Ecology Building Society

Unaudited Full Year Performance Update

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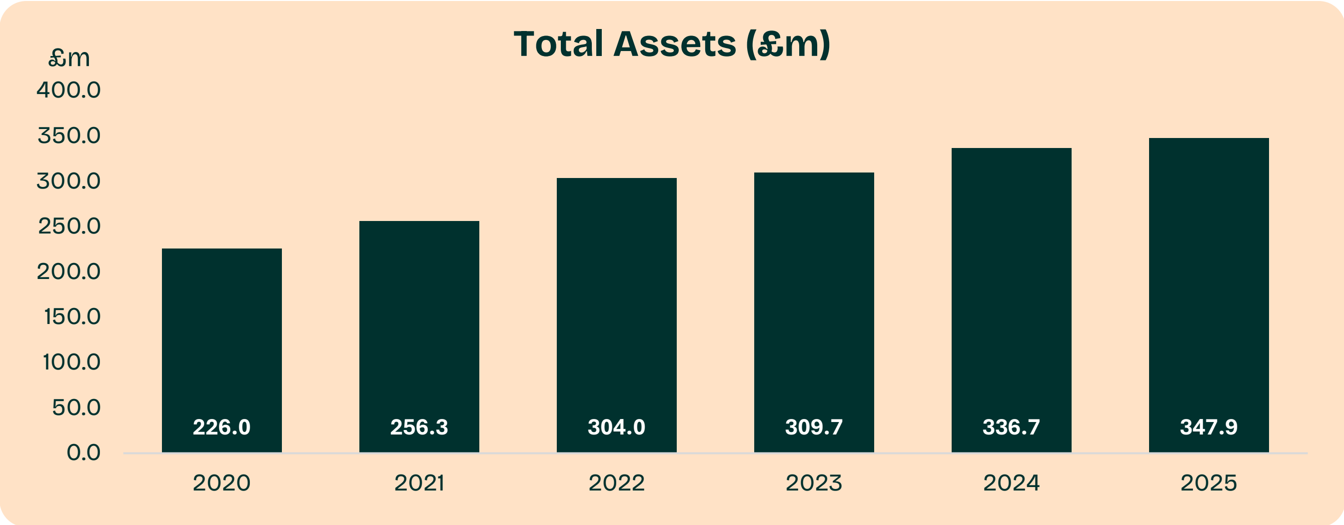
2025 Full Year unaudited performance update

A summary of the Society's key financial information has been set out below, with the addition of the unaudited Full Year Management Accounts position for 2025:

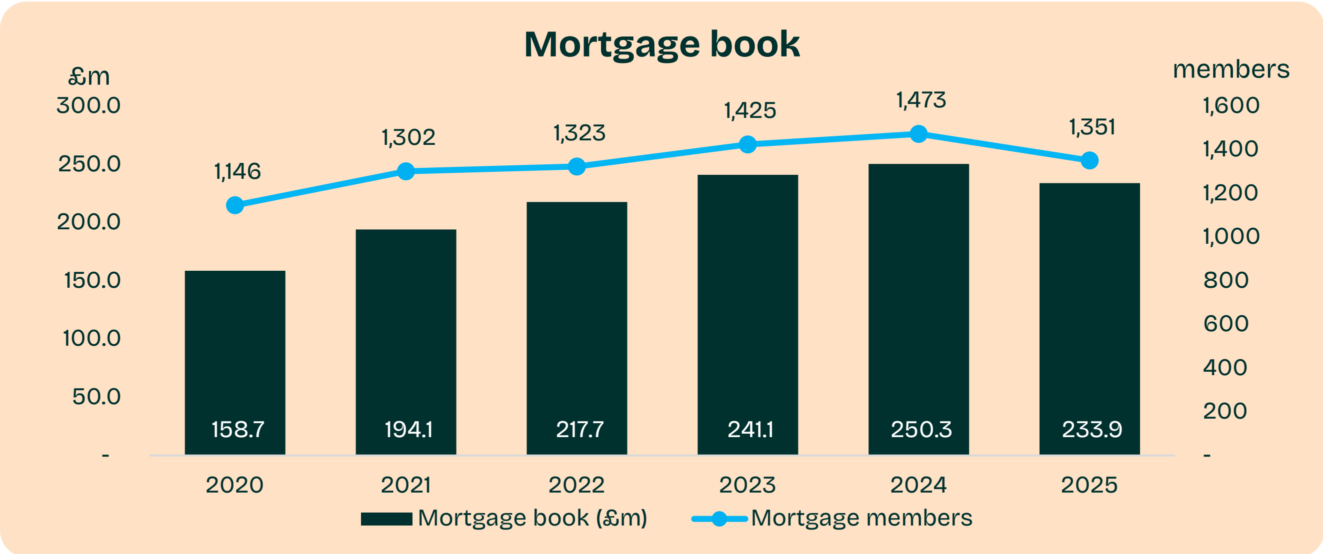
Total Assets



Throughout 2025, the Society has seen an £11.2m (3.2%) increase in total assets, ending 2025 at **£347.9m**.

The increase was primarily in liquid assets as the Society moderated the level of new business lending, while the transformation of the core banking system was progressed. This was so that we could limit system changes to simplify data migration and also enable operational colleagues to focus on developing and testing the new system, processes and outputs.

Mortgage Book

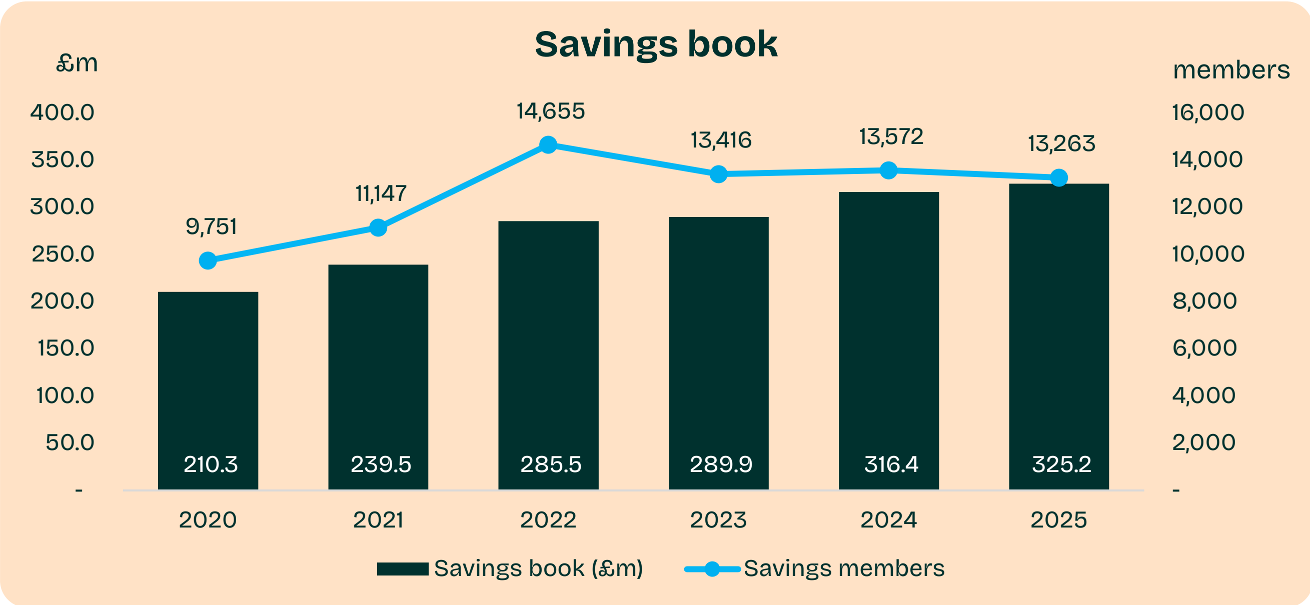


The mortgage book declined by **6.6%** during 2025, which was within our range of acceptable outcomes.

This was due to reducing the level of new lending, while progressing the digital transformation programme and increased competition in the remortgage market, which increased redemption activity.

New targeted products were launched in 2025, as well as increased broker activity and the mortgage pipeline was at its highest point of the year in December 2025, increasing by £6.2m in Q4 (19%).

Funding Book

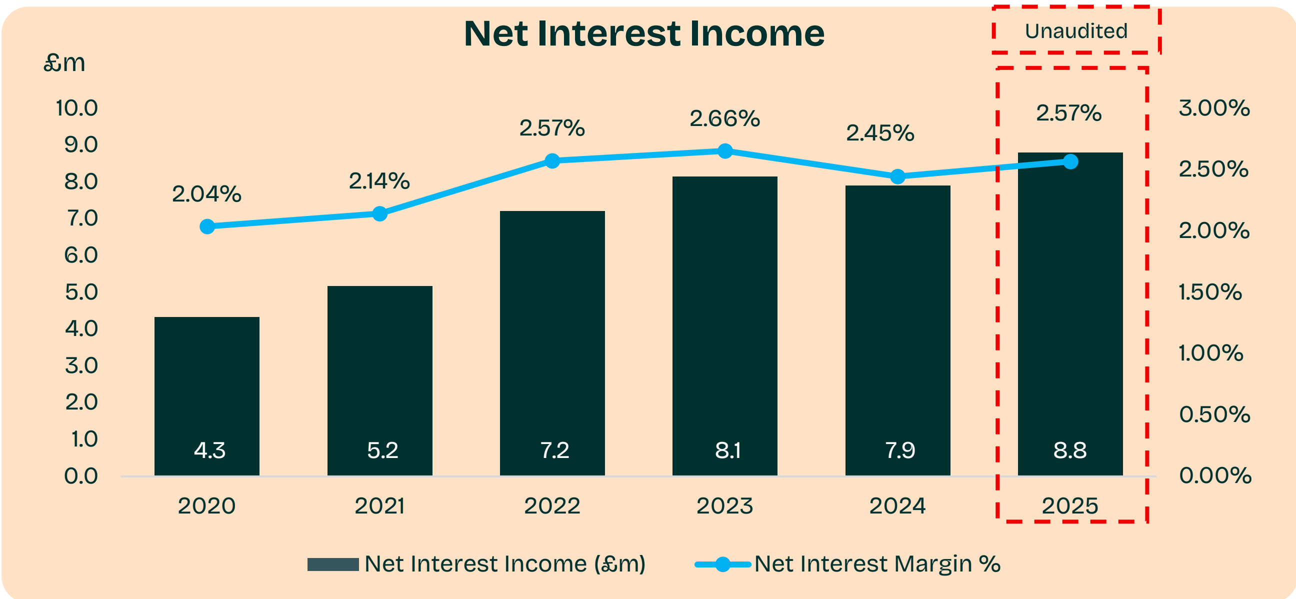


The total balance of the savings book grew by **2.8%** during 2025.

Due to the reduction in net lending, the Society has adopted a measured approach to the pricing of its savings products.

This careful strategy has supported prudent liquidity management and helped to mitigate the risk of excess funding and support Net Interest Margin.

Net Interest Margin

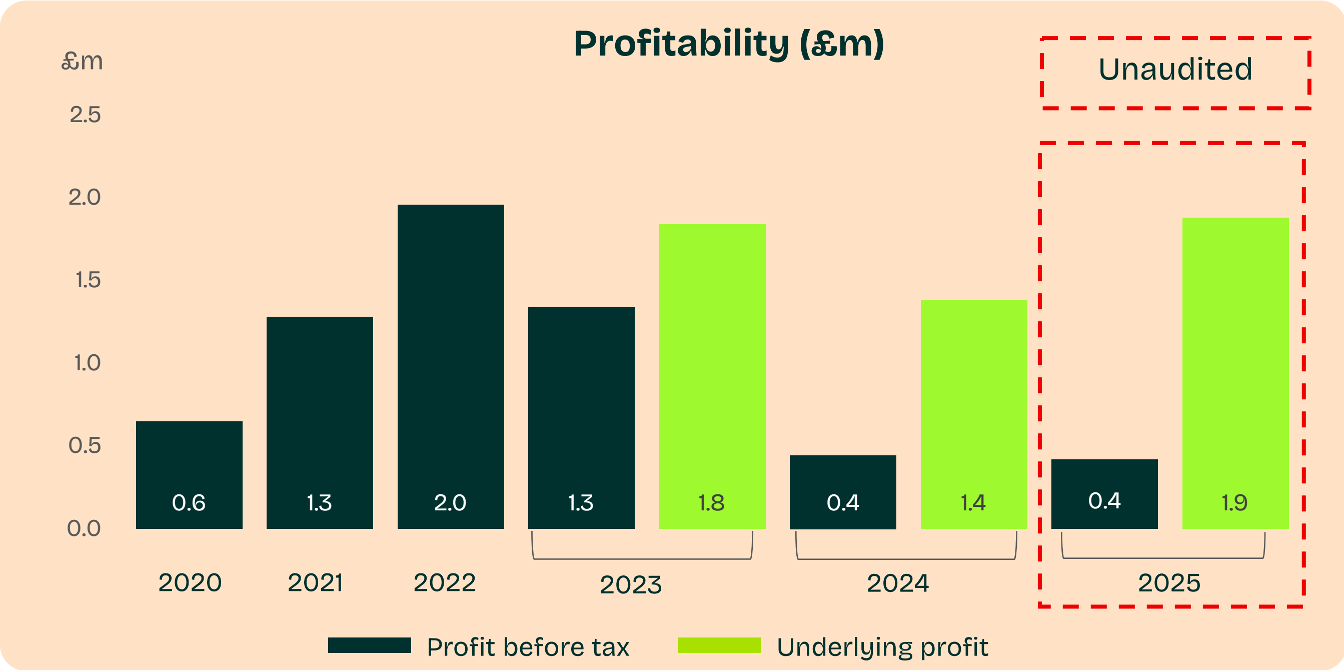


In 2025, the Society recorded an increase of **12bps** in Net Interest Margin (NIM) from prior year, primarily driven by margin management of our savings balances as Bank Base Rate reduced.

The Society continued to take a measured approach to managing the rates offered to mortgage and savings members throughout 2025.

Due to our high liquidity balances, we were able to widen margins on our variable rate back-book balances by reducing savings rates by more than mortgage rates.

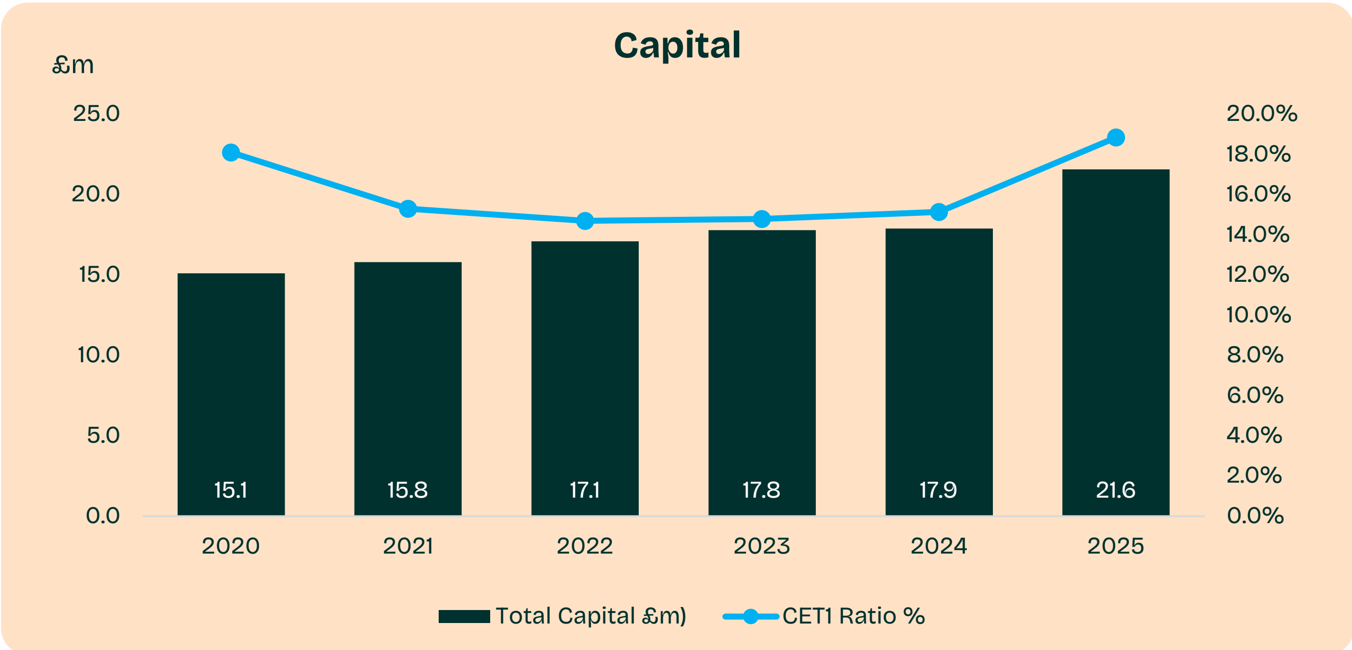
Profitability



2025 Profit before tax (unaudited) was **£420k**, reflecting the impact of the digital transformation expenditure. Excluding these one-off costs, **underlying profit** stood at **£1.9m**, which was £0.5m higher than 2024 due to the Society's margin management on savings balances and robust cost control.

Management Expenses are in line with the 2025 forecast as the Society continues its digital transformation programme. Underlying cost as a % of mean assets has reduced to 1.99% from 2.05% in 2024, due to improved cost control and reporting.

Capital



The Society's capital position remains strong and ahead of all internal and regulatory limits.

The increase in capital and CET1 % is due to the £4.1m of CCDS balances received in 2025.

Risk Update – December 2025

The Society's principal risks are described in full within the Investor Memorandum (pp. 52–71) and remain materially unchanged. The assessment below provides an update on key risk developments during the second half of 2025.

External Sector Risks

Geopolitical risk remained elevated during 2025, driven by the ongoing conflict in the Ukraine, continued tensions across the Middle East, and increasing protectionism (e.g., use of tariffs), which could lead to indirect consequences that adversely impact the financial performance and prospects of the Society and its operational resilience. While these factors present a backdrop of uncertainty for the wider financial services sector, the Society continues to assess their potential indirect impacts, including market volatility, supply chain disruption, and cyber-security threats. As a Tier 3 Society, we continue to monitor the limited impacts this may have on us.

Continuing from our unaudited half-year update, the competitive environment intensified through H2 2025, with larger lenders pursuing aggressive pricing strategies and smaller societies facing ongoing margin pressure. The reduction in the Bank of England Base Rate from 4.25% in May 2025 to 3.75% in December 2025 accelerated market repricing, contributing to narrower spreads across the sector. The delivery of the Society's clearly defined Medium Term Plan has been designed to mitigate the risk of margin pressure and competition.

House price inflation remained modest in early 2025 but softened in the second half due to reduced buyer and seller confidence ahead of the autumn Budget. Most major forecasters expect a return to modest positive growth in 2026 as affordability improves. The Society continues to monitor economic developments closely, with particular attention to interest-rate sensitivity and competitive dynamics that could affect lending volumes and margins.

Internal Risks Related to Business Performance and Operations

The Society's overall risk profile remains stable, with no material changes to the internal risks previously disclosed. In response to the revised timeline for transitioning to the new IT platform, now expected by the end of Q1 2026, the Society has further strengthened its change-management controls and has introduced enhanced oversight and monitoring to mitigate the short-term financial and execution risks to avoid cost escalation.

During 2025, the Society continued its embedding of the Enterprise Risk Management Framework, supporting effective oversight of prudential, conduct, operational, and strategic risks. Following the recent attestations of the Society's material controls, none were reported as ineffective or assessed as having an 'extreme' or 'high' residual risk rating. Actions to support a continuous improvement cycle have been identified and are progressing.

Mortgage book growth was intentionally moderated during 2025 to support the digital transformation programme. Purpose-led lending initiatives continue to be developed to enable sustainable growth, maintain margins, and reinforce the Society's niche lending position.

Credit quality remains strong. The Society's arrears rate improved from 0.60% at the end of June to 0.48% at year-end, remaining below the industry average.

Appendices

A summary of the Society's historical income and expenditure account and balance sheet has been set out below, with the addition of the unaudited Full Year position for 2025:

Statement of Comprehensive Income (£'000)	2020	2021	2022	2023	2024	2025
Interest Receivable	6,376	7,034	10,493	17,202	18,751	18,392
Interest Payable	(2,053)	(1,863)	(3,280)	(9,055)	(10,843)	(9,597)
Net Interest Income	**4,323**	**5,171**	**7,213**	**8,147**	**7,908**	**8,795**
Other Income and fees	(74)	(81)	(22)	3	3	4
Total Expenses	(3,320)	(3,835)	(5,050)	(6,760)	(7,558)	(8,267)
Impairment on investment	(180)	(75)	(12)	(25)	(126)	(51)
Adjustment to provisions	(98)	102	(42)	(27)	218	40
Provisions for liabilities	(3)	(1)	5	-	-	-
Provision for impairment of intangible assets	-	-	(134)	-	-	(101)
Profit Before Tax	**648**	**1,281**	**1,958**	**1,338**	**445**	**420**
Tax	(124)	(262)	(373)	(318)	(121)	(105)
Profit after Tax	**524**	**1,019**	**1,585**	**1,020**	**324**	**315**

Balance Sheet £'000	2020	2021	2022	2023	2024	2025
Mortgage Assets	158,689	194,069	217,716	241,081	250,342	233,868
Liquidity	64,830	59,781	84,059	65,710	83,425	107,912
Other Assets	2,510	2,404	2,265	2,914	2,942	6,153
Total Assets	**226,029**	**256,254**	**304,040**	**309,705**	**336,709**	**347,933**
Shares and Deposits	210,348	239,470	285,507	289,967	316,381	325,162
Amounts owed to credit institutions	-	-	-	-	1,018	-
Other Liabilities	576	986	1,439	1,913	1,451	1,192
Capital	15,105	15,798	17,094	17,825	17,859	21,579
Total Liabilities & Capital	**226,029**	**256,254**	**304,040**	**309,705**	**336,709**	**347,933**

*Including unaudited profit to date

Key Ratios (£'000)	2020	2021	2022	2023	2024	2025
Lending Limit	7.30%	5.29%	4.91%	4.77%	4.46%	6.24%
Funding Limit	2.70%	2.51%	2.17%	2.01%	2.15%	1.53%
Gross Capital Ratio	7.18%	6.60%	5.99%	6.16%	5.63%	6.64%
Free Capital Ratio	6.65%	6.14%	5.72%	5.80%	5.21%	6.24%
CET 1 as a % of Risk Weighted Assets	18.09%	15.32%	14.71%	14.83%	15.14%	18.84%
Liquidity / SDL Ratio	30.82%	24.96%	29.44%	22.66%	26.28%	33.2%
Cost to Income	78.13%	75.34%	70.23%	82.93%	95.53%	95.1%
Man. Ex as a % of Mean Assets	1.57%	1.59%	1.80%	2.20%	2.34%	2.41%
Underlying Man. Ex as a % of Mean Assets	1.57%	1.59%	1.80%	2.04%	2.05%	1.99%
Profit after Tax % of Mean Assets	0.25%	0.42%	0.57%	0.33%	0.10%	0.09%
Return on Equity	3.91%	6.59%	9.64%	5.84%	1.82%	1.60%
Leverage Ratio *	6.23%	6.69%	6.68%	6.43%	6.44%	8.11%
Asset Growth	14.1%	13.4%	18.7%	1.9%	8.7%	3.2%
Savings Book Growth	13.6%	13.9%	19.2%	1.6%	9.1%	2.8%
Mortgage Book Growth	9.4%	22.3%	12.2%	10.7%	3.8%	-6.6%

*Leverage ratio is reported on a CRR basis in 2020, a UK basis in subsequent years.