



ANNUAL REVIEW

Including SUMMARY FINANCIAL STATEMENT and
NOTICE OF ANNUAL GENERAL MEETING
Year ended 31 March 2025





JACKIE

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It's an amazing achievement to have thrived for so long when the average lifespan of a business in the UK is just 8.6 years.

On behalf of your Board of directors, I am delighted to present The Cumberland Building Society's Annual Report and Accounts for the year to 31 March, 2025.

This is my first report as Chair and I'm humbled to be entrusted with the role.

As someone born in Cumbria, who has spent most of my life in the county, I'm well aware of the important role The Cumberland plays.

We're part of the social fabric, enabling each generation to realise the dream of home ownership and providing a safe and secure home for savings.

This is a key moment for the Society – our 175th anniversary. It's an amazing achievement to have thrived for so long when the average lifespan of a business in the UK is just 8.6 years.

That staying power is thanks to the dedication and hard work of Cumberland colleagues, past and present, and our focus on looking after you, our members, both savers and borrowers.

I'm incredibly proud to be the first woman to Chair the Society. It took us 66 years to recruit our first female colleagues, back in 1916. In recent times, we've made great strides in addressing gender imbalance and now have many more women in senior roles. We also have our first female senior independent director, Anna Barsby, following the retirement of Eric Gunn.

Anniversaries are a time for reflection. That said, your Board is very much focused on the future. We are custodians with a duty to ensure the Society goes from strength to strength and is well placed to meet coming challenges.

For the last few years my predecessor as Chair, John Hooper, has referred to our New Cumberland project, which is gathering pace. It includes major investment in a new banking platform that will ensure the Society has resilient technology required to meet your banking needs into the future. We have been thorough and diligent in the development phase to make certain we get this right when moving to delivery.

We previously stated that the investment in New Cumberland – £15.9m in 2025 alone (2024: £10.0m) – would hit profitability for the next two or three years.

This year's results reflect this. We recorded a modest pre tax profit of £1m this year (2024: £9.6m profit). This isn't a surprise. Indeed, thanks to the strong performance of the business, we were profitable, avoiding the loss we expected.

Your Board is convinced that the investment in New Cumberland is the right decision and the best way to secure the Society's long-term future.

On other metrics, we performed well.

Operating profit was healthy at £20.0m (2024: £27.4m) even though we faced headwinds from high inflation and falling interest rates, which inevitably squeeze margins.

Residential mortgage lending and savings balances increased, and our balance sheet topped £3.3bn (2024: £3.2bn) a new record.

We are looking to diversify our commercial lending into some other sectors, particularly in our heartland areas, backed by our trusted relationship banking model.

Our 'kinder banking' purpose ensures we do all we can to support members in difficulty. Most of our borrowers have fixed-rate products and those who took out mortgages prior to the sharp rate hikes in 2022 and 2023 have had to contend with higher payments when their fixed-term ends. Most but not all, customers have now faced this payment shock. More than 80 per cent stayed with us, proof that our products are competitive.

Predictably, given that backdrop, mortgage arrears increased slightly. But they remain very low, around half the industry average, and we have almost no bad debt write-offs thanks to the Society's prudent lending policies.

There have been some changes to our Board that I should mention too. Richard Pike has joined the Board as a non-executive director, bringing a wealth of experience in financial services. And following my election as Chair of the Society, I have stepped down as Chair of PARC – the People, Remuneration and Culture Committee – to be succeeded by the excellent Kelli Fairbrother.

Your Board is confident that the Society remains in good shape and ready to face the next 175 years.

Jackie Arnold, Chair
3 June 2025



66

It's no exaggeration to say that The Cumberland is an integral part of the social fabric in our heartland of Cumbria, Lancashire, Northumberland and Dumfries and Galloway.

...But there is more to come.



DES

CHIEF EXECUTIVE

Officer's Business Review

The new platform will also allow for faster and more reliable payments for our current account customers, and enable us to offer new services online, and to expand our savings products beyond our core area.

Crucially, it will speed up and simplify many back-office functions, freeing colleagues from manual, time-consuming tasks to spend more time helping customers.

We've spent years working on this to make sure we get it right, recruiting the necessary talent and evaluating different systems.

We're now at the point where we're ready to proceed. As part of our New Cumberland programme we have signed a 12 year contract with Tata Consultancy Services (TCS). This covers two years of implementation and the first 10 years of operation from early 2027.

It is the biggest investment your Society has ever made – almost £16m this year and between £80m and £100m in total over the next decade – a substantial commitment for an organisation of our size.

I advised last year that investment in New Cumberland would hit our profitability, and that has been the case.

This year we reported a modest profit and we expect to incur losses for the next two years. I want to be clear – this is not a cause for concern.

Operating profits, which exclude investment costs, are healthy. We continue to grow our mortgage book and savings balances, and our assets stood at a record £3.3bn at the year end. The Cumberland is in good shape.

New Cumberland is a major undertaking, but we are convinced it's the right thing to do to secure the Society's long-term future.

Kinder

Please don't think that this investment in technology is going to change the nature of The Cumberland.

We aren't about to replace people with robots.

Whenever you deal with us, you will have the option to talk to a real person.

We pride ourselves on customer service – it's part of our 'kinder banking' purpose – and we're thrilled to retain our Feefo Platinum Trusted Service Award for the fifth consecutive year. Our net promoter score, which measures how likely customers are to recommend us, is one of the best in the industry.

Kinder banking means doing the right thing by our members, our Cumberland colleagues and by the communities we serve.

It's exemplified by our commitment to the branch network. While other bank closures continue apace, we continue to invest in our branches.

Conventional counters have gone. Customers are greeted at the door and then directed to the right person. This is very much the future of branch banking. It's revolutionary and the feedback we've had has been positive.

The reopening of our flagship branch in English Street, Carlisle, following a wholesale refurbishment, was one of the highlights of the year.



Our newly refurbished flagship branch on English Street, Carlisle.



"It looks amazing. I love all the plants and it feels so welcoming. I use The Cumberland all the time for my savings and it's so much better to be able to do it face to face."

Customer, Shirley Thomson, on the new English Street branch.

"It has a very relaxing atmosphere, very contemporary. I like the video screens with the local views on. We have got a beautiful city to show off."

Customer, Derrick Bates, on the new English Street branch.



Andrew Bailey (fourth from the left), Governor of the Bank of England, visited Cumberland Head Office in November.

We also refurbished our branches in Egremont and Preston this year. In addition, we're rolling out wi-fi across our branch network; 18 branches have benefited from this upgrade as at 31 March 2025. Customer wi-fi will also be improved which will be free to use by our customers when visiting our branches.



Our Egremont branch re-opened in March following refurbishment.

We've also done more to protect members from fraud and scams. Working with our debit card provider, Visa, we've been able to block many more fraudulent transactions preventing the distress these would cause.

Kinder banking means kinder to our planet too. Our Electricity National Grid Consumption has decreased by 15.2% year on year. Our aim is to be carbon neutral in our operations by 2030 and our overarching approach to sustainability is discussed by our Chief

People & Sustainability Officer (CPSO), Jill Johnston, in her report in the full Annual Report & Accounts.

Kinder means treating our colleagues with dignity and respect. We do, and we're proud to have been rated by Best Companies as one of the best large employers to work for in the UK, having been awarded the highest possible three-star accreditation, given only to organisations that "truly excel" and provide "world-class levels of workplace engagement".

And kindness extends to the communities we serve. Our colleagues marked World Kindness Day in November by handing out tasty treats to customers in branches, passers-by and employees in nearby businesses.

The recipes for these treats were taken from the *Kinder Cookbook*, a spin-off from our Kinder Kind of Kitchen initiative in partnership with FareShare Lancashire & Cumbria, and FareShare Glasgow & the West of Scotland which helps tackle food poverty.

The partnership is now in its second year and has been hugely successful in supporting foodbanks and hubs to provide supplies and hot meals to those in genuine need. This year, we have donated £250,000 to the initiative and extended its scope into southwest Scotland.

Andrew Bailey, Governor of the Bank of England, was keen to hear about our kinder banking ethos when he visited in November – the first visit by a Bank Governor in our history and another notable highlight.



We have donated
another
£250,000
to our
KINDER
kind of **KITCHEN**
initiative



Potential

The Society has achieved a great deal in 175 years.

We've enabled successive generations to buy a home of their own, a place to put down roots and raise a family.

It's no exaggeration to say that The Cumberland is an integral part of the social fabric in our heartland of Cumbria, Lancashire, Northumberland and Dumfries and Galloway.

But there is more to come.

Our investment will enable us to grow further.

We are unusual among building societies in that we offer current accounts to individuals and businesses, we have a car finance subsidiary – Borderway Finance – and we have provided lending to businesses operating in Hospitality and Tourism for over 25 years.

These are services more likely to come from a bank than a building society. We provide them because our members want them. We listen.

Looking forward, we will expand business lending into other carefully-chosen sectors – to support small businesses and through them, the wider community.

Our new broker portal has streamlined the way we engage with mortgage brokers and is enabling us to reach new customers too.

I am genuinely excited by the potential of the Society to do good and achieve more. We have a promising future as well as an illustrious past.

Des Moore
Chief Executive Officer
3 June 2025



FEEDBACK FROM BROKERS WE WORK WITH...

"We continue to be impressed with The Cumberland as a lender and look forward to continuing to work with you all.

The calculator and portal are straightforward and easy to use, and a great addition to your dedicated relationship managed service."

PBS, Lancaster

"The Cumberland Broker Portal is very intuitive and I particularly like the chat function, which is direct with my named relationship support, not an automated robot!"

Fong Dawson Mortgages, West Cumbria



Sunnyside Guest House,
Keswick.



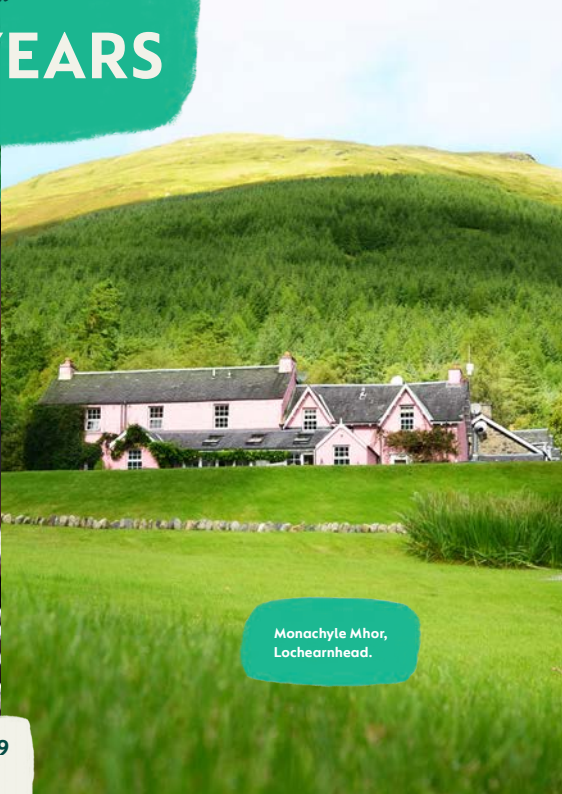
Amanda and Steve
White, owners of Market
Cross Guest House,
Northumberland.

We are proud to have
supported Hospitality &
Tourism businesses for

25+ YEARS



Sue Grundy, owner of
Brooklands Guest House,
Penrith.



Monachyle Mhor,
Lochearnhead.

Celebrating
175
YEARS

SUMMARY FINANCIAL STATEMENT

For the year ended 31 March 2025

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 2025. This information is also available from our website, cumberland.co.uk.

Chief financial officer's review

Financial performance was satisfactory. As we guided in last year's Annual Report & Accounts this was the first of three years where our elevated investment in transforming The Cumberland through a New Core Banking platform was expected to result in a statutory loss. We in fact significantly outperformed our budget projection and after the cost of New Cumberland, and a further charge in Borderway for the DCA commissions matter, the Group recorded a small statutory profit of £1m. Our operating profit, which is stated prior to New Cumberland's costs of £15.9m and hedging gains and losses, was a healthy £20.0m (2024: £27.4m).

I am pleased to report that The Cumberland and the vast majority of its customers have successfully weathered the UK's period of high inflation and higher interest rates and pressure has begun to ease for many, but not all, borrowers. As a result, we saw a small increase in our levels of arrears.

Falling interest rates have reduced our income substantially. We are immediately impacted by lower wholesale rates (effecting our liquid assets and swaps) when the Bank of England lowers base rate. Next our borrowers linked to variable rates usually see lower rates too before finally our variable savers are impacted, as the later have regulatory notice periods that do not apply to

lowering of borrower rates. This margin and income squeezing dynamic which operates alongside the more general impact of lower net interest income and net interest expense in lower interest rate environments has impacted us each of the three times the Bank of England has lowered its rate. Our income has also been impacted by a greater level of owner occupied lending than planned and lower levels of Commercial and Holiday Let growth.

Against this complex backdrop, your Society grew its overall mortgage lending above the level planned, and you continued to trust us with your transactional banking, savings and deposits, which also cumulatively grew ahead of expectations.

We continued to invest in change, our people and our processes. The pace of delivery rose as forecast, resulting in ongoing improvements in our underlying technology architecture and improved cyber security. The New Cumberland program successfully moved through a period of discovery and we have recently entered into a master service agreement with our core supplier, TCS, allowing 2025/2026 to be a year of design and build as we move closer to delivering on this element of our strategy.

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. Within this growth story we moderated our level of outperformance in the second half of the year as we sought to balance this growth with our commercial and letting business lines.

Our holiday let business declined in the first half of the year returning to growth in Q3 ending the year modestly higher than at 31 March 2024. This reflected worries about housing regulation amongst holiday let landlords as some chose to sell up and others sought to address market changes by revising their approach to this sector. Concurrently our much smaller Buy to Let book continued to paydown. In the final months of the year, we saw the Holiday Let mortgage pipeline quality and volume improve as improvements in our processes and market confidence firmed up reflecting understanding of both new capital rules and the wider political narrative.

The FSOL book grew modestly throughout the year to reach £250m as hospitality borrowers appetite increased and economic confidence gradually improved. While we have opened our book to a small number of other business sectors, these loans will only start to be advanced in impactful volume next year.

We advanced £477m of mortgages (2024: £474m) and mortgage balances grew by £148m (2024: £194m).

Arrears and provisions

The strong credit performance of the Society's loan books was maintained in 2025, and the benefits of our long term commitment to prudent and responsible lending was demonstrated. The volume of accounts fully secured on residential property (FSRP) 90 days or more past due (90 DPD) at the balance sheet date has risen, but remains low, despite the pressures that have emerged from high inflation; and the higher interest rates, a growing proportion of our borrowers have faced. In our FSOL book (loans Fully Secured On Land) a similar dynamic was observed. The volumes, which remain well below industry norms, are as follows:

Accounts in arrears (≥ 90 DPD) as % of loan book	31 March 2025	31 March 2024
FSRP (90 days)	0.18%	0.14%
FSOL (90 days)	1.96%	1.90%

Reflecting the forward trajectory of UK rates and HPI alongside our long run loss experience, which is extremely low, we reduced our level of provisions. The

income statement credit for bad and doubtful debts was £569k (2024: £79k credit).

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 a marginally above budgeted inflow of funds of £136m (2024: £144m), which, after the capitalisation of accrued interest, resulted in our total retail funding rising to £3,013m (2024: £2,814m), growth of 7%. As a result, our deposit to loans ratio remained well over 100%.

Our growth in instant access accounts improved year on year as member behaviour adjusted to the falling rate environment and the reduction in spread between fixed and variable savings rates as the former slowly began to price in both actual and likely rate reductions. Current accounts outperformed forecast but were still slightly lower as customers used funds in the first half of the year before a period of stability as customers in our operating area joined us in response to Bank branch closures.

Our retention of fixed rate term deposits that passed through a maturity date was usually well over 90%, validating our long term commitment to support savers. However we targeted a reduction in the term deposit maturity peaks in November and December which had arisen from excess growth in 2022 and 2023. In these months we retained closer to 80%. Growth in fixed term deposits outside of the two months mentioned was strong. Our long term commitment to savers remains at the forefront of our mind as we manage the rate down environment.

On-balance sheet liquid assets reduced to £476m (2024: £511m), as we continued our structured repayment of TFSME as planned, and we diversified our holdings further. Throughout the year, we maintained a prudent buffer given the uncertain economic backdrop, while unwinding some of the historic conservatism. This reflects both our own approach but also the quantitative tightening currently being conducted by the Bank of England as it fully unwinds its long term support of Banking



through closure of the TFSME scheme and sale of the Gilts it holds.

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 financial results have broadly sustained our gross capital ratio (gross capital expressed as a percentage of total shares and deposits) at 7.7% (2024: 7.9%). This gives us a firm base to support the business, as we maintain elevated investment levels to deliver the New Cumberland programme over the next couple of years. Our current level of surplus should allow us to grow our level of lending, even as profits are very largely invested.

Subsidiary companies

The Group's financial statements incorporate the assets, liabilities and results of a holding company and Borderway Finance Limited (BFL). BFL, our motor finance business, made a loss before tax of £707k (2024 profit: £331k) after it recognised a further provision of £1,287k in relation to the industry wide discretionary commission arrangements matter and the linked Court of Appeal judgment. BFL traded successfully most of 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 exception to this was a short period in October 2024 when all lending via vehicle dealers was ceased to manage the risk of the Court of Appeal judgment. The balance sheet fell to £26.8m (2024: £27.3m). Credit quality has been good.

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
3 June 2025





OUTLOOK

The outlook for the UK economy is uncertain. As inflation has moderated, speculation about rates and the pace and limits of any fall continues with swap volatility as the driving factors change both domestically and globally. We expect a downward sloping rate environment and as a result to see mortgage and savings, pricing down from current levels. Tragically, the world remains at war in multiple locations, including the Middle East and Ukraine, with escalating conflicts further afield. This, coupled with the impact of US tariffs rhetoric and other nation's responses on global politics and trade, creates a challenging macro-economic outlook, with UK growth remaining sluggish. The last two years have shown that prediction is fraught. While a significant recession has not occurred to date and our central projection is for a stable UK economy, growth may well stall or reverse.

The Society's statutory profitability is expected to reduce markedly over the coming two years,

as it strategically invests in its future in the context of a downward sloping rate environment. This dynamic is occurring while the Society simultaneously operates in the highly competitive environment that characterises UK mortgage lending and retail savings.

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, its clear purpose and consistent strategy which has been highly successful in differing economic climates, will continue to allow the Society to thrive well into the future.

Jackie Arnold, Chair
3 June 2025



FINANCIAL RESULTS

For the year ended 31 March 2025

Results for the Year	Notes	Group 2025 £000	Group 2024 £000
Net interest receivable		74,739	80,734
Fair value losses on financial instruments		(2,141)	(7,501)
Other income and charges		386	776
Administrative expenses, depreciation, amortisation, impairment and profit on sale of tangible fixed assets	1	(71,484)	(64,181)
Gain/(loss) on revaluation and disposal of investment properties		229	(34)
Provisions for bad and doubtful debts		569	79
Provisions for liabilities and charges		(1,287)	(277)
Profit for the year before taxation		1,011	9,596
Taxation		(398)	(2,216)
Profit for the year		613	7,380
Statement of Comprehensive Income			
Profit for the financial year		613	7,380
(Loss)/gain on available for sale debt securities		(102)	273
Gain on equity share investment		2,193	1,538
Movement in deferred tax on equity share investment		(548)	(385)
Actuarial gain/(loss) on retirement benefit obligations		482	(1,426)
Amount of pension surplus that is not recoverable		(483)	(150)
Movement in deferred tax on retirement benefit obligations		-	394
Total recognised gains and losses for the year		2,155	7,624
Financial Position at End of Year			
ASSETS			
Liquid assets		475,864	511,068
Mortgages		2,757,968	2,588,743
Motor finance and overdrafts		27,634	27,866
Derivative financial instruments		36,903	60,549
Fixed and other assets		30,716	30,211
Total assets		3,329,085	3,218,437
LIABILITIES			
Shares		2,889,795	2,681,716
Borrowings		186,998	283,153
Derivative financial instruments		3,644	4,453
Other liabilities		12,280	14,902
Reserves		236,368	234,213
Total liabilities		3,329,085	3,218,437

Summary of key financial ratios	Notes	2025 %	2024 %
Gross capital as a percentage of shares and borrowings	2	7.68	7.90
Liquid assets as a percentage of shares and borrowings	3	15.47	17.24
Profit for the year as a percentage of mean assets	4	0.02	0.23
Management expenses as a percentage of mean assets	5	2.18	2.03

Approved by the Board of Directors on 3 June 2025 and signed on its behalf by:

Jackie Arnold Chair
Mark Stanger Chair of the Audit Committee
Des Moore Director and Chief Executive Officer

Notes

- 1. Group Administrative Expenses** include £20,559,000 of project based expenditure (2024 - £15,230,000). Spend on the New Cumberland programme before capitalisation (including directly related strategic enabling projects which are now formally within the programme) was £16,321,000 (£15,857,000 after capitalisation). In 2024 £10,411,00 was directly related to our strategic transformation of which £9,995,000 was New Cumberland.
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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 branches and other office costs, including the cost of employing our people but also include the significant sums we are spending on delivering our New Cumberland transformation programme. 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 for the year ended 31st March 2025 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 2025 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
3 June 2025

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 PARC take account of fees and salaries payable and other benefits provided to non-executive directors, executive directors and 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. KPMG reported on executive director and other executive remuneration.

Full details of individual directors' remuneration, are disclosed on page 21.

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 2025 are members of a defined contribution pension scheme and are entitled to receive pension 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 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 2025, 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 continued to review 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, PARC completed the annual appraisal of the Long Term Incentive Plan (LTIP) which was introduced in 2022. The performance period outcomes for 2022/23 and 2023/24 were approved, along with the continuation of the scheme for 2024/25, and in April 2025 that period's initial outcomes were assessed.

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 is best supported by an LTIP provided to executive directors, members of the senior leadership team and a small number of other employees.

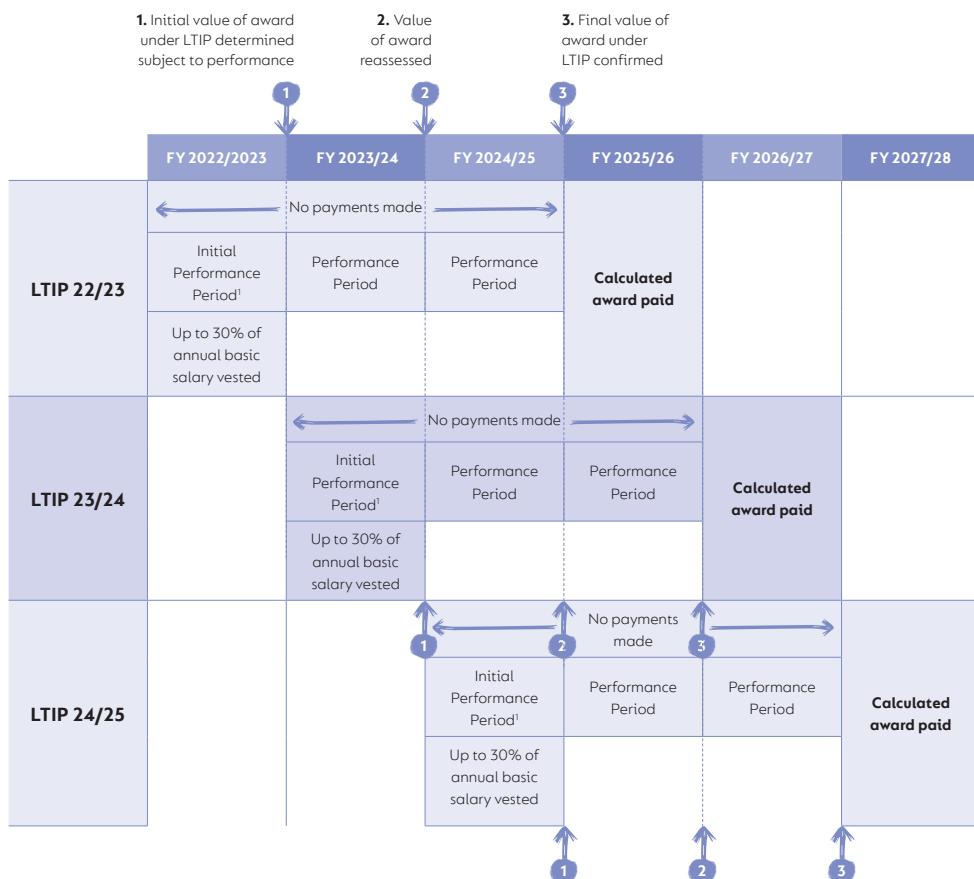
It was designed as a tool for retention of the assembled team and as a mechanism that will align reward to delivery of both whole business transformation and growth over the period of strategy execution.

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

Kelli Fairbrother

PARC Chair, 3 June 2025

An illustration of how the LTIP will operate is set out below:



¹During 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. For LTIP 24/25, a final value of the award will be assessed and confirmed by PARC in April or May 2027.

LTIP measures

Our LTIP measures will be assessed annually by the Committee and financial accruals recognised based on those outcomes. These can be reversed, reduced 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 at end of initial performance period	PARC Assessed Achievement at end of second performance period	PARC Assessed Achievement at end of third and final performance period
Deliver exceptional customer experience consistently	Measured by Feefo	20%	✓	✓	✓
Embed right culture, talent and skills to enable us to grow and transform	B-heard annual accreditation	20%	=	✓	✓
Deliver The Cumberland transformation with pace and focus	Delivery of transformation (Board approved milestones)	20%	✓	✓	✓
Maintain financial soundness and growth	Cumulative operating profit (versus Board approved budget)	20%	✓	✓	✓
Protect the Society and our members	Compliance with risk appetite over the transformation period	20%	✓	✓	✓

The Cumberland achieved a 2* B-heard accreditation during the second performance period resulting in this metric moving to achieved.

LTIP 23/24

Objective	Measure	Portion of Award subject to this objective	PARC Assessed Achievement at end of initial performance period	PARC assessed achievement at end of second performance period
Deliver exceptional customer experience consistently	Measured by Feefo	20%	✓	✓
Embed right culture, talent and skills to enable us to grow and transform	B-heard annual accreditation	20%	✓	✓
Deliver The Cumberland transformation with pace and focus	Delivery of transformation (Board approved milestones)	20%	✓	✓
Maintain financial soundness and growth	Cumulative operating profit (versus Board approved budget)	20%	=	=
Protect the Society and our members	Compliance with risk appetite over the transformation period	20%	✓	✓

✓ Expectation achieved or exceeded.

= Reasonable outcome against expectation.

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

✓ Expectation achieved or exceeded.

= Reasonable outcome against expectation.



DIRECTORS' REMUNERATION

Directors' Remuneration

	2025 £000	2024 £000
Total directors' remuneration	1,383	1,286
Non-executive directors' remuneration		
John Hooper (Chair resigned July 2024)	26	81
Eric Gunn (resigned July 2024)	15	53
Jackie Arnold (Chair appointed July 2024)	76	56
Mark Stanger (Chair of the Audit Committee)	57	50
Vicky Bruce	49	47
Kelli Fairbrother (Chair of the People, Remuneration and Culture Committee)	54	45
Anna Barsby	51	45
Cameron Marr (Chair of the Board Risk Committee)	53	21
Richard Pike (appointed June 2024)	39	-
	420	398

Executive directors' remuneration 2025

	Salary £000	Directors' Annual Incentive £000	Long-term Incentive Plan £000	Pension Contributions £000	Pension Replacement Amounts £000	Other Allowances £000	Total £000
Des Moore	324	65	85	-	45	13	532
Richard Ellison	261	52	68	37	-	13	431
	585	117	153	37	45	26	963
2024							
Des Moore	312	62	60	-	44	13	491
Richard Ellison	251	50	48	35	-	13	397
	563	112	108	35	44	26	888

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.

NOTICE OF ANNUAL GENERAL MEETING 22 JULY 2025

**The Annual General Meeting (AGM) of
Cumberland Building Society will be held at
4.00pm on Tuesday 22 July 2025 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 2025.
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) Anna Barsby
 - c) Victoria Jane Bruce
 - d) Richard Bryan Ellison
 - e) Kelli McKechnie Fairbrother
 - f) Hamish Cameron Galbraith Marr
 - g) Patrick Desmond Moore
 - h) Mark John Stanger
5. To elect Richard James Pike

Special Resolution

6. To approve the changes to the Memorandum and Rules of the Society as set out in the explanatory leaflet.

BY ORDER OF THE BOARD

Silas Heys, Secretary, 3 June 2025

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 (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.
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 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 in person. 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 18 July 2025. If voting online, votes must be cast by 5pm on Thursday 18 July 2025.
6. You should check if you are eligible to vote by reading the voting conditions on the voting form.



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 3 June 2025 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 17 to 21 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. Your Board therefore 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. The directors standing are shown on page 22 and details of their skills and experience are given on pages 25 to 27. Following formal evaluation, the Board considers that their performance continues to be effective and that they demonstrate the necessary commitment to the role.

The Board is comprised of 7 non-executive, and 2 executive directors.

One non-executive director serves as the Chair of the Board, and one as the Senior Independent Director.

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. The Senior Independent Director acts as a sounding Board for the Chair and serves as an intermediary for the other directors and the members.

The November 2023 Board Effectiveness Evaluation found that, “for a firm of its nature, scale and complexity, the CBS Board and its Board members [were] highly competent (both as individuals and as a team),” describing directors as “hard-working, collegiate, cognitively-diverse, highly methodical, [and] challenging.” Their commitment to the service of the Society and its purpose was particularly noted.

Meet the Board of DIRECTORS



**Nomination
and Governance
Committee**



**Board Risk
Committee**



**Audit
Committee**



**People,
Remuneration
and Culture
Committee**



JACKIE ARNOLD
MBE

*Board Chair and Nomination
and Governance Chair*



Non-Executive Director and a member of NGC since March 2018, PARC Chair May 2019 to July 2024, Audit Committee member September 2020 to July 2024, Board Chair and NGC Chair since July 2024 (independent on appointment)

Skills and experience

Jackie has over 35 years' experience in business and financial management roles, and has previously held several senior positions with BAE Systems and Edison Mission Energy. She also has significant non-executive experience in the public and education sectors most recently being appointed Chair at Furness Education Trust and Workstream Director with Team Barrow Delivery Board.

Current material external positions

- Workstream Director, Team Barrow Delivery Board
- Professor of Practice, Lancaster University
- Strategic Advisor, University of Cumbria
- Leader in Residence, Lancaster University
- Chair of Trustees, Furness Education Trust
- Consultant Social Purpose, BAE Systems

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



ANNA BARSBY

Senior Independent Director



Non-Executive Director since June 2022, PARC member since July 2022, SID, BRC and NGC member from July 2024 (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. She is currently the Founder and Managing Partner at Tessiant, a boutique consultancy, and has previously worked with a number of FTSE 100, FTSE 250 and regulatory organisations at a senior level.

Current material external positions

- Founder and Managing Partner, Tessiant
- Non-Executive Director, Talent Mapper
- Director, ACR Cars Ltd

Previous positions include

- Group Chief Product and Technology Officer, 888 Holdings / William Hill
- Chief Digital and Information Officer, Asda
- Chief Transformation Officer, Fortnum and Mason
- Chief Information Officer, Halfords
- Chief Technology Officer, Morrisons



VICKY BRUCE

Non-Executive Director



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

Skills and experience

Vicky has worked in international financial services for over 25 years. Her experience spans change, risk, regulation, wealth management and retail banking and she has UK board experience in financial services and the not-for-profit sector.

Current material external positions

- Non-Executive Trustee, Agitos Foundation

Previous positions include

- Global COO for Institutional Wealth Partners, Deutsche Bank Wealth Management
- Global Head of Regulatory Change, Deutsche Bank Wealth Management
- Head of Change Management, Coutts
- Non-Executive Trustee, Hope and Homes for Children
- Consultant, International Paralympic Committee



**RICHARD
ELLISON**

Chief Financial 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 ongoing 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 future of the Society and its transformation. He also oversees the Governance, Legal and Secretariat function.

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



**KELLI
FAIRBROTHER**

*People, Remuneration and
Culture Chair*



Non-Executive Director and PARC member since September 2020, PARC Chair, Audit and NGC member since July 2024 (independent)

Skills and experience

Kelli has over 25 years of experience in consumer and technology businesses. She is currently CEO of xigxag, a digital media technology start-up she co-founded. She previously served as Group Head of Strategy for Whitbread, President of the International Business of Deluxe Entertainment and Chief Operating Officer of Gelato. She earned her MBA from Harvard Business School.

Current material external positions

- Co-Founder and CEO, xigxag Limited
- Non-Executive Director, Liberty Wines Limited

Previous positions include

- Chief Operating Officer, Gelato
- President, International, Deluxe Entertainment
- Business Development and Commercial Director, Whitbread Hotels and Restaurants
- Group Head of Strategy, Whitbread PLC



CAMERON MARR

Board Risk Committee Chair



Non-Executive Director and BRC Chair since November 2023 (independent)

Skills and experience

Cameron has worked in international financial services for over 40 years. His experience of the sector includes risk, regulation, and sustainability. He also has an extensive background at Board level having chaired Board Audit and Board Risk Committees in other organisations.

Current material external positions

- Non-Executive Director (Chair of Audit Committee), Hewlett Packard International Bank DAC
- Non-Executive Director (Chair), Mars Capital Finance Ireland DAC
- Non-Executive Director (Chair of Audit, Risk and Compliance Committee), AIB Merchant Services

Previous positions include

- Chief Risk Officer and Executive Director, KBC Bank Ireland DAC
- Chief Executive Officer, Butterfield Bank (UK) Limited
- Non-Executive Director (Chair of Audit and Risk Committee), Ghana International Bank PLC
- Non-Executive Director (Vice-chair, Chair of Risk Committee and Chair of Audit Committee), National Bank of Kuwait (International) PLC
- Non-Executive Director (Chair), Kroo Bank Ltd



DES MOORE

Chief Executive Officer

Chief Executive Officer and Executive Director since April 2018

Skills and experience

Des is an accomplished senior leader in the financial services sector in both the UK and Ireland, with extensive experience in both retail and commercial banking. Prior to joining the Society, Des spent five years as Managing Director of AIB (NI) and was responsible for leading the restructure 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

- Non-Executive Director, Cumbria Local Enterprise Partnership
- Managing Director, AIB (NI)
- Senior positions – AIB, Bank of Ireland, Permanent TSB and National Irish Bank



RICHARD PIKE

Non-Executive Director

Non-Executive Director since June 2024, BRC Member since July 2024 (independent)

Skills and experience

Richard has been involved in the financial services sector for over 30 years and is a Certified Bank Director at the Institute of Banking. He was the co-founder of Ci3 which provided risk-management software and IT services to financial institutions and the founder of Governor Software which assists institutions in complying with new governance and risk regulations. He also has an extensive background at Board level having chaired Board Risk Committees both within financial services and non-profit organisations.

Current material external positions

- Non-Executive Director and Chair, FBD Insurance PLC
- Non-Executive Director and Chair, Citadel Securities (Europe) Ltd
- Non-Executive Director and Chair, Citadel Securities (Ireland) Ltd
- Non-Executive Director (Chair), Tuath Housing
- Non-Executive Director (Chair of the Board Risk Committee) Monzo Bank EU

Previous positions include

- Non-Executive Director (Chair of Board Risk Committee), Starling Bank International
- Non-Executive Director, J.P. Morgan Admin Services and J.P. Morgan Hedge Fund Services (Ireland)
- Non-Executive Director, Permanent TSB PLC
- Non-Executive Director, National Cybersecurity Society



MARK STANGER

Audit Chair

Non-Executive Director since June 2018, Audit Committee Chair since July 2020, BRC member January 2019 to July 2024, and PARC member since July 2022 (independent)

Skills and experience

Mark has over 35 years' experience in accountancy and financial services. His experience includes risk, audit, regulatory compliance and included a focus on the hospitality sector.

Current material external positions

- Partner, Armstrong Watson LLP
- Director, Gibbons Wealth Management Limited
- Director, Gibbons Properties Limited
- Director, Carleton Properties (Cumbria) Limited

Previous positions include

- Chair, Board of Governors, Lakes College, Lillyhall
- Senior Partner and Managing Partner, Gibbons





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