The average first time buyer is 35 years old; the Government is failing to deliver on its 1.5m new homes target. When human dignity depends on having a roof over your head, social and environmental impact become indivisible.

The space in which we operate continues to become increasingly competitive. A number of other providers see opportunities in markets where we've specialised and are going after our share of business more aggressively. But consumers can benefit from increased competition where

more lenders enter under-served markets currently offering borrowers limited choice.

At the same time, some businesses are "greenhushing" and playing down their ethical values. We believe we are right to dare to be different, to be brave and prepared to step in front of the argument.

Ecology has been a first mover on net zero planning and in publishing our transition plans, all the while remaining a triple bottom line organisation.

To make sure we maintain this position and keep delivering on our Purpose, we want to be very clear on the outcomes and goals we're seeking, and how we deliver them profitably and safely. That's not easy, otherwise everyone would be doing it.

We remain focused on the outcomes of the just transition and I'll be speaking to our Members over the coming months about how they'd like us to balance the risk and reward of our impact. Our Members' support is integral to the direction we take.

I look forward to hearing Members' views on our future strategy, including at the AGM and forthcoming Member Meet-ups, and am contactable at any time by emailing ceo@ecology.co.uk

Gareth Griffiths

Chief Executive Officer

17 March 2026

Grounded in
sustainability and
shaped by a brighter
future, we're a building
society powered by
stories that drive
positive change.



Strategic Report

Ecology's ethos is underpinned by the Memorandum we adopted in 1998, that we exist to make loans which are secured on residential property and are funded substantially by our Members. Our restated Purpose aligns with this original principle.

The Memorandum states that mortgage advances shall be made in those cases which, in the opinion of the Board, are most likely to promote, encourage or support:

- The saving of non-renewable energy or other scarce resources.
- The growth of a sustainable housing stock.

- The development of building practices, ways of living or uses of land which have a low ecological impact.

The Memorandum also states that, in carrying out its business, the Society will promote ecological policies designed to protect or enhance the environment in accordance with the principles of sustainable development.

In relation to its lending activities, the Society requires any borrower applying for a loan to demonstrate that the purposes for which it is required are consistent with the ecological policies approved by the Board of Directors. This approach to

lending is fully in keeping with the original objectives laid down by the Society when it was established in 1981.

The Chief Executive Officer's review on pages 6 to 7 provides an overview of the Society's performance during 2025 and should be read in conjunction with this report.

The Board uses a number of Key Performance Indicators (KPIs) to measure the performance and position of the Society on a regular basis. This section provides more detail on these KPIs and the table below provides the actual position as at the end of the current and preceding year.

Key Performance (and Other) Indicators

	2025	2024
Total assets	£347.9m	£336.7m
Mortgage asset growth	(6.56)%	3.84%
New Mortgage lending	£31.6m	£53.6m
Savings balances	£325.2m	£316.4m
Liquid assets as a % of shares and borrowings	33.19%	26.28%
Management expenses as a % of mean total assets	2.42%	2.34%
Cost to Income	94.02%	95.53%
Net profit	£0.31m	£0.32m
Profit after taxation as a % of mean total assets	0.09%	0.10%
Core Tier 1 capital	£21.6m	£17.7m
AGM – voting turnout	8.71%	10.93%

During 2025, the Society continued to advance its digital transformation programme to modernise the member proposition and enhance the customer experience. Consequently, as shown above, the mortgage book contracted by 6.56% to £233.9m, as we deliberately moderated new lending to enable colleagues to concentrate on this strategic initiative.

The Society strengthened its capital reserves and provided the springboard for future years' growth with its second issue of Core Capital Deferred Shares (CCDS) during the year, increasing Core Tier 1 capital.

Finance Director's Review

Executive Summary

Having joined the Society in August, I have the pleasure of presenting my first Financial Review which covers the performance of the Society for the year ended 31 December 2025.

The Society has, in 2025, continued to focus on the transformation of its core banking system to modernise our Member offering and customer experience. We had forecast to make a small loss in 2025, but the project completion date has moved into 2026 to enable further testing, leading to a profit before tax for the year at £418k (2024: £445k).

Our underlying profit, removing one-off transformation costs, has increased to £1,922k (2024: £1,383k), as we have been more selective with our new lending pricing during the transformation. Underlying costs have been carefully controlled in 2025 and have risen by less than the increase in assets.



The Society's total assets increased to £347.9m (2024: £336.7m), growing our balance sheet by 3.3% in the year (2024: 8.7%). This growth was driven by an increase of nearly £9m in our savings book in the year to £325.2m (2024: £316.4m). Our mortgage book declined by 6.6% to £233.9m (2024: £250.3m) as we moderated new lending to enable colleagues to focus on the digital transformation.

The Society strengthened its capital reserves and provided the springboard for future years' growth with its second issue of Core Capital Deferred Shares (CCDS). Please refer to the Capital section below for more detail. This increased the Society's regulatory total capital ratio to 18.9% (2024: 15.3%).

Society Performance

Net interest margin

Net interest margin is a measure of the difference between interest received on our assets (mortgages and liquidity) and interest paid on our liabilities (mostly savings), divided by the Society's average total assets during the year.

The Society's net interest margin increased from 2.45% to 2.57% in the year, with net interest income of £8.8m (2024: £7.9m). We reduced gross lending in the year, which meant that we did not require as many savings balances.

The Society always seeks to balance the impact, risks and rewards in relation to borrowing Members while looking to support its savings Members by offering value on its savings products whenever possible. The Society continues to offer a very competitive SVR after C-Change discount, when compared to other UK mortgage lenders.

Profitability

The Society continued its significant effort and committed resources to work on transformation activities in 2025 and, as a result, recorded a reduced profit before tax result for the year of £418k (2024: £445k). While the recorded profit was broadly in line with prior year, the underlying profit,

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A huge amount of investment to transform Member experience, enable future growth and improve the Society's resilience has reduced our reported profit in 2025 but underlying performance remains strong.

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once the costs of one-off transformation costs were removed, increased to £1.9m (2024: £1.4m) due to careful margin management and cost control.

As a result of the investment expenditure, management expenses increased to £8.1m (2024: £7.4m). The increase resulted in our management expenses ratio (as a % of mean total assets) increasing to 2.42% (2024: 2.34%).

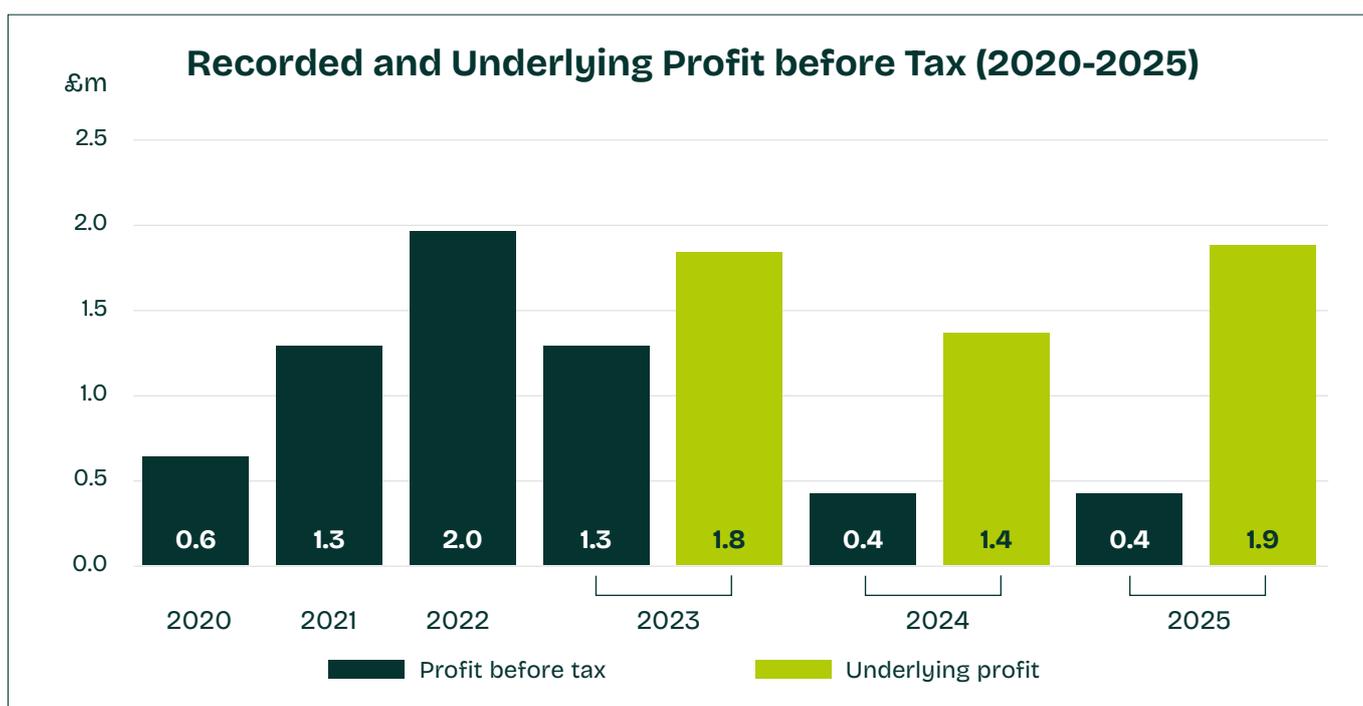
The decision was taken in the year to move the digital system project completion date to early 2026, so that further testing could be completed. This meant that some project costs will now be incurred in 2026 instead of 2025 and the loss that was forecast to happen in 2025 is budgeted to transfer to the current year.

The lower lending in 2025 does mean that forecast underlying profit is expected to be lower in 2026. We have fully costed the digital project and the Society's financial forecasts show that, as

we leverage the new technology platform, Ecology grows, key cost ratios improve, and revenue growth supports increased profitability and capital strength.

Underlying Profit	2025 £000	2024 £000
Profit before Tax	418	445
Exceptional adjustments		
Risk Transformation	-	250
Core System Transformation	1,384	582
Business Model Transformation	120	106
Sub Total	1,504	938
Underlying Profit	1,922	1,383

The recorded and underlying profit are shown on the graph (below) and reconciled in the table (above).



Capital

During the year, the Society raised £4.1m additional capital through its second issuance of Core Capital Deferred Shares (CCDS), bringing the Society's total holding to £7.1m, following the first £3m issuance in 2020.

CCDS are key for Ecology to deliver its growth plans, futureproof the Society and have enabled the substantial investment in the modernisation of its IT systems and improved Member experience that will follow. For every £1m raised through CCDS, the Society can lend £22m and create a much greater impact in future years. The success of the issuance means that in 2026 the Society has raised another £2.9m external capital to further support future balance sheet growth, bringing the total to £10m.

The Society raised this funding through CCDS, rather than savings accounts, as financial regulations stipulate that sufficient capital must be held to ensure the Society is protected against adverse economic conditions and risks it might be exposed to. CCDS can only be transferred by holders and are not protected by the Financial Services Compensation Scheme (FSCS) and so meet these regulations, whereas savings accounts do not.

The CCDS issuance increased total capital as at 31 December 2025 to £21.6m (2024: £17.9m). Our regulatory capital metrics also increased with the UK leverage ratio being 8.1% at 31 December 2025 (2024: 6.4%) and our regulatory total capital ratio increasing to 18.9% at the 2025 year end (2024: 15.3%). Capital levels and ratios remained comfortably above regulatory requirements throughout the year.

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Ecology's capital position was boosted in 2025 by £4.1m CCDS issuance. This will enable the Society to create a much greater impact as every £1m of capital enables £22m of lending.

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Balance Sheet

The Society's total assets increased to £347.9m (2024: £336.7m), which represented an increase of £11.2m or 3.3% (2024: £27.0m, 8.7%).

Mortgages

The Society's mortgage assets fell by 6.6% to £233.9m (2024: 3.8% increase year on year to £250.3m). The Society has looked to moderate the level of lending it completes while it undertakes transformation of its core banking system, meaning mortgage book growth has been lower in 2025 compared to previous years. Growth is forecast to exceed prior year levels in the future years, enabled by the CCDS issuance and new IT platform.

Savings and Liquidity

The Society saw a 2.8% increase in the overall balance of its savings book in the year to £325.2m at year end (2024: £316.4m). This growth allowed the Society to support more Members to save ethically while gaining a fair return on their funds.

The Society increased its liquidity in 2025, to £107.9m (2024: £83.4m), also increasing the overall proportion of funds held as liquid assets to 33.2% (from 26.4% at the end of 2024).

Our liquidity position remains very strong, sufficient to meet customer and business needs and significantly in excess of regulatory requirements. The Society's Liquidity Coverage ratio stood at 810% at year-end (2024: 536%) against a regulatory limit of 100%.

Mortgage Credit Quality

Arrears

The Society continued through 2025 to have low numbers of cases where arrears or forbearance were needed. As at 31 December 2025, there were no cases in possession (2024: nil) and no cases were taken into possession during the year (2024: nil). The Society has nine cases with arrears of three months or more (2024: 9) with a total balance of £2.17m (2024: £2.26m). Total arrears greater than one month reduced to £3.3m (2024: £4.9m).

Forbearance

The Society continues to use a number of forbearance measures to support borrowers who are experiencing financial difficulty. While we will work sympathetically with a borrower in each individual case, we must ensure we balance this with our broader responsibility to all of our Members.

There were 16 cases (2024: 18) under forbearance with total balances of £3.1m (2024: £3.41m) and arrears totaling £5.0k (2024: £16.3k).

Provisions

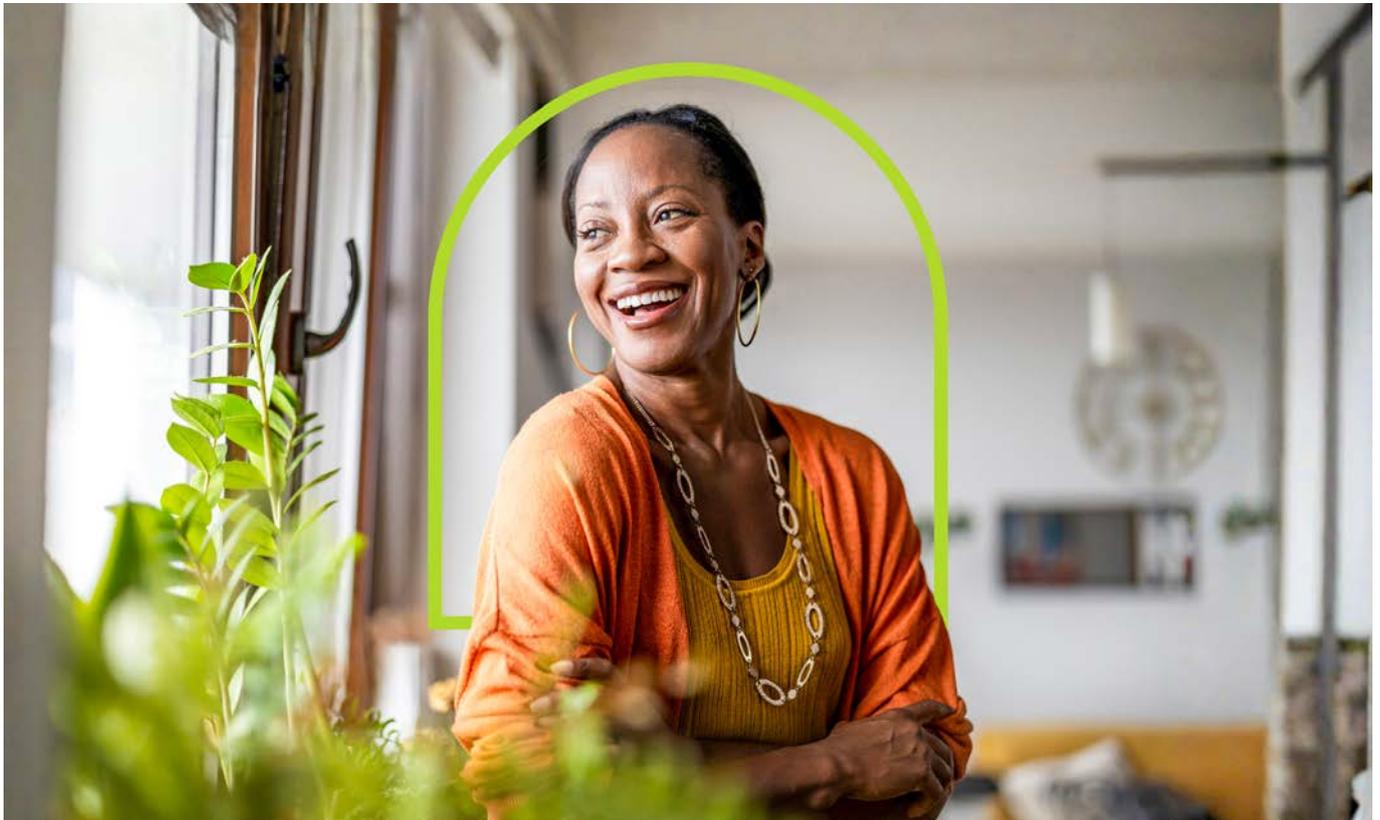
The Society has updated its provisioning model and the assumptions in 2025 to ensure it remains in line with industry best practice and relevant to the credit risk within our mortgage book. The Society continually assesses whether there is any evidence that individual mortgage assets are impaired and would therefore require a provision set against them.

The Society has, in 2025, seen a reduction in the provisions it holds for potential loan losses, to a balance of £339k (2024: £378k). The movement was primarily driven by revising our assumptions regarding the cost-of-living impact on future arrears. Concerns around cost of living have receded in 2025 as inflation has reduced from its peak and the Bank of England Base Rate has fallen. We therefore updated our assumptions in this area and reduced the cost-of-living overlay that we were holding.

Nigel Turner

Finance Director
17 March 2026

Our impact model



Refreshing our range, we added more mortgage choice for different types of homeowners and purchasers

People – Members

As a building society, Ecology would not exist without its Members and we are run in their interests.

Their needs and feedback shape our products and services, as well as our direction and priorities as a business.

Since we restated our Purpose in 2024, we've been carrying out an extensive review of our product range, to identify unmet customer need and also to make sure our products align with our values.

During 2025 we launched several new mortgages and also improved rates and lending criteria to make our range more competitive.

Ecology returned to the self-build market in spring 2025, after temporarily pausing this type of lending in late 2024, to adhere to regulatory agreed limits, and as 2025 progressed we added a new self-build product. We were pleased to be shortlisted for the title of Best Self Build Mortgage lender in the 2025 Build It awards.

With our focus on supporting people wanting to live more sustainably, we launched our Eco Home mortgage for owners and purchasers of energy efficient properties, to benefit from a full-term discounted rate.

We added to the choice for borrowers wanting to cut their home's carbon footprint, with a second renovation mortgage to support green home improvements, to complement our existing product for more extensive building renovation projects.

Two further new mortgages were an indication of the importance Ecology places on helping under-served sectors and diversity of tenures and property types within the housing market.

Our Community Living mortgage is designed for the purchase of homes in cohousing schemes, alongside our lending to facilitate the creation of these intentional communities. These projects tend to have waiting lists of purchasers, indicating an unmet need, and we believe there is greater scope for more of this kind of housing in the UK.

Housing affordability remains a concern and a challenge for many – the Society already offered a shared ownership mortgage, which we improved in 2025, and in the summer we launched our new Affordable Local Homes product.

This is intended to support purchasers of Discounted Market Sale (DMS) Homes, a category which covers various affordable housing schemes designed to make it possible for more people to step on to the property ladder.

DMS Homes are discounted in perpetuity and subject to conditions to give local residents priority as purchasers, so they can stay in their area. DMS tends to be prioritised where property prices are high, forcing people wanting to buy to move away from family, friends and work. DMS restrictions deter a lot of lenders and when we commissioned YouGov to carry out independent research into the scheme, we found out fewer than one in 10 of those surveyed knew about DMS, even though it could help them to buy a home.



A mortgage designed to support cohousing residents was among the new mortgages launched in 2025

People – Members (continued)

We wrote to the Housing Minister responsible for affordable housing to flag the poor public awareness of DMS and have since been in correspondence with the Ministry of Housing, Communities and Local Government to share the YouGov findings.

Being part of public conversations – and sharing our knowledge and experience – about issues concerning Ecology Members is one of the ways we can lend our power to drive positive change on their behalf.

We also wrote to Steve Reed MP, on his appointment as Housing Secretary, about the housing crisis and the Government's pledge for 1.5m new homes during this Parliament. We endorsed the use of off-site construction as a way to speed up building high-standard, energy-efficient homes at scale with less waste.

Adding our voice to sector and peer campaigns is another way the Society can lend our power to influence on issues which matter to our Members.



Ecology

Building Society

Work during 2025 prepared for the launch of our new brand in 2026, to refresh our identity aligned with our Purpose.

Ahead of the Budget, Ecology signed an open letter to the Government in support of protecting funding for the Warmer Homes Plan, opposing proposed cuts to grants for making homes energy efficient. We also signed a letter to the Chancellor from the Building Societies Association, to protect Cash ISAs and the annual allowance.

Strong inflows into our Cash ISA helped us to grow total savings balances in 2025. We will be launching new savings products in 2026 once our new core banking platform and other digital enhancements are

in place. This will include our new App, as well as fixed rate products for the first time.

Ahead of these major changes, we continued to improve our service and processes, especially in how we support vulnerable customers. Vulnerability can affect any of us at any time in our lives so making our service as simple and straightforward as possible helps all of our Members.

Money from our savings Members is essential in enabling our impact-led lending and we have worked hard to keep the rates we pay our savings Members as high as possible for as long as possible.

This has been in the face of the Bank of England reducing Bank Base Rate four times during 2025. When we've had to make changes to our savings rates, we've moderated these as far as we've been able and not passed on the full Base Rate reductions where possible.

Like all building societies, we have to attract new Members to be able to thrive and grow as a strong, sustainable and financially-secure mutual. Unlike other societies, as a triple bottom line business we also pursue growth and profitability to be able to deliver a greater impact, socially and environmentally, in line with our mission.



Porth in South Wales – home to Ecology's first-ever branch © Rhondda Cynon Taf Council

Work throughout 2025 laid the foundations for Ecology's rebrand, which goes live in 2026, more than 20 years after our brand was last updated, and refreshes our identity aligned with our Purpose. We hope the new look and feel will help us to attract new and different customer groups, who want to support the Society's cause and broaden our impact through future growth.

Another project coming to fruition in 2026 after many months of effort behind the scenes is the opening of our first-ever branch in Porth, South Wales. This pioneer branch aims to show the way in restoring essential financial services to

communities abandoned by the big High Street banks.

We will be holding our 2026 AGM in Porth, at 4pm on 22 April, and look forward to seeing and hearing from as many Members as possible. It will be an opportunity for Members to visit our new premises, as well as meet the Board, key Ecology colleagues, and each other.

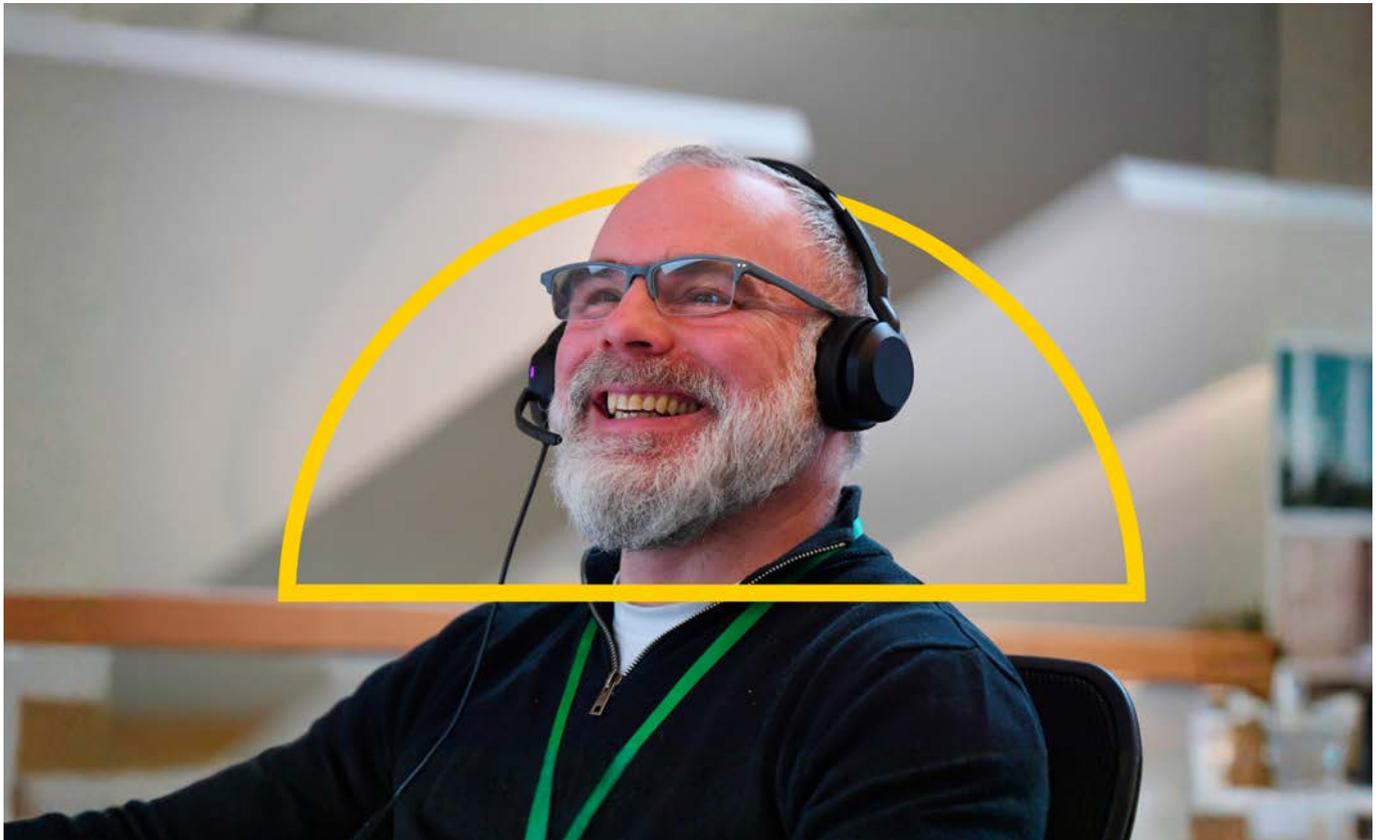
Our Members are integral to who we are as a business and we were pleased to welcome them in person to our 2025 AGM at Silsden Town Hall in April. The voting turnout was 8.71% (2024: 10.93%).

As well as the AGM, last year we hosted a Member Meet-up in

London in February and a further focus group of invited borrowing Members in London in June, during research to inform our lending for affordable housing. Planned contact with Members in person and online in 2026 will continue to shape our priorities and business direction, including on our impact appetite as part of our strategic planning.

To keep Members informed, we've maintained the regular frequency of our Round-up newsletter, supplemented by additional email updates on key milestones. We have stepped up our Member surveys to seek more feedback on a wide range of our products, service and customer experience during this time of change for the Society.

Our impact model



Our people and their commitment to service are a key asset for Ecology.

People – Colleagues

People are what make Ecology what it is – our Members and, of course, our colleagues.

While 2025 was a challenging year as we navigated digital transformation, our colleagues' continued energy, their trust, belief, passion and commitment have been vital to our success.

Having restated our Purpose in 2024, during 2025 we refreshed how this was reflected internally across our workforce and how we operate, with individual teams defining their collective purpose.

We focused on how colleagues can live our behaviours, which complement their individual and team objectives. This helps colleagues to better understand how every one of them contributes to successfully achieving the Society's aims, all the time delivering great service for our Members and a positive impact on the planet.

We refined our process for welcoming new recruits and contractors and inducting them into our collaborative, supportive community, clarifying ways of working and embedding new processes for strategic planning. This has been especially valuable during the ongoing digital and business transformation projects, among a number of major initiatives which rely on close collaboration between multiple teams across the Society.

Modernising the Society has been a significant investment for a mutual our size; this includes ensuring we have the right skills in place for us to meet our future growth ambitions. We have improved our leadership efforts, to ensure colleagues feel support and benefit from 1-2-1 meetings with their managers, to monitor their progress and give them the support they need to fulfil their potential.

We simplified our colleague benefits and reward schemes and redesigned bonus incentives in recognition of our people's efforts and achievements. Quarterly recognition awards celebrate how individuals and teams go further to help each other as well as deliver exceptional service to our Members. These are nominated by their peers.

Good communication internally remains essential to a well-functioning business with a hybrid working pattern. Colleagues gather for weekly Team Time sessions, and quarterly for more in-depth Town Hall meetings held off-site. Regular colleague surveys track sentiment and feedback and enable us to monitor progress and areas which need focus on improvement. The survey process is followed up with briefings on actions, showing how we respond to colleagues' feedback to drive improvements.



Building birdboxes was just one of the tasks tackled by colleagues in our Head Office garden.

Exhibiting the behaviour of owning their impact, colleagues lead internal committees for social and fundraising activities, as well as environmental initiatives to inform and empower all our people to live more sustainably in and out of the workplace.

Colleagues have been supportive of initiatives to further reduce our waste at Head Office, including enhanced recycling and composting facilities. They also enjoy the permaculture garden at the office, tending and harvesting the fruit and vegetables and helping to create and care for wildlife habitats.

Our impact model



Our Chair, Louise Pryor, was a panellist at FT Live's Climate & Impact Summit in the City of London

People – communities and partners

Ecology is known for its specialist knowledge and experience as a purpose-led business supporting greener homes and sustainable community projects.

Since we were founded in 1981 we've built strong working relationships with peers and professional partners which extend far beyond a business our size.

Among our industry commitments, Ecology is an active member of the Building Societies Association. We're supportive of its efforts to encourage more of our mutual

peers into the specialised and under-served markets we lend in, such as community-led housing.

We remain members of a range of professional networks and trade bodies which are key operators in the custom and self-build sector and community projects for social gain, as well as national and global associations which are advocates for sustainable finance and responsible business. In 2025 we launched two new partnerships, with sustainable construction business Hemspan and Retrogreen, an independent retrofit advice service.

During the year, colleagues – including our Chair, Louise Pryor – represented Ecology at national events, giving presentations about our work and appearing on panels to debate climate risk and sustainability topics.

We secured a perfect "Ethiscore" for Best Buy Mortgages and Savings accounts from Ethical Consumer, and again sponsored the magazine's annual Climate Gap Report. We attended Ethical Consumer's London conference as well as the inaugural Northern Way housing conference in Leeds for community-led housing providers.

One professional community we significantly built up during 2025 was our contacts with mortgage brokers and financial advisors.

Brokers are a vital way for us to reach more new borrowers to be able to expand the positive impact our lending can achieve, so investment in our people and systems has included improvements to our service specifically for them.

We launched a new digital mortgage platform for brokers to submit and progress mortgage applications, as well as refreshing their section of our website to make it easier to use. Investing in service, we boosted our specialist mortgage team and appointed two new full-time Business Development Managers, who handle broker queries and support them with their cases.

By the end of 2025, we'd joined six national broker networks and mortgage clubs, putting Ecology's range of products in front of tens of thousands of brokers working with homeowners and purchasers across the UK. We will be joining more broker panels during 2026.

Closer to home, we are proud of our roots in West Yorkshire and have been raising our profile around our home village of Silsden, near Keighley. We hosted visitors to our permaculture garden during two village open weekends and have supported local community events.

As Silsden continues to grow, the expanding business parks and housing developments close to our Head Office created a need for a defibrillator on our side of the village. Silsden Town Council

provided this and we were happy to offer a prominent public site at our office to locate the defibrillator and to pay for its fitting.

We hosted Robbie Moore, our constituency MP, to discuss the challenges facing businesses in managing commercial waste as we continue to reduce our own waste and explore ways to share our knowledge with neighbouring businesses.

We were pleased to retain our Investors in the Environment (iiE) Green accreditation, for our commitment to sustainability. We won the Natural Environment Champion title at iiE's 2025 awards, and also were shortlisted in the Overall Outstanding Achiever category, for our commitment to resource efficiency and engaging colleagues in impactful projects.



Chief Operating Officer Mark Elliott collected our Natural Environment Champion award from Investors in the Environment (iiE) from Archie Struthers, CEO of award sponsor Nattergal

Our impact model



People – planet

As a responsible business, Ecology remains committed to tackling the climate emergency through how we operate as well as the impact we can deliver through our products.

Having declared a Climate and Ecological Emergency in 2019, we published our first climate and ecological emergency plan. This evolved into our Net Zero Transition Plan, which we published last year – you can read the full plan on our website.

The plan sets out expected climate change impacts which will influence Ecology in the short, medium and long term and actions we are taking to manage the risks, as well as the opportunities we are taking to accelerate the transition to a low-carbon future.

You can read more about how we manage climate risks in the Net Zero Transition Plan on our website.

Since our formation, Ecology has been a triple bottom line business. That means we measure our success as a business against what we achieve in three areas – people, planet and profit.

The triple bottom line model aims to create long-term value, offer clear accountability and support sustainability.

Following these principles, we measure the environmental and social impact of our activity as a business, as well as financial performance, under these three headings:

– **People:** through how we do business we demonstrate our responsibility to our Members (customers), our colleagues and third parties we work with, and we measure the social impact we achieve.

You can read more about this on pages 14 to 21.

– **Planet:** this means our impact on the environment is embedded in our business strategy, not bolted on as an afterthought. Beyond our direct consumption of resources and how we manage waste, we seek to support our Members in reducing their carbon emissions too.

Turn to page 22 to read about how we've been managing and reducing Ecology's environmental impact.

– **Profit:** this includes reporting on overall financial performance but goes further to include elements such as job creation and paying our employees a fair wage. That said, delivering the right level of profit is important for building societies as it's the main way mutuals can build their financial strength to thrive long term and better serve and grow their membership.

Our financial results start on page 72 of this Annual Report & Accounts.



Our head office in Silsden illustrates how we live our values as a triple bottom line business

Case study: Number 23 retrofit renovation

This award-winning whole-house retrofit and refurbishment was made possible through an Ecology Renovation Mortgage.

The three-bed 1960s bungalow was transformed from a hard-to-heat, oil-fired dwelling into a fossil-fuel-free home with natural ventilation and exceptionally high indoor air quality.

On the north bank of the River Glen, the building was once a shipwright workshop, repairing fishing vessels in the off-season. After extensions in the 1970s and 1980s, it eventually became a home.

Its advanced building performance offers a national retrofit benchmark which is low tech, cost-effective and replicable.

Using passive solar design techniques, there are no gas or oil central heating systems, no ground or air source heat pumps, no MVRH (mechanical ventilation with heat recovery) and no mechanical ventilation.

In the absence of mechanical equipment for heating and ventilation, there is no maintenance, servicing nor future capital replacement costs.

The retrofit included renewables, energy storage facilities and significant fabric upgrade.

“

Ecology is a business you can talk to. You're able to pick up the phone and talk to a human being. You're not treated like a number and that's becoming rarer and rarer, particularly in the finance sector.

”

**Ecology Member Dr Jerry Harrall,
independent architecture, planning and
development consultant**

In addition to rewiring and replumbing the entire building, all walls and ceilings were plaster-boarded, skimmed and insulated. The outside of the external wall was upgraded with insulation and render and all windows were replaced with triple glazing.

Number 23 is naturally ventilated using passive stack vents, with the duct going from ceiling vents in the kitchen, ensuite and shower room, to the outside of the roof.

Creating a healthy home was a priority, selecting materials with low volatile organic compounds (VOCs), such as timber skirting and architraves rather than MDF, solid oak floorboards rather than chipboard, and low VOC paint.

Built-in sensors measure Indoor Air Quality (IAQ), relative humidity, CO2 and HCHO (formaldehyde), internal and external air temperature, and barometric pressure.

Key details

- 🏠 Retrofit renovation of 1960s bungalow into a fossil-fuel-free home that sets a new standard for indoor air quality
- 🏠 Winner of the Energy Efficiency Awards 2025 'Regional Small Scale Project of the Year' for the East Midlands region
- 🏠 Energy Standards Rating: EPC A



Number 23, an award-winning whole-house riverside retrofit to create a fossil fuel-free home

2025 Highlights



Our Members

Powered by more than

15,000

Members including over 1,300 mortgage customers

1,081
(8.71%)

eligible Members voted in our AGM with most voting online

The Society is planning more Member Meet-ups this year to talk and listen to our Members



Our colleagues

To support the modernisation of the Society and our colleagues throughout that period of change, actions including:

- ✓ Continued leadership development
- ✓ Regular rhythm of colleague communications, with surveys to gather feedback and ideas
- ✓ Clarified ways of working and embedded new processes for strategic planning to enable better collaboration across Society functions
- ✓ Simplified benefit and reward scheme, with quarterly recognition awards nominated by peers



Our premises

Our Office is 100% powered by renewable electricity in partnership with **Ecotricity**

540 litres

of food waste composted onsite and used in our garden, avoiding an estimated 26 lorry collections

20%
energy generated on-site by our solar panel arrays

50%
reduction in total waste volumes

79%
Recycling rates, up from 55%

75%
reduction in non-recyclable waste



Funding for mortgage growth

We strengthened capital reserves and created a springboard for future lending growth with our second issue of Core Capital Deferred Shares (CCDS)

£4.1 million

of additional capital in 2025 takes to

£7.1 million

the funding secured from investors in CCDS

For every **£1 million**, raised through CCDS, we can lend

£22 million,

helping us to increase our impact



Our lending

Mortgage assets of **£233 million**

Through new loans for properties including residential conversions, renovations and self-build, as well as shared ownership and social housing

New products launched to support energy-efficient homes, green home improvements, affordable local homes and cohousing residents



Spread of lending

1% to 2%

3% to 5%

6% to 8%

9% or more



Our financial performance

Successful year of new lending in 2025 of more than

£31 million

across **92** properties and projects

Profit before tax decreased in the year to **£0.42 million (2024: £0.45m)** as the Society invested in key projects and delivering against our long term strategy



Our carbon emissions

926.32 Total greenhouse gas emissions from our business operations (tCO_{2e})

1,840 tCO_{2e} Financed emissions from our mortgage lending

19.7 kgCO₂/m² average physical emission intensity of our lending

37.3% reduction in financed emissions intensity since 2019 baseline year



Recognition



Retained iiE Green accreditation for the ninth year for our commitment to sustainably, and won iiE's Natural Environment Champion Award

Corporate Governance Report

Your Board of Directors

Louise Pryor	Appointed: February 2020	Non-Executive Director and Chair
	<p>Committee membership Chair of the Board and the Nominations Committee.</p> <p>Background Louise is an actuary and risk specialist with over 30 years of experience in actuarial consulting, software development and academia, having worked with a variety of clients in the public and private sectors.</p> <p>Her recent experience is in climate risk and sustainability, with a focus on the role of the financial services sector. Louise is a past President of the Institute and Faculty of Actuaries and an Honorary Professor in the Bartlett School of Sustainable Construction.</p>	
Giovanni D'Alessio	Appointed: September 2022	Non-Executive Director
	<p>Committee membership Member of the Board Risk Committee, the Audit Committee, the Remuneration Committee, and the IT Transformation Committee.</p> <p>Background Giovanni is an IT professional with over 25 years' industry experience and spent his early career as a management consultant – initially in the USA, before relocating to the UK. He has worked in a variety of industries, including retail, manufacturing, telecoms and energy.</p> <p>From 2014 until March 2025, Giovanni was CEO of Doosan Digital Innovation Europe, a company delivering Digital and Cybersecurity services to customers in a variety of sectors. Since September 2025, Giovanni also serves as a Non-Executive Director in the NHS Greater Glasgow & Clyde Board and as a Non-Executive Adviser for Forestry and Land Scotland.</p>	
Jaedon Green	Appointed: March 2023	Non-Executive Director, Deputy Chair, Trustee of Ecology Building Society Charitable Foundation
	<p>Committee membership Chair of the Board Risk Committee and Remuneration Committee.</p> <p>Background Supporting the national housing agenda, Jaedon brings extensive experience in consumer regulated industries, housing and financial services. Prior to becoming a Non-Executive Director (NED), Jaedon was Chief Customer Officer at Leeds Building Society, routinely consulted by Government and the Bank of England as an independent subject matter expert.</p> <p>Jaedon is also a NED at Community Housing Group Ltd and at Castles & Coasts Housing Association Ltd, as well as an Independent Member of the Audit & Risk Committee at Yorkshire Housing Ltd.</p>	

Gareth Griffiths	Appointed: June 2022	Chief Executive Officer, Trustee of Ecology Building Society Charitable Foundation
	<p>Committee membership Member of the Nominations Committee, Audit Committee, and Board Risk Committee. Chair of the Society's Core Management Committee.</p> <p>Background Gareth joined Ecology in June 2022 and was elected to the Board in April 2023. He was previously Head of Retail Banking at Triodos Bank and also held leadership roles at RAC and HSBC.</p> <p>Gareth sees Ecology being able to 'challenge the norm' and highlight to a broken financial system that there is a better way to do business, with Members and colleagues at the forefront. Gareth is a Chartered Banker and has a passion to try to achieve change.</p>	
Kellie-Ann Hargraves	Appointed: April 2024	Non-Executive Director
	<p>Committee membership Member of the Board Risk, Nominations Committee and Remuneration Committees.</p> <p>Background Kellie has over 25 years' experience in global regulations and risk management within the financial services industry. She also serves as a NED on Quoted Company Alliance (UK) and is the founder of a consultancy that advises start-ups, SMEs and listed companies on financial, risk and sustainability standards.</p> <p>She helps businesses build efficient operating models, secure funding, obtain licences and navigate change, with a focus on purpose-led and social impact businesses. Outside work, Kellie volunteers with a UK charity which provides coaching, mentoring and advice to disadvantaged 12- to 14-year-olds, helping them to progress through education so they can understand and work towards their career aspirations.</p>	
Andrew Mulligan	Appointed: April 2024	Non-Executive Director, Senior Independent Director
	<p>Committee membership Chair of Audit Committee and a member of the Board Risk Committee.</p> <p>Background Andy is an experienced board member with more than 30 years in finance and business. He brings relevant experience to the Society including being Chief Finance Officer at Hampden Bank, a small independent bank, safely growing it from inception to profitability. A Fellow of the Institute of Chartered Accountants England & Wales, Andy also supports a community group in his local area.</p>	
Sameera Khaliq	Appointed: April 2025	Non-Executive Director
	<p>Committee membership Member of the Audit Committee.</p> <p>Background Sameera is a qualified accountant and currently serves as Chief Financial Officer for DF Capital Bank, a specialist lender providing inventory finance and asset finance products and services.</p> <p>Sameera has almost 20 years' experience in the mutual sector, with expertise spanning several financial and strategic disciplines, including financial planning, stress testing, business partnering, strategic costs, procurement and commercial strategy, within a complex regulated environment.</p> <p>Beyond Ecology, Sameera chairs Beckfoot Allerton School Trust, in her local West Yorkshire community.</p>	



The Attenborough Room, the circular boardroom constructed of straw bales at our Head Office

Corporate Governance Overview and Committees

The Board of Directors is responsible for the governance of the Society on behalf of its Members and is committed to best practice in corporate governance. The Society's approach to corporate governance is underpinned by the principles of the UK Corporate Governance Code (the Code). While the Code does not directly apply to mutual organisations, the Board has due regard to its principles.

The role of the Board and Board Committees

The Society recognises that an effective Board is fundamental to Ecology's long-term success. The Board works with the Core Management Committee (CMC) to set the Society's strategic and policy direction, acting in the best interests of Members, both financially and ethically.

The Board directs the business of the Society, paying particular attention to strategy, risk, ethics and environmental impact. This is supported by strong governance procedures, which are essential to ensuring the Society runs smoothly. The Board reviews business performance and ensures that the necessary systems, procedures, controls and resources are in place for the management of risk, to safeguard Members' interests. At least once a year, the Non-Executive

Directors meet without the Executives present, to discuss the performance of the CMC.

Specific matters are reserved for Board decision-making, supported by specialist Board sub-committees with delegated powers. The Board met 13 times during 2025.

Board Risk Committee (BRC)

In addition to protecting the independence of the risk function, this Committee provides oversight of risk management across the Society. The Committee focuses on current and emerging risks to the Society's business model (macroeconomic, commercial, conduct and regulatory), while supporting continued development of risk management capability, aligned to the Society's needs and aspirations.

The Committee chaired by Jaedon Green met on 11 occasions during 2025.

Audit Committee (AC)

This Committee considers the Society's external financial reporting and oversees external audit of that reporting. Its remit also includes oversight of second and third lines of defence and it receives independent assurance over the Society's internal controls from risk-based compliance monitoring and internal audit activity.

Further detail on the purpose, membership and activities of the Committee in 2025 are set out in the Annual Report of the Audit Committee section on pages 35 to 36. The Board is satisfied the Committee has appropriate recent and relevant financial experience to carry out its duties effectively.

The Committee chaired by Andrew Mulligan met on five occasions during 2025.

Remuneration Committee (RC)

Aligned to the Society's values, this Committee provides oversight of people-related issues, including equality, diversity and inclusion. The Committee focuses on culture, remuneration of the leadership team and human risks that naturally emerge in any people-based business. The Directors' Remuneration Report is on pages 40 to 43.

The Committee chaired by Jaedon Green met on three occasions during 2025.

Nominations Committee (NOMS)

The primary purpose of this Committee is to lead the process for appointments, ensure plans are in place for orderly succession to both the Board and senior management positions, and oversee the development of a diverse pipeline for succession.

The Committee chaired by Louise Pryor met on three occasions during 2025.

Division of responsibilities

The roles of Chair and Chief Executive Officer are held by different individuals with a clear division of responsibilities.

Chair

The Chair is responsible for leadership of the Board and ensuring it acts effectively.

The Chair sets the culture and direction of the Board, facilitating and encouraging effective contribution, challenge and communication between Board members. The Chair ensures constructive relationships are maintained between the Non-Executive and Executive Directors.

Deputy Chair

The Deputy Chair acts as a sounding board for the Chair and will stand in for the Chair if they are unable to attend a meeting or perform their duties.

Senior Independent Director

The Senior Independent Director is available to Members if they have concerns regarding the Society membership, where contact through the normal channels of either the Chair or Executive Directors has failed to resolve the matter, or is considered inappropriate.

Chief Executive Officer (CEO)

The Chief Executive Officer has overall responsibility for managing the Society on a day-to-day basis. The CEO is accountable to the Board for the financial and operational performance of the Society and for the formulation of a corporate plan to achieve the strategic objectives set and agreed by the Board.

Non-Executive Directors (NED)

The Non-Executive Director role is to provide leadership of the Society within a framework of prudent and effective controls. The NEDs constructively challenge and help develop proposals on strategy, ensuring the necessary financial and human resources are in place for the Society to meet its objectives.

The Society's NEDs are recruited from a wide range of backgrounds to bring the necessary skills and experience to the Board to provide oversight of the Society's performance.

Composition of the Board

The Board and its committees require the appropriate balance of skills, experience, independence and knowledge of the Society to enable them to discharge their respective duties and responsibilities effectively.

The Board comprises six NEDs and one Executive Director. All NEDs are considered by the Board to be independent. All Directors must meet the test of fitness and propriety, as laid down by the Regulators, to fulfil their roles.

Clause 13(1)(d) of the Society's rules requires all Non-Executive Directors to hold a minimum of £500 in a savings account with the Society at their time of election and during their period of service on the Board.

Appointments to the Board

The Nominations Committee leads the process for Director appointments to the Board, and follows a formal, rigorous and transparent process. Particular attention is given to the skills and experience required under the Succession Plan and Board Skills Matrix. Each Director appointed must obtain the required regulatory approvals and meet the fitness and propriety standards required to fulfil their role. The Board considers equality and diversity on the Board, while observing the principle that appointments should be made on merit. Vacancies are advertised widely to ensure opportunities are accessible to under-represented groups.

Within prudential constraints, the Board aims at diversity in its NED membership, particularly gender diversity and age diversity. At 31 December 2025, three of the six (50%) non-executive Board members were female.

Re-election

The Board has considered the recommendation within the Code that NEDs stand down after a maximum of nine years' service. By exception, to retain skills for an additional short period the Society allows annual election for a Director beyond the nine-year period to ensure it is able to appoint a replacement candidate with a particular skill set.

The Society's Rules require all Directors are submitted for election at the AGM following their appointment to the Board. Where the appointment occurs in the period between the end of the Society's financial year and the AGM itself, they must seek election at the next possible AGM unless exceptional circumstances prevent them from doing so.

Commitment

When considering the effectiveness of the Directors, the Board takes into account other demands on Directors' time. Directors are required to declare any significant commitments with an indication of the time involved. This applies to existing and prospective NEDs.

Development

The skills and knowledge of each Director were assessed during 2025 and the Board Skills Matrix was updated to reflect the current, and future, skills requirements of the Board. This informs development activity and recruitment focus.

All Directors are encouraged to attend industry events, seminars and training courses to maintain an up-to-date knowledge of the industry, regulatory framework and environmental issues.

Information and support

The Chair ensures the Board and sub-committee members receive sufficient information to enable them to discharge their duties. The CMC ensures that information is delivered in accordance with Board requests. Board members have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

Evaluation

Each year, Directors are subject to a formal appraisal at which their contribution to the Board's performance is assessed. This assessment includes training, development and attendance. The Chair carries out the Chief Executive Officer's appraisal and the Chair is appraised by the Senior Independent Director. All other NED appraisals are undertaken by the Chair.

Committee Membership and Attendance Record (scheduled meetings)

Director	Board	BRC	AC	NOMS	RC
Pryor, Louise	12/12	X	X	2/2	X
Gold, Andrew	4/4	X	2/2	1/1	X
D'Alessio, Gio	12/12	7/9	2/2	X	3/3
Green, Jaedon	12/12	9/9	X	X	3/3
Griffiths, Gareth	12/12	7/9	4/5	2/2	3/3
Hargraves, Kellie	12/12	8/9	X	1/1	3/3
Mulligan, Andy	11/12	8/9	5/5	1/1	X
White, Christopher	7/7	5/6	3/3	X	X
Khaliq, Sameera	10.5/12	X	5/5	1/1	1/1

Attendance Record (extra meetings)

Director	Board	BRC	AC	NOMS	RC
Pryor, Louise	1/1	X	-	1/1	-
Gold, Andrew	X	X	-	X	-
D'Alessio, Gio	0/1	2/2	-	X	-
Green, Jaedon	1/1	2/2	-	X	-
Griffiths, Gareth	1/1	2/2	-	1/1	-
Hargraves, Kellie	1/1	2/2	-	1/1	-
Mulligan, Andy	1/1	2/2	-	1/1	-
White, Christopher	1/1	1/1	-	X	-
Khaliq, Sameera	1/1	X	-	X	-

X Denotes not a member of this committee

- Denotes no extra meeting was held

The Board undertakes a formal annual evaluation of its performance and that of its committees. In accordance with the Code, which recommends an external evaluation of the Board every three years, an external effectiveness review was carried out in 2023.

Directors' interests

Biographies of the Directors are included on pages 28 to 29. None of the Directors holds any shares in, or debentures of, any associated body of the Society.

Changes which took place in 2025

Andrew Gold retired from the Board in April 2025.

Christopher White left the Society with effect from 7 August 2025.

Annual Report of the Audit Committee

Overview

The Audit Committee (AC) responsibility is to ensure that the financial position published by the Society properly represents its activities to all stakeholders in a way that is fair, balanced and understandable. In addition, the AC oversees the effective delivery of both internal and external audit services.

The Committee is chaired by Andrew Mulligan with the support of a further two Non-Executive Directors. The AC membership includes at least one member of the Board Risk Committee to ensure regular consultation between the two committees. Members of the AC are appointed by the Board on the recommendation of the chair of Nominations Committee and in consultation with the chair of AC. The AC chair is appointed by the Board. The composition and effectiveness of the Committee is reviewed annually by the Board.

The Committee met five times during the year and invited appropriate executives, management and representatives of both internal and external audit functions. The Committee reserves the right to request any of these individuals to withdraw and meets privately with both internal and external audit.

During the year the Committee's principal activities were:

- review of the annual financial statements published by the Society to ensure these properly represent the Society's activities in accordance with law, accounting standards, regulation and market practice;
- consideration of the appropriateness and application of the Society's accounting policies and management judgments, in particular for recognition of loan impairment;
- assessment of the effectiveness of the system of internal controls over financial reporting;
- review of the terms of reference of the Committee and approval of updates;
- approval of the Society's internal audit plan and monitoring its delivery;
- consideration of the annual report of the internal auditor on the Society;
- review the performance of external audit;
- receiving and considering reports on internal audit reviews conducted across the Society; and
- monitoring the effectiveness of the internal audit function within the Society.

External Audit

BDO LLP (BDO) remain our external auditors, having first been appointed for the 2020 year-end. In 2025 the Committee reviewed the external auditors' plan to audit the Society's Annual Report & Accounts as well as their assessment of key risks. Further details on BDO's assessment and work completed can be found in the Independent Auditor's Report to the Members of Ecology Building Society on pages 62 to 71.

The AC reviewed update reports from the external auditors as well as their final report and findings on the Society's Annual Report & Accounts.

From an accounting perspective this year the Committee has focused primarily on:

- at the beginning of 2025 the Society reviewed the integrity and appropriateness of the Annual Report & Accounts for the year ended 31 December 2024, as well as their compliance with relevant accounting standards and governance requirements;
- the Committee reviewed other external disclosures such as the Annual Review (including summary financial statements) and Pillar 3 document;

- the Committee's focus in reviewing the Society's Financial Statements is aligned to key areas of judgement and risk such as the Society's loan loss provisioning and the carrying value of investments. The Committee also concluded on the appropriateness of presenting the accounts under a going-concern basis as well as reviewing the appropriateness of the Society's accounting policies;
- the Committee also considered the approach and accounting treatment for how the Society's new core operating system would be recognised and measured within the Society's financial and accounting records.

In each of these areas the Committee was provided with papers prepared by management and reviewed by the external auditor discussing the position shown in the accounts, the underlying market conditions and the methodology adopted for the judgements made. The Committee was able to reach satisfactory conclusions on all of these specific areas and on the financial statements more generally and therefore resolved to recommend them to the Board for approval.

Internal Audit

The Committee, supported by the Society's internal auditors RSM UK Risk Assurance Services LLP (RSM), designed and implemented a robust internal audit plan (the Plan) to evaluate the Society's internal control framework in 2025. The Plan enables the Society's internal audit function to provide independent assurance of the effectiveness of the system of internal controls.

The Plan takes a risk-based approach to determine areas of focus in any given year while ensuring all material areas are evaluated on a rolling cycle. In 2025 the Plan included reviews on:

- whether the processes established for management of IT security risks are adequately designed and operating as intended;
- the format and content of the Society's Internal Capital Adequacy Assessment Process and its alignment with regulatory expectations;
- the Society's current approach to the management of vulnerable customers;
- the process for approving new lending and the Society approach to responsible lending and mortgage underwriting.

The Committee considers the themes and issues identified by internal audit, as well as an overview of the overall control framework findings in the year. This review is supplemented by input from the Society's own Risk function.

Independence

During the year the Committee also carried out its role in assessing the independence and effectiveness of both the external and internal audit functions currently carried out by BDO and RSM respectively. From discussions with management and both sets of auditors the Committee was able to conclude that both the external audit and internal audit function were effective during the year. There were no non-audit services provided by BDO in 2025.

The Committee notes sincere appreciation for the work done by colleagues and the external and internal auditors to facilitate deliberations across the year. Finally, the Committee asks Members to support the resolutions concerning the reappointment of BDO as auditors and their remuneration at the upcoming Annual General Meeting.

Directors' Report

The Directors have pleasure in presenting their Annual Report, together with the Annual Accounts and Annual Business Statement of the Society for the year ended 31 December 2025. The Directors' Report should be read in conjunction with the Chair's Statement, the Chief Executive Officer's Review and the Strategic Report.

Executive Officer's Review and the Strategic Report

Statement of Directors' responsibilities

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and Annual Accounts:

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

The Building Societies Act 1986 (the Act) requires the Directors to prepare Annual Accounts for each financial year. Under that law, they have elected to prepare the Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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

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

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

Directors

The Directors who served during the year were:

Chair:
Louise Pryor
Deputy Chair:
Jaedon Green
Senior Independent Director:
Andrew Mulligan
Andrew Gold (retired April 2025)
Executive Directors:
Gareth Griffiths
Chris White (retired August 2025)
Non-Executive Directors:
Giovanni D'Alessio
Kellie Hargraves
Sameera Khaliq

All Directors are members of the Society and have a minimum £500 savings balance at the Society.

Directors' responsibilities for accounting records and internal control

The Directors are responsible for ensuring that the Society:

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

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Information presented in other sections

Certain information required to be included in a Directors' Report can be found in other sections of the Annual Report & Accounts as described below. All the information provided in these sections is deemed to form part of this report:

- Information on the business objectives and activities of the Society is detailed in the Strategic Report on page 9.
- A review of the Society's financial performance is given on pages 72 to 104 and Key Performance Indicators are shown on page 9.
- Directors' interests are detailed within the Corporate Governance Report on pages 31 to 34.
- The Society outlines Key Risks and its Risk Management Framework, objectives and policies on pages 44 to 50.
- Free Capital and Gross Capital percentages are included within the Annual Business Statement on page 105.
- Information regarding mortgage arrears is included within the Financial Director's Review on page 13.

Land and buildings

The head office building was developed to reflect the ecological business practices of the Society. Where possible, recycled and reclaimed materials

have been used and energy reduction techniques and practices utilised. Further details on the current valuation are provided in note 13.

Supplier payment policy and practice

All suppliers are requested to provide the Society with a copy of their environmental policy, and the quality of the policies received forms part of the approval process.

The Society's policy concerning the payment of its trade creditors is:

- The Society agrees the terms of payment at the start of trading with a new supplier.
- All supplier payments are paid within the agreed terms of payment.

The number of trade creditor days as at 31 December 2025 was 57 days (2024:47 days). This comprises of accruals totaling £170k of which £115k relates to the 2025 performance-related pay for 2025, due to be paid in March 2026.

Tax policy

The Society is committed to paying all the taxes that it owes in accordance with the spirit of all tax laws that apply to our operations. The Society has adopted a Tax Compliance Policy Statement which is reviewed regularly by the Board Risk Committee and the Board. A copy is available on our website at ecology.co.uk/about/corporate.

In 2015, the Society received the Fair Tax Mark, which confirms that, as a good corporate citizen, we actively welcome paying our fair share of tax. We were again re-accredited with the Fair Tax Mark in 2025, our 10th consecutive year, demonstrating our commitment to doing the right thing when it comes to taxes.

The disclosure made in this Annual Report & Accounts complies with commitments made in the Tax Compliance policy statement.

Management and staff

The Society's policy is to not discriminate in any way regarding recruitment, career development and training opportunities. Furthermore, the Society considers diversity in our recruitment decisions while keeping business needs to the fore.

A comprehensive programme of staff training and development has been delivered during the year enabling staff to continue to develop relevant skills and knowledge and ensuring that we maintain an excellent level of service to our Members.

The Society has a commitment to fair remuneration practices. The Directors would like to record their appreciation of the loyalty and commitment of management and all colleagues. Their support and contribution in a challenging environment is the backbone of the continuing success of the Society.

Going concern and Viability Statement

The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from date of approval of these financial statements. In line with the UK Corporate Governance Code (2018) the Society and its Board have considered the outlook and prospects of the Society over a period longer than the 12 months required by the going concern statement.

The Directors have prepared forecasts to consider the effect on the Society's business, financial position, capital, and liquidity of operating under stressed, but plausible, operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to a delay or postponement of the digital transformation, the outlook for interest rates, inflationary and other macroeconomic pressures.

The resultant forecasts and projections showed that the Society will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. The Notes to the Accounts on page 76 contain details of the assessment undertaken by the Directors. Accordingly, the accounts continue to be prepared on a going concern basis.

Furthermore, based on the reviews completed, the Board remains confident that the Society is viable over the medium term. The Group determines its viability over a five year horizon to 31 December 2030. This period is considered to be reasonable and appropriate given the current market, economic and regulatory environment. It is also aligned to the Society's financial planning horizon within its annual financial forecasting process.

Independent Auditors

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 Society's auditor is unaware.
- Each Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

The Society's External Auditors, BDO LLP, who were appointed at the 2020 AGM, have expressed their willingness to continue in office, and, in accordance with Section 77 of the Building Societies Act 1986, a resolution to this effect will be proposed at the 2026 AGM.

Louise Pryor
Chair
17 March 2026

2025 Directors' Remuneration Report

Introduction from the Chair of Remuneration Committee

I am pleased to present this year's Remuneration Committee report, which includes a summary of our remuneration approach.

The focus of the Committee is to maintain and apply an appropriate remuneration policy, which aligns to our values and adheres to the Financial Conduct Authority (FCA) Remuneration Code. As you would expect, our Remuneration Policy consistently promotes sound risk management, thereby ensuring our processes and practices do not introduce risk of detriment to our Members or consumers more widely.

The Committee comprises at least three Non-Executive Directors. The Society's Chair, Chief Executive Officer (CEO) and other members of the senior management team may attend meetings as required, but Executives may not participate in any discussion which could impact their remuneration.

The Committee met on three occasions in 2025 and the terms of reference are published on the Society's website at <https://www.ecology.co.uk/corporate-information/>

Material Changes in 2025

As reported last year, the Chief Executive Officer, Chair and Non-Executive Directors elected to forgo their annual cost-of-living increase for 2025. This decision reflected their commitment to

the long-term sustainability of the Society and responsible stewardship, particularly in light of the significant investment in technology and wider business modernisation expected to result in a temporary loss. Although they did not receive a standard cost-of-living uplift, they did receive remuneration for additional days worked during the year. In practice, elements of investment in technology will now fall into 2026.

Perhaps counter-intuitively, despite this the remuneration tables show some increases. The CEO's remuneration reflects the full year impact of his 2024 increase. Similarly, whilst the daily rate of Board Members remained unchanged, the actual number of days expected of them can and does change to meet the needs of the organisation. As such, in 2025, all NEDs were paid an extra day due to additional oversight of the digital transformation.

The performance-related reward scheme for Senior Management Function holders (a regulatory term, but in effect the leadership team) was suspended in 2025.

This was an important decision, designed to ensure we remain focused on the right priorities – delivering a successful transformation for our Members.

All colleagues have worked tirelessly to ensure we are well prepared for our technological transformation in 2026. We have recognised this contribution, through an additional, one-off payment of £1,000 to all colleagues employed at 30 September 2025, irrespective of grade, role or hours worked.

Total Reward Multiple

Last year we announced the change from reporting salary multiple to 'total reward multiple'. This responds to a wider industry practice of reporting low salary multiples, whilst increasing the variable remuneration of executive leadership teams.

The Society's 'total reward multiple' was 6.9:1 for the year ended 31 December 2025. The ratio highlights the relationship between the highest paid colleague (Chief Executive Officer) and entry level salaries, typically the lowest paid. This represents a decrease in the difference on the 7.4:1 reported in 2024.

Pay Range*	Men	Women	Variance
£0 – £24,999	£23,223	£22,994	£229 in favour of men
£25,000 – £49,999	£34,871	£36,875	£2,005 in favour of women
£50,000 – £74,999	£62,443	£62,369	£74 in favour of men

*Based on December 2025 payroll

For the avoidance of doubt, total reward includes basic salary, performance-related rewards plus pension contributions.

Gender Pay Reporting

The increased granularity of our gender pay gap reporting was well received by Members and we will continue to report at this level. As in 2024, to aid transparency, the gap is presented by salary band, albeit excluding the executive team.

Executive salaries are presented elsewhere in this section of the Annual Report & Accounts.

Consistent with our 2024 reporting, (1) salary bands are grouped to protect the privacy of individual colleagues, and (2) apprentices have been excluded because they sit outside the main salary scale. For the avoidance of doubt, Ecology pays apprentices at an enhanced rate compared with the Government published rates.

Ethnicity Pay Reporting

In 2024, we committed to introducing ethnicity pay reporting. Introducing the same level of granularity used for gender pay reporting has been challenging in context of an organisation of less than 80 colleagues. For the information to be meaningful, we would compromise our commitment not to identify individuals.

Remuneration Structure

The following table summarises the components of total remuneration for Executive Directors.

Fixed remuneration	Basic Salary	All colleagues (including Executive Directors) are remunerated in relation to their expertise, experience, overall contribution and the general marketplace, supporting our ability to attract and retain colleagues with the necessary skills. We are committed to paying the Living Wage with accreditation from the Living Wage Foundation.
	Pension	All colleagues (including Executive Directors) are eligible to join the Society's defined contribution pension scheme after three months, with an employer contribution of 8% of basic salary upon auto enrolment. Colleagues have the option to make additional contributions up to 12% using salary sacrifice.
	Benefits	Death in Service (four x basic salary) benefit is available to all qualifying colleagues (including Executive Directors). The Society operates an electric vehicle salary exchange scheme which is open to all colleagues. Within this scheme, the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Member Officer also receive a car allowance, which is included in the breakdown of their remuneration.
Variable remuneration	Performance-related pay (core scheme)	All colleagues (including Executive Directors) benefit from an element of performance-related pay. Reward is directly linked to the achievement of key objectives aligned to sustainability of the Society and the service it provides.
	Performance-related pay (SMF) (Suspended)	Senior Management Function (SMF) roles, which includes Executive Directors, would normally benefit from an additional element of performance-related reward. Complementing the core scheme, it provides balance, rewarding delivery of key 'strategic stepping stones', each of which helps to secure the longer term success of the Society. Aligned to our values, the average payout is contained and proportional; expected to be circa £5,000 after tax and national insurance. This scheme was suspended in 2025.

For the avoidance of doubt, the Society remains committed to the principles of equality and fairness. Members should be reassured that our use of independent benchmarking is used to ensure all roles are rewarded fairly, irrespective of gender, ethnicity or beliefs.

Remuneration policy

Non-Executive Directors

Non-Executive Directors receive a fee for their services that reflects the time commitment for their duties. They do not participate

in any performance-related pay schemes, nor do they qualify for pensions or other benefits.

Non-Executive Directors do not have service contracts. Each Non-Executive Director serves under a letter of appointment and their contribution is appraised annually by the Chair.

Contractual Terms

The Chief Executive Officer has a service contract, entered into on 30 March 2022 for service commencing on 1 June 2022, and

the contract is terminable by either party giving at least six months' notice.

Payment for loss of office

Chris White left his position as the Society's Chief Financial Officer on 7 August 2025. In line with his contractual arrangements, he received pay in lieu of his contractual notice period amounting to £36,327 and compensation for loss of office of £36,327.

Non-Executive Directors' remuneration

Non-Executive Directors	Days Paid 2025	Paid 2025 £	Paid 2024 £
Louise Pryor	56.5 days	28,279	26,784
Andrew Gold (to April 2025)	14 days	5,566	20,079
Jaedon Green	45.5 days	22,807	21,523
Kerry Mashford (to April 2024)	–	–	5,496
Vincent Smith (to April 2024)	–	–	5,721
Giovanni D'Alessio	38.5 days	17,449	16,071
Kellie Hargraves (from April 2024)	38.5 days	18,013	13,357
Sameera Khaliq (from April 2024)	38.5 days	17,449	12,434*
Andy Mulligan (from April 2024)	44.5 days	20,420	12,434
	–	–	–
Non-Executive Directors' remuneration		129,983	133,899

*The 2024 indicative vote to elect had been declared invalid, as clause 13(1)(d) of the Society's rules was not fulfilled at the time of election, therefore the 2024 payment was agreed as an attendance allowance rather than as a fee payable to Non-Executive Directors within the 2024 disclosure.

Note, the amounts paid to Non-Executive Directors in the table have been subject to external audit review.

Executive Directors' Remuneration

The table below outlines the total reward for Executive Directors.

Executive Directors: Total Reward

Role	Base Salary £	Other related pay £	Car Allowance £	Pension 8%	2025 Total £	2024 Total £
Chief Executive Officer	159,743	1,000	6,000	12,712	179,455	175,003
Chief Financial Officer (to August 2025)	99,944	72,654	3,500	6,696	182,794	156,720

Note, the amounts detailed in the table have been subject to external audit review.

Looking ahead

Looking ahead to 2026, the Committee will ensure our reward structures (1) enable the Society to attract/retain relevant capability and skill sets, (2) maintain appropriate focus on service delivery balanced with strategic development, all the while (3) fostering our ecological principles, mutual culture and ethical values.

In keeping with our ethical values of fairness, we expect to undertake a routine benchmarking of all roles and responsibilities. This will ensure we continue to reward colleagues fairly, whilst also supporting our ability to recruit and retain talent.

The performance-related pay of Senior Management Function (SMF) holders will remain suspended throughout 2026. This decision ensures we continue to focus on the right strategic priorities – delivering a successful transformation for our Members.

Over recent years there has been a steady increase in the number of days required for our Chair and Non-Executive Directors to discharge their regulatory responsibilities. Whilst we have historically paid a day rate, we propose to move to non-pensionable salary. This approach is consistent with the wider industry and effectively caps annual Board costs.

Finally, the Remuneration Committee recommends Members vote to accept the 2025 Directors' Remuneration Report, whilst thanking all colleagues for their contribution.

Jaedon Green

Chair of Remuneration
Committee 17 March 2026

Risk Management Report

Risk Overview

The Society is exposed to a diverse range of risks in the execution of our strategy and undertaking of our day-to-day activities. This section explains how the Society manages risk to protect our Members, support good outcomes, and keep the Society safe and resilient, while maintaining strong and credible relationships with our Regulators and key stakeholders. It summarises what changed in 2025, how we organise responsibilities, and the main risks we manage day-to-day.

The Society's Board and Senior Management Team is committed to ensuring risk management is embedded across the business. We take risks only where we understand them and where they are carefully monitored. During 2025 we continued to strengthen our risk management capabilities so that the Society can grow safely, deliver good outcomes for Members, and meet regulatory expectations.

Enterprise Risk Management Framework (ERMF)

We have an Enterprise Risk Management Framework (ERMF). This framework plays an important and integral role in protecting the Society, our Members and colleagues and sets out how we identify,

measure, monitor and report risk across the Society. It brings together our policies, risk appetite, governance, and reporting in one place. We review the framework at least once a year to make sure it remains fit for purpose.

In 2025 we focused on building strong foundations and embedding risk into everyday decisions. Key improvements included:

- Clarifying responsibilities so everyone knows who owns which risks and controls
- Updating our Risk Taxonomy and Principal Risks (the way we group and describe risks)
- Refreshing how we set risk appetite and how we report against it
- Reviewing and updating our risk policies and the overall policy framework
- Improving how we identify and assess risks and controls, including the most important ("material") controls
- Embedding regulatory horizon scanning so we plan ahead for changes
- We continued to invest to further strengthen our people risk capabilities across the first and second lines

Risk Culture

A strong risk culture means colleagues make sound, risk-aware decisions every day. The Board and Senior Management Team set the tone. All colleagues are expected to adhere to the ERMF, follow our risk policies and take personal responsibility for risks in their area. In 2025 we expanded training and support so teams across the Society understand their role in protecting Members and the Society.

Three Lines Model

Our approach to risk management is aligned to the "Three Lines" Model, which is standard practice within the building society sector. The Society's governance practices, including the individual accountabilities under the "Senior Managers and Certification Regime", support the Society to take "reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems".

The Society's "Three Lines" Model articulates risk management responsibilities across the Society. The table below outlines the key responsibilities for each line.

First Line	Second Line	Third Line
<p>Risk Ownership and Control Implementation</p> <p>All Business Functions</p>	<p>Risk Oversight, Monitoring, Challenge and Reporting</p> <p>Risk & Compliance Team</p>	<p>Society's Internal Audit</p>
<p>Day to day responsibilities for owning specific risks and responsible for understanding and managing risks.</p> <p>Own and maintain Risk & Control Matrices and develop plans to ensure risks are being managed within risk appetite.</p> <p>Responsible for the implementation, and execution, of controls to mitigate risks in their area.</p> <p>Responsible for evaluating control effectiveness and managing actions where controls are deemed effective.</p> <p>Subject matter experts.</p>	<p>Owns the Society's Enterprise Risk Management Framework.</p> <p>Oversees, supports and challenges first line to ensure risk responsibilities are executed effectively, in line with the Enterprise Risk Management Framework.</p> <p>Monitors the Society's risk profile and provides risk reporting to the Senior Leadership Team, Board Risk Committee and the Board.</p> <p>Maintains relationships with Regulators.</p>	<p>Provides assurance over the effectiveness of the Society's Enterprise Risk Management Framework.</p> <p>Provides assurance over the effectiveness of the internal controls' environment.</p> <p>Provides independent and timely assurance to the Board and Audit Committee.</p>

The Society is also subject to external audit by an independent firm.

Risk Management Governance

The Board is ultimately responsible for the effective management of risk. The Enterprise Risk Management Framework, Risk Strategy, Tier 1 Policies and Risk Appetite are some of the risk matters reserved for the Board for approval. Two Board committees provide detailed oversight and present their findings to the Board:

- **Board Risk Committee** protects the independence of the risk function and provides oversight of risk management across the Society. The Committee focuses on current and emerging risks to the Society's business model (macroeconomic, commercial, conduct, operational and regulatory), while supporting continued development of risk management capability, aligned to the Society's Purpose, Strategy and Board-approved Risk Appetite.
- **Audit Committee** considers external financial reporting and oversees the external audit of that reporting. The Committee's remit also includes oversight of second and third-line assurance activity and receives independent assurance over the Society's internal controls through the delivery of formal regulatory horizon scanning, risk-based second line compliance monitoring and third line internal audit plans.

The governance framework incorporates several management-level committees, each have a specific principal risk focus and ensure key risks stay within the Board's approved appetite. Management level risk committees include: Core Management Committee, Asset and Liabilities Committee, Credit Risk Committee, Operational Risk and Resilience Committee, and Product and Pricing Committee.

Risk Attitude and Appetite

The Board has ultimate responsibility for determining its approach to setting the risk appetite for the Society by considering its broader attitude towards risk. The Society's risk appetite comprises of a series of qualitative statements and quantitative measures and limits. The statements and measures are reviewed, and approved, by the Board at least annually in line with the Society's business planning cycle and are directly linked

to the Society's overarching purpose. Management report risk appetite adherence to the Board on whether the Society is operating within appetite and take necessary action if we are not.

The Board's risk attitude reflects a combination of key considerations, including the Society's strategic purpose, its business model and risk capability, combined with the competitor, regulatory landscape and macro-economic environment. The table below provides an overview of the Board's risk attitude.

	Level	Descriptor	Definition
	5	Hungry	Willing to take significant risks in pursuit of high strategic reward. Risks are well understood and proactively managed
	4	Open	Prepared to consider all options. Will take considered risks to achieve strategic objectives
	3	Balanced	Will take risks in some areas while being cautious in others. Decisions are weighed between risk and reward
	2	Cautious	Preference for safe delivery options. Will accept only limited risk in pursuit of objectives
	1	Averse	Avoids risk wherever possible. Primary objective is to maintain certainty and protect against adverse outcomes.

Principal Risk Categories

To better reflect the Society's risk profile, the Society's Risk Taxonomy was updated, and approved, by the Board in 2025.

The Society's purpose is to be dedicated to improving the environment and society by enabling sustainable building and communities and is central to our Strategy and Vision.

Our operations and lending seek to be part of the solution to the climate crisis, ensuring housing is built to a high ecological standard and supporting renovation and retrofit to reduce energy demands. As such, Climate Risk is a key consideration within all of the Society's principal risks and must be considered within each of the functional Risk & Control Matrices.

Further information on our approach to managing climate risks and opportunities can be found in our Net Zero Transition Plan on our website [\[ADD LINK\]](#).

The table below provides an overview of the Society's principal risk categories and our approach to managing those risks.

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
<p>Strategic Risk</p> <p>Risk Attitude – Balanced</p> <p>Strategic risks are risks, both internal and external, associated with the business model, corporate strategy and long-term planning</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • The Society's operating environment is expected to remain highly competitive leading to heightened levels of business risk for the Society • Factors such as the entry of new participants into "green" lending, surplus liquidity from the ring-fencing of retail banks, the cost-of-living crisis, and new technological developments have led to increased market competition in recent years <p>How we manage it:</p> <ul style="list-style-type: none"> • We have a Medium-Term Plan, strong governance, regular monitoring (financial planning, stress testing, horizon scanning, competitor analysis), and clear risk appetites and metrics reported through governance
<p>Funding & Liquidity Risk</p> <p>Risk Attitude – Cautious</p> <p>Failure to meet cash and collateral obligations without sustaining unacceptable losses due to the timing of cash in and outflows, resulting in financial loss and additional cost of borrowing</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • A heavy reliance on retail deposits in a competitive market • Members can withdraw their deposits with either no notice or short notice <p>How we manage it:</p> <ul style="list-style-type: none"> • We regularly test our liquidity through the Internal Liquidity Adequacy Assessment Process (ILAAP) and ongoing reporting, set clear limits through our risk appetite, and perform stress tests. We aim to maintain a strong liquidity position so Members can access their savings when needed and our lending continues responsibly.
<p>Capital Risk</p> <p>Risk Attitude – Cautious</p> <p>The risk the Society is not able to meet regulatory capital requirements or deliver on its strategic plans due to insufficient capital resources</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • Inability to raise external capital or organic capital • Crystallisation of a principal risk leading to unplanned losses and depleting capital • Unplanned increased regulatory requirements <p>How we manage it:</p> <ul style="list-style-type: none"> • We update the Internal Capital Adequacy Assessment Process (ICAAP) annually and monitor our capital position throughout the year, including stress scenarios. We maintain a prudent capital buffer over the whole planning cycle and have a strong history of raising capital when needed to support growth.

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
<p>Financial Risk</p> <p>Risk Attitude – Cautious</p> <p>Risk that could affect our ability to deliver profitable growth and meet financial targets</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • Heightened competition leading to narrow net interest margins • Unplanned increased expenditure <p>How we manage it:</p> <ul style="list-style-type: none"> • Through careful budgeting and forecasting, stress testing, and disciplined cost and revenue management. We balance growth with resilience so we can continue to support our Members through the cycle.
<p>Credit Risk</p> <p>Risk Attitude – Balanced</p> <p>Credit risk is the probability of a financial loss due to a borrower’s failure to repay a loan resulting in an interruption of cash flows and increased costs of debt collection</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • Increases to interest rates, volatile or reductions in house prices, rises in unemployment, and increased cost of living <p>How we manage it:</p> <ul style="list-style-type: none"> • Through robust credit policies, affordability assessments including stress testing, clear lending limits, and ongoing portfolio monitoring. We benchmark our criteria to avoid unintended risk outliers. Our credit quality remained strong in 2025 and in line with our risk tolerance level.
<p>Conduct & Compliance Risk</p> <p>Risk Attitude – Cautious</p> <p>Risks associated with compliance with laws and regulations, industry standards, contract requirements, and internal policy</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • How we develop, market, serve and protect our Members and customers • Criminals may use the Society for illegal activity <p>How we manage it:</p> <ul style="list-style-type: none"> • Through Board-approved policies (e.g. Financial Crime, Vulnerable Customers, Complaints, Data), clearly defined risk appetites, monthly metrics and a Consumer Duty Dashboard, embedded horizon scanning, training, and second line advisory support and formal oversight. We strengthened our financial crime controls in 2025 and will continue to improve them through our future digital platform.

Principal Risk Category and Risk Appetite	Key Themes and Management Mitigating Actions
<p>Operational Risk</p> <p>Risk Attitude – Balanced</p> <p>Operational risks are risks derived from an organisation's core business practices, which rely on systems, equipment, processes, and people.</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • The Society's technology may fail • Suppliers may fail to meet their contractual obligations • The Society may not be able to attract or retain colleagues with the right skills, capabilities or experience • Change is not managed effectively • External events adversely impacting the Society <p>How we manage it:</p> <ul style="list-style-type: none"> • Through formal quarterly risk and control assessments, executive attestations for material controls, Board-approved policies (e.g. IT & Cyber, Outsourcing and Third-Party, Health and Safety), operational resilience testing for our Important Business Services, strong internal and external testing and continuous monitoring of our IT systems, and structured change governance. • We continue to strengthen our technology and cyber security defences, recognising both the evolving threat landscape and the emerging opportunities presented by Artificial Intelligence (AI). The Board and Executive team remain focused on ensuring resilience, while we carefully explore opportunities to leverage AI capabilities, in line with our environmental responsibilities, once the new digital platform is embedded. • We continue to refine business continuity and incident management so we can serve our Members reliably.
<p>Operational Risk – Core Banking Transformation</p> <p>Risk Attitude – Cautious</p> <p>A failure to effectively identify, manage and govern the risks associated with the IT transformation programme poses significant risk to the Society.</p> <p>IT change programmes introduce cross cutting risks and all four of the Society's principal risks are impacted.</p>	<p>Risk Factors</p> <ul style="list-style-type: none"> • Both the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) have issued significant fines to firms who have failed to deliver effective risk management and governance, including the management of outsourcing risk, in relation to IT change programmes. <p>How we manage it:</p> <ul style="list-style-type: none"> • Through a strong change governance framework aligned to industry best practice, dedicated workstreams, independent expert challenge, enhanced oversight and reporting to the Board, and clear Go/No-Go criteria • We continue to respond and refine our approach and control environment as we prepare to transition to our new digital platform.

Key upcoming regulations which will affect the Society are summarised below:

Supervising building societies' treasury and lending activities (SS20/15)

On 5 December 2025, the PRA published its Policy Statement PS26/25 confirming the deletion of the longstanding SS20/15 with immediate effect. The PRA concluded that SS20/15 was no longer aligned with its broader policy approach and the imposed prescriptive expectations, which were not applied to banks. The removal of the sourcebook reflects the building society sector's increasingly sophisticated risk management capabilities, while placing continued emphasis on firms' responsibility to ensure robust, proportionate risk management frameworks are in place and operating effectively.

Small Domestic Deposit Taker (SDDT) "Strong and Simple" Regime

The PRA's new framework is designed to simplify the capital requirements on smaller firms, while still supporting their resilience. The intention is to reduce costs and complexity in meeting regulation, and to allow smaller firms to be more competitive economically, while maintaining robust prudential standards for all deposit taking institutions.

Mortgage Rule Review

The FCA is reviewing the rules surrounding mortgage lending, with the aim of simplifying them to support sustainable home ownership.

Senior Manager and Certification Regime Review

The FCA and PRA are proposing to streamline the Senior Manager and Certification Regime to make it more effective and efficient and to drive growth in financial services. Further phases may include removing the Certification Regime and increasing flexibility for the Regulators to reduce the number of Senior Management Functions which require pre-approval.

Consumer Duty

The FCA will continue its focus on Consumer Duty with four cross cutting workstreams in 2026.

- Review of products and services outcome – How firms are designing products and services to meet customer needs, including those with characteristics of vulnerability.
- Review of firms' approaches to outcomes monitoring – How firms are responding to outcomes monitoring requirements.

- Review of firms' customer journey design – Looking at the design and delivery of firms' customer journeys to ensure customers' needs are met, with a particular focus on how firms apply friction throughout the journey.
- Review of the consumer understanding outcome – How firms' communications are helping consumers make informed decisions.

Changes to complaint reporting

The FCA is changing complaint reporting for firms, meaning they will only submit a single return. Firms will also be required to report

- where the firm identifies a customer is in vulnerable circumstances regardless of how this was disclosed
- all complaints relating to or caused by a firm's failure to consider or respond to a customer's vulnerability

Tackling Climate Change

More than 40 years after Ecology was founded in response to mounting environmental degradation and the excesses of consumerism, the challenges facing society have become even more complex and interconnected. Climate change, ecological collapse, widening social inequality and geopolitical instability continue to shape the context in which we operate and reinforce the importance of our mission.

Against this backdrop, in 2025 we published our Net Zero Transition Plan (NZTP), available on our website. The plan sets out how we intend to deliver meaningful environmental and social impact throughout this decisive decade and how our business model will evolve to support the transition to a low carbon economy.

Our commitment to net zero remains unchanged. It is core to our purpose and embedded in the long term direction of the Society. However, a number of external factors have influenced the velocity of our progress. In particular, the pace of UK grid decarbonisation has been slower than anticipated, and the evolving political and policy landscape has created uncertainty around the timing and delivery of some system wide changes. As a result, we have not been able to progress all elements of our NZTP at the pace originally intended.

In response, we have taken a pragmatic and disciplined approach, prioritising action where we can have the greatest influence. Rather than committing significant resources to initiatives dependent on uncertain external developments, 2025 was a year of focus on what we can control, recognising that incremental, well targeted changes can collectively deliver meaningful reductions in our carbon footprint.

During the year, we improved the energy efficiency of our premises, eliminated fossil fuelled water heating, advanced initiatives to reduce waste, and supported the increased use of electric vehicles. Further details of these actions are set out below.

We also strengthened our approach to emissions measurement and insight. We onboarded a new provider, Cotality, to calculate our financed emissions. This partnership has enabled us to enhance the robustness of our methodology, better understand the key drivers of emissions within our portfolio, and adopt improved visual reporting tools. These enhancements will support more informed discussion and decision making across Ecology as we move into 2026. Importantly, they also position us to begin monitoring and reporting emissions more frequently than on an annual basis, supporting a more responsive and effective transition to net zero.

Alongside our environmental commitments, we have continued to evolve our product offering with a deliberate focus on under served communities, strengthening our contribution to positive social outcomes and reinforcing the link between climate action and social justice.

Our business model continues to evolve to ensure we can innovate, reach more people, and remain true to our ecological purpose. This evolution will play a critical role in underpinning our future net zero commitments and ensuring that Ecology remains resilient, relevant and impactful in a rapidly changing world.

What we delivered in 2025

In 2025 we made meaningful progress in reducing the environmental impact of our operations, despite a year focused on wider organisational transformation. Through targeted investment, thoughtful operational changes and the commitment of colleagues across the Society, we continued to strengthen our position as a leader in practical, real world sustainability.

- **Decarbonising heat and hot water:** We removed gas fired hot water heating and introduced efficient electric point of use systems powered by our onsite solar PV and renewable electricity. This shift eliminated the need for a constantly heated hot water cylinder and means our hot water system is now completely fossil fuel free.

- **Reducing and preparing to eliminate gas use:** Our consumption of gas continued to fall significantly. As part of preparations for installing heat pumps, we trialled reduced radiator flow temperatures in 2024–25; performance remained strong, giving us confidence to commit to full electrification. Usage has fallen from 3,310 units in 2021 to 1,769 units in 2025 - a long term reduction that reflects steady, sustained action.

- **Improving energy efficiency:** Even with the switch to electric hot water part-way through the year, electricity use at Head Office continued to decline, thanks to a series of small but important efficiency improvements, including:

- replacing a standalone water cooler with a fridge integrated filter
- reducing operating hours on hot water taps
- lowering ventilation and extractor speeds
- adjusting thermostat settings in low occupancy areas

These incremental changes demonstrate the power of collective action.

- **Supporting electric vehicle adoption:** We continued to offer free EV charging for colleagues and visitors. Demand rose to 18,174 kWh in 2025, from 15,138 kWh in 2024 – evidence of growing adoption and limited local infrastructure. Our solar PV system provided electricity equivalent to 74% of the power required overall for charging, helping us to align onsite renewable generation with low carbon transport choices.

- **Cutting waste and increasing recycling:** Colleagues played a vital role in transforming how we manage waste during 2025:

- 50% reduction in total waste volumes
- Over 75% reduction in non recyclable waste
- Recycling rates increased from 55% to 79%
- Confidential paper waste reduced by 73%, all paper waste is recycled
- Reduced waste collection frequencies and bin sizes, avoiding 17 lorry journeys compared to 2024 and cutting black bin liner usage by 90%
- Onsite composting avoided an estimated 26 lorry collections during the year and has converted c540 litres of food waste into compost which we use onsite

During the year we also introduced:

- an onsite refill shop offering closed loop cleaning products to colleagues; purchases made have prevented the need for 127 single-use plastic bottles
- zero single use plastic bottles in office cleaning
- plastic free sanitary waste collection and sustainable period products with social impact benefits
- donation of surplus stationery to The Gambian Schools Trust

Together these actions reflect a culture shift towards more thoughtful consumption and community benefit.

External recognition

Our efforts were recognised once again in 2025:

- **Green Level accreditation** from Investors in the Environment (iE) for the ninth year
- **Natural Environment Champion Award** from iE and shortlisting for their Overall Outstanding Achiever award

What's Underway for 2026

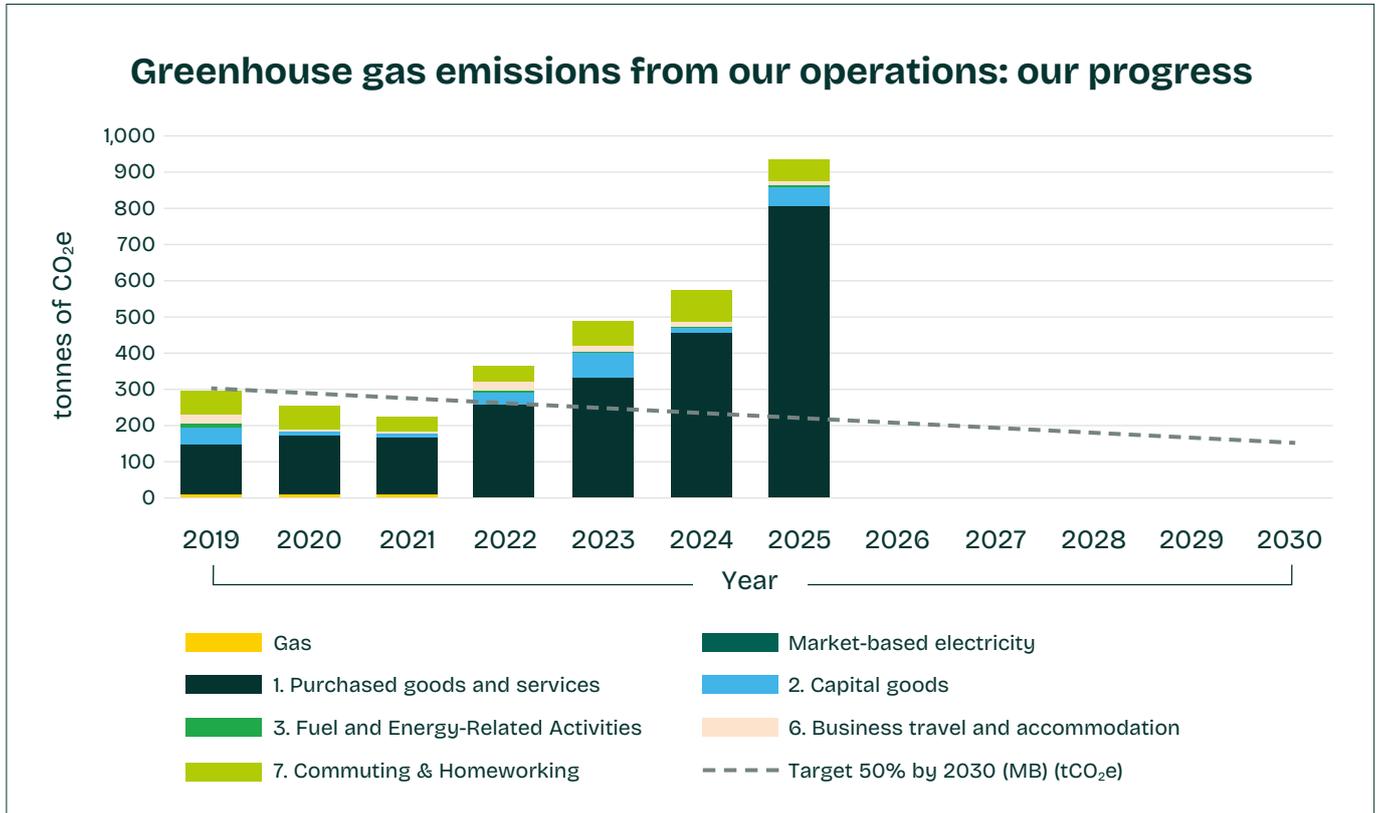
We are continuing to build momentum with initiatives that strengthen our impact and embed long term sustainability.

- **Heat pump installation:** Following planning approval in January 2026, air source heat pumps are being installed to replace our 23-year-old gas boiler, enabling fully electric, renewable powered heating.
- **Improved energy monitoring:** A new smart meter will track both electricity imports and solar exports, giving us a clearer understanding of total building demand and enabling more accurate reporting.
- **Managing increased electrical load:** As heating becomes fully electrified, we will continue efficiency measures, monitor electricity intensity, and explore ways to optimise heat pump performance – including shifting load to align with solar generation.
- **Maintaining leadership in waste reduction:** We aim to recycle everything that is recyclable, maintaining strong colleague engagement and working with neighbouring businesses to grow hyper local composting initiatives, showcase results and build awareness across our community.

- **Strengthening Scope 3 downstream (financed emissions) reporting:** We are embedding our new downstream emissions partner, Cotality, into day to day processes. This will improve data quality and support a transition from annual to quarterly Scope 3 reporting.
- **Continue to improve our Scope 3 upstream (supplier) emissions:** We will also continue strengthening upstream ESG (environmental, social and governance) due diligence, to ensure our suppliers align with our mission, values and long term commitment to responsible business. This will help us work collaboratively to reduce emissions across our value chain.

Our 2025 Emissions

Our Operations



Targets:

- We will achieve zero greenhouse gas emissions from the electricity and heating of our headquarters by the end of 2025.
- We will halve emissions from our suppliers and colleagues against a 2019 baseline by 2030.

Performance in 2025

Although we were unable to achieve zero greenhouse gas emissions from our head office this year, due to a delay in planning approval for our heat pump installation, it highlighted to us the challenges that SMEs still encounter when trying to do the right thing. We continued to make meaningful progress in reducing our environmental impact. As a result, head office emissions fell by 1% compared with 2024, and are now 60% lower than our 2019 baseline.

In 2025, 71% of our electricity was generated on-site through solar PV, with the remaining electricity purchased through Ecotricity's 100% renewable tariff. This represents a significant increase in our own renewable generation, up from 20% in 2024.

Total operational emissions for 2025 were 926.32 tCO₂e, reflecting an increase of 63% from 2024 (566.86 tCO₂e) and 218% from our 2019 baseline. This rise is primarily driven by supplier-related emissions, which are calculated using spend-based estimates. As expected,

investment in our digital transformation programme contributed to a 79% increase in supplier emissions compared with 2024, and a 664% increase compared with 2019. This spend was necessary to ensure our operations are fit for the future.

Capital spend emissions also rose year on year, increasing by 308%. This uplift is directly linked to our investment in establishing our brand-new branch in Porth. The project involves transforming a previously dilapidated retail unit into a safe, modern and energy efficient space that can better serve the local community. While the redevelopment activity has temporarily increased emissions associated with construction and fit out, the branch has been designed with long term sustainability in mind. We are installing solar generation, upgrading insulation and building fabric, and selecting the most environmentally responsible materials and systems at every stage of the refurbishment. These choices mean that, although the initial carbon footprint of the project is higher, the branch will operate far more efficiently over its lifetime.

We continue to operate a hybrid working model, and therefore report emissions associated with both home working and colleague commuting.

Looking ahead

As we continue to invest in business transformation and grow our team, we anticipate that emissions associated with suppliers and colleagues will remain elevated. As a small organisation, our ability to influence other businesses, national travel patterns, and home energy infrastructure is limited. However, we remain committed to evolving our approach, focusing our efforts where we can have the greatest influence, and enhancing our reporting to maintain transparency around both our progress and the barriers we encounter.

A major milestone in our emissions reduction plan is now within reach: planning permission for our heat pump was approved in January 2026 (c.6 months post submission). This enables our head office to transition to net zero operations during 2026, marking a significant achievement in our journey towards our long term climate goals.

Purchasing carbon credits

Our strategy prioritises reducing emissions at source, but we also take responsible action to address the operational, commuting, business travel and supplier-related emissions that cannot yet be eliminated. To do this, we purchase accredited carbon credits each year through recognised greenhouse gas abatement schemes, matching the volume of our unavoidable emissions.

In addition, we support accredited UK tree-planting initiatives that contribute to long-term carbon absorption and wider environmental and social benefits. Together, these actions allow us to compensate for the emissions we cannot currently remove, while we continue to focus on meaningful reductions across our operations.

Our Lending

Target

We aim to halve greenhouse gas emissions associated with our lending by 2030 and to achieve net zero greenhouse gas emissions from our lending by 2050 or sooner.

Our lending emissions, also referred to as financed emissions (Scope 3, Category 15), represent greenhouse gas emissions arising from fossil fuels used to provide regulated energy in homes financed by the Society. These emissions relate to energy used for space and water heating, lighting and ventilation when the home is in use.

How we measure progress

Our targets are expressed using a physical intensity metric (kgCO₂e per m²). This approach enables us to assess whether the energy efficiency and emissions performance of the homes we finance is improving over time, regardless of changes in the size of our lending book or the total floor area of properties financed.

To provide transparency and context, we also disclose:

- Absolute financed emissions, and
- A weighted average by £000 of lending, which normalises emissions relative to lending volumes and enables year on year comparison.

Emissions coverage and methodology

Financed emissions are calculated in line with the Global Greenhouse Gas Accounting and Reporting Standard for the Finance Industry (PCAF Global Standard). In accordance with PCAF guidance, emissions associated with residential properties comprise two elements:

- **Regulated emissions:** emissions from fossil fuels used to provide space and water heating and lighting (sourced from Energy Performance Certificates where available).
- **Unregulated emissions:** emissions from fossil fuels used for other household energy consumption, such as appliances and chargers.

While our target relates specifically to regulated emissions, we choose to report both regulated emissions and total emissions (regulated and unregulated). This provides a more complete and realistic view of the climate impact of the homes we finance, even where certain emissions are not directly

influenced by the mortgaged elements of a property. Full data tables are provided on page 60.

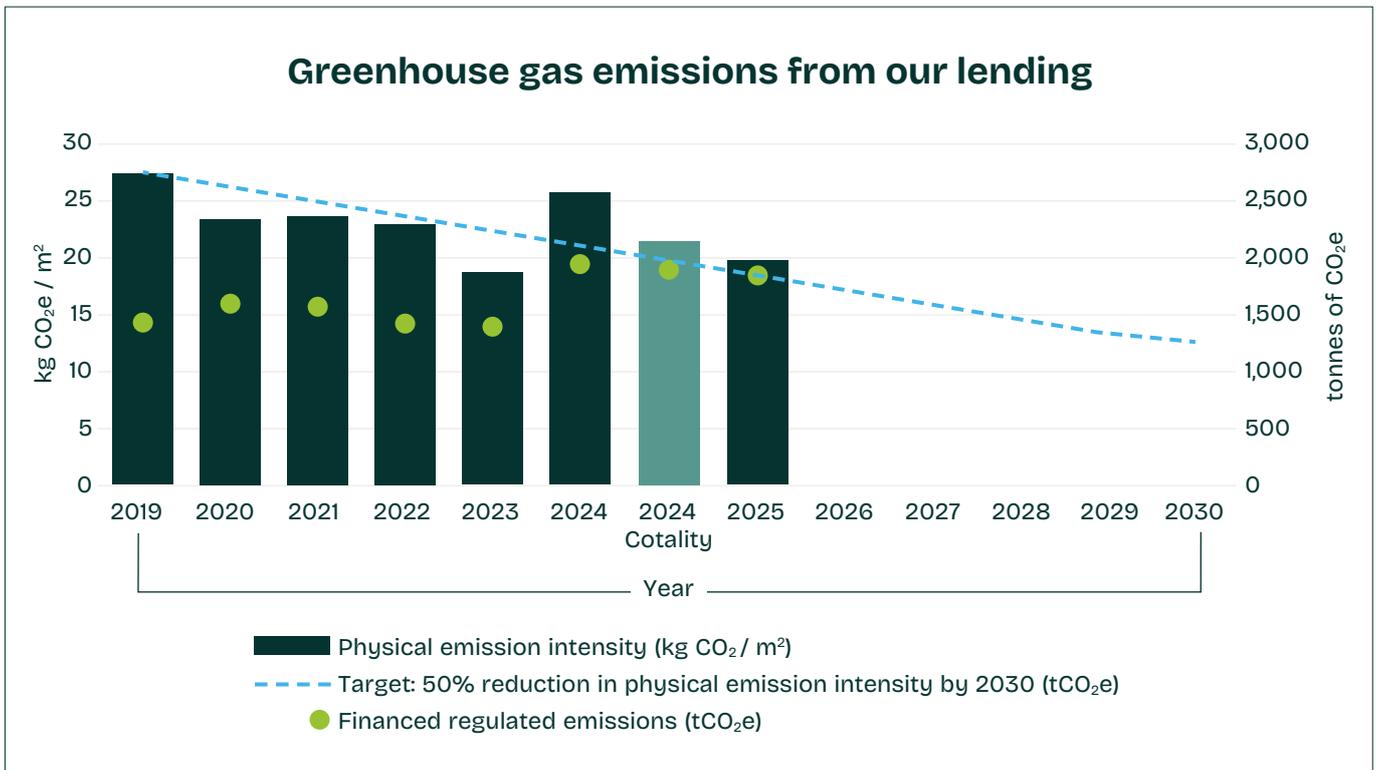
Performance in 2025

In 2025, we saw an improvement in the emissions intensity of our lending:

The average physical greenhouse gas intensity across all mortgaged properties with an EPC, based on total regulated emissions, reduced to 19.7 kgCO₂e/m², compared with 25.6 kgCO₂e/m² in 2024.

Absolute financed regulated emissions decreased by 5.6%, from 1,949 tCO₂e in 2024 to 1,840 tCO₂e in 2025.

The reduction in absolute financed emissions reflects two main factors:



1) Methodological improvements introduced during the year following the onboarding of Cotality as our financed emissions provider. To support transparency, we have illustrated the comparative position had the updated methodology been applied in 2024. On this basis, financed regulated emissions in 2024 would have been 1,878 tCO₂e, implying a like for like reduction of approximately 2% in 2025.

2) Lower mortgage lending volumes during the year, as the Society moderated new lending while undertaking our digital transformation.

The chart on page 56 illustrates our historical performance, our 2030 intensity target, and the impact of the updated methodology.

Looking ahead

Around 80% of the homes that will exist in 2050 already exist today, making the retrofit and improvement of existing buildings critical to the transition to a low carbon economy. Our purpose and social ambition mean that we continue to support lending in under served areas, including to properties with lower energy efficiency where retrofit is most needed.

While this approach is essential to delivering meaningful emissions reductions over the long term, it may result in financed emissions remaining broadly stable or increasing in the short term as lending to lower efficiency homes grows. We believe this reflects a responsible and impact led approach to the transition.

Our partnership with Cotality will enable us to track improvements within individual properties more effectively over time and to better evidence the impact of energy efficiency upgrades and retrofit activity. This enhanced insight will support clearer reporting of progress and more informed decision making as we continue to advance towards our net zero ambition.

Physical risk assessment on our mortgage portfolio

We assess the exposure of our mortgage portfolio to physical climate risks using analysis provided by Cotality. This assessment considers the potential impacts of climate change on our lending under a range of future climate scenarios, focusing on flooding, subsidence and coastal erosion.

For properties located in Northern Ireland, the analysis currently covers flooding risk only, as equivalent datasets for subsidence and coastal erosion are not yet available. Given that the impacts of climate change are expected to materialise over extended periods, the modelling assesses physical risks over several decades. It also takes account of planned adaptation measures, including existing and proposed flood defences and shoreline management plans.

Climate scenarios and time horizons

To support consistency and comparability in climate scenario analysis, the Intergovernmental Panel on Climate Change (IPCC) has developed a set of Representative Concentration Pathways (RCPs), which describe alternative future trajectories for global greenhouse gas emissions. The Met Office and other agencies have modelled future UK climate outcomes using these scenarios.

We have assessed future flood and coastal erosion risks under three RCPs:

- **RCP2.6** represents a scenario consistent with limiting global warming to below 2°C, requiring emissions reductions in line with the Paris Climate Agreement and the achievement of net zero by 2050.
- **RCP6.0** represents a medium, intermediate scenario in which emissions are constrained but do not reach net zero until around 2100.
- **RCP8.5** represents a business as usual pathway, with emissions continuing to rise, leading to severe global warming impacts.

For risk management purposes, we use RCP6.0 as our central scenario. While global climate ambition remains focused on lower emissions pathways, current emissions trends mean that further climate disruption cannot be ruled out. We have selected the 2050s as the primary time horizon for our physical risk assessment, reflecting the typical maximum mortgage term of up to 30 years.

Outcomes

Using intermediate climate change scenarios, the modelling indicates that by the 2050s only a small proportion of our mortgage portfolio would be considered at high risk from flooding or subsidence, and no properties would be considered at risk from coastal erosion within the life of the mortgage.

We make provision for these risks within our Internal Capital Adequacy Assessment Process (ICAAP). Our approach will continue to evolve as data quality improves, allowing us to reflect property specific characteristics and local adaptation measures where information is available.

Flood

Under the medium emissions scenario (RCP6.0), and taking account of current and planned flood defences, 8.4% of Ecology's mortgaged properties in the UK could be at high risk of flooding in the 2050s. High risk is defined as exposure to one in 30 year flood events or less frequent but more severe events, such as one in 75 year floods.

Based on this assessment, we conclude that the overall exposure of our mortgage portfolio to future flood risk is low.

Coastal erosion

Under the medium emissions scenario (RCP6.0), and taking account of planned shoreline management measures, our assessment of properties in Great Britain indicates that no mortgaged properties would be at risk from coastal erosion before the end of their mortgage term.

The coastal erosion model does not currently include properties in Northern Ireland. In 2025, 18.7% of Ecology's mortgaged properties were located in Northern Ireland.

Subsidence

Under the medium emissions scenario (RCP6.0) in the 2050s, 9.0% of Ecology's mortgaged properties in Great Britain could experience an increase of 10% or more in subsidence risk.

Data to assess subsidence risk for properties in Northern Ireland is not yet available. Based on current information, we conclude that the exposure of our mortgage portfolio to subsidence risk is low.

Looking ahead

As climate science, modelling techniques and local adaptation data continue to improve, we intend to refine and enhance our physical risk assessment. This will support more granular understanding of climate risks within our portfolio and inform future risk management, capital planning and lending decisions as the physical impacts of climate change become clearer.

Greenhouse gas emissions

Emissions arising from Ecology's business operations, commuting and supply chains

	2019 (Baseline)	2024	2025
Scope 1 (tCO₂e)			
Gas (Market-based)	9.13	3.70	3.66
Scope 2 (tCO₂e)			
Market-based electricity	0.00	0.00	0.00
Location-based electricity	7.26	9.07	9.39
Total Scopes 1 & 2 (Market-based)	9.13	3.70	3.66
Total Scopes 1 & 2 (Location-based)	16.39	12.77	13.04
Upstream Scope 3 (tCO₂e)			
1. Purchased goods and services	137.26	448.43	800.78
2. Capital Goods	51.74	12.08	49.28
3. Fuel and Energy-Related Activities	4.16	3.80	6.01
6. Business travel and accommodation	28.10	13.51	8.44
7. Commuting & Homeworking	62.17	89.05	61.81
Total Upstream Scope 3	283.43	566.87	926.32
Total Scopes 1, 2 and Upstream 3 (Market-based)	292.56	570.57	929.98
Emissions per £000 Turnover (tCO₂e / £000)	0.066	0.072	0.114

Note: Scopes 1, 2 and Upstream Scope 3 emissions are calculated in line with the Greenhouse Gas Protocol Corporate Standard and Corporate Value Chain (Scope 3) Standard. Emissions are calculated for Ecology by Small World Consulting.

Emissions arising from Ecology's lending

The table on page 60 shows the emissions arising from Ecology's lending for the current year, the previous year, and the baseline year.

The increase in 2025 Emissions from properties without an EPC primarily reflects a methodology change rather than underlying deterioration in property performance.

Some properties do not yet have an EPC, either because the mortgage pre dates EPC requirements or because works have been completed but an EPC has not yet been issued. Emissions for these properties are therefore estimated using the nearest comparable properties.

- For 2019 and 2024, estimates were based on an average derived from Ecology's own lending portfolio only.
- In 2025, following the onboarding of a new supplier, the methodology was updated to use a UK average based on similar nearby properties, which we believe is more closely aligned with PCAF guidance.

This methodological change has resulted in higher financed emissions for properties without an EPC. However, we believe it provides a more representative

estimate of the emissions currently generated by these properties. Prior year figures have not been restated due to data availability limitations.

	2019 (Baseline)	2024	2025
Emissions from properties with an EPC^[1]			
% properties with an EPC	65%	65%	70%
Physical carbon intensity (kgCO ₂ e/m ²)	27.2	25.6	19.7
Outstanding balance (£000)	64,697	115,067	116,048
Financed regulated emissions (tCO ₂ e) ^[2,4]	1,010	1,524	1,136
Financed total emissions (tCO ₂ e) ^[3,4]	1,222	1,726	1,304
Financed emission intensity based on regulated emissions only (kg CO ₂ e/£000) ^[5]	15.6	13.2	9.8
Financed emission intensity based on total emissions (kg CO ₂ e/£000) ^[5]	18.9	15.0	11.2
Emissions from properties without an EPC^[6]			
% properties without an EPC	35%	35%	30%
Outstanding balance (£000)	36,545	66,359	54,115
Financed regulated emissions (tCO ₂ e) ^[2,4]	414	425	750
Financed total emissions (tCO ₂ e) ^[2,4]	518	526	826
Total (all in-scope properties)^[8]			
Outstanding balance (£000)	101,242	181,426	170,163
Financed regulated emissions (tCO ₂ e) ^[4,6]	1,424	1,949	1,840
Financed total emissions (tCO ₂ e) ^[5,6]	1,740	2,252	2,081
Weighted emissions data quality score ^[7]	3.7	3.8	3.6

Notes

[1] Scope and standards: Emissions from Ecology's lending are reported as Downstream Scope 3, Category 15 (Investments) and calculated in accordance with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard and the PCAF Global Standard.

[2] Regulated emissions: Regulated emissions (space and water heating and lighting) are taken from each property's Energy Performance Certificate (EPC) where available. Financed regulated emissions are calculated by multiplying property level emissions by the loan to value (LTV) ratio, representing the proportion financed by the Society.

[3] Total emissions (regulated and unregulated): Total financed emissions include regulated emissions from EPCs plus an estimate of unregulated energy use (e.g. appliances and charging). Property specific data for unregulated energy is not available.

- For 2019 and 2024, estimates were based on Ofgem typical consumption values and UK Government greenhouse gas conversion factors.
- In 2025, following the onboarding of a new supplier, the methodology was updated to use the UK Standard Assessment Procedure (SAP).

Unregulated energy use varies over time due to occupant behaviour and changes in the carbon intensity of the electricity grid.

[4] Loan to value approach: While the PCAF Global Standard recommends using valuation at origination, Ecology has used the latest available property valuation. This reflects the Society's lending model, where funds are often released in stages as properties are built or renovated. Where relevant, valuations may be indexed using regional house price data.

[5] Financed emission intensity: Financed emission intensity is reported as Weighted Average Carbon Intensity (WACI), expressed as kilograms of CO₂e per £000 of lending. This allows like for like comparison across years and products, independent of changes in total lending volumes.

[6] Properties without an EPC: Some properties do not yet have an EPC, either because the mortgage pre dates EPC requirements or because works have been completed but an EPC has not yet been issued. Emissions for these properties are therefore estimated using the nearest comparable properties. These estimates are assigned a PCAF data quality score of 5.

[7] Data quality score: PCAF data quality scores range from 1 (highest quality, based on actual energy consumption) to 5 (lowest quality, estimated data). Emissions derived from EPCs are scored 3, as they are modelled using SAP. Emissions estimated for properties without EPCs are scored 5. A weighted average data quality score is reported for the portfolio.

[8] Portfolio coverage: Ecology's 2030 targets apply to 100% of the lending portfolio. Properties under construction do not yet produce operational emissions and are excluded from reporting until completion, in line with PCAF guidance.

Independent auditor's report to the members of Ecology Building Society

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2025 and of the Society's income and the Society's cash flows for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Ecology Building Society (the 'Society') for the year ended 31 December 2025 which comprise of Statement of comprehensive income, Statement of financial position, Statement of changes in Members' interests, Cash flow statement, Notes to the Society financial statements and a summary of significant accounting policies.

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

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.

Independence

We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society in conducting our audit.

Conclusions relating to going concern

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

- Understanding of management's going concern assessment process
- Assessing the Director's assessment of going concern including evaluating the reasonableness of supporting financial forecasts and evaluating their long-term business and strategic plans, capital adequacy and liquidity.
- Reviewing the Internal Capital Adequacy Assessment Process (ICAAP), Internal liquidity adequacy assessment process (ILAAP) and regulatory capital and liquidity requirements
- Challenging the appropriateness of the Directors' assumptions and judgements made in their base forecast and stress-tested forecast, including reverse stress test scenarios. In doing so we agreed key assumptions such as forecast growth to historic actuals and relevant market data and considered the historical accuracy of the Directors forecasts;
and
- Assessing how the Directors have factored in key external factors expected to affect the Society such as interest rate and inflationary changes, checking these had been appropriately considered as part of the Directors' going concern assessment.

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

Overview		2025	2024
Key audit matters	Revenue Recognition (EIR)	✓	✓
	Impairment losses on loans and advances	✓	✓
Materiality	Society financial statements as a whole £323K (2024: £223K) based on 1.5% (2024: 1.25%) of Net assets (2024: Net assets)		

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Society's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Society's transactions and balances which were most likely to give risk to a material misstatement.

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 responded to the risk
<p>Revenue recognition – effective interest rate adjustment</p> <p><i>The Society's accounting policies are disclosed in note 1.2 "Interest" and note 1.12 "Critical accounting judgements and estimates"</i></p> <p><i>As disclosed in Note 1.12 the EIR asset at year-end is £214k (2024: £276k).</i></p>	<p>The Society's interest income is recognised using an effective interest rate ("EIR") method in accordance with the requirements of the applicable accounting standards.</p> <p>This method involves adjusting fee and interest income to ensure it complies with the EIR method. The models used to achieve this are complex and reliant on the completeness and accuracy of input data.</p> <p>Significant management judgement is required to determine the expected cash flows of the Society's loans and advances within these models. The key assumptions in the EIR models are the directly attributable fees and costs and the expected behavioural life including the redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows.</p> <p>We assessed whether the revenue recognition policies adopted by the Society are in accordance with requirements of the applicable accounting framework. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard.</p> <p>Through inspection of contractual terms, we critically assessed the fees and costs included or excluded from the effective interest rate estimates, including early redemption charges.</p> <p>We tested the operating effectiveness of manual controls over the entry of interest rates and contractual terms into the relevant systems.</p> <p>We tested the completeness and accuracy of data and key model inputs feeding into the EIR models by agreeing samples back to the source documents. This includes the data used in the historical behavioural life redemption profiles. The arithmetical accuracy and logic in the model were also tested.</p> <p>We challenged the reasonableness of the loan behavioural life assumptions used by management considering historical experience of loan behavioural lives based on customer behaviour, product type, market factors, recent performance and external data where applicable.</p> <p>We verified the arithmetic accuracy of the EIR model by performing a detailed review of the logic, consistency and integrity of the formulae throughout the EIR model and recalculated the model output.</p>

Key audit matter (continued)	How the scope of our audit responded to the risk
<p>Revenue recognition – effective interest rate adjustment</p> <p><i>The Society's accounting policies are disclosed in note 1.2 "Interest" and note 1.12 "Critical accounting judgements and estimates"</i></p> <p><i>As disclosed in Note 1.12 the EIR asset at year-end is £214k (2024: £276k).</i></p>	<p>Errors within the EIR models themselves or bias in key assumptions applied could result in the material misstatement of revenue.</p> <p>Revenue recognition was therefore considered to be a fraud risk area.</p> <p>We assessed the models for their sensitivities to changes in the key assumptions by considering different profiles of behavioural life.</p> <p>We utilised data analytics to perform a full recalculation of the contractual interest recognised during the financial year on loans advanced.</p> <p>We reviewed the relevant interest income and effective interest rate disclosures made by management for compliance with accounting standards and agreed the disclosures to supporting evidence.</p> <p>Key observations:</p> <p>We have not identified any indicators that the assumptions included in the EIR models are unreasonable in consideration of the Society's mortgage portfolio, historic behaviours and current economic and market conditions.</p>

Key audit matter	How the scope of our audit responded to the risk
<p>Impairment losses on loans and advances</p> <p><i>The Society's accounting policies are detailed in note 1.5 "Financial instruments" with detail about judgements in applying Accounting policies and critical accounting estimates in note 1.12 "Critical accounting judgements and estimates"</i></p> <p><i>As disclosed in Note 12, the total impairment provision at yearend is £339k (2024: £378k).</i></p>	<p>The Society accounts for the impairment of loans and advances to customers using an incurred loss model.</p> <p>In accordance with the recognition and measurement criteria of applicable accounting standards, management has calculated two types of provisions.</p> <p>(i) A specific provision is calculated for loans where there is an observable loss event.</p> <p>(ii) A collective provision is recognised for loans which are impaired as at the year-end date and, whilst not specifically identified as such, are known from experience to be present in any portfolio of loans.</p> <p>Estimating both the specific and collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows.</p> <p>We tested the effectiveness of controls over the application that identifies loans in arrears which are then flagged for investigation.</p> <p>We checked the completeness and accuracy of data and key inputs into the collective and specific provision calculations through reconciliation to underlying records.</p> <p>We assessed the specific and collective provision methodology against the requirements of applicable accounting standards.</p> <p>We have tested that management's stated loan provisioning assumptions have been consistently applied to the specific provision and collective provision model calculations.</p> <p>We have profiled the loan population and tested a sample of loans, including performing loans for impairment indicators including arrears and high loan to values to identify individual loans, which may have impairments not identified by management to challenge the completeness and accuracy of management's impairment provision estimate.</p> <p>We assessed the collective impairment provision for sensitivity to changes in key inputs to identify areas requiring additional focus.</p>

Key audit matter (continued)	How the scope of our audit responded to the risk
<p>Impairment losses on loans and advances</p> <p><i>The Society's accounting policies are detailed in note 1.5 "Financial instruments" with detail about judgements in applying Accounting policies and critical accounting estimates in note 1.12 "Critical accounting judgements and estimates"</i></p> <p><i>As disclosed in Note 12, the total impairment provision at yearend is £339k (2024: £378k).</i></p>	<p>The specific provision is sensitive to key judgements and assumptions in respect to the underlying value of collateral held.</p> <p>The collective provision is calculated within a model that uses a combination of the Society's historical experience and external data. The model is sensitive to key judgements and assumptions including probability of defaults, future house price movements and forced sale discounts against collateral.</p> <p>Due to the sensitivity to key inputs judgements and estimates and high degree of estimation uncertainty, error within the loan loss provisioning models itself or bias in key assumptions applied could result in the material misstatement of impairment provisions.</p> <p>Whilst estimation uncertainty remains, our current year risk assessment indicates a reduction in this level. This is driven by a combination of factors including the complexity of the Society's Loan Loss model, Business model, number of products offered and size of the loan book. The effect of these matters is that, as part of our risk assessment, we determined that the impairment allowance on loans and advances to customers has an elevated risk of estimation uncertainty and a key audit matter.</p> <p>For the specific and collective impairment provision, we evaluated and challenged management key assumptions in the model. The assumptions challenged included forced sales discount, other sales costs, probability of default and the management overlay for macroeconomic factors not identified in the model. These were challenged with reference to historic Society experience, the reasonableness of external data points used, and the level of the overall collective impairment provision to comparable peer organisations.</p> <p>We assessed the adequacy of the Society's disclosures in respect of loan loss provisioning and of the degree of estimation involved in arriving at the provision.</p> <p>Key observations:</p> <p>We have not identified any indicators to suggest that the impairment provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made or that the related disclosures are not appropriate.</p>

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:

	2025 £	2024 £
Materiality	£323,000	£223,000
Basis for determining materiality	1.5% of Net assets	1.25% of Net assets
Rationale for the benchmark applied	We determined that Net assets is the most appropriate benchmark considering the stakeholders focus on regulatory stability. This is considered to be the main driver for the Society rather than maximise profits. Net assets is considered to be the measure which most closely corresponds to regulatory capital. The benchmark basis for assessing materiality increased from 1.25% in the prior year to 1.5% in the current year as a result of further granular understanding of the Society's business and associated risks.	We determined that Net assets is the most appropriate benchmark considering the stakeholders focus on regulatory stability. This is considered to be the main driver for the Society rather than maximise profits. Net assets is considered to be the measure which most closely corresponds to regulatory capital.
Performance materiality	£242,250	£167,250
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience.	In determining performance materiality, we considered factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £16k (2024: £11k). 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 & 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	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• The annual business statement and the Directors' report have been prepared so as to conform to the requirements of, or made under, sections 74 and 75 of the Building Societies Act 1986;• The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• The information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given. <p>In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept by the Society; or• the Society financial statements are not in agreement with the accounting records; or• 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 25 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 Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 Society and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the 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, tax legislation.

The Society is 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:

- Enquires of management whether there were any litigations and claims;
- Review of minutes of meetings 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;

Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Society's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- 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;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

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.

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; and
- 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.

Other matters which we are required to address

We were first appointed by the Board of Directors on 29 September 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods.

Our total uninterrupted period of engagement is 6 years, covering the periods ended 31 December 2020 to 31 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.

James Billingham

(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

17 March 2026

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

Statement of comprehensive income

for the year ended 31 December 2025

	Notes	2025 £000	2024 £000
Interest receivable and similar income	2	18,392	18,751
Interest payable and similar charges	3	(9,597)	(10,843)
Net interest		8,795	7,908
Income from investments		40	50
Fees and commissions receivable		5	6
Fees and commissions payable		(89)	(104)
Other operating income		46	51
Total net income		8,797	7,911
Administrative expenses	4	(8,104)	(7,395)
Depreciation and amortisation	13 & 15	(167)	(163)
Operating profit before impairment losses and provisions		526	353
Provisions for impairment (charge) on loans and advances	12	39	218
Provisions for impairment charge on investments	14	(51)	(126)
Provisions for impairments of Intangible assets	15	(96)	-
Profit before tax		418	445
Tax expense	7	(112)	(121)
Profit for the financial year		306	324
Other comprehensive income		-	-
Total comprehensive income for the year		306	324

Statement of financial position

at 31 December 2025

	Notes	2025 £000	2024 £000
Assets			
Liquid assets			
Cash in hand and with the Bank of England	8	92,279	75,661
Treasury bills and similar securities	10	7,440	991
Loans and advances to credit institutions	9	8,194	6,773
Loans and advances to customers	11	233,867	250,342
Tangible fixed assets	13	1,396	1,300
Investments	14	196	325
Intangible assets	15	-	160
Prepayments and accrued income*	16	4,560	1,157
Total assets		347,932	336,709
Liabilities			
Shares	17	316,898	307,085
Amounts owed to credit institutions	18	-	1,018
Amounts owed to other customers	18	8,264	9,296
Corporation tax payable	19	123	125
Other liabilities	20	677	979
Accruals		321	258
Deferred tax liability	21	79	89
Total liabilities		326,362	318,850
Reserves			
General reserves		14,906	14,968
Core Capital Deferred Shares	24	6,664	2,891
Total reserves attributable to Members of the Society		21,570	17,859
Total reserves and liabilities		347,932	336,709

*"Other debtors" has been retitled "Prepayments and accrued income" to align with The Building Societies (Accounts and Related Provisions) Regulations 1998. This is a presentation change only.

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

Louise Pryor
Chair

Gareth Griffiths
Chief Executive Officer

Nigel Turner
Finance Director

Statement of changes in Members' interests

as of 31 December 2025

	General reserve 2025 £000	Core Capital Deferred Shares 2025 £000	Total 2025 £000	General reserve 2024 £000	Core Capital Deferred Shares 2024 £000	Total 2024 £000
Balance at 1 January	14,968	2,891	17,859	14,934	2,891	17,825
Total comprehensive income for the period						
Profit for the year	306	-	306	324	-	324
Sub total	306		306	324	-	324
Proceeds from issuance of core capital deferred shares, net of issue costs	-	3,773	3,773	-	-	-
Distribution to the holders of Core Capital Deferred Shares	(368)	-	(368)	(290)	-	(290)
Balance at 31 December	14,906	6,664	21,570	14,968	2,891	17,859

Cash flow statement

for the year ended 31 December 2025

	Notes	2025 £000	2024 £000
Cash flows from operating activities			
Profit before tax		418	445
Adjustments for			
Depreciation, impairment and amortisation	13 & 15	167	163
Movement in investment fair value, conversion loss and impairment	14	51	126
Decrease in impairment of loans and advances	12	(39)	(218)
Increase in impairment of intangible assets	15	96	-
Sub total		693	516
Changes in operating assets and liabilities			
(Increase) in prepayments, accrued income and other assets		(3,402)	(457)
(Increase)/Decrease in accrued interest treasury bills and debt securities		(72)	56
Increase in accruals, deferred income and other liabilities		63	60
(Increase)/Decrease in loans and advances to customers	11	16,514	(9,043)
(Increase)/Decrease in loans and advances to credit institutions		2	(8)
Increase in shares	17	9,813	26,931
Increase/(Decrease) in amounts owed to credit institutions	18	(1,018)	1,018
(Decrease) in amounts owed to other customers	18	(1,032)	(517)
(Decrease) in other creditors	20	(302)	(350)
Taxation paid	19	(123)	(292)
Net cash generated by operating activities		21,136	17,914
Cash flow from investing activities			
Purchase of debt securities	10	-	-
Disposal of debt securities	10	-	-
Purchase of treasury bills	10	(8,333)	(3,414)
Disposal of treasury bills	10	1,956	7,791
Repayment/Disposal of investments	14	77	189
Purchase of tangible fixed assets	13	(199)	(49)
Purchase of intangible fixed assets	15	-	-
Net cash (utilised)/generated by investing activities		(6,499)	4,517
Cash flows from financing activities			
Proceeds from the issuance of Core Capital Deferred Shares	24	4,100	-
Cost of Core Capital Deferred Shares	24	(327)	-
Distribution to holders of Core Capital Deferred Share		(369)	(290)
Net cash generated/(utilised) by financing activities		3,404	(290)
Net (decrease)/increase in cash and cash equivalents		18,041	22,141
Cash and cash equivalents at 01 January		82,422	60,281
Cash and cash equivalents at 31 December	8	100,463	82,422

In line with the disclosure requirements of FRS 102, interest received was £18.320m (2024: £18.453m) and interest paid was £9.824m (2024: £7.889m).

Notes to the Accounts

1. Accounting policies

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

1.1 Basis of preparation

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

- In accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, The Financial Reporting Standard, applicable in the UK and Republic of Ireland ("FRS 102") as issued in January 2022. The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.
- On the historical cost basis, except in the case of Financial Instruments which are measured in line with FRS 102 (sections 11 and 12) and treated as either basic or non-basic. Basic instruments are measured at amortised cost and non-basic instruments are stated at their fair value. As per Note 14, certain non-basic financial instruments are carried at cost less impairment, due to the absence of suitable inputs to fair value methodology.

Going Concern

The financial statements have been prepared on the going concern basis. The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from date of approval of these financial statements. In line with the UK Corporate Governance Code (2018) the Society and its Board have considered the outlook and prospects of the Society over a period longer than the 12 months required by the going concern statement.

In making the assessment of going concern and viability, the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period. The Directors have also prepared forecasts which consider the effect of operating under stressed, but plausible, events that would impact on the Society's business, financial position, capital and liquidity. A range of sensitivities have also been applied to these forecasts, including stress scenarios relating to a delay or postponement of the digital transformation, the outlook for interest rates, inflationary and other macroeconomic pressures.

Furthermore, the Society is required to review, annually, our Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), which include the requirement to stress test our 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, borrowers' propensity to default, interest rates and circumstances that may give rise to funding outflows.

The going concern assessment has also considered the current and predicted impacts of climate-change on the Society. This includes considerations of the markets in which the Society conducts business, the Society's operations and any potential impact on the Society's assets. The accounting judgments and estimates made consider physical and transition risks on credit risk and asset values whilst recognising many of the effects arising from climate change will be longer term in nature.

After considering all this information, the Directors' knowledge and experience of the Society and the markets in which it operates, the Directors are satisfied that the Society has adequate resources to continue in business for a period of at least 12 months from the date of signing the financial statements and should therefore present the Annual Report and Accounts on a going concern basis.

1.2 Interest

Interest income and expense are recognised in profit or loss using the amortised cost effective interest method. The 'effective interest rate' (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

The calculation of the effective interest rate includes transaction costs and fees and commissions paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the Statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

1.3 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.2).

Other fees and commission income – including account servicing fees and introducers' commission on house insurance – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to introducer fees specific to the Society's revenue generating activities (excluding EIR already covered by 1.2).

1.4 Taxation

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

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

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

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.5 Financial instruments

Recognition

The Society initially recognises loans and advances and deposits on the date on which they are originated.

All other financial instruments are recognised on the trade date which is the date on which the Society becomes a party to the contractual provisions of the instrument.

Upon initial recognition, the classification of a financial instrument takes into account the contractual terms of the instrument including those relating to future variations. Re-assessment is only required subsequently when there has been a modification of relevant contractual terms.

Certain loans contain interest rate adjustments contingent on borrower EPC outcomes. These variations have been assessed under FRS 102 and are considered to represent reasonable compensation for basic lending risks; accordingly, the loans are classified as basic financial instruments.

Classification

The Society classifies its financial assets and liabilities under FRS102 into one of the following categories:

- Equity

The Society classifies all investments in non-derivative financial instruments that are the equity of the issuer (e.g. ordinary shares) as basic equity instruments.

Basic equity instruments are measured at fair value, with fair value changes recognised immediately in profit or loss.

- Debt

Basic

Basic debt instruments are financial assets where the contractual return is a fixed amount and/or a positive variable rate. This includes all loans and advances and certain investments (as detailed in Note 14).

Basic debt instruments are initially measured at transaction price plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Interest income is recognised in profit or loss using the effective interest method (see 1.2).

Non-Basic

The Society classifies Investments as non-basic debt instruments where the contractual return is based upon the underlying performance of the entity and therefore not determined by a positive fixed or variable rate.

Non-Basic debt instruments are measured at fair value, with fair value changes recognised immediately in profit or loss.

Fair value measurement

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

When available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If a reliable measure of fair value is not available, the Society measures the asset at cost less impairment until a reliable measure becomes available.

Derecognition

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

On derecognition of a financial asset, the difference between: (i) the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Society is recognised as a separate asset or liability.

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

During the year ending 31 December 2025, the Society has not transferred any financial assets to another party that did not qualify for derecognition.

Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer.
- Default or delinquency by a borrower. The Society considers a loan to be in default at three months in arrears, though impairment assessment commences when arrears exceed one month.
- The restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise.
- Indications that a borrower or issuer will enter bankruptcy.
- The disappearance of an active market for a security or other signs a wholesale investment market or counterparty may be distressed.
- Observable data relating to a group of assets, such as adverse changes in the payment status of borrowers.

The Society considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. A range of factors will be considered to determine whether a specific provision is required to be held against a loan including if the loan is in arrears or possession. Further qualitative factors may also be taken into account. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, the Society uses statistical modelling from historical and industry data of the default rate, the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested. The climate risk impact is also considered, see pages 57 to 58 for information.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset, based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

A range of forbearance options are available to support customers who are in financial difficulty. The Society has reviewed the forbearance options it offers members in light of 'The Mortgage Charter', which was signed by the Ecology Building Society when launched by the UK Government in 2023. The Society is satisfied it meets the expectations of the Charter including:

- Communication with members on options available when experiencing payment difficulties,
- Ensuring customers' homes would not be repossessed within 12 months of defaulted payments and
- The availability to customers of options such as interest-only payment periods, mortgage term extensions and temporary payment deferrals to support them in difficult periods.

The purpose of forbearance is to support borrowers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include:

- Interest-only payments
- Payment deferral
- Mortgage term extensions

Borrowers requesting a forbearance option may need to provide information to support the request. If the forbearance request is granted, the account is monitored in accordance with our policy and procedures. At the appropriate time, the forbearance option that has been implemented is cancelled, with the exception of capitalisation of arrears, and the customer's normal contractual payment is restored.

Loans that are subject to restructuring may only be classified as restructured and up-to-date once a specified number and/ or amount of qualifying payments (i.e. a full contractual payment) have been received. These qualifying payments are set at a level appropriate to the nature of the loan and the customer's ability to make the repayment going forward. Typically, the receipt of six months of qualifying payments is required.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

Interest on the impaired assets continues to accrue. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss. Assets will only be written off where the Society believes there is no reasonable expectation the value of the assets is recoverable.

1.6 Cash and cash equivalents

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

The Statements of Cash Flows have been prepared using the indirect method.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings – 50 years
- plant and machinery – 10 years
- fixtures and fittings – 4 to 10 years
- motor vehicles – 4 years
- computer, hardware and associated software – 3 to 5 years

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

1.8 Intangible assets

Intangible assets are recognised when identified, have a probable flow of economic benefits, their cost can be reliably measured, and the Society controls the asset. This differentiates them from the treatment of SaaS arrangements described separately.

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

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

Intangible assets are tested for impairment in accordance with Section 27 of FRS 102 Impairment of Assets when there is an indication that an intangible asset may be impaired.

1.9 Software as a service

The Society treats software acquired through a SaaS arrangement as a service contract. These contracts provide the Society the right to access and use software hosted by a third party over a specified period. The SaaS arrangement does not result in the recognition of an intangible asset, as the Society does not have control of a separate identifiable asset. Therefore, no asset is recorded on the statement of financial position.

Expenses incurred in relation to software, including subscription fees and implementation costs, are included in operating expenses either at the point the costs are incurred or spread over the life of the contract, depending on the nature of the costs.

Recognition and Measurement

Costs Expensed as incurred include:

- Implementation Costs: Costs incurred to set up and configure the software are expensed as incurred. These costs do not create a separate intangible asset as the Society does not control the software.
- Other Implementation Costs: These costs to support the implementation of the software, such as data conversion, training, and testing, are expensed as incurred (i.e. when the service is delivered).

Costs Spread over the life of the contract include:

- Customisation and configuration Implementation Costs: These costs, are expensed across the life of the contract with the SaaS provider as they are 'not distinct' (i.e. they are not separately identifiable from the Society's right to receive access to the software) and
- Subscription Fees: Subscription fees paid for the software is recognised as an expense over the period of the service on a straight-line basis.

1.10 Provisions

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

1.11 Equity instruments

Issued financial instruments are classified as equity instruments where the contractual arrangement with the holder does not result in the Society having a present obligation to deliver cash or to transfer any other value. Accordingly, the Society's Core Capital Deferred Shares are treated as equity instruments, while Shares held by Individuals are classified as liabilities due to the obligation.

The proceeds of issuing equity instruments are recognised within equity, net of directly attributable costs and tax.

Distributions to holders of equity instruments are recognised directly in equity when they are paid as a deduction from the General Reserve.

1.12 Critical accounting judgments and estimates

Certain asset and liability amounts reported in the accounts are based on management judgements and assumptions. There is, therefore, a risk of changes to the carrying amounts of these assets and liabilities within the next financial year.

Impairment losses on loans and advances to customers

The determination of impairment provisions for mortgages is inherently uncertain, requiring significant judgement and estimation. In undertaking this assessment, the Society makes judgments on whether there is evidence that could indicate the default rate, timing of recoveries and the amount of loss incurred on a particular loan portfolio. The Society is fortunate to have low arrears and possession experience, and, due to the size and nature of the book, is able to utilise both specific knowledge of individual cases and arrears management as well as Fitch data when assessing the assumptions to use. For example:

- The incurred loss on loans and advances, as a result of the potential movement in house prices.
- The default rate.
- The likely discount on the sale of properties in possession and
- The length of time to disposal.

Whilst the Society acknowledges that it could purchase statistics to provide data on which to model its provisioning, it considers that the industry wide Fitch data provides a good benchmark.

Effective interest rate (EIR) applied to loans and advances to customers

The impact of mortgage fees on the EIR included in the Statement of comprehensive income is £82k (2024: £122k) with an EIR asset included in the Statement of financial position of £214k (2024: £276k). The most significant component of the application of the EIR method in the measurement of mortgages and the recognition of mortgage fees is the determination of the expected life of the Society's mortgages, which forms the basis of the period over which fee income is spread. Estimates of behavioral expected life are based on the Society's mortgage redemption experience over the previous five-year period and are reviewed on a quarterly basis to ensure they remain appropriate. A period of 5 years is considered a reasonable period over which to assess mortgage redemption experience to ensure cyclicity in market conditions is incorporated within the Society's estimate in this area. Any changes to the average life will create an adjustment to the loan balance in the Statement of financial position with a corresponding adjustment to interest receivable in the Statement of comprehensive income.

Should the actual average life of a mortgage increase/decrease by 10% from that assumed, interest income for 2025 would increase/(decrease) by approximately £7/(£7k) (2024: increase/(decrease) by approximately £27k/(£27k).

Recognition and measurement of software as a service

The Society treats software acquired through a SaaS arrangement as a service contract. These contracts provide the Society the right to access and use software hosted by a third party over a specified period. The SaaS arrangement does not result in the recognition of an intangible asset, as the Society does not have control of a separate identifiable asset. Therefore, no asset is recorded on the statement of financial position.

Expenses incurred in relation to software, including subscription fees and implementation costs, are included in operating expenses either at the point the costs are incurred or spread over the life of the contract, depending on the nature of the costs.

2. Interest receivable and similar income

	2025 £000	2024 £000
On loans fully secured on residential property	13,810	14,736
On other loans	787	829
On treasury bills at fixed rate interest	130	223
On other liquid assets	3,665	2,963
	18,392	18,751

3. Interest payable and similar charges

	2025 £000	2024 £000
On shares held by individuals	9,415	10,536
On deposits and other borrowings	182	307
	9,597	10,843

4. Administrative expenses

	2025 £000	2024 £000
Wages and salaries	3,389	3,056
Social security costs	426	333
Other pension costs	469	381
Sub Total	4,284	3,770
Other administrative expenses	3,820	3,625
	8,104	7,395

Included within other administrative expenses are one-off transformation costs of £1.5m (2024: £0.9m), consistent with the amounts reported in the Finance Directors review.

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

	2025 £000	2024 £000
Audit of these annual accounts	228	279

5. Employee numbers

The average number of persons employed by the Society (including Directors) during the year, analysed by category, was as follows:

	2025	2024
Full-time	59	57
Part-time	6	6
Total	65	63

6. Directors' remuneration

Total remuneration amounted to £492.2k (2024: £453.2k). Full details are given in the tables within the Remuneration report on pages 42 and 43.

The amounts detailed in the table have been subject to external audit.

7. Taxation

	2025 £000	2024 £000
<i>Current tax</i>		
Current tax on income for the period	123	126
Adjustments in respect of prior periods	-	(1)
Total current tax	123	125
<i>Deferred tax see note 21</i>		
Origination and reversal of timing differences	(11)	(4)
Adjustment in respect of previous periods	-	-
Change in tax rate	-	-
Total deferred tax	(11)	(4)
Total current and deferred tax	112	121

Analysis of current tax recognised in profit and loss

	2025 £000	2024 £000
Profit for the year	306	324
Total tax expense	112	121
Profit excluding taxation	418	445
Tax using UK corporation tax rate of 25.00% (2024: 25%)	104	111
Community investment relief	-	(1)
Income not taxable	-	(1)
Change in tax rate on deferred tax balance	-	-
Non-deductible expenses	8	12
Total tax expense included in profit or loss	112	121

The effective tax rate for the 12-month period ended 31 December 2025 is 25.00% (2024: 25.00%).

Adjustments to tax charges in earlier years arise because the tax charge in the financial statements is estimated before the detailed corporation tax calculations are prepared. Additionally, HM Revenue & Customs may not agree with the tax return that was submitted for a year and the tax liability for a previous year may be adjusted as a result.

Some expenses incurred by the Society may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Society's tax liability. The most significant example of this is accounting depreciation or losses incurred on assets that do not qualify for capital allowances (generally land and buildings). Other examples include some legal expenses and some repair costs.

8. Cash and cash equivalents

	2025	2024
	£000	£000
Cash in hand and balances with the Bank of England	92,279	75,661
Loans and advances to credit institutions	8,184	6,761
Cash and cash equivalents per cash flow statements	100,463	82,422

9. Loans and advances to credit institutions

	2025	2024
	£000	£000
Accrued interest	10	12
Repayable on demand	7,684	6,261
In not more than three months	500	500
In more than 3 months but not more than one year	-	-
Total loans and advances to credit institutions	8,194	6,773

10. Treasury bills and similar securities

	2025 £000	2024 £000
Treasury bills	7,440	991
Certificates of deposit	-	-
	7,440	991

Treasury Bills have remaining maturity as follows:

In not more than 3 months	4,478	991
In more than 3 months but not more than one year	2,962	-
	7,440	991

Transferable Treasury Bills comprise:

Unlisted	7,440	991
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Movements in Treasury Bills during the year (excluding accrued interest) are summarised as follows:

	2025 £000	2024 £000
At 1 January	977	5,354
Additions	8,333	3,414
Disposals and maturities	(1,956)	(7,791)
At 31 December	7,354	977

11. Loans and advances to customers

	2025 £000	2024 £000
Loans fully secured on residential properties	223,834	240,621
Loans fully secured on land	10,033	9,721
	233,867	250,342

The remaining maturity of loans and advances to customers from the reporting date is as follows:

	2025 £000	2024 £000
In not more than three months	1,773	2,193
In more than three months but not more than one year	5,836	5,549
In more than one year but not more than five years	33,253	35,320
In more than five years	193,344	207,658
Sub Total	234,206	250,720
Less: allowance for impairment (note 12)	(339)	(378)
Total	233,867	250,342

The maturity analysis above is based on contractual maturity.

12. Allowance for impairment

	Loans fully secured on residential property £000	Other loans £000	Total £000
Provision for impairment on loans and advances			
At 1 January 2025			
Individual impairment	187	40	227
Collective impairment	143	8	151
Total impairment	330	48	378
Statement of comprehensive income			
Impairment losses on loans and advances			
Individual impairment	(49)	69	20
Collective impairment	(56)	(3)	(59)
Charge/(credit) for the year	(105)	66	(39)
At 31 December 2025			
Individual impairment	138	109	247
Collective impairment	86	6	92
Total impairment	224	115	339
Provision for impairment on loans and advances			
At 1 January 2024			
Individual impairment	54	14	68
Collective impairment	490	38	528
Total impairment	544	52	596
Statement of comprehensive income			
Impairment losses on loans and advances			
Individual impairment	133	26	159
Collective impairment	(347)	(30)	(377)
Charge/(credit) for the year	(214)	(4)	(218)
At 31 December 2024			
Individual impairment	187	40	227
Collective impairment	143	8	151
Total impairment	330	48	378

13. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & computer equipment £000	Assets Under Construction £000	Total £000
Cost					
Balance at 1 January 2025	1,511	147	600	-	2,258
Additions	-	9	23	167	199
Disposals	-	-	(9)	-	(9)
Balance at 31 December 2025	1,511	156	614	167	2,448
Depreciation					
Balance at beginning of the year	499	125	334	-	958
Depreciation charge for the year	28	4	71	-	103
Disposals	-	-	(9)	-	(9)
Balance at 31 December 2025	527	129	396	-	1,052
Net book value					
At 1 January 2025	1,012	22	266	-	1,300
At 31 December 2025	984	27	218	167	1,396
Cost					
Balance at 1 January 2024	1,494	147	579	-	2,220
Additions	17	-	32	-	49
Disposals	-	-	(11)	-	(11)
Balance at 31 December 2024	1,511	147	600	-	2,258
Depreciation					
Balance at beginning of the year	472	119	279	-	870
Depreciation charge for the year	27	6	66	-	99
Disposals	-	-	(11)	-	(11)
Balance at 31 December 2024	499	125	334	-	958
Net book value					
At 1 January 2024	1,022	28	300	-	1,350
At 31 December 2024	1,012	22	266	-	1,300

Items disposed of during the year were decommissioned assets.

Freehold land and buildings, which are included in the balance sheet at cost less depreciation, amounted to £0.984m at 31 December 2025 (2024: £1.012m).

The Society occupies 100% of the freehold land and buildings for its own purposes.

Assets under construction relates to our new branch premises in Porth.

14. Investments

							2025
	2025 opening carrying value £000	Additions £000	Disposal/ Conversion £000	Repayment of capital £000	Movement in fair value £000	Movement in impairment £000	closing carrying value £000
Equity							
Basic	3	-	-	-	-	-	3
Debt Investments							
Basic	178	-	(28)	(23)	-	(51)	76
Non-Basic	144	-	(13)	(14)	-	-	117
Total	325	-	(41)	(37)	-	(51)	196

							2024
	2024 opening carrying value £000	Additions £000	Disposal/ Conversion £000	Repayment of capital £000	Movement in fair value £000	Movement in impairment £000	closing carrying value £000
Equity							
Basic	115	-	(112)	-	-	-	3
Debt Investments							
Basic	366	-	(49)	(13)	-	(126)	178
Non-Basic	159	-	-	(15)	-	-	144
Total	640	-	(161)	(28)	-	(126)	325

The Society has invested directly in renewable energy, and to support other co-operative ventures, with all loans interest bearing. In accordance with accounting policy 1.5, at each reporting date the Society assesses whether there is evidence that financial assets not carried at fair value through profit or loss are impaired. Basic instruments are measured at amortised cost and non-basic instruments are stated at their fair value, where possible. Certain non-basic financial instruments are carried at cost less impairment, due to the absence of suitable inputs to fair value methodology.

15. Intangible assets

	Purchased software/ Software in development 2025 £000	Purchased software/ Software in development 2024 £000
Cost		
Balance at January	435	439
Additions	-	-
Disposals	(15)	(4)
Balance at 31 December	420	435
Amortisation		
Balance at January	275	215
Amortisation for the year	64	64
Impairments/(release of impairment on disposed assets)	96	-
Disposals	(15)	(4)
Balance at 31 December	420	275
Net book value		
At January	160	224
At 31 December	-	160

The disposal during the year represents expired software licenses that were fully depreciated.

16. Prepayments and accrued income

	2025 £000	2024 £000
Prepayments	4,536	1,147
Accrued income	24	10
Total	4,560	1,157

Includes prepayments and accrued income of £2.909m (2024: £0.473m) for the Society that are expected to be recognised as expenses after 1 year. This is due to the accounting treatment of the Transformation costs, SaaS account is detailed in section 1.9 of Note 1.

17. Shares

	2025 £000	2024 £000
Held by individuals	316,898	307,085

Shares are repayable with remaining maturities from the balance sheet date as follows:

Accrued interest	2,727	2,954
On demand	214,627	207,682
In not more than three months	87,370	84,290
In more than three months	12,174	12,159
Total	316,898	307,085

18. Amounts owed to credit institutions and other customers

	2025 £000	2024 £000
In not more than three months	-	1,018
Repayable on demand	8,264	9,296

19. Corporation tax payable

	2025 £000	2024 £000
Corporation tax falling due within one year	123	125

20. Other liabilities

	2025 £000	2024 £000
Other creditors	677	979

21. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2025	2024	2025	2024	2025	2024
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	-	-	79	89	79	89
FRS 102 transitional adjustments	-	-	-	-	-	-
Other timing differences	-	-	-	-	-	-
Tax (assets)/liabilities	-	-	79	89	79	89

The accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. For taxation purposes, the Society is able to claim capital allowances, a tax relief provided in law.

This difference between the rates of depreciation and capital allowances means that there is a difference between the taxable profit for accounting and taxation purposes and this year the Society was able to claim more tax relief than the accounting charge for depreciation. There are no key estimate judgements required.

22. Financial instruments

The Society uses financial instruments to invest liquid asset balances and raise wholesale funding.

The Society does not run a trading book.

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. Note 1.5 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's assets by financial classification:

Carrying values by category	Held at amortised cost £000	Held at fair value £000	Non-financial Instruments	Total £000
31 December 2025				
Financial assets				
Cash in hand and balances with the Bank of England	92,279	-	-	92,279
Treasury Bills and similar securities	7,440	-	-	7,440
Loans and advances to credit institutions	8,194	-	-	8,194
Debt securities	-	-	-	-
Loans and advances to customers	233,867	-	-	233,867
Fixed asset investments	76	120	-	196
Other debtors	-	-	-	-
Total financial assets	341,856	120	-	341,976
Non-financial assets	-	-	5,956	5,956
Total assets	341,856	120	5,956	347,932
Financial liabilities				
Shares	316,898	-	-	316,898
Amounts owed to credit institutions	-	-	-	-
Amounts owed to other customers	8,264	-	-	8,264
Subordinated liabilities	-	-	-	-
Other liabilities	555	-	-	555
Accruals	321	-	-	321
Other provisions	-	-	-	-
Total financial liabilities	326,038	-	-	326,038
Non-financial liabilities	-	-	324	324
Total liabilities	326,038	-	324	326,362
General reserves and other reserves	-	-	21,570	21,570
Total reserves and liabilities	326,038	-	21,894	347,932

22. Financial instruments (continued)

Carrying values by category	Held at amortised cost £000	Held at fair value £000	Non-financial Instruments	Total £000
31 December 2024				
Financial assets				
Cash in hand and balances with the Bank of England	75,661	-	-	75,661
Treasury Bills and similar securities	991	-	-	991
Loans and advances to credit institutions	6,773	-	-	6,773
Debt Securities	-	-	-	-
Loans and advances to customers	250,342	-	-	250,342
Fixed asset investments	178	147	-	325
Other debtors	-	-	-	-
Total financial assets	333,945	147	-	334,092
Non-financial assets	-	-	2,617	2,617
Total assets	333,945	147	2,617	336,709
Financial liabilities				
Shares	307,085	-	-	307,085
Amounts owed to credit institutions	1,018	-	-	1,018
Amounts owed to other customers	9,296	-	-	9,296
Subordinated liabilities	-	-	-	-
Other liabilities	882	-	-	882
Accruals	258	-	-	258
Other provisions	-	-	-	-
Total financial liabilities	318,539	-	-	318,539
Non-financial liabilities	-	-	311	311
Total liabilities	318,539	-	311	318,850
General reserves and other reserves	-	-	17,859	17,859
Total reserves and liabilities	318,539	-	18,170	336,709

At 31 December 2025, the Society has off balance sheet exposure – mortgage commitments of £26.4m (2024: £33.8m).

a) Valuation of financial instruments carried at fair value

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

Valuation techniques

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

- Level 1 The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society's Level 1 portfolio comprises one financial fixed asset investment for which traded prices are readily available.
- Level 2 These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets.
- Level 3 These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models.

22. Financial instruments (continued)

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2025				
Financial assets				
Equity – Basic				
Fair value through profit and loss	3	-	-	3
	3	-	-	3
31 December 2024				
Financial assets				
Equity – Basic				
Fair value through profit and loss	3	-	-	3
	3	-	-	3

Note: The Society's accounting framework FRS102 outlines that these investments should be measured at fair value, where a reliable measurement is available. However, £117k of non basic debt investments are carried at cost less impairment because fair value can't be reliably measured.

b) Credit risk

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

Changes in the credit quality and the recoverability of loans and amounts due from counterparties influence the Society's exposure to credit risk. The Society maintains a cautious approach to credit risk and new lending. All loan applications are assessed with reference to the Society's Lending Policy.

Changes to the Policy are approved by the Board and the approval of loan applications is mandated. The Board is responsible for approving treasury counterparties.

Adverse changes in the credit quality of counterparties, deterioration in the wider economy, including rising unemployment, changes in interest rates, deterioration in household finances and any contraction in the UK property market leading to falling property values, could affect the recoverability and value of the Society's assets and impact its financial performance. An economic downturn and fall in house prices would affect the level of impairment losses.

Credit risk arising from lending activity is managed through a comprehensive analysis of both the creditworthiness of the borrower and the proposed security. Following completion, the performance of all mortgages and commercial loans is monitored closely and action is taken to manage the collection and recovery process.

The risk posed by counterparties is controlled by restricting the amount of lending to institutions without an external credit rating. This control also applies to counterparties with credit ratings below A-. The Assets and Liabilities Committee (ALCO), the Product Governance Committee and the Core Management Committee provide oversight to the effectiveness of the Society's credit management and the controls in place ensure lending is within the Board approved credit risk appetite.

22. Financial instruments (continued)

The Society's maximum credit risk exposure, gross of any provisions for impairment, is detailed in the table below:

	2025 £000	2024 £000
Cash with Bank of England	92,279	75,661
Loans and advances to credit institutions	8,194	6,773
Treasury Bills and similar securities	7,440	991
Debt investments	193	523
Loans and advances to customers (note 11)	234,206	250,720
Total Statement of financial position exposure	342,312	334,668
Off balance sheet exposure – mortgage commitments	26,445	33,936
	368,757	368,604

The Society does not use credit derivatives, or similar instruments, to manage its credit risk.

22. Financial instruments (continued)

Credit quality analysis of loans and advances to customers

The table below sets out information about the credit quality of financial assets and the allowance for impairment/loss held by the Society against those assets.

	2025 Loans fully secured on residential property £000	Loans fully secured on land £000	Total loans £000	2024 Loans fully secured on residential property £000	Loans fully secured on land £000	Total loans £000
Neither past due nor impaired	215,409	6,721	222,130	232,905	6,935	239,840
Past due but not impaired						
1-2 months	475	-	475	1,114	78	1,192
2-3 months	438	-	438	331	-	331
Greater than 3 months	1,750	-	1,750	2,104	-	2,104
	2,663	-	2,663	3,549	78	3,627
Individually impaired						
Not past due*	5,363	3,392	8,755	3,255	2,756	6,011
1-2 months	207	35	242	1,087	-	1,087
2-3 months	-	-	-	-	-	-
Greater than 3 months	416	-	416	155	-	155
	5,986	3,427	9,413	4,497	2,756	7,253
Total balances gross of provision	224,058	10,148	234,206	240,951	9,769	250,720
Allowance for impairment						
Individual	(138)	(109)	(247)	(187)	(40)	(227)
Collective	(86)	(6)	(92)	(143)	(8)	(151)
Total allowance for impairment	(224)	(115)	(339)	(330)	(48)	(378)
Total balances net of provisions	223,834	10,033	233,867	240,621	9,721	250,342

*The 2024 comparative figure has been restated as the corresponding information was misclassified in the 2024 financial instruments disclosure.

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example, when loans are past due) or the property is in possession, or where fraud, negligence or the borrower has significant financial difficulties has been identified. Further consideration is given in accounting policy 1.5 to the accounts.

Balances reported as neither past due nor impaired have not been subject to a specific impairment assessment, as no objective evidence of impairment or credit deterioration has been identified.

No geographical analysis is presented because all of the Society's activities are conducted within the UK.

22. Financial instruments (continued)

The table below stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The table represents the gross value of mortgage loans and therefore excludes any allowance for impairment and EIR.

The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination, updated based on changes in house price indices.

	2025 £000	2024 £000
LTV ratio		
Less than or equal to 50%	90,237	102,193
Greater than 50% but less than or equal to 70%	97,119	93,854
Greater than 70% but less than or equal to 90%	46,882	53,857
Greater than 90% but less than or equal to 100%	–	906
Greater than 100%	182	185
Sub Total	234,420	250,995
Accounting Adjustments for Effective Interest Rate	(553)	(653)
Loans and Advances (note 11)	233,867	250,342

c) Forbearance

The Society exercises forbearance to assist borrowers who, due to personal and financial circumstances, are experiencing difficulty in meeting their contractual repayments. The Society, wherever possible, arranges for a concession to be put in place by way of a payment holiday, or repayment of interest only, for an agreed period of time. Consideration is also given to borrowers in arrears, and appropriate arrangements are agreed to underpay, or overpay, the arrears within an agreed timeframe. When a borrower enters into a forbearance arrangement, regular monitoring of the account is undertaken and consideration is given to the ongoing potential risk to the Society and the suitability of the arrangement for the borrower. An individual provision is made against any loan that is considered to be impaired. Once the agreement has been successfully concluded, the case is no longer considered to be impaired but continues to be monitored.

The table below analyses residential mortgage balances with renegotiated terms at the year end:

	2025 £000	2024 £000
Payment holiday	2,641	891
Interest only	227	1,316
Arrears overpayment	233	1,208
	3,101	3,415

There was a total of 16 accounts in forbearance at 31 December 2025 (2024: 18).

22. Financial instruments (continued)

d) Liquidity risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its obligations as they fall due under normal business conditions or a stressed environment. The Society's Liquidity Policy requires that a significant amount of its assets are carried in the form of on-call and other readily available assets in order to:

- Meet day-to-day business needs
- Meet any unexpected funding stress scenario
- Ensure maturity mismatches are provided for

Balance sheet and liquidity limits (including counterparty limits) are set to support this risk appetite within the Society's Financial Risk Policy.

Monitoring of liquidity is performed daily. Compliance with policy is reported to every ALCO and, subsequently, the Board.

The Society's Liquidity Policy is designed to ensure that the Society has sufficient liquid resources to withstand a range of scenarios. A series of liquidity stresses have been developed as part of the Society's ILAAP. They include scenarios that fulfil the specific requirements of the Prudential Regulation Authority (PRA), the Society specific, market-wide and a combination of both scenarios. The stress tests are performed periodically and reported to ALCO to confirm that the liquidity policy remains appropriate.

The Society's liquid resources comprise of high quality liquid assets, including Bank of England Reserve Accounts, term deposit accounts, or debt securities and treasury bills that are capable of being sold at short notice to meet unexpected adverse cash flows.

Maturity analysis

The tables below set out a maturity analysis for financial liabilities that shows the remaining contractual maturities. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates for the average period until maturity, on the amounts outstanding at 31 December.

31 December 2025

	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
Shares	217,354	87,884	12,399	-	-	317,637
Amounts owed to Credit Institutions	-	-	-	-	-	-
Amounts owed to other customers	8,264	-	-	-	-	8,264
Other liabilities	-	555	-	-	-	555
Accruals	-	321	-	-	-	321
Total	225,618	88,760	12,399	-	-	326,777

22. Financial instruments (continued)

31 December 2024

	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
Shares	210,635	84,982	12,435	-	-	308,052
Amounts owed to Credit Institutions	-	1,025	-	-	-	1,025
Amounts owed to other customers	9,296	-	-	-	-	9,296
Other liabilities	-	882	-	-	-	882
Accruals	-	258	-	-	-	258
Total	219,931	87,147	12,435	-	-	319,513

e) Market risk

Market risk is the risk that the value of, or income arising from, the Society's assets and liabilities changes as a result of changes in market prices, the principal elements being interest rate risk, foreign currency risk and equity price risk.

As the Society only deals with products in sterling, it is not exposed to foreign currency risk. The Society's products are also only interest orientated products, so are not exposed to other pricing risks. As disclosed in Note 14, the Society's equity price risk exposure amounts to £3k (2024: £3k). This level of equity price risk is not considered significant to the Society.

The Society monitors interest rate risk exposure against limits by determining the effect on the Society's current net notional value of assets and liabilities for a parallel shift in interest rates equivalent to 200 basis points (bps) or 2% for all maturities, in line with regulatory requirements. The results are measured against the risk appetite for market risk, which is currently set at a maximum of 15% of reserves. Results are reported to ALCO and the Board on a bi-monthly basis.

The following table provides an analysis of the Society's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

	200bp parallel increase £000	200bp parallel decrease £000
Sensitivity of reported equity to interest rate movements		
At 31 December 2025		
Average for the period	93	95
Maximum for the period	129	130
Minimum for the period	49	49
At 31 December 2024		
Average for the period	98	101
Maximum for the period	153	158
Minimum for the period	55	55

22. Financial instruments (continued)

f) Capital

The Society's policy is to maintain a strong capital base to maintain Member, creditor and market confidence and to sustain future development of the business. The formal ICAAP process assists the Society with its management of capital. The Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above its Total Capital Requirement (TCR).

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

- **Lending decisions** – The Society maintains a comprehensive set of sectoral limits on an overall and 12-month rolling basis to manage credit risk appetite. Individual property valuations are monitored against House Price Index (HPI) data and updated quarterly.
- **Concentration risk** – The design of lending products takes into account the overall mix of the loan portfolio to manage exposure to risks arising from the property market and other markets the Society is active in.
- **Counterparty risk** – Wholesale lending is only carried out with approved counterparties in line with the Society's lending criteria (including ethical considerations) and is subject to a range of limits that reflect the risk appetite of the Society.

Stress tests are used as part of the process of managing capital requirements.

The Society's capital requirements are set and monitored by the Prudential Regulation Authority (PRA). During 2025, the Society has continued to comply with the EU Capital Requirements Regulation and Directive (Basel III) as amended by the PRA. Further details of the Society's approach to Risk Management are given in the Risk Management Report.

Regulatory capital is analysed into two tiers:

- **Tier 1 capital** – which is comprised of retained earnings and the Core Capital Deferred Shares.
- **Tier 2 capital** – which includes collective provisions.

The level of capital is matched against risk-weighted assets which are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

There were no reported breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year.

23. Related parties

Transactions with key management personnel

Key management personnel consists of the Executive Directors and Non-Executive Directors who are responsible for ensuring that the Society meets its strategic and operational objectives. In the normal course of business, key management personnel, and their close family members, transacted with the Society. The balances of transactions with key management personnel, and their close family members, are as follows:

	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 to customers	-	-	-	-
Deposits and share accounts	7	81	8	171

Directors' loans and transactions

At 31 December 2025, there was 0 loans (2024: 0) made in the ordinary course of the Society's business to Directors and connected persons amounting.

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

Directors' remuneration

The Directors' remuneration figures are disclosed in the remuneration tables contained within the Directors' Remuneration Report on pages 40 to 43.

24. Core capital deferred shares

	Number of shares	Core Capital Deferred Shares £000	Core Capital Deferred Shares—issue costs £000	Share premium £000	Total £000
Balance at 1 January 2025	3,000,000	3,000	(109)	–	2,891
Capital raised during period	4,100,000	4,100	(327)	–	3,773
Balance as at 31 December 2025	7,100,000	7,100	(436)		6,664
Balance at 1 January 2024	3,000,000	3,000	(109)	–	2,891
Balance as at 31 December 2024	3,000,000	3,000	(109)	–	2,891

CCDS are a form of Common Equity Tier 1 (CET 1) capital, developed to enable the Society to raise capital from external investors.

CCDS are perpetual instruments which rank pari passu to each other and are junior to claims against the Society of all depositors and creditors. Each holder of CCDS has one vote, regardless of the number of shares held. In the event of a winding up or dissolution of the Society, the extent to which each holder of CCDS may participate in the division of the remaining assets of the Society will be limited in proportion to their contribution to the Society's capital over time.

Distributions to the holders of CCDS are at the sole and absolute discretion (subject to applicable law and regulation) of the Board of Directors, save that the amount that can be paid to the holders of CCDS in any financial year is subject to the cap on Distributions under the Society's Rules. In February 2026, the Society issued a further £2.9m of CCDS to bring the total balance to £10.0m. This further strengthens the Society's capital position and will support future lending growth.

25. Country-by-country reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The purpose of these regulations is to provide clarity on the Society's income and the locations of its operations.

UK Activity for the year ended 31 December 2025:

- The Society's principal activities are mortgage lender and provider of savings accounts
- The Society's turnover (defined as net interest receivable) was £8.8m (2024: £7.9m).
- Profit before tax was £0.418m (2024: £0.445m), all of which arose from UK-based activity
- Number of employees was 65 (2024: 63)
- Corporation tax of £0.123m (2024: £0.292m) was paid in the year and is within the UK tax jurisdiction
- No public subsidies were received in the year

Annual Business Statement

Year ended 31 December 2025

1 Statutory percentages

	Statutory limit %	At 31 December 2025 %	At 31 December 2024 %
Lending limit	25.00	6.24	4.46
Funding limit	50.00	1.53	2.15

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. The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are as prescribed by the Building Societies Act 1986 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by Members.

2 Other percentages

	2025 %	2024 %
Gross capital as a percentage of shares and borrowings	6.63	5.63
Free capital as a percentage of shares and borrowings	6.23	5.21
Liquid assets as a percentage of shares and borrowings	33.19	26.28
Profit after taxation as a percentage of mean total assets	0.09	0.10
Management expenses as a percentage of mean total assets	2.42	2.34

Gross capital represents the General reserves plus Core Capital Deferred Shares as shown in the Statement of financial position.

Free capital is the gross capital plus the collective impairment for losses on loans less tangible and intangible fixed assets.

Shares and borrowings are the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers including accrued interest.

Liquid assets are taken from the items so named in the Statement of financial position.

The profit after taxation is the profit for the year as shown in the Statement of comprehensive income.

Management expenses are the administrative expenses plus depreciation and amortisation for the year as shown in the Statement of comprehensive income.

Mean total assets are the average of the 2025 and 2024 total assets.

3 Information relating to Directors at 31 December 2025

Name / Date of birth	Occupation / Date of appointment to the Board	Other Directorships
Louise Margaret PRYOR (20.04.1960)	Actuary (28.02.2020)	Callund Consulting Limited
Gareth GRIFFITHS (25.11.1982)	Building Society Chief Executive Officer (01.06.2022)	Mynd I Nofio Limited
Giovanni D'ALESSIO (09.07.1973)	Chief Executive Officer / Chief Information Officer (30.09.2022)	NHS Greater Glasgow and Clyde – Non-Executive Director Inverclyde IJB (Integrated Joint Board) – Non-Executive Director NHS Greater Glasgow and Clyde Endowment Fund – Trustee Forestry and Land Scotland – Non-Executive Advisor
(Karl) Jaedon GREEN (08.08.1970)	Portfolio Non-Executive Director (03.03.2023) Deputy Chair 31.12.2024	Community Housing Group Limited – Non-Executive Director Castles & Coasts Housing Association Limited – Non-Executive Director Yorkshire Housing Limited – Independent Member of Audit & Risk Committee Trustee of The Ecology Building Society Foundation Two Castles Limited – Director of dormant subsidiary of Castles & Coasts Housing Association
Andrew MULLIGAN (04.02.1964)	Director (25.04.2024) Senior Independent Director 24.04.2025	None
Sameera KHALIQ (17.10.1982)	Chief Financial Officer (24.04.2025)	DF Capital Bank
Kellie HARGRAVES (09.11.1974)	Director (25.04.2024)	Inviktus Limited – Director The Quoted Company Alliance - Director

Gareth Griffiths has a service contract (with a six month notice period), details of which can be found in the Directors' Remuneration Report on pages 40 to 43.

Glossary

Some of the financial terms we use in this Annual Report & Accounts are explained below:

Advance: Money loaned ('advanced') to a borrower.	Liquid assets: Cash, or assets that can be converted into cash (such as bonds).
Amortisation: The process of gradually writing off the value of something to reflect a reduction in its value over time. It is the same as depreciation, but is usually used for intangible assets, such as goodwill.	Liquidity: The availability of liquid assets to Ecology.
Assets: Something belonging to the business that has value. For Ecology, this means liquid assets, mortgage assets and fixed assets.	Management expenses: Administrative expenses, plus depreciation.
Capital: Profit retained by Ecology to act as a buffer against losses and instruments that qualify as capital, such as Core Capital Deferred Shares.	Management Expenses Ratio: The proportion of management expenses to the average of total assets during the year.
Counterparties: The banks, building societies and money market funds that hold Ecology's liquid assets.	Mortgage assets: The value of mortgage loans, less provisions.
Depreciation: Depreciation is both the gradual writing down of the value of an asset and the allocation of the cost of the asset over the period of time that it is used.	Net lending: New advances made in the year, less redemptions.
Fixed assets: Assets, such as the head office, furniture, machinery and IT equipment that the Society owns and uses, and does not buy and sell as part of its regular trade.	Net profit: Profit, less tax.
Forbearance: A special agreement between a lender and a borrower which aims to prevent repossession.	Provisions: Money set aside to cover potential losses on loans.
Gross capital: Reserves and Core Capital Deferred Shares.	Redemptions: When borrowers pay back their mortgage loan.
Gross Capital Ratio: Gross capital as a percentage of shares and borrowing.	Reserves: For Ecology, this is accumulated retained profits.
Gross lending: New advances made in the year.	Shares: For Ecology (like other building societies), shares refer to money deposited by Members, who have a 'share' in the business should it be wound down.
Inflow: The flow of money into the Society from savers' deposits and mortgage repayments.	Subordinated debt: Debt that has a lower ranking than other forms of debt. If Ecology were to be wound down, subordinated debt would only be repaid after other claims on the business had been repaid.
Liabilities: Something the business is legally responsible to repay to others. For Ecology, this means our Members' savings, our reserves, and debt we owe to other organisations.	Write-back: When the value of a provision is subsequently restored ('written back') to the balance sheet.



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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Financial Services Register No. 162090