



# ANNUAL REVIEW

*Year ended 31 March 2023*

*Including* SUMMARY FINANCIAL STATEMENT  
and NOTICE OF ANNUAL GENERAL MEETING



  
**The Cumberland**  
Kinder banking. It's in our nature.



# CHAIR'S

Welcome

JOHN

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*We will always do the right thing for our customers. That's in The Cumberland's DNA, and it is what 'kinder banking' is all about.*

**KINDER BANKING.**  
*It's in our*  
**NATURE.**

On behalf of your board of directors, I am delighted to present Cumberland Building Society's Annual Report and Accounts for the year to 31 March 2023.

I am pleased to report that, despite being a volatile year for financial markets and the wider UK economy, your Society has performed exceptionally well.

The Cumberland remains a safe, resilient home for your savings and is well positioned to meet future challenges.

Residential mortgage lending is up, helped by very strong retention rates for customers reaching the end of fixed-rate deals. Commercial lending is up too, boosted by businesses switching their loans to The Cumberland. This has resulted in our balance sheet exceeding £3 billion for the first time in our history. Borderway Finance, our subsidiary that provides vehicle finance, also had an exceptionally strong year.

Our performance has contributed to a strong pre-tax profit of £26.6 million, however, other factors have significantly impacted this figure. As a building society, owned by you, our customers, we don't strive to maximise profits. Our primary aim is to offer competitive, long-term value products and exceptional service.

Operating profits rose to £12.3 million (2022: £5.3m), primarily due to growing net interest income. However, this year our accounting profits have also been boosted by financial instruments, known as interest-rate swaps, that we prudently took out to protect our position in the event of a sudden, sharp rise in interest rates. That is precisely what happened both before and, particularly, after the mini budget in September, triggering substantial accounting gains from the swaps and increasing our statutory profits.

Looking ahead though, we face multiple challenges that are likely to squeeze profits over the next two or three years. Higher inflation, at levels we haven't seen since the 1970s, is impacting everyone, and like everyone our costs are increasing. There are also signs that the housing market is slowing, which will inevitably affect the level of mortgage lending over the next few years.

We are acutely aware that our customers and colleagues face cost pressures too. As the Bank of England struggled to contain inflation, the unprecedented era of very low and stable interest rates we have experienced since 2009 came

to an end. Rates climbed throughout 2022, accelerating after the mini budget.

While we don't expect rates to go significantly higher, we do anticipate that they will stay elevated over the medium term. This return to more normal interest rate levels benefits savers but is impacting borrowers. Although more than three quarters of our borrowers are currently benefitting from fixed-rate mortgages, as these end many will see their mortgage payments rise in the coming months and years. To help, we remain focused on providing highly competitive mortgage and savings products.

Unlike the banks, which frequently offer their best rates to new customers, we ensure that existing customers get the most attractive deals. I am proud to say that, while many lenders withdrew all their fixed-rate mortgage products in the wake of the mini-budget, we did not. Borrowers approaching the end of fixed-rate deals were still able to transfer to a new one. Thankfully, we have yet to see an increase in mortgage arrears. That may change as borrowers come to the end of fixed-rate terms and have to adjust to higher mortgage payments. Likewise, our commercial customers, mostly in the hospitality sector, face significant headwinds. Some may struggle in the coming year.

We stand willing and ready to help our customers when times are tough. We have already strengthened our customer service teams, and enhanced training, building on the experience of supporting customers during the Covid-19 pandemic. Our aim is to ensure that anyone in difficulty gets the best advice possible.

I'm pleased we have also been able to support our colleagues during this period of inflation. For all but our highest paid colleagues, we made a one-off cost-of-living payment last year to help with the economic pressures. This was repeated in April this year, by way of being consolidated into basic salaries.

The economic and political upheaval of the last 12 months is a reminder that it is impossible to predict the future. What I can say, with absolute confidence, is that whatever the future holds we will continue to focus on what we do best – providing excellent mortgage, savings and current account products and commercial lending.

**We will always do the right thing by our customers. That's in the Cumberland's DNA, and it is what 'kinder banking' is all about.**

*John Hooper*  
Chair  
6 June 2023

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*I'd like to thank and pay tribute to every member of The Cumberland family for the way they responded to the challenges of this year.*

DES

CHIEF  
EXECUTIVE

*Officer's Business Review*

## Volatile conditions

While the past 12 months have been challenging, The Cumberland has successfully weathered that volatility.

Surging inflation as the economy emerged from lockdown prompted repeated rises in interest rates to levels we haven't seen for 15 years.

However, as was the case in the global financial crisis of 2008-9, the Society is well positioned to withstand such shocks. You can be confident that we will continue to run the Society in a prudent fashion, never risking long-term stability in a dash for growth. This approach has served us well right back to our foundation as The Cumberland Co-operative Land and Benefit Building Society 173 years ago.

## Exceptional customer experience

I'd like to thank and pay tribute to every member of The Cumberland family for the way they responded to the challenges of this year.

They never faltered in their dedication to looking after our customers, the savers and borrowers, and in delivering the highest standards of service.



*It is a source of immense pride, that we maintained our Feefo Platinum Trusted Service Award for consistently exceptional customer service for third consecutive year with a*



This is no mean achievement. The Feefo scores are arrived at by feedback from real customers – there is nowhere to hide. This tells us that our Cumberland colleagues are among the best in the business.

## Kinder banking

Exceptional customer service is the foundation of kinder banking, a concept we introduced last year to encapsulate our purpose, which is to 'create a banking experience that is kinder to people and the planet'.

A cynic might dismiss it as a marketing slogan but the events of the past 12 months have given us the opportunity to demonstrate kinder banking in action and to show that we do what we say.

The Cumberland continues to provide a stable, safe destination for your savings. Our savers benefited from rising interest rates – we passed on most of the Bank of England's base rate increases. However, we were well aware that many borrowers watched with concern as mortgage rates edged upwards.

## Rising interest rates

Anyone, who took out their first mortgage in 2008 or later, won't have seen rates this high before – it's little consolation that interest rates are still, by historic standards, relatively low.

The bulk of our mortgage lending is fixed rate, so borrowers won't experience a higher monthly payment until their fixed-rate deal comes to an end. The Cumberland has always been a responsible lender. We've never stretched our lending criteria to allow borrowers to take on burdensome levels of debt.

## Cost of living pressures

If it were only the rise in interest rates, I'm sure almost all our borrowers would cope. It isn't just that though. It's rising interest rates, coupled with soaring energy bills and significantly higher food prices. A perfect cost-of-living storm squeezing disposable incomes. We haven't yet seen arrears rise but, clearly, that could happen as fixed-rate deals mature.

**To reassure our borrowers, we've pledged to give those coming to the end of fixed-rate terms preferential deals on new products, and we're on hand with specialist advisors if any of our borrowers begin to experience financial difficulty.**



**THIS IS KINDER BANKING  
IN PRACTICE**

## Helping customers in difficulty

Prioritising existing borrowers in this way goes against the industry norm, which is to offer the best deals to new customers in an attempt to reel them in. That isn't the way we do things at The Cumberland.

Secondly, we've enlarged and enhanced training for our customer service teams who are the first point of contact for borrowers in difficulties. We want to

make sure that any member struggling to pay their mortgage gets the best possible support and advice. A 'money worries hub' on our website signposts people in financial difficulties to other organisations that can help them.

**Again this is kinder banking in action.**

## Commercial lending

The same is true for our commercial borrowers. The Cumberland has built an enviable reputation for lending to the hospitality industry. Initially, we lent to businesses on our home patch in Cumbria but over the years we've expanded the loan book to help hospitality businesses across Yorkshire, Scotland, the North East and South West of England.

Last year we reported that many of these businesses were doing well. The lifting of Covid restrictions, combined with continued difficulties in travelling abroad, led to a boom in UK-based 'staycations'. This year the prospects for the sector are tougher. Hospitality businesses are having to contend with higher costs, recruitment difficulties and a potential downturn in trade as the cost-of-living crisis squeezes consumer spending.

Each commercial borrower has a relationship manager who visits them at least once a year for an annual review. If a borrower gets into difficulties, they can speak directly to their relationship manager who understands their business and can make practical suggestions.



## Our colleagues

I'm immensely proud to report that the Society was named as one of the 'Best companies in the North West to work for' by Best Companies. This award isn't only about remunerating our people well, it's about treating them properly, with dignity and respect. It shows that kinder banking is a philosophy that applies to our colleagues, as well as to our members.

Keen readers of the annual report will know we have been working hard together to transform our business over the past 5 years under the Cumberland 2025 banner. A lot has been achieved but there is much more to do. Over the next few months, we will be evaluating the strategic options available to us to secure a more sustainable future for the Society. I look forward to updating you on our progress in next year's report.

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*One of the 'Best 100  
companies in the North  
West to work for'*



Branches remain a fundamental part of what we're about, albeit that footfall has declined. We know that people want choice. Not all our customers in our branches are comfortable using apps. Many prefer face-to-face interaction in a branch or speaking to a real person at the end of a telephone line and we will continue to provide our services the way our customers want and use them.

To underline our commitment to branches, we have just completed a significant refurbishment of our Maryport branch and will be making major investment in our flagship English Street branch in Carlisle, the latter delayed by the Covid pandemic.

**Going forward, the way we deliver services will continue to evolve but one thing remains constant: The Cumberland began its life with an ethos of kindness, rooted in community; that has always been the case and it always will be.**

*Des Moore  
Chief Executive Officer  
6 June 2023*

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**THE CUMBERLAND CONTINUES  
TO BE SAFE, STRONG AND WELL  
POSITIONED TO MEET THE  
FUTURE NEEDS OF CUSTOMERS.**



**In March we were  
delighted to re-  
open our branch in  
Maryport following  
refurbishment.**

# SUMMARY FINANCIAL STATEMENT

For the year ended 31 March 2023

This Summary Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement (ARA), all of which will be available to members and depositors free of charge, on demand, at every office of Cumberland Building Society no later than 26 June 2023. This information is also available from our website, [cumberland.co.uk](http://cumberland.co.uk).

## Chief financial officer's review

The Cumberland and its customers faced a very different financial environment to recent history. Your Society successfully navigated the first year of this new economic cycle. Rising interest rates supported income and this allowed us to complete our planned investment in the preparatory stages of the New Cumberland programme, without the expected reduction in profit forecast – in fact operating profits rose to £12.3m (2022: £5.3m).

Sharply rising base rates, rampant inflation and political instability disrupted the fixed rate mortgage market, and our savers benefitted as we raised our rates each time the base rate moved. Against this backdrop, your Society grew its mortgage lending as planned and you continued to trust us with your transactional banking, savings and deposits, which cumulatively grew well above expectations.

We continued to invest in our people and our processes. The spend and pace of delivery both rose resulting in substantially increased resilience in our underlying technology architecture and improved cyber security – setting in place many of the foundations that will allow us to confidently progress into further infrastructure build in line with our stated strategy.

Our performance was substantially better than budget, and guided in last year's annual report, reflecting revenue outperformance, derivative volatility that will unwind, partially offset by the ramp up of investment spend and our decision to prioritise supporting our people through the cost-of-living crisis. Statutory profit before tax, which includes a £14.1m gain on financial instruments (swaps) designed to

protect the Society against interest rate changes which will reverse over time, was £26.6m (2022: £8.6m).

## Lending

The Cumberland's lending strategy remains consistent, but the year's performance is best understood in the light of the macro-economic environment of the UK.

Our high-quality, owner-occupied book grew throughout the year. Mortgage growth was particularly high in the first quarter reflecting The Cumberland's pricing, which was, on occasion, at the top of the market, but also a strong surge of borrowers who sought longer term fixed rate deals, believing that rates would rise. Rates started to climb and further customers sought to respond in the same way, locking in fixed rate deals despite their growing price, right up until the chaos of the short-lived Truss government. This saw a further sharp rise in mortgage rates, which in turn reflected the movement in swaps and the dramatic undermining of the UK's reputation for fiscal prudence.

While swap, and thus mortgage prices, moderated in November and December as a new government took power, ongoing base rate rises and fears of recession dampened UK housing demand and our growth, as the possibility of house price inflation reversing emerged and slowed the pipeline of new approvals. In the period since, mortgage approvals and completions have increased but remain well below the levels seen in the first half of the year.

Our Holiday Let business grew throughout the year, also benefitting from a strong pipeline built up in the early part of the year. Our FSOL (Fully Secured on Land) book grew well, as the investment we made in strengthening the team last year bore fruit, and the book reached over £200m for the first time, having more than fully recovered the balances lost during the Covid period. It stood at £207m at the year end. Strong levels of retention throughout the year, in most portfolios above those seen in 2022, further supported our growth trajectory.

We advanced £541m of mortgages (2022: £422m) and mortgage balances grew by £193m (2022: £68m).

## Arrears and provisions

The volume of accounts fully secured on residential property (FSRP) and fully secured on land (FSOL) 90 days or more past due (90 DPD) at the balance sheet date remains low despite the pressures predicted to emerge from rising inflation, the impact of the cost-of-living crisis and the increase in interest rates a proportion of our borrowers have faced. The volumes are as follows:

Accounts in arrears ( $\geq$ 90 DPD) as % of loan book	31 March 2023	31 March 2022
<b>FSRP</b>	<b>0.07%</b>	0.11%
<b>FSOL</b>	<b>1.64%</b>	2.10%

Reflecting the build-up of pressures on borrowers from inflation and utility costs, coupled with rising interest rates, the Society has recognised a modest loan loss charge. This reflects a significant increase in our modelled collective provision calculations after management overlays to account for the impact of inflation on borrowers capacity to pay. This was largely offset by releases from our FSOL specific provisions as borrowers who had previously struggled during the pandemic either sold up, re-banked or returned to our good book.

The income statement charge for bad and doubtful debts was £434k (2022: £618k release).

## Funding, liquidity and capital

The Society continues to be well funded by its retail depositors, the great majority of whom are located in its branch operating area. We saw an above budgeted inflow of funds of £138m (2022: £93m), which, after the capitalisation of accrued interest, resulted in our total retail funding rising to £2,611m (2022: £2,442m), growth of 7%. As a result, our deposit to loans ratio remained well over 100%.

Our growth in instant access accounts continued throughout the year, current accounts were slightly lower as customers both used funds to respond to the cost-of-living challenges and more latterly transferred excess balances to benefit from the rise in savings rates particularly fixed term rates

On-balance sheet liquid assets reduced to £582m (2022: £596m), as we grew mortgages faster than deposits in the initial part of the year, as planned, using some of the 4-year Bank of England funding

(TFSME) taken late in 2022.

Throughout the year, we maintained a prudent buffer given the uncertain economic backdrop, and liquidity benefitted in the final quarter, as members deposited new funds into our fixed term products.

The Society holds capital to provide protection for members deposits against losses from lending, and to protect the Society's continued operation through difficult periods. Our capital comes from retained profits, and our healthy financial results have increased our gross capital ratio (gross capital expressed as a percentage of total shares and deposits), to 7.94% (2022: 7.67%). This gives us a strong base to support the business, as we accelerate investment levels, to deliver the New Cumberland Programme.

## Subsidiary companies

The Group's financial statements incorporate the assets, liabilities and results of a small, and reducing, number of subsidiaries, as we deliver on our commitment to simplify our business as part of the Cumberland 2025 strategy. The simplification exercise was completed in the early part of this year leaving only the Society, a holding company, and Borderway Finance Limited. BFL, our motor finance business, contributed a profit before tax of £951k (2022: £530k) to the Group's reported results.

BFL traded successfully during the year benefitting from the robust value of used cars and its high touch customer service, which was recognised by the retention of Feefo's platinum accolade. The result was also supported by gains on BFLs hedging derivatives. The balance sheet grew to £26.7m (2021: £22.3m) surpassing its pre-Covid peak. Credit quality has been good. Pleasingly, the level of arrears has remained subdued.

## Corporate governance

The Society's Board is committed to good practice in corporate governance and has had due regard to the UK Corporate Governance Code. The details of the work of its four committees that support your Board can be found in our Annual Report and Accounts.

*Richard Ellison*  
*Chief Financial Officer*  
 6 June 2023

# OUTLOOK

The outlook for the UK economy is highly uncertain. In the immediate term, the impact of the sharp rise in inflation and war in Ukraine is creating a challenging macro-economic outlook with rising rates required to manage inflation before it becomes embedded but, conversely, their imposition risks recession.

The last two years have shown that prediction is fraught and while a deep recession has not occurred to date the pandemic has weakened the resilience of many borrowing households and businesses. There is an expectation that interest rates will remain elevated over 2023 and 2024, and that growth may well stall or reverse, reflecting supply chain bottlenecks, the second order impact of war and the trade frictions that Brexit has brought.

The Society's profitability is expected to reduce over the coming three years, as it strategically invests in its future coupled with absorbing the impact of inflation, the cost of living squeeze and supply chain bottlenecks on the economy through its key business lines, while simultaneously operating in the highly competitive environment that characterises UK mortgage lending.

Nevertheless, The Cumberland is well placed to benefit in the medium term from the planned investment. This, coupled with the strong foundations provided by its distinctive business model which has been highly successful in differing economic climates, will continue to allow the Society to thrive into the future.

*John Hooper  
Chair  
6 June 2023*

# FINANCIAL RESULTS

For the year ended 31 March 2023

	Group 2023 £000	Group 2022 £000
<b>Results for the Year</b>		
Net interest receivable	69,426	47,666
Fair value gains on financial instruments	14,054	3,808
Other income and charges	967	724
Administrative expenses, depreciation, amortisation, impairment and profit on sale of tangible fixed assets	(57,570)	(44,029)
Gain/(loss) on revaluation and disposal of investment properties	136	(7)
Provisions for bad and doubtful debts	(434)	618
Provisions for liabilities and charges	-	(167)
Profit for the year before taxation	26,579	8,613
Taxation	(5,000)	(1,204)
Profit for the year	21,579	7,409
<b>Statement of Comprehensive Income</b>		
Profit for the financial year	21,579	7,409
Loss on available for sale investment securities	(94)	(220)
Gain on equity share investment	795	893
Movement in deferred tax on equity share investment	(199)	(427)
Actuarial (loss)/gain on retirement benefit obligations	(801)	892
Movement in deferred tax on retirement benefit obligations	205	(223)
Total recognised gains and losses for the year	21,485	8,324
<b>Financial Position at End of Year</b>		
<b>ASSETS</b>		
Liquid assets	581,911	596,372
Mortgages	2,370,836	2,205,800
Other loans	27,160	22,748
Derivative financial instruments	84,366	34,037
Fixed and other assets	25,813	26,328
Total assets	3,090,086	2,885,285
<b>LIABILITIES</b>		
Shares	2,460,248	2,290,603
Borrowings	393,294	383,083
Derivative financial instruments	136	110
Other liabilities	9,819	6,385
Reserves	226,589	205,104
Total liabilities	3,090,086	2,885,285

Summary of key financial ratios	Notes	2023 %	2022 %
Gross capital as a percentage of shares and borrowings	1	7.94	7.67
Liquid assets as a percentage of shares and borrowings	2	20.39	22.31
Profit for the year as a percentage of mean assets	3	0.72	0.27
Management expenses as a percentage of mean assets	4	1.93	1.58

#### Approved by the Board of Directors on 6 June 2023 and sign on its behalf

John Hooper    Chair  
Mark Stanger    Chair of the Audit Committee  
Des Moore    Director and Chief Executive Officer

#### Notes

- The Gross Capital Ratio** measures the proportion that the Group's reserves bears to the Group's liabilities to holders of shares and borrowings. The Group's reserves consist of profits accumulated over many years. Capital provides a financial cushion against difficulties that might arise in the Group's business and therefore protects investors.
- The Liquid Assets Ratio** measures the proportion that the Group's assets held in the form of cash and short term deposits bears to the Group's shares and borrowings. Most of the Group's assets are long term mortgages, while many of its liabilities to investors are repayable on demand. Liquid assets are generally readily realisable, enabling the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
- The Profit/Assets Ratio** measures the proportion that the Group's profit after taxation for the year bears to the average of the Group's total assets during the year. The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors. However, unlike a company, a building society does not have to pay dividends to equity shareholders. The Group is therefore able to operate safely with lower profits than a bank.
- The Management Expenses Ratio** measures the proportion that the Group's administrative expenses bears to the average of the Group's total assets during the year. Management expenses consist mainly of the costs of running the Group's technology, branches and other office costs, including the cost of employing staff. Expenses need to be controlled so that the Group operates as efficiently as possible while managing risk and providing the service that members require.

# INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS AND DEPOSITORS OF CUMBERLAND BUILDING SOCIETY

We have examined the Summary Financial Statement of Cumberland Building Society and its subsidiaries for the year ended 31 March 2023 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Summary Directors' Report.

## Respective responsibilities of directors and auditor

The directors are responsible for preparing the Annual Review, in accordance with applicable United Kingdom law.

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

We also read the other information contained in the Annual review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only of the other items listed on the contents page

## Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts, Annual Business Statement and Directors'

Report. Our report on the Group' and Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

## Opinion on summary financial statement

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

## Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

## Deloitte LLP

Statutory Auditor  
Leeds, United Kingdom  
6 June 2023

# REPORT ON DIRECTORS' REMUNERATION

The purpose of this report is to provide information about the Group's policy for the remuneration of non-executive and executive directors and to give details of the process for determining the level of remuneration. The Society's remuneration policy meets with the requirements of the Remuneration Code. In determining non-executive and executive director remuneration, both the Board and People Remuneration and Culture Committee (PARC) take account of fees and salaries payable and other benefits provided to non-executive directors, executive directors and board chairs of building societies that are similar in size and complexity to The Cumberland. To ensure that fees and salaries are set at a level to retain and attract individuals of the calibre necessary to operate an organisation such as the Society and which reflect the skills and time commitment required, the Committee periodically commissions an external review of executive and non-executive remuneration. This year KPMG reported on executive director and other executive remuneration.

Full details of individual directors' remuneration, are disclosed on page 17.

## Non-executive directors

The remuneration of non-executive directors comprises only of fees and this is reviewed and agreed annually by the Board. The Chair's remuneration is set by PARC.

## Executive directors

### Fixed Remuneration

#### Base Salary

Executive directors are employed under contracts terminable by the Society on nine to twelve months' notice and by the individual on six months' notice. The remuneration of executive directors is determined by PARC.

### Variable Remuneration

#### Benefits

Executive directors in office at 31 March 2023 are members of a defined contribution pension scheme and are entitled to receive contributions towards this, although depending upon their individual circumstances, they may be paid a pension replacement amount. Executive directors

are also provided with a car allowance (or car) and membership of a private medical insurance scheme.

#### Annual Incentive Scheme

The Committee believes that bonus schemes relating to financial and business performance are an appropriate part of a balanced remuneration package for executive directors, and for the year ended 31 March 2023, agreed a bonus based on key elements of the financial and strategic plan delivered in a way that is consistent with The Cumberland's core values and risk management framework.

#### Long Term Incentive Plan

During the year, the Board and Committee undertook a review of executive pay arrangements, including consideration of the appropriate balance between salary or fixed pay and pay based on performance, and how we link performance related pay to the achievement of the longer-term objectives of the Society and the significance of the planned transformation programme.

As a result, a new discretionary element of remuneration has been introduced this year to be known as the Long Term Incentive Plan (LTIP). This has been designed with the support of 3rd party remuneration consultants from KPMG.

The purpose of The Cumberland LTIP is to incentivise delivery of performance over the long term. The Committee and the Board have determined that the delivery of the whole business transformation plan was best supported by introduction of an LTIP provided to executive directors, members of the senior leadership team and a small number of other employees.

It has been designed as a tool for retention of the assembled team and as a mechanism that will align reward to delivery of both whole business transformation and growth over the period of strategy execution.

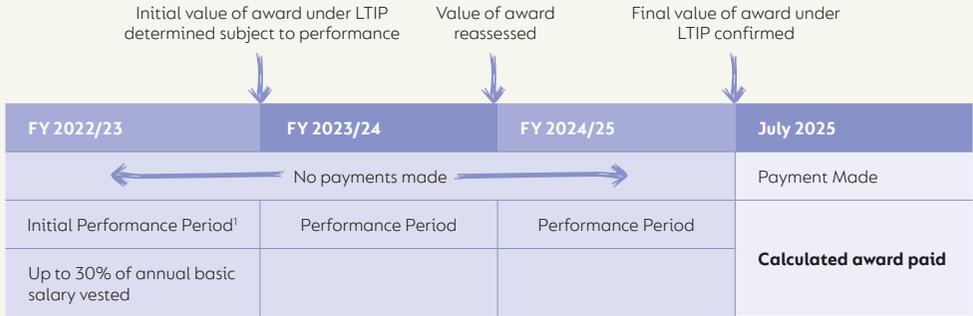
In the view of PARC the proposed performance measures for LTIP awards are supportive of the Societies risk appetite and do not promote the taking of undue risk inconsistent with that appetite.

**Jackie Arnold**

PARC Chair

1 June 2022

**An illustration of how the LTIP for 2022/23 will operate is set out below:**



<sup>1</sup>During the initial performance period the measures that will apply throughout the three year performance period were set along with the individual value of the award. The measures will be assessed at the end of each year in the performance period resulting in a financial accrual for the relevant cumulative proportion of the estimated award outcome. A final value of the award will be assessed and confirmed by PARC in April or May 2025.

## LTIP measures

Our LTIP measures will be assessed annually by the Committee and financial accruals recognised based on those outcomes. These can be reversed or increased based on the subsequent and the final assessment. The final assessment will determine the outcome achieved over the performance period. No payment is made until after the performance period as a result the first time a payment could be made is July 2025.

Objective	Measure	Portion of Award subject to this objective	PARC Assessed Achievement 2022/23
<b>Deliver exceptional customer experience consistently</b>	Measured by Feefo	20%	
<b>Embed right culture, talent and skills to enable us to grow and transform</b>	B-board annual accreditation	20%	
<b>Deliver the Cumberland transformation with pace and focus</b>	Delivery of transformation (Board approved milestones)	20%	
<b>Maintain financial soundness and growth</b>	Cumulative operating profit (versus Board approved budget)	20%	
<b>Protect the Society and our members</b>	Compliance with risk appetite over the transformation period	20%	



Expectation achieved or exceeded.



Reasonable outcome against expectation.



Expectation not met

## DIRECTORS' REMUNERATION

	2023 £000	2022 £000
<b>Total directors' remuneration</b>	<b>1,112</b>	<b>1,044</b>
<b>Non-executive directors' remuneration</b>		
John Hooper (Chair)	72	70
Eric Gunn (Chair of the Board Risk Committee)	51	48
Jackie Arnold (Chair of the People, Remuneration and Culture Committee)	50	48
Michael Hulme (resigned 31 March 2022)	-	45
Mark Stanger (Chair of Audit Committee)	55	52
Vicky Bruce	45	42
Kelli Fairbrother	43	41
Anna Barsby (appointed 1 June 2022)	35	-
	<b>351</b>	<b>346</b>

### Executive directors' remuneration

	Salary £000	Directors' Annual Incentive £000	Long-term <sup>1</sup> Incentive Plan £000	Pension Contributions £000	Pension Replacement Amounts £000	Other Allowances £000	Total £000
<b>2023</b>							
<b>Des Moore</b>	288	58	12	-	40	13	411
<b>Richard Ellison</b>	246	48	10	34	-	12	350
	<b>534</b>	<b>106</b>	<b>22</b>	<b>34</b>	<b>40</b>	<b>25</b>	<b>761</b>
<b>2022</b>							
Des Moore	268	54	-	-	38	12	372
Richard Ellison	234	47	-	33	-	12	326
	<b>502</b>	<b>101</b>	<b>-</b>	<b>33</b>	<b>38</b>	<b>24</b>	<b>698</b>

None of the directors had an interest in shares in, or debentures of, any subsidiary undertaking of the Society at any time during the financial year.

<sup>1</sup> Pro-rated accrual of initial value calculated.

# NOTICE OF ANNUAL GENERAL MEETING 17 JULY 2023

**The Annual General Meeting (AGM) of Cumberland Building Society will be held at 4.00pm on Monday 17 July 2023 at Cumberland House, Cooper Way, Parkhouse, Carlisle, CA3 0JF for the following purposes:**

## Ordinary resolutions

1. To receive the Annual Report and Accounts for the year ended 31 March 2023.
2. To approve the Report on Directors' Remuneration.
3. To approve the re-appointment of Deloitte LLP as Auditors of the Society.

## Re-election and Election of directors

4. To re-elect directors as follows:
  - a) Jacqueline Arnold
  - b) Victoria Jane Bruce
  - c) Richard Bryan Ellison
  - d) Kelli McKechnie Fairbrother
  - e) Eric Richard Gunn
  - f) John Elliott Hooper
  - g) Patrick Desmond Moore
  - h) Mark John Stanger
5. To elect Anna Barsby

BY ORDER OF THE BOARD

Paul Vines, Secretary, 6 June 2023

Principal Office: Cumberland House, Cooper Way,  
Parkhouse, Carlisle CA3 0JF

## Notes on voting

1. These Notes form part of the Notice of Meeting.
2. You can vote using a paper voting form by post, online at [www.cumberland.co.uk/AGM](http://www.cumberland.co.uk/AGM) (you will need to scan the QR code or to enter your two online voting codes as printed on your paper voting form) and, subject to note 4 below, at the AGM in person or online.
3. By completing either Part 1 or Part 2 of the voting form, either on paper or online, you are appointing someone to act for you (a proxy). The person you choose can attend the Meeting and vote on your behalf. The Chair of the Meeting will automatically act as your proxy unless you choose someone else by filling in the box at the bottom of the paper voting form; this option is not available if voting online. If you wish to instruct your proxy to vote for or against the resolutions, please place an 'X' or click in the appropriate box on the paper or online voting forms respectively. If you leave the voting boxes blank, your proxy may vote as he or she decides. If you do not want your proxy to vote on a resolution, place an 'X' in or click on the withheld box on the paper or online voting forms. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

Your proxy does not need to be a member of the Society, but must pre-register to attend unless you are appointing the Chair of the Meeting as your proxy. If you are appointing a proxy other than the Chair of the Meeting, please ensure that your proxy brings an appropriate form of identification to the Meeting.

4. You may attend the AGM and vote online or in person. If attending and voting online, please see your voting form for further details of how to join. If attending and voting in person, for identification purposes, you should bring with you the voting form and some other evidence of membership (e.g. your passbook, Cumberland debit card or a recent account statement). You will be given voting papers at the Meeting.
5. To be valid, unless you are voting at the AGM, your completed voting form must be received at Civica Election Services, London N81 1ER by 5pm on Thursday 13 July 2023. If voting online, votes must be cast by 5pm on Thursday 13 July 2023.
6. You should check if you are eligible to vote by reading the voting conditions on the voting form.

## EXPLANATORY NOTES ON THE RESOLUTIONS

### The annual report and accounts

You are asked to receive the Annual Report and Accounts. This means that you are asked to endorse the Board's decision to approve them at the Board Meeting held on 6 June 2023 and you are, therefore, asked to vote 'FOR' this resolution.

### Report on directors' remuneration

You are asked to approve the Report on Directors' Remuneration on pages 15 to 17 of this booklet. This Report informs members of the Group's policy on the remuneration of directors, both executive and non-executive.

Quoted companies are legally required to put a resolution to their shareholders to vote on such a report. Building societies are not required to do so, but your Board welcomes the opportunity for members to express their view on the matter. As for quoted companies, this vote is advisory.

### Re-appointment of auditors

Deloitte LLP have performed well as the Society's Auditors and your Board recommends that you vote 'FOR' their re-appointment.

### Re-election of directors

The number of candidates standing for re-election at this year's Annual General Meeting equals the number of vacancies. Details of the directors standing are given on pages 20 to 23 and, following formal evaluation, the Board considers that their performance continues to be effective and that they demonstrate the necessary commitment to the role.

# Meet the Board of DIRECTORS

**The Board is comprised of 6 non-executive, the Chair, and 2 executive directors.**

**The non-executive directors are considered to be independent under the UK Corporate Governance Code; the Chair was considered independent on appointment.**

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

The Chair must be a different individual to the CEO and there must be a clear division of responsibilities between the two roles.

Eric Gunn is the Senior Independent Director and acts as a sounding board for the Chair and serves as an intermediary for the other directors and the members.

The November 2020 Board Effectiveness Review found the Board operates a positive, friendly, constructive culture that encourages transparency and facilitates straight talking; the way non-executive directors and executive directors operate within the Board environment is in line with best practices for a unitary board; and the relationship between the Board and the executive team is effective, transparent and productive. This has continued to be the case during 2022/23. We will facilitate an updated external board effectiveness review in 2023/24.



**Nomination  
and  
Governance  
Committee**



**Board Risk  
Committee**



**Audit  
Committee**



**People,  
Remuneration  
and Culture  
Committee**



**Non-Executive Director since November 2015, Board Chair and NGC Chair since July 2019 (independent on appointment)**

### Skills and experience

John has been involved in banking and financial services for over 35 years, and still holds active positions as non-executive director on the boards of several financial services companies. During his career, John was an executive director at both Clydesdale Bank PLC and National Australia Bank Europe Limited. Whilst at National Australia Bank, he held a number of senior positions and was a member of its executive committee.

### Current material external positions

Non-Executive Director (Chair of Board Risk Committee),  
Together Money Personal Finance Limited  
Non-Executive Director (Chair), Digital Completion UK Limited trading as PEXA UK  
Non-Executive Director (Chair), Stubbers Adventure Centre Limited  
Non-Executive Director (Chair), Stubbers Trading Limited

### Previous positions include

Director, National Australia Group Europe Limited  
Director, Clydesdale Bank PLC  
Non-Executive Director, The Leasing Industry Philanthropic  
and Research Foundation Limited

## JOHN HOOPER

*Board Chair and  
Nomination and  
Governance Chair*

**Non-Executive Director since June 2022, PARC Member since July 2022  
(independent)**



### Skills and experience

Anna is one of the UK's top transformation and technology leaders, used to delivering large scale change across different industries. Currently Founder and Managing Partner at Tessiant and Interim Group CPTO at 888/William Hill. Previously the CDIO/CTO at Halfords, Morrisons and Asda, she has significantly improved the technology capabilities in many organisations.

### Current material external positions

Founder and Managing Partner, Tessiant  
Group Chief Product and Technology Officer (Interim), 888holdings  
Director, ACR Cars Ltd

### Previous positions include

Chief Information Officer, Halfords  
Chief Digital and Technology Officer, Asda  
Chief Technology Director, Morrisons

## ANNA BARSBY

*Non-Executive Director*



**Non-Executive Director and PARC Member since September 2020  
(independent)**

### Skills and experience

Kelli's background is in consumer and technology businesses. She is currently CEO of technology start-up xigxag after co-founding the company, and was previously Chief Operating Officer of Gelato. Formerly a US Army Captain and an MBA graduate of Harvard Business School, Kelli previously led the entry to market of Premier Inn in Germany whilst working at Whitbread Hotels and Restaurants.

### Current material external positions

Co-Founder and CEO, Xigxag Limited

### Previous positions include

Chief Operating Officer, Gelato  
Business Development and Commercial Director, Whitbread Hotels  
and Restaurants  
Group Head of Strategy, Whitbread Plc

## KELLI FAIRBROTHER

*Non-Executive Director*



**VICKY BRUCE**  
Non-Executive Director



**Non-Executive Director and BRC Member since September 2020, Audit Member since July 2022 (independent)**



### Skills and experience

Vicky has worked in international financial services for over 25 years, latterly as a Managing Director of Deutsche Bank Wealth Management. Her experience spans change, risk and regulation and she has UK board experience in the not-for-profit as well as the financial services sector.

### Current material external positions

Non-Executive Trustee, Hope and Homes for Children  
Non-Executive Trustee, Agitos Foundation  
Consultant, International Paralympic Committee

### Previous positions include

Global COO for Institutional Wealth Partners, Deutsche Bank Wealth Management  
Global Head of Regulatory Change, Deutsche Bank Wealth Management  
Executive Director, DB UK Bank Ltd  
Head of Change Management, Coutts

**Non-Executive Director since November 2016, BRC Chair since August 2019, SID since April 2022 (independent)**

### Skills and experience

Eric spent his entire career at Clydesdale Bank PLC, most recently as Chief Risk Officer and a member of its Executive Management Team. Eric was responsible for managing the UK risk profile of National Australia Bank Group as part of a career of almost 40 years in the UK banking sector.

### Current material external positions

None

### Previous positions include

Chief Risk Officer, Clydesdale Bank PLC



**ERIC GUNN**  
Board Risk Chair and Senior Independent Director



**Non-Executive Director and member of NGC since March 2018, PARC Chair since May 2019, Audit Committee Member since September 2020 (independent)**



### Skills and experience

Jackie has over 35 years' experience in business and financial management roles, and was most recently Pro-vice Chancellor at University of Cumbria. Prior to this, she was Head of Strategy at BAE Systems where she also held a number of other senior positions. Jackie was also Managing Director of Lakeland Power Limited.



### Current material external positions

Professor of Practice, University of Cumbria  
Honorary Fellow, University of Cumbria  
Leader in Residence, Lancaster University

### Previous positions include

Head of Strategy, BAE Systems  
Chief Accountant, BAE Systems  
Managing Director, Lakeland Power Limited  
Vice Chair, Cumbria Local Enterprise Partnership  
Member, North West Business Leadership Team  
Pro-vice Chancellor, University of Cumbria



**JACKIE ARNOLD**  
**MBE**

People, Remuneration and Culture Chair



**Non-Executive Director since June 2018, Audit Committee Chair since July 2020, BRC member since January 2019 and PARC member since July 2022 (independent)**

### Skills and experience

Mark has over 35 years' experience in the accountancy sector, and is a Senior Partner and Managing Partner with a West Cumbria-based chartered accountancy practice.

### Current material external positions

Senior Partner and Managing Partner, Gibbons Director, Gibbons Wealth Management Limited Director, Gibbons Properties Limited Director, Carleton Properties (Cumbria) Limited

### Previous positions include

Chair, Board of Governors, Lakes College, Lillyhall



**MARK STANGER**  
*Audit Chair*

**Chief Executive Officer and Executive Director since April 2018**

### Skills and experience

Des is an accomplished senior leader in Financial Services in both the UK and Ireland, with deep experience in both retail and commercial banking. Prior to joining the Society, Des spent five years as Managing Director of AIB (NI). He was responsible for leading the restructure and turnaround of the bank. Des is a Chartered Director with the Institute of Directors, and has been leading the transformation of the Society.

### Current material external positions

Non-Executive Director, North Cumbria Integrated Care NHS Foundation Trust

### Previous positions include

Managing Director, AIB (NI)

Senior positions – AIB, Bank of Ireland, Permanent TSB and National Irish Bank



**DES MOORE**  
*Chief Executive Officer*

**Chief Financial Officer since April 2019 and Executive Director since May 2019**

### Skills and experience

Richard has significant experience in the UK financial services sector. As Deputy Chief Financial Officer and Chief Data Officer at CYBG PLC, he helped lead the successful demerger and IPO of Clydesdale Bank PLC from National Australia Bank, and led the restructure and cultural transformation of the finance function. Since joining the Society, Richard has led changes to the treasury function to allow greater sophistication in risk management, as well as improving operational design of the Finance function to position them to support the delivery of the Cumberland 2025 strategy. He also oversees the Governance, Legal and Secretariat functions.

### Current material external positions

Non-Executive Director, Audit Committee Chair, and Vice Chair Kingdom Bank Limited

### Previous positions include

Interim Finance Director, Newcastle Building Society Group Deputy Chief Financial Officer and Chief Data Officer, CYBG PLC Director Banking and Capital Markets, PwC



**RICHARD ELLISON**  
*Chief Financial Officer*



## Platinum Trusted Service Award

2023

**feefo** 

Cumberland Building Society

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Parkhouse, Carlisle, CA3 0JF

Phone: 01228 403141

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[cumberland.co.uk](https://www.cumberland.co.uk)

  
The Cumberland  
Kinder banking. It's in our nature.