



# REPORT and ACCOUNTS

Year ended 31 March 2026



175  
The Cumberland  
Kinder banking. It's in our nature.

*Our performance*  
**HIGHLIGHTS**

FEEFO PLATINUM SERVICE AWARD

**4.9** *out of* **5.0**

CUSTOMER SERVICE RATING

2



**£3.5bn**

*Total assets*

**86**

**NET  
PROMOTER  
SCORE**

**£471m**

*Gross mortgage  
lending\**



We attained  
**B CORP CERTIFICATION**  
at the first attempt



\* Those figures highlighted with an asterisk are a Group key performance indicator (KPI). For information on how these are calculated, please see page 159. All information and data correct as at 31 March 2026.

### 2025 Comparatives

£3.3bn total assets, £477m gross mortgage lending, £20m operating profit and £200m deposits growth.

**WORLD CLASS**  
**EMPLOYER RATING**



Three-star rating from Best Companies recognising The Cumberland as "a vibrant, purpose-driven organisation that values its colleagues and the communities it serves".



**£156m**  
deposits growth

**£10.6m**  
Group operating profit

Ranked **2**<sup>ND</sup>

Best Company to Work For in the Financial Services category

(Best Companies, 2025)



# STRATEGIC REPORT



# CORPORATE GOVERNANCE REPORT

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# STRATEGIC REPORT





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*Having celebrated our 175th anniversary in 2025, we stand on the cusp of an exciting new era enabled by our New Cumberland transformation plan.*

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**JACKIE**

**CHAIR'S**  
*Welcome*

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 2026.

## It is an honour to serve as Chair at such a momentous time for the Society.

The Cumberland is more than a building society. As well as providing mortgages and savings accounts, we also offer customers a current account, not typical of building societies. We proudly support businesses in our community by providing commercial lending.

**Owing to the range of products we offer, The Cumberland is more akin to a regional community bank than it is to a traditional building society; however, what differentiates us is our mutual building society ethos. We exist to serve our members, the savers and borrowers, not for the benefit of external shareholders.**

The Cumberland's role is becoming more important than ever as conventional banks retreat from our high streets.

In 19 communities, from Langholm to Ulverston, we are the only provider of banking services. That will soon rise to 20 when Whitehaven loses its last bank.

As someone born in Cumbria, I understand the importance of maintaining this high street presence.

Indeed, our approach is very much aligned with the Government's stated aim of promoting community banks and doubling the size of the mutual sector.

Having celebrated our 175th anniversary in 2025, we stand on the cusp of an exciting new era enabled by our New Cumberland transformation.

To continue to provide banking services that meet the changing needs of our customers and to keep up with technological change, we need a banking platform that is robust and resilient.

Over the last year we have been working with our strategic partner, TCS, to build a new, modern, banking platform.

In the coming year, we will move into the testing and training phase of our New Cumberland programme, in preparation for our transition to the new platform in 2027.

We have committed significant resource into this vital work, the largest programme in our long history; £26.3m was invested this year. By the end of 2029 we expect to have invested between £80m-£100m in the Society's future. As we have highlighted over the last two years, such a level of investment will mean the Society reports a loss for the next two years.

This has been the case in 2026. We made a pre-tax loss of £12.2m this year (2025: £1m profit before tax). The loss was lower than we planned for thanks to our rigorous cost control.

This loss, due to investment in our New Cumberland programme, was budgeted for and is covered by our reserves; the investment will ultimately leave the Society in a more resilient position.

On all other metrics, The Cumberland performed strongly.

Group Operating Profit was satisfactory at £10.6m (2025: £20.0m) despite falling interest rates, which inevitably squeeze our margins. Total income reduced by £6m despite our balance sheet growth and we experienced higher costs driven by inflation while the Government's Employer National Insurance increase added around £1m to our wage bill.

Residential lending and overall mortgage lending increased and our balance sheet grew to almost £3.5bn at the year-end (2025: £3.3bn).

We extended business lending beyond our established hospitality and tourism customers into other sectors welcoming new borrowers in both our heartland and further afield.

Mortgage arrears increased slightly but remain well below the industry average, despite a backdrop of weak economic growth, rising unemployment and political instability at home and abroad.

Mortgage customer retention – when borrowers reach the end of a fixed-rate deal – remains well above the industry norm.

Other highlights include the attainment of B Corp certification, further improvement in our colleague ratings from Best Companies placing us in the top 10 places to work in the UK and the retention of our Feefo Platinum Trusted Service Award for outstanding customer service.

I would like to extend my heartfelt thanks to all our Cumberland colleagues for their hard work and dedication, not least our outgoing Chief Executive, Des Moore, who leaves us soon after the year-end.

In his eight years with The Cumberland, Des has overseen strong growth in the balance sheet while simplifying structures, reducing risk and creating a more inclusive and values-led Society with a greater emphasis on sustainability.

We wish him well for the future.

Equally, I'd like to welcome our new Chief Executive, Stuart Miller, who joins us from the Newcastle Building Society where he was Chief Commercial Officer.

Stuart understands The Cumberland, our purpose and mission, and the communities we serve. He is highly experienced, passionate and driven, and shares the Board's vision for a forward-looking, purpose-led Society embedded in local communities.

**I am confident he will propel the Society forward during and beyond our New Cumberland era.**

*Jackie Arnold, Chair  
2 June 2026*

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DES

*It has been the greatest privilege of my life to lead the Society. I want to thank my dedicated Cumberland colleagues, and the Board, for their hard work and support over these past eight years.*

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**CHIEF  
EXECUTIVE**

*Officer's Business Review*

## This is my final report as Chief Executive as I stepped down at the financial year-end.

It has been the greatest privilege of my life to lead the Society. I want to thank my dedicated Cumberland colleagues, and the Board, for their hard work and support over these past eight years.

Together, we've transformed the culture of the business and are poised to deliver on another transformation, a technological one.

Our New Cumberland programme represents the biggest investment that the Society has ever made. Over the last two years we have invested £42.3m, including £26.3m in 2026. With a total programme investment in the range of £80m-£100m by the end of 2029.

It's a major commitment but it's absolutely the right thing to do.

It will ensure that our banking platform is robust and resilient, up there with the best in the industry. It will enable us to continue providing the services that members value and to grow the business for years to come.

TCS are our partners on this journey. We chose them because of their extensive expertise and capability. They are critical service providers in financial services and global leaders in banking technology.

Over the last year TCS have been working with us to build our new cloud-based banking platform. This has involved some Cumberland colleagues visiting TCS for training and TCS employees relocating to Cumbria.

We are about to move to the testing phase and expect to migrate to the new platform during 2027.

We're deliberately moving carefully to ensure that everything is robustly built, tested and checked to ensure the transition is as seamless as possible.

To ease the process, we will be cautious about growing our lending and savings balances in the next year to avoid undue stress at the point of transition.

We flagged last year that the investment in New Cumberland would lead to the Society reporting pre-tax losses in 2025-26 and 2026-27.

This year's loss is less than we expected, which is testament to the Society's strong performance and disciplined cost control.

A loss was budgeted for and is, without question, a price worth paying to achieve the long-term benefits that New Cumberland will deliver.

## People

It's worth reiterating that this investment will not change The Cumberland's ethos or approach. We aren't replacing people with technology.

Our new systems will release Cumberland colleagues from repetitive tasks to spend more time dealing with members.

We know members appreciate this face-to-face contact.

That's why, when you call us, you will always speak to a real person and why we continue to invest in our branches.

This year has seen refurbishments in Carlisle Rosehill, Annan and Barrow, following the work done previously at Egremont, Carlisle English Street, Preston and Maryport. Whitehaven is next in line for an upgrade.



Colleagues at our Annan branch thank team members from Kate's Kitchen for letting us use their space to host our branch pop-up while we were closed for refurbishment

It is significant that, in the 19 communities where we are now the only provider of high street banking services, we've seen an increased number of current account customers switching to The Cumberland and we would encourage more members of our communities to join us too.

It is important to us that members are happy with the service they receive and that colleagues feel valued and enjoy their work.

We were delighted to retain, for the sixth consecutive year, our Feefo Platinum Trusted Service Award for outstanding customer service and, yet again, to improve our rankings in Best Companies' survey of the best employers. We retained our 'world class' three-star rating for engagement.

*Another highlight was the attainment of B Corp certification at the first attempt. This is an international standard that measures an organisation's governance, social and environmental performance.*



These are things The Cumberland holds dear, as embodied in our purpose 'to create a banking experience that's kinder to people and the planet'. It's reassuring to get independent confirmation that we're on the right track.

Doing the right thing by our members, colleagues and communities is in The Cumberland's DNA.

We continue to support local communities through initiatives such as Kinder Kind of Kitchen, a partnership with FareShare Lancashire and Cumbria and FareShare Glasgow and the West of Scotland, to beat food poverty by supporting foodbanks and community food hubs.

**We have contributed £675,000 to Kinder Kind of Kitchen since it started in 2023.**

Financial education is another priority and we are now working with FutureJam, a social enterprise that teaches essential life skills to young people.

## Progress

This has been another year of steady progress as the Society continues to grow. Our assets stood at a record level of around £3.5bn at the year end.

Growth in mortgage lending was underpinned by a high retention rate among fixed-rate mortgage customers when their fixed-rate deal ended.

Despite falling interest rates during the year, the vast majority of mortgage customers continue to opt for the security of fixed-rate deals rather than variable-rate products.

Mortgage arrears grew slightly, but remain well below the industry norm, while repossessions were negligible. This reflects our prudent lending policies and the sympathetic and constructive approach we take to assist members who get into financial difficulties.

Our new broker portal performed well, speeding up the processing of mortgage applications and enabling more customers to access our products.

Savings balances also showed growth driven by strong demand for ISAs fuelled by speculation, which proved in part to be correct, that the Chancellor would cut the cash ISA allowance in her autumn Budget.

We have grown holiday let lending and broadly maintained our commercial book size, despite continuing headwinds for our core customers in hospitality and tourism.



**Our Kinder Kitchens initiative was a key community focus throughout the year**





*I'm very confident that  
The Cumberland will thrive  
in the years ahead.*

Des reflects on The Cumberland's  
175-year history, reviewing its  
Annual Reports from 1851-70

This year we have also provided £6m of loans to businesses in other sectors including care homes, retailers, a used car dealer and a nursery.

This is part of a long-term strategy to support small and medium-sized businesses across our operating area in both their banking and borrowing needs.

Our relationship banking model, where every commercial borrower has a nominated contact who knows their business and understands their sector, is widely appreciated and differentiates us from most competitors.

We continue to step up activities to protect our members from fraud.

We have been working with Visa to detect online debit card fraud sooner. This has significantly reduced what is deemed 'cardholder not-present fraud'.

We've also run fraud awareness marketing campaigns; one was aimed at summer holidaymakers and the other highlighting online scams at Christmas.

Borderway Finance, our car finance subsidiary, saw modest growth and reported a reasonable operating profit although we had to make a further provision in relation to the discretionary commission arrangements matter resulting in a statutory loss for the business.

## Prospects

My title may have been 'Chief Executive' but it could equally be 'Chief Custodian'.

In heading an organisation with a 175-year track record of delivery for members, I've felt an innate responsibility to cherish this much-loved and valued institution to ensure that it continues to grow and prosper.

I'm very confident that The Cumberland will thrive in the years ahead.

We have a talented and capable team and highly competitive lending, savings and banking products. The investment in New Cumberland will give us our own superb platform to further refine and enhance our offer.

These are exciting times for the Society.

My successor, Stuart Miller, joins at a pivotal moment. I wish him well as he leads The Cumberland into a new era.

*Des Moore  
2 June 2026*

*This has been another year  
of steady progress as the  
Society continues to grow.  
Our assets stood at almost*

**£3.5bn**  
*at the year end.*



STUART

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*Introducing*

# OUR NEW CEO

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*We must never lose sight of what really matters – our members, our colleagues and our communities. We must do right by them.*

## I am thrilled and excited to have joined The Cumberland at such an important time in its history.

And I am keen to build on the great job done by my predecessor, Des, who has been immensely supportive in my first few months with the Society.

Having worked in financial services for almost 40 years, more latterly in building societies, I am a real believer in the mutual model.

### Why?

**Because, unlike banks that have shareholders, building societies are all about returning value to their members and the communities in which they operate. At The Cumberland we focus relentlessly on the needs of our members – our savers and borrowers – and care deeply about the communities we serve and the wider good of society.**

My top priority upon arrival was to visit our 31 branches to meet as many customers and colleagues as possible, and to meet local stakeholders such as local authorities and businesses to see how we can work together to deliver for our communities.

I started my career in a branch, in customer facing roles, so I believe I have a good feel for the challenges our colleagues face on a day-to-day basis and I really value all the hard work and effort they put in to looking after our customers.

I believe it is crucial, as a new CEO to really understand the needs of our members and local communities. What is it that you value about the Society and what would you change? That is why we will be embarking on a major consultation exercise, to include visits, surveys and drop-in sessions in local shopping centres, to get a better understanding of members' needs.

We need this information now as it is vital that we design and hone our Cumberland transformation programme to create value for members and meet their expectations. This positive development will provide a springboard to enhance our products and services.

New Cumberland will ensure the Society is here for the long haul. It is a major commitment, but it is money very well spent. We would not be investing if we were not certain that it was the right decision. In TCS, we have a delivery partner with significant experience in this space.

What will not change with New Cumberland is our commitment to branches and to providing personal service with a warm, friendly face.

In my previous role, at the Newcastle Building Society, I was responsible for opening new branches, sometimes sharing premises with others such as public libraries, and community hubs, to provide a footprint in communities where a stand-alone branch might not be viable.

*My top priority upon arrival was to visit our 31 branches to meet as many customers and colleagues as possible, and to meet local stakeholders such as local authorities and businesses to see how we can work together to deliver for our communities.*

I will be working with colleagues here at The Cumberland to look for similar opportunities.

I have also been involved in projects such as The Future of Rural Retail and the Government's High Street Task Force, which have highlighted the importance of maintaining a presence on the high street.

I know customers appreciate The Cumberland's continued presence on the high street when other providers have abandoned them. It brings value to the community particularly as we offer current accounts as well as savings and mortgages.

The fact that we lend to small businesses, which few other building societies do also helps us support local communities. We know our Commercial customers value doing all their banking with a fellow local business and the people-first service we offer.

Ultimately, this is a people business. Technology is a powerful tool but it only enhances the exceptional service delivered by our colleagues; it does not replace it.

**We must never lose sight of what really matters – our members, our colleagues and our communities. We must do right by them.**

**That is my mantra going forward.**

**Stuart Miller,**  
Chief Executive  
2 June 2026

# WHAT we do, and WHY we do it

The concept of a building society owned by its customers, the savers and borrowers, goes back 251 years. And we proudly celebrated The Cumberland's 175th anniversary in 2025.

**This model has enabled successive generations of aspiring homeowners to realise their dreams while providing a safe and secure home for savings.**

Mutuality offers significant advantages. Whereas banks are owned by shareholders, who demand an immediate return on their capital, we can reinvest every penny we make. We don't have to pay shareholder dividends so we can offer highly competitive savings and mortgage products. That's why so many mortgage customers stay with us when their fixed-rate deal ends and why our savings and mortgage balances keep growing.

Perhaps the biggest advantage of mutuality is the ability to think long-term. We aren't under scrutiny from stock market analysts looking at the latest earnings per share figures. We are answerable only to you, our members. That's why we are maintaining our branch network while the banks are closing branches at an alarming rate.

Indeed, we are refurbishing branches, not closing them, because you tell us you appreciate that personal touch and face-to-face contact. We have also upgraded our telephone systems this year so you can talk to our Carlisle-based colleagues too. You'll always be able to speak to a real person when you need to.

Unlike most other building societies, we provide banking-type services alongside savings and mortgages. We've offered current accounts since the 1980s, for personal customers and businesses. We also lend to businesses. Again, we've done this because members really value these services.

It's why we're investing in our New Cumberland transformation programme to ensure our banking systems are robust and resilient. Our 12-year partnership with TCS, who are world leaders in banking technology, will ensure The Cumberland's banking offer is as good as any in the marketplace. New Cumberland represents a significant investment that we probably wouldn't have made if we weren't able to take a long-term view.

There's one more major benefit of mutuality. We always strive to do the right thing by our members, by our Cumberland colleagues and by the communities we serve.

That's why we consistently achieve Feefo's Platinum Trusted Service Award for outstanding customer service delivered by our real people, why Best Companies rates The Cumberland as one of the best employers in the UK and how we have been able to attain B Corp certification, awarded only to businesses with high standards across governance, social and environmental performance.

It's why we support initiatives such as Kinder Kind of Kitchen, to tackle food poverty, and back Cumbria Wildlife Trust's work to save red squirrels. We see the local community as something that we're an integral part of, not something to exploit to make profits. It's summed up in our purpose 'to create a banking experience that's kinder to people and the planet'.

There was a time when mutuality appeared to be waning. In the 1990s, a series of building societies gave up their mutual status to become banks. Tellingly, not one has survived as an independent business. They have all been taken over by other banks or have vanished completely. The benefits of mutuality are once again to the fore and the Government has pledged to double the size of the mutual sector going forward.

**We are fully on board with that. Mutuality has served The Cumberland's members well for 175 years, and as we further develop our community banking model it will do so for many more years to come.**



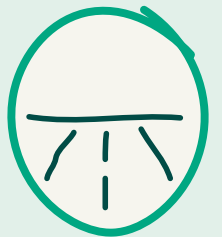
# WE'RE DRIVEN BY OUR VALUES

Our five core values underpin who we are and what we stand for. They form the basis of how we approach our business and they guide every decision we make. Our values are:



## Customer Led

We put customers first in everything we do.



## Straight Forward

We work hard to make things simpler.



## Responsible

We do the right thing.



## Forward Thinking

We embrace new ideas to continually improve.



## Better Together

We work as one team.

These values, which were developed by our colleagues, ensure we do the right thing by our customers, communities and colleagues and help us to make a positive difference every day.

We have embedded these values across our business, from the boardroom to the branches, sharing our culture with our colleagues and passing it on in everything we do.

We're proud of the culture these values have helped create but we're constantly looking for ways we can improve. We talk about our values regularly, from informal chats through to formal governance decisions, ensuring they're not just a sign on the wall or something we talk about once a year, but are genuinely and consistently at the front of everyone's mind. We also benchmark each one of our colleagues' performance against these values.

# STRATEGIC PRIORITIES

*Our strategic priorities are what we're concentrating on to deliver our growth and transformation plans. These are to:*

- 1 Deliver New Cumberland with pace and focus** – safeguarding our business for the future.
- 2 Deliver exceptional customer experience and a kinder brand** – whilst living our purpose, we aim to offer the best customer experiences in the UK.
- 3 Embed the right talent, culture and skills to enable us to grow and transform** – we need to attract, develop and retain the right talent to support our growth and transformation plans.
- 4 Grow safely and defend margin** – we will responsibly balance the needs of our customers while ensuring our business remains financially strong so we can continue to grow while investing in our future.
- 5 Protect the Society and our members** – we will take all necessary steps to ensure we protect our business and our stakeholders whilst we grow and transform.

**Our 'house' summarises our purpose and strategic priorities, as well as our values.**

**In fact, we use this model to set the objectives of all our colleagues, ensuring everyone's contribution is aligned to our strategic direction.**



# NEW CUMBERLAND UPDATE

The significant investment in the New Cumberland programme will provide the Society with a modern digital infrastructure, ensuring our business remains sustainable and secure for years to come.

## For our customers this means:

- A modern banking platform offering services online, by phone or in branch.
- Real people remaining at the heart of our service, alongside new digital options.
- Enhanced security, resilience, and reliability – a modern platform will improve speed, security, and efficiency while reducing manual processes.

## And for our colleagues:

- More reliable systems and automated processes, thereby helping them to focus on meeting our customers' needs and maintaining our exceptional levels of customer service.
- Career growth opportunities for colleagues, including training and up-skilling.

I'm pleased to tell our members that we have made substantial progress in the work required to build, test and subsequently launch our new core banking platform with TCS. Having commenced the build part of our programme in February 2025, we are now well progressed and are on track to enter user testing early next financial year with our launch planned for 2027.

In readiness for the new system, we have been transforming other areas of our business: we completed the roll out of our new communication network including improved wi-fi for customers and colleagues in all our branches and we have recently gone live with a new telephony system which is already helping our colleagues serve members better. Both initiatives also create the foundations we need to maximise the benefit of our investment in the TCS platform and introduce more improvements once we have completed the programme.



*"Our systems have taken us a long way, but they're now holding us back.*

*The Cumberland's new platform will be a significant improvement on what we have today: a modern, secure, resilient platform built for continuous improvement. It gives us the foundation to move faster, simplify processes, and deliver better experiences for colleagues and customers.*

*I'm genuinely excited about what this enables for our future."*

**Stuart Miller, CEO**



**STUART MILLER**

*Chief Executive Officer*

# Our COMMUNITIES



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**Giving back to the communities we serve is an integral part of our kinder banking purpose.**

Every year we donate to good causes with most of the money going to projects that directly benefit people.

Whether it's a partnership, education or financial support, we're proud to be able to help others achieve our common goals.

*Here are some of the activities we supported this year >>>*



A community initiative by

The Cumberland

In partnership with



**Our headline community partnership to tackle food poverty is in its final year. We donated another £175,000 to support food banks and community food projects, taking the total donated since the project began to £675,000.**

The funding is channelled through the charities FareShare Lancashire and Cumbria (delivered by Recycling Lives Charity) and FareShare Glasgow and the West of Scotland (delivered by Move On), which distribute surplus food from the food industry, helping those in need and reducing the volume of wholesome, edible food disposed of as waste.

This year Kinder Kind of Kitchen supported 153 food banks and community food groups to deliver the equivalent of 384,850 meals.

On World Kindness Day, November 13, Cumberland colleagues handed out pizza and waffles in Carlisle city centre. Instead of paying cash for the food, people were invited to “pay with kindness” by donating food bank items at our pop-up collection point, offering to volunteer with FareShare Lancashire and Cumbria or by scanning a QR code to donate to our festive fundraiser.

*We supported the delivery of the equivalent of almost*

**385,000**

*meals this year*



# PLEDGE FOR VOTES

**We donated £2 to Kinder Kind of Kitchen for every vote cast at our Annual General Meeting, whether in-person or online.**

This raised £16,162, split between FareShare Lancashire and Cumbria and FareShare Glasgow and the West of Scotland to enable the charities to support food banks and community food groups.

We also donate to FareShare Lancashire and Cumbria when Cumberland colleagues complete the b-Heard engagement survey as part of our annual Best Companies assessment. This has raised a further £1,344.

*Our AGM pledge for votes scheme raised*

## £16,162

*split between FareShare Lancashire and Cumbria and FareShare Glasgow and the West of Scotland*

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**Our 'Pledge For Votes' raised money for the Kinder Kind of Kitchen initiative**



**A FutureJam workshop at Alston Primary School**

## FutureJam

# FINANCIAL EDUCATION

**We believe it is vitally important that young people understand financial matters and how to manage their money.**

We have just come to the end of a three-and-a-half-year partnership with EVERFI, an international tech company, which used a mobile-first education resource called Vault: Understanding Money.

In the three and a half years leading up to December 2025, our financial education programme reached over **3,000 children, and provided 1,642 hours of learning.**

We've entered into a new partnership with FutureJam, a community interest company dedicated to helping young people build the life skills they need for future success. This will deliver MoneyJam, an interactive financial literacy programme for youngsters aged 7-11.

We are supporting workshops in 60 primary schools through to August 2027. MoneyJam is designed to help children build confidence in understanding money, making choices and developing positive financial habits.

*We will be supporting workshops in*

## 60

*primary schools through to August 2027.*

# VOLUNTEERING

All Cumberland colleagues can take a day of paid leave each year to volunteer.

A record 228 colleagues took advantage of the scheme this year to volunteer with a wide variety of charities and good causes.

Among them are FareShare Lancashire & Cumbria – our partner for Kinder Kind of Kitchen – Watchtree Nature Reserve, the mental health charity Growing Well, Eden Rivers Trust, Oxfam, Hospice at Home, Eden Animal Rescue, Cumbria Wildlife Trust, Ratlingate Scout Activity Centre and St Michael's CE Primary School, Dalston.

*A record*

# 228

*colleagues took advantage of the scheme this year to volunteer with a wide variety of charities and good causes.*

Volunteering with Hospice at Home at Kendal Calling.

Hospice at Home  
Carlisle and North Lakeland



Children enjoying their time at Carlisle United

## CARLISLE UNITED COMMUNITY TICKET SCHEME

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This is the 20th year of the scheme, which enables youngsters to attend a Carlisle United match at Brunton Park free of charge.

Up to 200 free tickets are made available to local primary schools and community groups at each home league fixture.

More than 30,000 young fans have benefited over the years, almost enough to fill Brunton Park twice over. Some would not otherwise be able to attend.

They enjoy a tour of the stadium, meet some of the players and mascot Olga the Fox, and watch the action from The Cumberland Community Stand. They also get a voucher for a free ticket to the next home match and a half-price adult ticket.

*More than*

# 30,000

*young fans have benefitted over the years*

# CUMBRIA WILDLIFE TRUST

We donated £22,000 in what was the final year of a three-year partnership with Cumbria Wildlife Trust to protect endangered red squirrels.

The funding helps employ a red squirrel ranger, Joshua Adams, who is working in their Lakeland heartland between Grasmere and Grizedale. His role involves monitoring squirrel populations, protecting habitats and engaging with local communities to ensure these much-loved animals have a future in Cumbria.

*We donated*  
**£22,000**

*in what was the final year of a three-year partnership with Cumbria Wildlife Trust to protect endangered red squirrels.*

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**Cumbria Wildlife Trust**

Joshua Adams showing Cumberland colleague Debbie Shearer how to fill a squirrel nest box



James Cookson visiting the 'Where The Wildings Are' project

# CUMBERLAND CHARITABLE FOUNDATION

**Our Foundation is a registered charity that supports requests for funding from charitable and community organisations in our operating area.**

Over the year the Foundation donated £29,052 shared by 219 organisations.

Grants up to £250 are awarded by our branch teams while larger donations are considered by the Foundation's board of trustees.

This year, among many others, we helped to fund new camping equipment for 1st Grange & Cartmel Scouts, playground equipment for Silloth Primary School, a sensory room at William Howard School, Brampton, a first aid course for pupils at Castle Carrock Primary School, a Warm Welcome community space in Haltwhistle and we supported the work of HB Tours, in Langholm, which enables vulnerable people to engage with others on enjoyable days out.

*Over the year the Foundation donated*

**£29,052**

*shared by 219 organisations*

*Grants up to*

**£250**

*are awarded by our branch teams while larger donations are considered by the Foundation's board of trustees*

# AFFINITY ACCOUNT DONATION

We operate two affinity savings accounts. **Save & Support: Cumberland Hospices** benefits three Cumbrian hospices while **Save & Support: Cumberland Blues** benefits Carlisle United.

They receive an amount equivalent to one per cent of the total average balance on the respective accounts during the year.

This year Hospice at Home West Cumbria, Hospice at Home Carlisle and North Lakeland and Eden Valley Hospice received £55,196, shared equally between them. The charities provide vital care for people across Cumbria who are living with life-limiting illnesses, as well as palliative care and support for families.

Carlisle United received £7,130.

*This year Hospice at Home West Cumbria, Hospice at Home Carlisle and North Lakeland and Eden Valley Hospice received*

## £55,196

*shared equally between them*



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Branch Cluster Manager,  
Victoria Rose, at Hospice at  
Home West Cumbria



Our  
**PEOPLE**

26

**JILL**

“

*The Cumberland is now part of a distinguished group of just under 10,000 organisations in 102 countries to hold B Corp certification.*

## The Cumberland is an ethical organisation that strives to do the right thing by our members, our colleagues and communities.

We constantly benchmark ourselves against the best in the industry to ensure we live up to these high standards.

This year we were thrilled to achieve B Corp certification, a global standard that recognises ethical business practices, social impact and good governance.



**We did so with flying colours. Our B Corp score of 104.6 is well above the threshold of 80 required to achieve accreditation and more than double the median score for all businesses. We are now the largest B Corp employer in Cumbria and the highest scoring B Corp building society in the UK.**

The work we've done previously to embed our purpose – creating a banking experience that's kinder to people and the planet – stood us in good stead.

The way we reinvest profits back into the business, support our colleagues through living wages, training and benefits, our sustainability agenda and our support for local communities through initiatives such as Kinder Kind of Kitchen are all very much aligned with the B Corp ethos.

The Cumberland is now part of a distinguished group of just under 10,000 organisations in 102 countries to hold B Corp certification. You can read more about our B Corp certificate on page 35.

**Another proud moment came when our Chief Executive, Des Moore, was named 'Business Leader of the Year' at the in-Cumbria Business Awards.**

This accolade recognises leaders who have made an 'outstanding contribution' to their business, demonstrated exceptional commitment, inspirational leadership and vision, and had a 'significant impact' on performance.

There is no doubt that, in his eight years at The Cumberland, Des has helped us to focus on our values, putting members at the heart of everything we do.

It has been a privilege to work with him to create a workplace culture that is genuinely inclusive, where everyone feels valued and has a voice.

This is borne out by our improved standing in the annual Best Companies survey. **We were rated the 10th best large employer nationally – up from 17th place last year – the 11th best in the North West, regardless of size, the 2nd most highly rated in Scotland and the 2nd highest anywhere in financial services.**

At the same time, we retained our three-star accreditation that Best Companies awards only to organisations that 'truly excel' and provide 'world-class levels of workplace engagement'.

As with B Corp accreditation, our Best Companies' scores provide confirmation we are on the right track.

The findings carry added weight because they are based on anonymous feedback from Cumberland colleagues.

The Society was also nominated in the 'employee engagement' category at the UK Customer Satisfaction Awards 2026, showcasing the impact of our people-first approach to strengthening communication, leadership visibility and colleague wellbeing. I'm immensely proud of our colleagues who always give their all to deliver excellent service to members.

Once again, this was reflected in our Feefo rating where the Society retained the coveted Platinum Trusted Service Award for the sixth year in a row. Borderway Finance also retained Feefo Platinum status.

Feefo recognises outstanding customer service and, in our case, its findings are based on almost 2,500 verified reviews from customers. Our Feefo score of 4.9 out of 5 is exceptional and among the very best in financial services.

In addition, the independent assessment firm Performance in People, which uses mystery shoppers to assess customer service, scored the Cumberland 4.82/5 for mortgage telephone appointments and 5/5 for helpfulness.

Cumberland colleagues excel at customer service because they fully embrace the Society's values and go the extra mile for customers. In many ways, this is the 'secret sauce' of the Society's success.

We recognise that it's a two-way street. Colleagues give their best because they know they will be supported, just as they support one another to deliver. Our people care about this business. People make The Cumberland.

*This approach to our people, to nurture and bring the best out of them, is based on what we call the 'four pillars'.*

## 1. ATTRACT AND RETAIN

**Recruitment has been steady this year although we are still bringing people into the business to help deliver our New Cumberland programme.**

We work closely with key recruitment partners.

Our family-friendly policies and embrace of hybrid working – allowing people to work from home where it meets the needs of the business – help us to attract the best talent.

The search for a new Chief Executive to replace Des Moore was a critical appointment and we were fortunate to be able to choose from a field of exceptional candidates. The high quality of applicants reflects the regard in which the Society is held throughout the financial services industry.

Colleague turnover, at 12.11 per cent, remains well below the financial services industry average of 22 per cent. When people join The Cumberland, they usually stay with us.

Our colleagues feel valued and get fulfilment from working for an organisation that does the right thing by people and the planet.

## 2. REWARD AND RECOGNISE

**We benchmark our rewards packages to ensure we remain competitive.**

As a minimum, all colleagues receive the Real Living Wage as specified by the Living Wage Foundation. This is set higher than the Government's National Living Wage to reflect the real cost of living.

We have established a dedicated reward team to ensure we make informed decisions on pay reviews and benefits.

The Employee Rights Act came into force this year but has had a minimal impact as the Society was already largely compliant.

We continued the Our Kind of People Awards, which recognise outstanding performance. Finalists are nominated by colleagues and judged by our 'Purpose Pioneers' drawn from across the business.

Our Brighter Performance appraisal process recognises good performance.



### 3. SUPPORT AND BALANCE

**Like other employers, we have seen an increase in the number of colleagues facing mental health issues.**

Our Wellbeing Champions help to address this, ensuring that all colleagues feel supported and have someone they can turn to. Our aim is to help colleagues manage long-term issues so they can remain at work.

We continue to employ an occupational health adviser and offer all colleagues a 'wellbeing day', on top of their leave entitlement, to take for whatever reason when they feel they need it.

This is not to be confused with the annual Wellbeing Day, held at Cumberland House in February, where colleagues can join talks, classes and workshops, some in person and others in a hybrid way.

To further enhance our wellbeing focus we have re-established a men's mental health group.

We also mark International Women's Day in March. This year leadership coach Dr Lucy Ryan delivered a session on the theme 'give to gain'.

Colleagues celebrate International Women's Day



### 4. ENGAGE AND DEVELOP

**We put great emphasis on getting communication with colleagues right.**

Our strategy includes the in-house magazine, Our Kind of People, the weekly Straight Talk e-newsletter and quarterly Town Hall briefing sessions where colleagues receive strategic and operational information and can ask questions and give feedback to the senior leadership team.

Effective communication has been more important than ever this year as our New Cumberland transformation programme gathers pace.

We have set up the former branch in Fisher Street, Carlisle, as a training hub where colleagues can learn to operate the new systems and we have recruited within the Society to deliver this training, which is crucial to achieving a smooth transition to the new banking platform.

Alongside this, we are working to ensure our leadership team is equipped to deliver change and have continued our regular compliance training and support for professional development and qualifications.

Our colleague Wellbeing Day 2026



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Around  
**40%**  
of our colleagues come from working-class backgrounds, a far higher proportion than the industry norm.

Our membership of Progress Together, an organisation that promotes socio-economic diversity in financial services, has enabled us to focus on removing barriers to progression. Around 40 per cent of our colleagues come from working-class backgrounds, a far higher proportion than the industry norm.

We are committed to apprenticeships, not only for new recruits in areas such as business administration and operations, but in HR, marketing, Treasury and developing colleagues through, for instance, level-7 leadership apprenticeships.

The aim of all these initiatives is to ensure that all our Cumberland colleagues have the skills they need to flourish and so deliver for our members.

# Our CUMBERLAND STORY

Since May 2023 we have been using The Cumberland Story to generate connection and discussion on the transformation ahead.

The Story was developed with input from our people and shared for the first time at an all-colleague event. The event gave the Senior Leadership team the opportunity to share their stories and engage with colleagues on theirs. It was a day filled with activities to help colleagues reflect and connect on our journey. You can see elements of our story throughout this document.

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## People make The Cumberland

We're proud to be at the heart of our communities, where we've helped them thrive for over 170 years. With a strong share of the local market and reputation for kindness, we've grown deep roots – creating loyal and trusted relationships with our customers.

## Building a sustainable business with its heart in Cumbria

Our transformation journey is now stepping up a gear, transforming our technology and ways of working. Investing in our skills and capabilities is a priority too – making sure our unbeatable customer experience keeps shining as we grow, giving customers the convenience and speed of modern online banking, with a human touch when they want to speak to a real person.

## Together, we'll achieve our bold ambitions

We may be small, but we've got big ambitions. Our aim is to be known across the UK for **creating a banking experience that's kinder to people and planet.**

Our focus on people is in our nature. It shines through in our vibrant, friendly service and is proven by our love of doing right by our customers – we go the extra mile.



### Powered by our focus on being the best that we can be

The Cumberland is built on the shoulders of every one of our people. As a team, we really care about each other. We're bound together by our shared values.

We need to continue to harness our strengths and unite behind our shared goal.

### Leading the way in doing banking with a difference

Together, we're creating a 21st century business that is built to last. Modernising how we do things will mean that we can be wherever our customers want us to be – giving them choice about how and when they interact with us, whether that be by speaking to a real person, or digitally, while retaining our strong Northern presence.

By achieving all of this, we'll build The Cumberland into a place that makes a positive difference, which we can be proud of for the next 170 years.





# PEOPLE OUTLOOK

Our New Cumberland transformation programme demands a lot of our colleagues as they train on new systems alongside their regular work.

I'd like to place on record my thanks for all their hard work and dedication. I'm incredibly proud of what they have achieved and hugely optimistic about what the Society can go on to achieve in the future.

*Jill Johnston  
Chief People &  
Sustainability Officer  
2 June 2026*



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Last year, we announced our intention to become a B Corp. This year, we're proud to say we were certified with flying colours.

Our score was

104.6

well above the  
threshold of 80

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Colleagues spend their volunteering day removing Himalayan Balsam from riverbanks

SUSTAINABILITY

This is my third sustainability report since taking on the remit. Since then we have become a B Corp, reflecting our commitment to high standards of social and environmental performance and being a force for good in our communities.



## What being a B Corp means to us

**Sustainability is at the heart of The Cumberland's purpose 'to create a banking experience that's kinder to people and the planet'. Our objective remains to integrate sustainability into all aspects of the business, and consider ESG factors (environmental, social and governance) in all decision making. To keep us accountable, last year we announced our intention to become a B Corp – and this year, we're proud to announce that we were certified with flying colours.**

The B Corp certification process assesses a company's social and environmental credentials, with businesses judged against five core pillars. We have landed consistently above others in our sector, and are proud to be (at the time of writing) the highest-scoring building society in the UK.



For us, being a B Corp is about doing the right thing. By our customers and colleagues, by our communities, and by the planet, minimising the environmental impact of every aspect of our business. B Corp certification is a strong recognition of our efforts to be a truly sustainable business. However, we acknowledge that there is still lots more we can do.

## Reducing our environmental footprint

We remain on target to become carbon neutral by 2030, but as a service business operating from multiple premises, energy use is a major component of our environmental impact and carbon footprint.

That's why we already source all our electricity from renewables, and are reaping the benefits of air-source heat pumps and solar panels at our head office, Cumberland House. During a recent refurbishment, we also installed solar panels at the English Street branch in Carlisle.

Alongside renewable electricity, we are now sourcing 'green gas'. This is a renewable gas (mainly biomethane) that can be used in place of natural gas, which is a fossil fuel.

These measures have significantly reduced our electricity consumption and carbon emissions, accompanied by a focus on behaviour change to ensure smart energy use.

For instance, we have progressively installed electric vehicle (EV) charging points at Cumberland House to encourage the take-up of EVs by Cumberland colleagues, and we have progressively cut the size of our car fleet.

We also operate a salary-sacrifice scheme through Octopus Energy, which gives Cumberland colleagues a tax incentive to switch to an EV. This continues to be popular with a steadily rising take-up.

Finally, by operating a comprehensive branch network alongside our Carlisle based customer contact centre and digital banking services, we help members to minimise their environmental impact by reducing the distance they need to travel to visit us. For more information on our carbon footprint, see pages 40-41.

## What's next?

The B Corp certification process identified some areas for improvement, which will be our focus going forward.

These include more rigorous monitoring of environmental impacts, including biodiversity impacts, and reducing water use. We'll also be cutting the volume of waste we produce, while increasing the proportion of waste that's recycled.

As a supporting partner at the Zero Carbon Cumbria Summit (held in Penrith in March 2026), we will continue to work with appropriate partners to create positive environmental outcomes.

Then in 3 years' time, we'll re-certify against the new B Corp standards, demonstrating an even stronger commitment to people and planet in all The Cumberland's decision making.

**Jill Johnston**  
 Chief People and Sustainability Officer  
 2 June 2026

We have a simple framework to demonstrate how we bring Kinder Banking to life across our three sustainability pillars:

KINDER  
KITCHEN  
The Cumberland



## PEOPLE

- We treat customers fairly and pride ourselves on excellent experiences
- We pay our colleagues a real living wage and have a strong company culture that celebrates difference
- We provide coaching and mentoring, and support our people with qualifications funding



## PLANET

- We use your money to support local communities and businesses
- We are committed to reducing our emissions and will be carbon neutral in our operations by 2030
- 100% of the electricity and gas we use in our business comes from renewable sources



## COMMUNITY

- We provide in-person support in the community through our network of local branches and Carlisle-based telephony centre
- We commit to giving 1.5% of our profits to charity or a minimum of £125k, whichever is higher
- We provide one paid day per year for every colleague to volunteer for charitable activity

# Our 3 sustainability pillars



## PEOPLE

Our Commitment	What it means	How we prove it
We treat customers fairly and pride ourselves on excellent experiences	The Society is fair and honest in its dealings with customers and always seeks the best possible outcome for them.	We closely monitor and publish our NPS and Feefo feedback scores to ensure they remain market leading.
We pay our colleagues a living wage and have a strong company culture	We pay each and every colleague a fair and equitable wage and the Society's values and purpose are important to the people that work there.	We benchmark colleague pay against the real living wage figures and survey our people on a regular basis through the B-Heard survey.
We provide coaching, mentoring, and support our people with qualifications funding	The Society supports its colleagues in their careers and provides funding for education and self improvement.	We have defined qualifications spending guidelines and have mentoring/learning policies in place.



# PLANET

Our Commitment	What it means	How we prove it
We use your money to support local communities and businesses	Customer deposits in current and savings accounts are not used to invest in harmful fossil fuel extraction or similar activities.	We only lend funds to help other customers buy homes, support UK-based Hospitality and Tourism, or finance small businesses and their vehicles within our core operating area.
We are committed to reducing our emissions and will be carbon neutral in our operations by 2030	The Society is committed to reducing its overall scopes 1, 2, and 3 emissions through positive action. Any remaining emissions will be offset using high quality and visible offsetting schemes.	We have a clear roadmap of activity to reduce our emissions with the help of third-party experts and have installed solar panels on the roof at a number of our buildings.
100% of the electricity and gas we use in our business comes from renewable sources	All of the electricity used by the Society comes from renewable sources such as solar power or onshore/offshore wind. In addition, we now source green gas. Green gas, usually biomethane, is a renewable form of gas.	Our electricity and gas suppliers have contractually committed to providing energy from renewable sources.



# COMMUNITY

Our Commitment	What it means	How we prove it
We provide in-person support in the community through a network of local branches and our Carlisle-based telephony centre	The Society maintains a local presence with access to human support when needed in person or via telephone.	Any of our customers are welcome to visit our branches or call our telephony centre at anytime.
We commit to giving 1.5% of our profits to charity or a minimum of £125k, whichever is higher and are owned by customers not shareholders	The Society donates 1.5% of its annual profits and doesn't have to pay shareholders a dividend. It operates on behalf of and for the benefit of its customers.	We report our annual donation in our audited accounts. Our articles of association establish that we are a mutual building society.
We provide a paid day each year for every colleague to volunteer for charitable activity	The Society allows its colleagues to give back to the community.	This clause is written into our people policies and colleague contracts.

KINDER  
kind of  
KITCHEN

## Monitoring the risks of climate change

Although we are working towards our commitment of being carbon neutral in our operations by 2030 as part of our Kinder Banking commitments, we are already on a journey of understanding the risks posed to us as a building society by climate change and have taken multiple steps to reduce our emissions significantly because it is the right thing to do.

We recognise that climate change will increase the frequency of flooding and subsidence, the rate of coastal erosion and, potentially, lead the government to require that energy inefficient properties be remediated.

We monitor these and other risks within our climate risk management framework which is based on recommendations made by The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. The TCFD has been disbanded but we continue to report on their recommendations whilst we evolve our approach to monitoring the risks of climate change.

Theme	Our progress
<b>Governance</b> How we oversee climate-related risks and opportunities	<ul style="list-style-type: none"> <li>• Our climate change policy means that we regularly report our position to the Board</li> <li>• Having embedded our climate risk management framework we are in a strong position to monitor and report back on how climate change impacts The Cumberland.</li> </ul>
<b>Risk Management</b> How we identify and manage climate-related risks, which include both risks emerging from the UK's energy transition and the risk of climate change itself, and how these are integrated into the way we manage risk overall	<ul style="list-style-type: none"> <li>• Having assessed our physical risks against each and every mortgaged property, over each of the last 3 years we have implemented an annual review of credit risk exposure focusing on our most vulnerable customers</li> <li>• We continue to work with suppliers and the wider industry and regulators to understand the transition risks of climate change</li> <li>• We're evolving our approach to climate risk based on updated expectations from the regulator.</li> </ul>
<b>Strategy</b> How we manage the impact of climate-related risks and opportunities through our strategy and financial planning	<ul style="list-style-type: none"> <li>• We have defined our Kinder Banking commitments which help embody how we will deal with our own impact on the environment</li> <li>• In terms of managing the risks within our strategy, we have embedded environmental considerations and scenario planning into our annual assessments of our future capital and liquidity adequacy analysis (ICAAP and ILAAP)</li> <li>• We've become a B Corp which holds us accountable to our commitments to reduce harm and over time make a positive impact on the planet.</li> </ul>
<b>Disclosure</b> How we identify and manage climate-related risks, which include both risks emerging from the UK's energy policy and changing climate conditions	<ul style="list-style-type: none"> <li>• We report our risk management progress through considered metrics to the Board on a regular basis</li> <li>• Our Kinder Banking commitment reporting is made available to all of our stakeholders</li> <li>• Our SECR (Streamlined Energy and Carbon Reporting) objectives are fulfilled in this Annual Report</li> <li>• Our B Corp report is publicly available on B Corp's website.</li> </ul>

## Our carbon footprint

We are continuing our journey of decarbonisation. In the process we're improving data coverage to more fully align ourselves with the Streamlined Energy and Carbon Reporting (SECR) process and The Greenhouse Gas (GHG) Protocol. As a result, reported emissions increased by 7% year-on-year, primarily due to improved data capture and reporting on business mileage rather than a material increase in underlying operational emissions. Except for business mileage most other categories saw reductions in consumption leading to lower emissions. Key achievements have been a 15% reduction in gas emissions because of continued improvements to our estate, delivered by our premises team. These include full branch refurbishments, timer installations and boiler upgrades. We continue to source renewable electricity and have started sourcing green gas, although we acknowledge that there is currently no mechanism in the GHG Protocol for the reporting of green gas emissions and associated emission reductions, so you won't see a benefit in these numbers.

Our submission for SECR for the year ended 31 March 2026 is set out in the table on the following page. The commentary on page 41 provides a year-on-year comparison. We have utilised third party experts to provide the necessary guidance on how we can further reduce our emissions and conserve energy under the Energy Savings Opportunities Scheme (ESOS) and in March 2025 we submitted our ESOS Action Plan and we're progressing with the actions identified in it.

2025-26			
SCOPE 1 - DIRECT EMISSIONS	Unit	Consumption	tCO <sub>2</sub> e
Natural Gas	kWh	329,737	60.33
Business Mileage, <b>known fuel</b>	Miles	124,908	37.60
<b>Total Scope 1</b>			<b>97.93</b>
	Unit	Consumption	tCO <sub>2</sub> e
Scope 2 – Electricity, National Grid, Location based average	kWh	962,264	175.48
<b>Scope 2 – Electricity, National Grid, Market Based*, REGO backed</b>	kWh	962,264	0.00
*The market-based measure is reported to show our progress in transitioning our entire estate to a renewable tariff			
SCOPE 3 – INDIRECT EMISSIONS	Unit	Consumption	tCO <sub>2</sub> e
Electricity – T & D, Offices	kWh	962,264	17.79
Employee car – Average Passenger car, <b>unknown fuel</b>	Miles	183,289	49.32
Employee car - Average Passenger car, <b>EV</b>	Miles	12,007	0.78
Well-to-tank (WTT) - Fuel card, <b>known fuel</b>	kWh Gross	157,627	17.72
Well-to-tank (WTT) - Employee car, <b>unknown fuel</b>	kWh Gross	215,124	12.97
Well-to-tank (WTT) - Employee car, <b>EV</b>	kWh Gross	3,991	0.20
<b>Total Scope 3</b>			<b>98.78</b>
<b>Total – Scopes 1, 2, 3 (market-based emissions)</b>			<b>196.71</b>
<b>Total tCO<sub>2</sub>e per FTE, Scopes 1 &amp; 2 (market-based emissions)</b>			<b>0.13</b>
<b>Total kWh per m<sup>2</sup>, Gas</b>			<b>49.36</b>
<b>Total kWh per m<sup>2</sup>, Electricity</b>			<b>79.73</b>
<b>Total tCO<sub>2</sub>e per £M gross turnover, Scopes 1 &amp; 2 (market-based emissions)</b>			<b>1.41</b>

#### Notes

2025-26 FTE = 735.68

Floor Space: 12,069m<sup>2</sup> for electricity calculation, 6,680m<sup>2</sup> for gas calculation

Turnover 2025-26 was GBP £69,594,000

**Location-based emissions:** A method to quantify scope 2 GHG emissions based on average energy generation emission factors for defined geographic locations, including local, subnational, or national boundaries.

**Market-based emissions:** A method to quantify scope 2 GHG emissions of a reporter based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with contractually instruments, or contractually instruments on their own. This is how we choose to report our scope 2 electricity.

2024-25			
SCOPE 1 - DIRECT EMISSIONS	Unit	Consumption	tCO <sub>2</sub> e
Natural Gas	kWh	388,145	70.99
Business Mileage, <b>known fuel</b>	Miles	58,064	15.54
<b>Total Scope 1</b>			<b>86.53</b>
	Unit	Consumption	tCO <sub>2</sub> e
Scope 2 – Electricity, National Grid, Location based average	kWh	978,727	202.65
<b>Scope 2 – Electricity, National Grid, Market Based*, REGO backed</b>	kWh	978,727	0.00
*The market-based measure is reported to show our progress in transitioning our entire estate to a renewable tariff			
SCOPE 3 – INDIRECT EMISSIONS	Unit	Consumption	tCO <sub>2</sub> e
Electricity – T & D, Offices	kWh	978,727	17.91
Employee car – Average Passenger car, <b>unknown fuel</b>	Miles	212,723	57.14
Company car, reimbursed expenses, <b>unknown fuel</b>	Miles	8,670	2.33
Well-to-tank (WTT) – <b>all car miles</b>	Miles	279,457	19.83
<b>Total Scope 3</b>			<b>97.21</b>
<b>Total – Scopes 1, 2, 3 (market-based emissions)</b>			<b>183.74</b>
<b>Total tCO<sub>2</sub>e per FTE, Scopes 1 &amp; 2 (market-based emissions)</b>			<b>0.12</b>
<b>Total kWh per m<sup>2</sup>, Gas</b>			<b>58.11</b>
<b>Total kWh per m<sup>2</sup>, Electricity</b>			<b>81.09</b>
<b>Total tCO<sub>2</sub>e per £M gross turnover, Scopes 1 &amp; 2 (market-based emissions)</b>			<b>1.15</b>

#### Notes

2024-25 FTE = 699.67

Floor space: 12,069 m<sup>2</sup> for electricity calculation, 6,680 m<sup>2</sup> for gas calculation

Turnover 2024-25 was GBP £75,125,000

**Location-based emissions:** A method to quantify scope 2 GHG emissions based on average energy generation emission factors for defined geographic locations, including local, subnational, or national boundaries.

**Market-based emissions:** A method to quantify scope 2 GHG emissions of a reporter based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with contractually instruments, or contractually instruments on their own. This is how we choose to report our scope 2 electricity.

## Scope 1

### National Grid gas consumption

Based on a total consumption of 329,737 kWh the gas related Scope 1 emissions are calculated as **60.33 tCO<sub>2</sub>e**.

Emissions have decreased by 15% driven by a reduction in consumption, going from 388,145 kWhs in 2024/25 to 329,737 in 2025/26.

### Company cars / Fuel cards

Total emissions are calculated as **37.60 tCO<sub>2</sub>e**, which is a significant increase from 15.54 tCO<sub>2</sub>e reported in 2024/25. This is due to improvements in data capture rather than a material increase in underlying operational emissions. As a result, reportable miles have increased from 58,064 to 124,908 year-on-year.

## Scope 2

### Electricity – National Grid

For the purposes of this report, the calculation was based upon meter readings submitted by CBS.

National Grid electricity consumption within the owned offices is calculated at 962,264 kWh, down from 978,727 kWh in 2024/25. This is a drop in consumption of 1.7%.

Several sites saw large falls in consumption – Fisher Street, Cooper Way, Penrith, Dalton N, Lancaster & Barrow. Several other sites saw large increases – Appleby, Barrow, English Street, Rosehill, Egremont, Maryport and Cockermouth.

Note that these increases are percentage based, not kWh based, so total changes in kWh consumption may not necessarily be large.

We're continuing to report our market-based emissions for scope 2 as our entire estate is on a renewable energy tariff. Therefore, emissions for the year are zero, which is the same as the previous year.

## Scope 3

### Summary

SECR does not require The Cumberland to report any of its Scope 3 emissions. However, the organization believes it is useful to report the metrics shown below as these Scope 3 emissions can be automatically calculated.

### Scope 3, Category 3 Fuel & Energy

The emissions associated with the transmission and distribution of electricity between the generating site and the CBS offices is proportional to the total electricity consumed and is calculated as **17.79 tCO<sub>2</sub>e**. This compares to **17.91 tCO<sub>2</sub>e** reported for 2024/25.

This is based on UK DESNZ factors, which may be different to the factor applied to the EDF REGO tariff, but we do not have a tariff specific conversion factor.

### Scope 3, Category 6 Business Mileage

Emissions associated with colleagues using their own car for business mileage and company car owners who claim business mileage expenses are calculated as **50.10 tCO<sub>2</sub>e** a 12.3% decrease on the **57.14 tCO<sub>2</sub>e**, reported in 2024/25.

Employee mileage was 195,296 miles, a decrease of 8.2% against the 212,723 miles reported in 2024/25. This included 12,007 miles in full EV cars.

In addition to direct emissions from the fuel combustion, we can also calculate the 'Well to Tank (WTT)' emissions which arise from the extraction, refining and distribution aspects of fuel manufacture. These are calculated at **30.89 tCO<sub>2</sub>e**, a 56% increase since 2024/25. This increase is reflective of increased data coverage rather than a material increase to operational business miles.



A portrait of a middle-aged man with short, graying hair and blue eyes. He is wearing a light blue checkered shirt under a dark teal blazer. The background is a blurred outdoor scene with green foliage.

**JOHN**

A portrait of a middle-aged man with a bald head, glasses, and a gray beard. He is wearing a light blue shirt under a dark teal blazer. The background is a blurred outdoor scene with green foliage.

**CAMERON**

# RISK REPORT

**The past 12 months have seen positive signs in the UK economy, albeit conditions remain challenging. Unfortunately, as we exit the current financial year the events in the Middle East are driving significant economic volatility, and at the time of writing, there is no clear pathway to a calmer environment. As such, we anticipate continued uncertainty over a prolonged period.**

These circumstances mean we must be as focused as ever in managing a range of risks to safeguard our Society for the benefit of our members – including looking forward to identify emerging risks to make sure we are on a secure and sustainable footing. Fortunately, the outcome of several years of sustained investment in our risk management capability leave us well-placed to manage this – although there is of course no room for complacency.

Critical to our approach is seeking to put the customer at the centre of our activities. This might be day-to-day as we carefully monitor our portfolio for signs of adverse impact or customers needing our help; or in how we manage our financial resources to offer the best possible competitive mortgage or deposit rates to our members.



**Increasing  
level of risk**



**Decreasing  
level of risk**



**Stable  
level of risk**

It is also over the longer-term – during the year we have invested considerable time in managing the risks associated with our ambitious transformation programme, and creating the right checks and balances to support a successful delivery. These efforts have intensified over the year, focusing on the design and build to create a system right for our Society; next year we anticipate a shift in emphasis to the controls necessary to go-live successfully. Alongside this, we have focused on capital management because the investment in this transformation means reducing capital surpluses. This has required enhanced monitoring of our capital position and the factors that can impact it, further improving our stress-testing capability, and maintaining a strong relationship and dialogue with our regulators.

Consistent with industry best practice, the Society uses a 'three lines of defence' approach whereby all risks are owned in the most appropriate business area, because

that is the area that best understands the most suitable way to control and mitigate these risks. This means that whether the risk is being considered in branches, operational teams or the finance department, all colleagues understand their role in risk management, and this helps ensure there is real 'strength in depth' across the Society.




The risk framework ensures that we consider the full breadth of risks as we design and deliver our strategy to achieve the best possible outcomes for our Society and members. We review and maintain this framework, taking into account our agreed risk appetite levels and all applicable regulation and legislations – for example, the retirement of the 'Sourcebook' for the Building Society sector at the end of 2025 was carefully assessed for impact and opportunity. Next year we will undertake work to update our controls and procedures for our post-transformation systems and processes.

The risk framework is owned, developed, and overseen by the 'second line of defence' Risk function, led by the Chief Risk Officer (CRO), who is a member of the Senior Leadership Team. The second line of defence risk team enables consistency through the use of frameworks, tools and policies and provides independent oversight to the Board.

The 'first line of defence' is also well supported by embedded first line risk teams, who develop and assure controls locally. The third line of defence, the internal audit function, provides risk based independent assurance over all elements of the Society and helps ensure appropriate risk capabilities and approaches.

The following are the principal and significant risks currently facing the Society, the key mitigants that help control those risks, and commentary outlining the latest position regarding these risks.

# PRINCIPAL RISKS AND UNCERTAINTIES

Risk and impact	Mitigation	Movement in risk profile	Latest Progress and Emerging Risk
<p><b>Macro-economic Impacts</b></p> <p>The risk that the economic, political, or regulatory changes arising from the wider environment cause detriment to the Society, including emerging impacts from the performance of the UK economy.</p>	<p>The key risks to the Society from the global turmoil are the second order impacts on the UK economy and our customers. Over the past 12 months we have seen continuing resilience amongst our residential and business customers alike, with an increase in lending in our new commercial niche sectors whilst maintaining low credit risk. However, as we exit the financial year, significant global economic uncertainty is arising due to events in the Middle East, compounding already shifting trans-Atlantic circumstances and long-understood partnerships. Impacts of these changes on all of us will likely be felt over the next year and beyond – we manage this general economic risk through governance (including review of industry forecasts), scenario planning and stress testing. Recent volatility in swap rates has evidenced the strength of controls and processes to manage the impact on our product offerings for the mutual benefit of our Society and our customers.</p>		<p>The risk profile is increasing due to continuing unpredictability of national and world-wide factors, which have seen some seismic shocks in the first months of 2026. These create significant downside risks to the UK economy, and attendant business and consumer confidence.</p> <p>Over the past 12 months, the Society has:</p> <ul style="list-style-type: none"> <li>monitored and responded to changes in the economy and competition, strategically and tactically, and at times, at pace;</li> <li>stress tested possible economic impacts through ICAAP, ILAAP and credit risk modelling processes;</li> <li>monitored global events and considered their potential impacts on the Society;</li> <li>responded quickly to interest rate and swap movements and carefully assessed inflationary impacts.</li> </ul>
<p><b>Strategic Risk</b></p> <p>The risk of current or prospective impact on the Society's earnings, capital, reputation or standing arising from changes in the environment the Society operates in. It may further arise from adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic or technological changes.</p>	<p>All risks are formally assessed as part of the corporate strategy setting process. In addition, an annual review of the Society's strategic risk register is undertaken, and a quarterly monitoring report presented to BRC. The acceptable levels of risk that can be taken when delivering the strategy are clearly stated in risk appetite. Outcomes against risk appetite and triggers are presented monthly to Board.</p>		<p>The risk profile has remained stable, reflecting the flat economic outlook, which is significantly influenced by current geopolitical risk, and market competition continuing to drive rate pressure. The Society mitigates this via established governance structures and cross functional activity to remain strategically and tactically agile, alongside continuing to invest in its transformation.</p> <p>Over the past 12 months, the Society has:</p> <ul style="list-style-type: none"> <li>agreed our Corporate Plan for 2025-28 with Board;</li> <li>progressed implementation of our transformation plan and technology investment;</li> <li>continued to safely simplify the operations of the Group in readiness for transformation;</li> <li>uplifted our strategic capability and transferred management of Strategic Risk to the First Line.</li> </ul>
<p><b>Transformation and Change</b></p> <p>The risk that the Society fails to deliver successfully against our strategic change objectives.</p>	<p>All risks are formally assessed as part of the change process in line with industry best-practice. The acceptable levels of risk that can be taken when delivering change is clearly stated in risk appetite. Review of transformation progress and risk is formally overseen by steering committees, which in turn report to Board Risk Committee and Board.</p>		<p>Risk profile is increasing as the Society delivers a significant transformation programme. We are doing this through TCS, our strategic partner leading the transformation, with TCS delivering to a clear set of requirements and well documented contractual obligations. The Society has embedded a governance framework and processes to oversee and challenge the delivery and execution of change, in addition to maintaining a strong team with the skills, experience and capabilities to support all components of the transformation programme.</p> <p>Over the past 12 months, the Society has:</p> <ul style="list-style-type: none"> <li>worked closely with TCS to design and build our core banking platform, executed through a series of 'Sprints';</li> <li>continued to embed the capability and processes required to deliver a transformation this significant;</li> <li>continued to prioritise our delivery stack of projects, accepting risks where appropriate to create the capacity for our core transformation;</li> <li>continued to assess and address technology debts within the organisation;</li> <li>maintained focus on business-as-usual and growth segments of the business.</li> </ul>

Risk and impact	Mitigation	Movement in risk profile	Latest Progress and Emerging Risk
<p><b>Credit Risk</b></p> <p>The risk that a borrower fails to pay interest or to repay capital on a loan and/or that a counter party fails to meet their contractual obligations to repay the Society or fails to perform their obligations in a timely manner. This risk is impacted by member specific factors and the broader economic environment, captured in metrics such as unemployment rates, changes in house values and interest rates. In a recession, increasing unemployment and falling house prices may mean it is more likely that the Society would lose money if members failed to keep up to date with their loan payments and collateral values fall below the value of the loan. The current economic environment and the continued cost of living challenges, together with a slight uplift in unemployment rates creates a slightly elevated degree of risk and uncertainty for the Society in this area, although recent base rate reductions do assist loan affordability.</p>	<p>Overall lending standards are controlled by a Board level policy. Lending criteria and our Arrears and Forbearance management policy are agreed at formal credit committees, chaired by the Chief Risk Officer and attended by SLT members. All lending is fully manually underwritten, checked for affordability, suitability and that the lending is responsible. All high value or complex lending is approved by specialist underwriters. Oversight of credit is provided by assessing the quality of underwriting, tracking our portfolios and concentrations and our collections and forbearance performance with credit management information summarised at the Board Risk Committee.</p>		<p>While arrears and forbearance have increased in our FSRRP portfolio from a historically low base pre the cost-of-living crisis due to the extended period of economic weakness with elevated interest rates, this is broadly consistent with industry experience with the overall level of arrears having stabilised, remaining modest and generally lower than peers. Our FSOL arrears have fallen. No material write-offs have been required. Whilst no adverse performance has been seen across our portfolios to date due to the current economic environment with the prolonged 'cost of living crisis', tax increases, increased unemployment and National Insurance and Living Wage pressures on businesses, this remains an area of high focus for both the Society and regulator alike, reflecting the continued uncertainty.</p> <p>Over the past 12 months, the Society has:</p> <ul style="list-style-type: none"> <li>continued to develop data and reporting capabilities to enable more insight of internal and external leading indicators to facilitate more informed decision making, and;</li> <li>reviewed lending criteria and procedures to provide greater support for members where the risk is acceptable, improved clarity and efficiencies in processes, updated affordability assessment to reflect the economic environment and reduced stress rates and interest rates as they have fallen.</li> </ul>
<p><b>Information Security Risk</b></p> <p>The risk of events impacting the confidentiality, integrity and availability of the Society's information and information systems and the data contained therein.</p>	<p>Risk is overseen specifically through the Information Security Forum, with further oversight from the Risk Management Committee and Board Risk Committee. There is a comprehensive Information Security Framework and Group Information Security Policy, with expert teams in the first line including a Security Operations team and an Information Security Officer complementing other areas of the business such as Data Protection. These teams undertake threat assessments and testing throughout the year and monitor emerging trends, whilst dedicated first line teams manage day-to-day risk. The Society is very aware of the increased sophistication of cyber-crime and is continuously enhancing both colleague and technology capability to manage the risk to the Society and our members.</p>		<p>Over the past 12 months, the Society has:</p> <ul style="list-style-type: none"> <li>continued strengthening our Information Security team and Information Security assurance processes;</li> <li>concluded Information Security reviews of our high rated third party suppliers;</li> <li>initiated a series of Data Protection Impact Assessments for the systems and processes our transformation programme will deliver, ensuring that the concept of data protection by design and by default is embedded throughout.</li> <li>implemented a Vulnerability Management Forum to proactively identify and report on vulnerabilities;</li> <li>enhanced threat detection capabilities with new technologies and supporting processes;</li> <li>enhanced Data Loss Prevention (DLP) capabilities via delivery of SharePoint and Mimecast;</li> <li>enhanced training and awareness throughout the Society via Welcome Days, internal newsletters, enhanced phishing campaigns and interdepartmental training.</li> </ul>
<p><b>Interest Rate Risk</b></p> <p>The risk of fluctuations in interest rates and changes in the value of contracts we use to manage interest rate risk, impacting the Society's earnings or capital.</p>	<p>Managed through the Assets and Liabilities Committee (ALCO). A financial risk management framework and policy details all the processes and limits for managing interest rate risk; stress tests are applied as part of the ICAAP, and additional capital is held to cover any unforeseen losses arising from interest rate risk.</p> <p>Although UK interest rates have fallen by 75bps over the course of the last financial year, recent economic turmoil arising from events in the Middle East is increasing the likelihood of inflation and rate rises over the coming year, which will need careful management. In response to the recent falls, customers have shown a continued preference for fixed-rate loans and deposits; we will continue to monitor closely and assess any indications of a changing dynamic going forward. The strong governance and controls in place mean that despite the current economic and political uncertainty (which can have substantial influence on base rate) we can continue to operate with confidence.</p>		<p>Over the past 12 months, the Society has:</p> <ul style="list-style-type: none"> <li>managed its fixed-term deposit maturities to balance commerciality with natural hedging;</li> <li>rapidly and proactively managed to the market volatility, including our approaches to pricing (of mortgages and savings) and hedging strategy;</li> <li>reassessed our Interest Rate Risk appetite and agreed a change in limits that will continue to offer the same protection whilst freeing capital for investment;</li> <li>continued to diversify and expand our HQLA investments;</li> <li>maintained focus on and where necessary adjusted when we hedge with interest rate swaps on the mortgage journey.</li> </ul>

**Liquidity Risk**

The risk of failing to meet demands and commitments to provide funds to customers and other third parties.

Managed through ALCO supported by the Liquidity Management Committee, which ensures future lending volumes and funding availability is considered in managing liquidity levels. Liquidity levels are stress tested as part of the ILAAP to ensure sufficient funding is available to meet requirements through a severe stress. The ILAAP also sets our risk appetite, and a weekly dashboard gives full overview of liquidity levels versus the defined triggers and limits. The Liquidity Contingency Plan, which forms part of the Recovery Plan, ensures that predetermined steps are established to follow if a liquidity stress was ever to occur. This is also subject to routine tests.



The Society continues to leverage last year's improvements in forecasting and managing liquidity requirements to optimise liquidity, and the Society retains a very healthy position versus industry regulations. Whilst we anticipate continued competition in the marketplace next year, the strength of our heartland proposition and governance provides a stable platform to maintain our liquidity position.

Over the past 12 months, the Society has:

- continued to improve its ILAAP with enhanced analysis, insight, and stress tests based on real world data;
- optimally managed our Bank of England ILTR drawings and strengthened our pre-positioned mortgages to add additional resilience in the run up to transformation go-live;
- tested our HQLA profile by selling two of our Covered Bonds to release funds for other Treasury asset investments;
- maintained suitable levels of liquidity, with surplus to both our own risk appetite and regulatory requirements.

**Capital Risk**

The risk of having insufficient capital to meet any risks to which the Society is exposed. The Society's capital is mainly made up of 175 years of retained profits.

Our capital position is overseen by ALCO. The annual budgeting and ICAAP processes help ensure appropriate levels of capital are maintained at all times and allow the Society to effectively test and set risk appetite. This year these processes have considered two key factors which will impact our capital position. The first of these is changes in regulation through Basel 31 and SDDT which are scheduled to come into force at the beginning of 2027. A project is well progressed to manage the implementation of these new rules. The second is our investment in transformation, which will reduce capital surpluses as the costs of this exceed profits in the short term. Our capital planning considers both matters.



Over the past 12 months, the Society has:

- delivered ongoing capital monitoring and the production of the ICAAP to confirm its capital position and outlook;
- assessed the implications of Basel 31 and SDDT and continued to engage with industry bodies as part of our implementation journey;
- kept the capital requirements of transformation under continual review, including modelling continuity of delivery during a severe capital stress scenario over the next two years. The planned investment in our new core banking platform means that our capital surplus relative to regulatory buffers will reduce; this increases the level of risk from the historically very strong capital position we have had and that we report in this Report and Accounts.

**Conduct Risk**

The risk that the Society makes errors or exercises inappropriate judgement in the execution of its business activities, leading to poor outcomes being created for customers and/or reputational risks materialising.

Managed through the Conduct Risk policy and a Consumer Duty Framework which looks at all areas of potential poor customer outcomes across the customer journey and tests whether any detriment is occurring. Comprehensive Management Information flags areas to investigate, and any issues identified are corrected for customers affected. A detailed Product Development and Governance policy ensures that any new products developed or changes to existing products minimise the likelihood of customer detriment.



The outlook for this risk is stable as we have processes in place that enable us to actively assess customer outcomes and identify potential issues and put them right.

Over the past 12 months, the Society has:

- continued to evidence how we have embedded the requirements of the Consumer Duty regulations;
- continued to develop treatments to support customers in vulnerable circumstances taking complex situations to our vulnerable customer panel;
- refreshed our approach to outcome testing by reviewing and updating the outcome testing framework and updating the tests to focus on areas where potential greatest harm exists;
- continued to monitor developments in the historic, industry wide, vehicle finance Discretionary Commission Arrangement (DCA) matter. This has resulted in an update to the level of provisioning held within our subsidiary Borderway Finance Limited. This is considered further within the Chief Financial Officer's report and the Audit Committee's report.

**Operational Risk**

The risk of loss resulting from inadequate or failed internal (including where provided by a third party) processes, people, and systems, or from external events. This includes losses from fraud.

Minimum standards are set through the Operational Risk Policy. Further policies support the management of risks arising from failures by third parties, the management of financial crime risk, the management of operational resilience risk and the management of information security risk. Risk teams in the business follow agreed processes to identify, measure, manage and mitigate risk. These teams also report any incidents, near misses or policy or regulatory breaches. Independent reporting by the risk team helps understand any trends and tracks overall operational risk losses against the agreed risk appetite.






There has been continued investment and progress to improve operational resilience within our technology platform. Further improvements and increased digitalisation form the core of our transformation programme and strategy.

The operational risk management system is now embedded enabling greater insight, profiling and management of our operational risks.

Over the past 12 months, the Society has continued to:

- embed the use of the risk management policies supporting the management of operational risk;
- embed knowledge and use of tools within the risk management process that enable the identification and appropriate treatment of operational risks;
- upgrade our infrastructure underlying our core banking platform and therefore support future transformation.

Risk and impact	Mitigation	Movement in risk profile	Latest Progress and Emerging Risk
<p><b>Climate Change Risk</b></p> <p>The risk climate change could create for the Society as a result of physical impacts and the transition of the UK economy to lower carbon activities.</p>	<p>The Society has embedded its Climate Risk Management Policy within the existing Risk Management Framework, ensuring the policy and requirements therein are governed effectively. The policy identifies and considers risk through defined monitoring and specific stress testing approaches consistent with the Climate Biennial Exploratory Scenario used by the Bank of England. The climate risk exposure is managed in accordance with the regulatory requirements outlined in the PRA's supervisory statement SS3/19 and subsequent guidance provided by the PRA in the Dear CEO letters in 2021 and 2022 which we acknowledge has now been superseded by SS5/25. The Society is currently undertaking an internal review of our current status in meeting the updated expectations set out in SS5/25 released by the PRA on 3 December 2025. This review must be completed within the 6 month timeline specified, including the creation of a development plan for how gaps identified will be addressed.</p>		<p>The Society conducted a review of its mortgage portfolios (as at the end of Dec 2024) to identify the risks under the different climate change scenarios. The outcomes of this review across both physical risks (e.g. flooding, subsidence or coastal erosion) and transitional risks (i.e. adjustments to a low carbon economy, e.g. target EPC ratings for property) were communicated through the appropriate risk and board committees in July 2025.</p>
<p><b>Regulatory Risk</b></p> <p>The risk that the Society makes errors or exercises inappropriate judgement in the execution of its business activities, leading to non-compliance with regulation, legislation, or voluntary codes of practice, potentially leading to unfair outcomes for customers and/or regulatory sanction and/or reputational risks materialising.</p>	<p>Minimum standards are maintained through the Regulatory Risk Policy. Business areas in the Society follow agreed processes and standards for managing compliance. Horizon scanning gives a clear view of upcoming regulatory requirements. This is all supported by agreed standards for proactively managing contact with the regulators.</p>		<p>The outlook for this risk is stable. Horizon scanning and liaison with the business and the change function has ensured that changes in regulation are identified and progressed within timescales.</p> <p>As a result, the Society has successfully delivered a number of regulatory requirements and has projects in place to address new requirements that will come into force next year.</p>
<p><b>Pension Risk</b></p> <p>The risk that the value of assets in the Society's defined benefit pension scheme alongside additional contributions are insufficient to cover the anticipated obligations of the scheme over time.</p>	<p>All pension investment decisions and any additional funding required by the Society is overseen by an independent trustee board who are advised by the scheme actuary and investment managers. The approach is stress tested against standard requirements set out by the PRA. Capital is held by the Society to ensure there are sufficient funds to cover severe but plausible changes to pension asset values or liabilities. The scheme is administered by a specialist outsourced body.</p>		<ul style="list-style-type: none"> <li>The Society maintains a hedged position regarding the Scheme's assets and liabilities, investing in instruments which help ensure that if the projected liabilities of the Scheme rise (due to, for example, higher-than-expected inflation) so do the Scheme's assets, in order to match and neutralise the effect of such rise in liabilities.</li> <li>The Scheme remains fully funded on a technical provisions basis, and is progressing to its long term funding goal of self sufficiency.</li> <li>There has been agreement between the trustees, the scheme actuary and the Society that the health of the Scheme is sufficient to allow the running costs of the Scheme to be paid by the Scheme assets, rather than directly by the Society.</li> <li>As the Scheme reaches self-sufficiency, the Society will be liaising with the trustees to understand, over time, the options available to continue de-risking the Scheme. Such options may include buy-out, where the liabilities of the Society are taken on by an insurer, or maintaining the Scheme with the Society as sponsoring employer but with further de-risked assets.</li> </ul>

A portrait of a man with short brown hair, wearing glasses and a dark blue blazer over a white shirt. He is smiling slightly and looking directly at the camera. The background is a blurred outdoor scene with green foliage and a stone wall.

RICHARD

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*Welcome to your*  
**CHIEF  
FINANCIAL**  
*Officer's Review*



*Our operating profit was £10.6m as we managed lowering rates and controlled cost growth. As forecast in this report last year, on a statutory level we saw a loss of £12.2m. This is stated after absorbing the cost of our heightened expenditure on New Cumberland, £19.9m of which was charged to the income statement, and hedging debits of £2.4m.*

### **Our financial performance was satisfactory as losses, due to New Cumberland investment, were substantially lower than budgeted.**

As we guided in last year's Report and Accounts this is one of three years where our elevated investment in transforming The Cumberland through a new core banking platform replacement was expected to result in a statutory loss. While we outperformed our budget projections and managed the programme spend carefully, after the cost of New Cumberland, hedging debits of £2.4m and a further charge in Borderway for the vehicle finance commissions matter of £750k, the Group recorded a statutory loss before tax of £12.2m (2025: £1.0m profit before tax). Our operating profit, which is stated prior to expensed New Cumberland costs of £19.9m and hedging losses, was £10.6m (2025: £20.0m).

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 continued to ease for many, but not all, borrowers. As a result, we saw a small increase in our levels of arrears but provisions lowered as more challenging situations were resolved without loss and we proactively worked with the members and commercial borrowers who needed our support.

Falling interest rates have reduced our income substantially for a second year. At each base rate fall we are immediately impacted by lower wholesale rates (affecting our liquid assets and swaps). This period often persists for 2 months as we send notification letters, observe regulatory time periods and prepare our systems for wholesale customer rate changes. Next our borrowers linked to variable rates see lower rates too before finally our variable

savers are impacted. This margin and income squeezing dynamic which operates alongside the more general impact of lower net interest income has impacted us each of the three times the Bank of England has lowered its rate. Further challenge emerged through a sticky retail deposit pricing dynamic which saw fixed rate deposits priced well above swap rates while mortgages followed the same swap rates down. It's unclear precisely why this dynamic persisted, but commentators have reflected both on the withdrawal of TFSME (which we have fully repaid) and the Bank of England's quantitative tightening, which is far faster than other central banks' approach to the same issue and is thought to have placed upward pressure on retail and market-based deposit prices.

Our income has also been impacted by lower levels of commercial lending than expected as both competition and the time from approach to loan origination remained elongated.

Against this complex backdrop, your Society grew its overall mortgage lending and you continued to trust us with your transactional banking, savings and deposits. Reflecting the pricing dynamics described and some higher than forecast mortgage redemptions we proactively moderated our growth trajectory lower in the second half and we expect to carry this dynamic into 2026/2027 more aggressively as we focus on New Cumberland and provide our people with the capacity to train well prior to migration.

We continued to invest in change, our people and our processes. The pace of delivery was maintained, resulting in ongoing improvements in our underlying technology architecture and improved cyber security. The New Cumberland programme successfully progressed through large parts of its design and build as we move closer to delivering on this core element of our strategy.

## Mortgages

# £2,887m

2026	£2,887m
2025	£2,758m
2024	£2,588m
2023	£2,370m

## Deposits

# £3,170m

2026	£3,170m
2025	£3,013m
2024	£2,814m
2023	£2,611m

## Net Interest Margin

# 2.07%

2026	2.07%
2025	2.32%
2024	2.61%
2023	2.38%

## (Loss)/profit before tax

# (£12.2M)

(£12.2m)	2026
£1m	2025
£9.6m	2024
£26.6m	2023

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## High Quality Liquid Assets

# 14.0%

2026	14.0%
2025	14.6%
2024	15.7%
2023	18.3%

## Cost to income ratio

# 113.8%

2026	113.8%
2025	95.3%
2024	78.8%
2023	81.9%

## Common Equity Tier 1 ratio

# 16.7%

2026	16.7%
2025	18.2%
2024	18.5%
2023	18.3%

## Key performance indicators

The Society monitors many aspects of financial and non-financial performance on a regular basis. The graphic above, and this section, focuses on those measures that are reported to and considered key to the business' financial success by the Board. A full list of the Group's KPIs and definitions can be found on page 159.

# INCOME STATEMENT

## Overview

Our statutory results fell and we incurred a loss before tax of £12.2m. Operating profits fell year on year reflecting the fall in UK rates and persistent inflation but remained satisfactory at £10.6m and both measures delivered ahead of our plan.

Readers will note that we have separately disclosed the element of our costs that relate to the New Cumberland programme below reflecting its strategic significance. This year that investment resulted in a loss. When delivered it ensures our future resilience and ability to respond more effectively to customer and market dynamics. While uncomfortable to report, this is best thought about as us strategically investing some of our capital now in the future technology of the business which will ensure our future resilience and deliver substantial changes in available functionality. Our expenditure on New Cumberland (some of which is on our balance sheet as a prepayment) will peak next year as we complete design and build, perform detailed end to end testing and deliver training to all of our people, before starting the return to a more normalised level post go live during the following year. We expect this investment in our future to materially impact our results next year but also, though more modestly, over the following year too.

The key macroeconomic drivers of our performance discussed above were supported by balance sheet growth and good cost control.

Funding costs remained high and elevated as we saw a continued preference of depositors towards fixed term products and retail savings rate reductions lagged swap and mortgage pricing falls.

A summarised Income Statement is set out below.

	2026 £000	2025 £000
Interest receivable	162,921	184,036
Interest payable	(93,638)	(109,297)
<b>Net interest income</b>	<b>69,283</b>	74,739
Other income or charges	311	386
<b>Total operating income</b>	<b>69,594</b>	75,125
Management expenses excluding New Cumberland	(59,326)	(55,668)
Provision for bad and doubtful debt	356	569
<b>Operating profit</b> (before New Cumberland, hedge accounting, other provisions and one off items)	<b>10,624</b>	20,026
New Cumberland costs	(19,854)	(15,857)
Other gains/(provisions) and (charges)	(582)	(1,017)
Losses on derivatives and hedge accounting	(2,415)	(2,141)
<b>(Loss) / profit before tax</b>	<b>(12,227)</b>	1,011
Tax	2,972	(398)
<b>(Loss) / profit for the year</b>	<b>(9,255)</b>	613

## Net interest income

Net interest income fell by 7%. This reflected three key dynamics. Firstly, the impact of a falling rate environment, which reduced returns on our liquidity, swap book and mortgages.

Secondly, our cost of funds remained elevated through most of the period with retail fixed term funding costing substantially above swap and historical precedents. The extremely competitive market for deposits has benefitted savers who have continued to enjoy returns well above those experienced in the period 2007-2022. The impact of this years liability pricing will flow in to next year too.

Thirdly, while our mortgages balance sheet grew, our higher yielding FSOL portfolio underperformed our targets. Holiday let volumes recovered year on year. In the second half of the year, we chose to reduce our growth speed, reflecting on the narrow difference between fixed rate savings and lending rates, particularly owner occupied lending rates. This eased pressure to chase volumes on both sides of our balance sheet and we thereby avoided exacerbating the margin squeeze dynamic we saw. This strategy was supported by our approach to mortgage pipeline hedging.

We saw substantial new money into term accounts but also growth in instant access based funds. Our current account credit balances remained broadly stable though they moved lower year on year in absolute value terms. These factors led to a rising cost of funds more than offsetting the income from our larger balance sheet.

The Cumberland looks to provide value to members over the long term, and this approach remained at the heart of our pricing decisions on both sides of our balance sheet.

## Net Interest Margin

Net Interest Margin (NIM) has decreased by 25 basis points year on year to 2.07%, as base rate fell a further 75 basis points, from its peak, to 3.75%. NIM has spent the year on a downward trajectory reflecting the three key dynamics touched on above: the mix of our new lending, the mix of our deposits coupled with the sticky term pricing dynamic and the wider context of falling swap and UK base rates. Base rate fell by 25bp more than had been predicted by the Bank of England consensus a year before, and fell earlier, but its trajectory remained one of drifting down rather than sharply lower.

The squeeze in margin we have seen was planned for but has been exacerbated by 1 year Fixed Term deposit rates remaining persistently higher than expected when both swap and mortgage rates have

# INCOME STATEMENT

progressively fallen. This sticky and high level of offered interest saw customers opting in particular for 1 year fixed rates particularly when base rates fall stalled for a number of months at 4%. In this context; a slowing of customer demand for Commercial Mortgages, somewhat offset by a pickup in Holiday Let saw our lending mix skewed to lower returning owner occupied assets, exacerbating the margin fall.

More positively we have largely navigated the unwinding of the swap dynamic discussed in the last two years meaning that the built in drag from the 2022/2023 swap gains unwind has materially moderated.

Members may recall that in the final phase of rising UK rates the Society made a decision to protect borrowing members by not passing on any of the last three base rate rises (cumulatively 1%) to its variable rate owner occupier borrowers. As rates have progressed downwards we have recognised that choice in our passing on of the reductions this year and so we have passed on most but not all of each of the UK base rate reduction to these same borrowers. The borrowers rate benefit has not yet fully unwound.

We have taken a similar judgement with our variable rate savings where we have passed on most but not all of the base rate reductions during the year. We will continue to balance the need to fund the Society's strategic resilience and transformation which is for the long term benefit of members with the individual rate decisions we make as we move through 2026.

We continued to offer competitive savings rates throughout the year and we have seen steady growth delivering inflows modestly below the level budgeted. The Society has benefitted from its current account book and the funding it provides while recognising that much of the New Cumberland investment will benefit these members. We have seen slowly decreasing levels of balances held in current accounts, which ended this year £4m lower than last.

	2026 £m	2025 £m
Net interest income	69.3	74.7
Average financial assets	3,346	3,220
	%	%
Net interest margin	2.07	2.32

Defending net interest income and margin is a key strategic aim, which will remain a focus next year. This reflects our need to grow more selectively, as we prepare for a period of lower operational volumes in the period of system testing prior to migration. We will seek to price fairly rather than chase 'best buy' table position. Nevertheless asset price reduction leading rates down more swiftly than the equivalent savings rates is a market feature we expect to persist.

The first eleven months of this year saw markets expecting rates to fall. The war in Iran radically changed base rate expectations in March, initially suggesting that they could rise swiftly. Nevertheless while oil based inflation will feed into the economy it is currently deemed more likely that domestic economic weakness will offset this pressure and rates will be flat for the immediate future.

## Derivatives and hedge accounting

Offering a fixed rate mortgage exposes the Society to the risk that interest rates rise and, in turn, the rates it pays to depositors rise, potentially to a level above the interest its mortgage customers are paying. The Society mitigates this risk by entering swaps, where it pays a fixed rate and agrees to receive a floating rate of interest in return. Once the swap is in place, the Society has floating rate income, and if it has a floating rate liability funding it, this effectively mitigates this sub element of interest rate risk.

The Society uses derivative financial instruments to manage interest rate risk arising from its mortgages and savings.

Over the last few years, customers have overwhelmingly opted for fixed rate mortgages. This pattern persisted in 2026. It is most pronounced in our residential mortgage lending but also a predominant trend in letting advances. Our FSOL book is the exception as businesses prefer variable rates. We see a similar pattern of more use of variable products in our retention and back book of Holiday lets. In 2025 we explained that customers worried about the persistence of higher rates in light of geo-politics and the UK's persistent inflation challenges and they swung decisively back towards fixed rate preference including in our letting books. In 2026 this pattern persisted particularly in advances. Our owner occupied advances have continued to be weighted towards 5 year deals. Our letting book fixed rate advances are more balanced but also show this skew. Two year deals are much more popular in the retention space where selection is much more evenly balanced between 2 and 5 year fixed but also shows greater use of variable products.

This year the value of our derivative portfolios has continued to trend down in absolute terms. This does not reflect the volumes of deals or level of hedging rather the progressively lowering interest rate environment and the substantive completion of the unwind of derivatives acquired prior to the rise in UK inflation and interest rates (during 2022). Both the significant income The Cumberland received and the protection of low mortgage rates customers enjoyed have ceased as a key dynamic. We are however continuing to see the progressive unwind of fair value gains from the Truss government period (and its surrounding months) which has driven some of the hedging debit in this year's results.

On our newer books, other risks have persisted as our saving customers have preferred fixed rate savings, requiring us to hedge these in increasing volumes too, adding complexity and costs. We have seen retail deposit rates being fixed above available fixed rates in the swap market. The downward rate curve also exposes us to the risk that, as mortgage rates reduce, prepayments might increase. This potentially leaves the Society, in the absence of economic break costs being payable by customers (due to regulation), with more swaps than mortgages of similar rates and tenors. During 2026 while customer redemption outside of the deal end period rose this did not lead to substantial derivative costs. The loss of income from the customers was the primary impact. Prepayment rates were elevated and somewhat above plan and this persists as a risk as customers look for lower mortgage costs in a volatile world.

During the first 11 months of the year, there was considerable but bounded market volatility, impacting swap valuations within a broadly lowering swap price trend. This volatility has been caused by regular revisions in forecasts of inflation reflecting its persistence alongside both specific global events and increasing global instability as foreign policy norms are being challenged and war continues to flare.

In March 2026 we saw war in Iran and a sharp rise in swap rates (which rose over 1% in the month before falling back). This has led to pricing up of mortgages but also elevated financial risks as customers have the right to walk away from deals which makes pipeline hedging substantially more risky than in periods of stability. In response many providers including The Cumberland reduced or withdrew fixed rate products (in our case only those offered to new customers) as we need to protect the Society from the risks this optionality creates.

In order to mitigate the volatility in fair value that occurs, accounting rules allow an institution to adopt hedge accounting, where the value of the swap, and the mortgages it relates to, broadly offset each other. However, these rules do not allow this valuation volatility to be mitigated in the period between a customer agreeing to take a mortgage and draw down of the funds, as the mortgage does not yet exist. This is known as the mortgage pipeline and, during the year, the derivatives, managing the risk of the mortgage pipeline, have been volatile. This was particularly apparent in Q1 as Donald Trump was elected in the USA and implemented tariffs but volatility also spiked in June, October and most significantly February and March reflecting an almost overnight reversal of rate expectations in light of war in the Middle East and its impact on oil and inflation.

Once a mortgage completes, hedge accounting reduces the volatility seen, but the loss (or gain), already recognised during the "pipeline" period, is subsequently unwound over the expected life of the related mortgage (2 or 5 years as amended by payments and prepayments). While moderated by later hedging in the mortgage journey this dynamic has resulted in fair value losses this year (gains in March) which will unwind over the next 2-5 years in line with the life of

mortgages. The unwind credit will modestly augment the NII earned in future years, reversing the loss (or on occasion gain), and is the reason why the Society removes hedge accounting gains and losses from its operating profit disclosures.

These fair value movements, in the current year, were of lower absolute significance than in 2024 and 2025 and were predominantly debits. They represent timing differences and, unless the derivatives are closed out, are expected to reverse over the remaining life of the derivatives, and do not reflect the economic reality of the hedge.

The unwind of 2022 and 2023 gains has continued as expected and guided, and a charge of £3.9m (2025: £4.3m) for this is included within the net hedging debit of £2.4m (2025: £2.1m).

As explained in the NII (net interest income) analysis, the Group's historic deals have increasingly matured, and as the more recent mortgages predominate and as floating rates themselves have moved lower, derivative income is reducing. Over the recent period of high rates, the Society has agreed to pay a relatively much higher fixed rate to protect itself and, so over the later parts of, in particular, 5 year mortgage deals, the variable income it receives from the hedging derivatives may decline substantially, particularly if the UK rate environment falls more quickly than predicted.

The market is currently volatile with views that rates could rise and that rates could fall but the majority of participants are currently expecting a period of flat base rate. The volatility seen will continue to require your Society to proactively manage inherent rate risk.

## Management expenses

The Group's management expenses include administrative expenses, depreciation and amortisation and the costs of the New Cumberland Transformation Programme.

	2026 £000	2025 £000
Administrative expenses before New Cumberland	(56,955)	(52,548)
Depreciation and amortisation	(2,371)	(3,120)
Management expenses excluding New Cumberland and one off items	(59,326)	(55,668)
New Cumberland costs	(19,854)	(15,857)
Gain on sale of tangible fixed assets	58	41
<b>Total management expenses</b>	<b>(79,122)</b>	<b>(71,484)</b>

Represents:

	2026 £000	2025 £000
Administrative expenses	(76,809)	(68,405)
Depreciation, amortisation and sale of fixed assets	(2,313)	(3,079)
<b>Total management expenses</b>	<b>(79,122)</b>	<b>(71,484)</b>

# INCOME STATEMENT

Our substantial investment in the Society and its strategy continued as we deliver on our commitment to make the business safe, sound, compliant and, ultimately, sustainable. This is, along with the persistent impact of inflation, seen in both our people and administrative costs, which grew. Year on year, salaries and colleague numbers rose modestly, as we continued to bring in further skills, particularly in technology and transformation.

We invested £26.3m (2025: £16.3m) in the third year of the New Cumberland programme, £19.9m of which was expensed, (2025: £15.9m). In addition, a further £3.7m (2025: £4.7m) was invested in our current infrastructure, networks, information security management and operating systems. This included our ongoing work related to delivering enhanced operational resilience in line with the FCA and PRA framework and many other regulatory driven initiatives alongside continuing investment in cyber security and our fraud defenses.

Members will recall that we made significant investments in the last few years into our peoples salaries and benefits. 2026's increase in salaries built upon this foundation but was more normalised as inflation has progressively moved down. We paid a discretionary increase of 3% to colleagues in April 2025 (or more if they were subject to the National Living Wage which rose by 5%). We have also made a further discretionary rise in salaries in April 2026 reflecting lower but nevertheless persistent inflationary pressure and our commitment to our people. This year's costs were also impacted by the substantial rise in Employers National Insurance. We also saw continued evidence of inflationary wage pressures in recruitment, as competition for technical, data and risk management skills remained fierce for much of the year. All of these factors saw our people costs rise year on year.

Elements of our operational expenses rose too, reflecting the impact of persistently high inflation pass through and rising costs from our suppliers, who responded by demanding above inflationary cost increases.

These dynamics were mitigated by careful cost control in our ongoing operations which was successful during 2026.

The Society's major change programme, New Cumberland, will continue in 2026-27, delivering completion of the detailed design and build phase in the first half of the year, moving increasingly into the progressive phases of testing which will continue throughout the second half. The overall delivery and post migration bedding in period will extend well into financial year 2027-28, and we expect to support a significantly elevated and sustained level of investment over this multi-year period, as we progress through the heart of delivery, migration and hyper care. This is expected to substantially challenge

overall profitability in the next two years, particularly 2027-28 as we prioritise long term sustainability through a "fit for the future" core banking platform and support safe migration through lower business volumes. It will require tight control of other costs and careful management of our capital surpluses to ensure its affordable delivery. Further information regarding management expenses incurred this year is included in notes 6 and 7 to the accounts.

## Arrears and impairment charge

The strong credit performance of the Society's loan books was maintained in 2026, and the benefits of our long term commitment to prudent and responsible lending was demonstrated. Our rigorous underwriting processes ensure that loans are affordable, and our loans continue to be subject to manual underwriting by specialist teams, rather than relying on automated credit scoring. This allowed us to regularly adjust our lending criteria and appetite, as inflation fell improving affordability and customers successfully navigated the move onto current fixed rates which are above many of the deals they had prior to 2021.

In 2026 we have refreshed the underlying data in our models to ensure they remain appropriate. While this in some cases increased the level of collective provision held, this was against a backdrop of improving credit conditions. Thankfully our borrowing members have been resilient supported by both our careful underwriting and our sustained focus on helping those who do fall into difficulty.

This positive change in the UK environment and the modest impact of other relevant factors like rising unemployment within our members has seen us release some provisioning this year. We have also seen a number of specifically provided cases resolve without loss resulting in a release of some provisions held last year. This has been modestly offset by some limited growth in arrears which are automatically captured in the collective and specific calculations we perform.

The level of customers in forbearance measures at 31 March 2026 are:

No. of cases (% of book)	31 March 2026	31 March 2025
<b>FSRP (Arrears All)</b>	<b>30 (0.17%)</b>	25 (0.15%)
<b>FSRP (Arrears Owner Occupied)</b>	<b>24 (0.16%)</b>	23 (0.16%)
<b>FSRP (Arrears BTL/HL)</b>	<b>6 (0.24%)</b>	2 (0.08%)
<b>FSOL</b>	<b>11 (2.28%)</b>	13 (2.54%)

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 slightly, but remains low. In our FSOL book (loans Fully Secured On Land) we saw a modest fall. The volumes, which remain well below industry norms, are as follows:

Accounts in arrears (≥ 90 DPD) as % of loan book	31 March 2026	31 March 2025
<b>FSRP (90 days)</b>	<b>0.25%</b>	0.18%
<b>FSOL (90 days)</b>	<b>1.87%</b>	1.96%

Reflecting the underlying trends described above, the forward trajectory of UK rates and HPI alongside our long run loss experience which is extremely low, the income statement credit for bad and doubtful debts was £356k (2025: £569k credit). More information on forbearance, arrears, provisioning and impairment is included in notes 13 and 30 to the annual report and accounts.

## Other provisions, charges and gains

Our vehicle finance subsidiary, Borderway Finance Limited (BFL), has recognised a further provision of £750k (2025: £1,287k) in relation to the discretionary commission arrangements matter. This remains a provision that has been modelled rather than an outcome that is certain. It reflects our current expectations and understanding of the FCA's approach to redress as included in its policy statement which was released on the 30 March 2026. It also reflects the passage of time (which increases the level of interest payable). The modest levels of commission paid mean that this matter is not currently expected to be material to the Group, in this regard the publishing of final rules

and the imminent move into the redress programme itself means that levels of uncertainty are reducing. A range of outcomes remains possible particularly further delays arising from elements of the industry and claims management companies taking the FCA to court. The overall cost of the process which will exceed the gross commission earned during the period affected is disappointing.

No significant new exposures arose for the Society in 2026. A modest gain on revaluation of our portfolio of investment properties of £130k (2025: gain £25k) and a loss of £20k on sale of investment properties was recognised (2025: loss of £9k). No formerly operational properties were transferred into the investment property portfolio during the year (2025: three with a gain of £213k).

## Subsidiary companies

The Group's financial statements incorporate the assets, liabilities and results of a holding company and BFL.

BFL, our motor finance business, contributed a loss before tax of £89k (2025 loss: £707k) to the Group's reported results after accounting for the provisioning matter noted above. 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. During the year BFL transitioned to an up-to-date cloud-based version of its core financial software. The balance sheet grew to £28.0m (2025: £26.8m).

Credit quality has been good. Pleasingly, the level of arrears has remained subdued.



# BALANCE SHEET

## Overview

The Society's balance sheet grew to almost £3.5bn in 2026. Loans and advances to customers have grown during the year by £129m (2025: £148m).<sup>1</sup> Customer deposit growth was modestly higher than lending asset growth at £156m (2025: £200m).

A summarised Balance Sheet is set out below:

	2026 £000	2025 £000
<b>Assets</b>		
Loans and advances to customers	2,916,029	2,785,602
Liquidity	481,741	475,864
Other	65,464	67,619
<b>Total assets</b>	<b>3,463,234</b>	<b>3,329,085</b>
<b>Liabilities</b>		
Retail funding	3,169,537	3,013,184
Wholesale funding	50,545	63,609
Other	17,984	15,924
<b>Total liabilities</b>	<b>3,238,066</b>	<b>3,092,717</b>
<b>Equity</b>		
(Loss)/profit for the year	(9,255)	613
General reserve	229,309	229,273
Available for sale reserve	5,114	6,482
<b>Total equity</b>	<b>225,168</b>	<b>236,368</b>
<b>Total liabilities and equity</b>	<b>3,463,234</b>	<b>3,329,085</b>

## Loans and advances to customers

The Cumberland's lending strategy remained consistent. Our high quality, owner-occupied book grew throughout the year. Within this growth story we moderated our growth in the second half of the year as we decided not to chase new origination above targets despite an uptick in redemptions. This reflected what we viewed as a dislocation between asset and liability flow pricing as the latter remained stubbornly above a level that allowed an attractive return at the higher volume low LTV end of the market.

Our holiday let business grew in the year in line with our plans ending the year with higher balances than at 31 March 2025. Nevertheless, government policy and pending regulation is impacting this market. We have seen some, particularly amateur, landlords exit due to worries about local and national housing regulation alongside changes in lender appetite as Basel 3.1 moves closer. Concurrently our much smaller Buy to Let book was stable as growth was offset by modest paydown.

The FSOL book saw redemptions and paydowns ahead of new lending growth resulting in the book declining modestly over the year

to £243m as hospitality borrowers' appetite gradually increased and economic confidence stabilised at a modest level. We have opened our book to a number of other business sectors and we have seen some initial growth in these segments.

We advanced £471m of mortgages (2025: £477m) and mortgage balances grew by £128m (2025: £148m).

## Liquidity

On-balance sheet liquid assets rose to £482m (2025: £476m), as we completed 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. Our prudence reflects both our own approach but also the quantitative tightening (QT) 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. As discussed earlier in this report market consensus indicates that the pace of QT which is above that adopted by other major central banks is one factor behind the currently elevated cost of retail deposits as the pace of tightening impacts this side of the balance sheet.

The Society's principal measure of liquidity is high quality liquid assets (HQLA) as a percentage of shares, deposits and loans, as this reflects the funds that are immediately and fully available to support the Group's liquidity needs. The level of HQLA remained robust at 14.0% (2025: 14.6%). The Liquidity Coverage Ratio (LCR), which is the primary regulatory measure, continued to be very strong at 195% (2025: 217%), considerably above the minimum regulatory requirement of 100%.

Liquid assets are principally held in deposits at the Bank of England. We have continued to diversify a portion of our liquid assets away from the Bank of England reserve account into covered bonds and we have increased our holdings over the year. These deposits, are secured by the cashflows of the underlying mortgage assets as well as the guarantee of the issuers, but offer a small increase in the available yield. We have also held a small number of multilateral development bank bonds. Accordingly at 31 March 2026, included in liquid assets are £227m (2025: £173m) of assets held at fair value through other comprehensive income (FVOCI).

## Retail funding

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 inflow of funds of £100m (2025: £136m), which, after the

<sup>1</sup> Gross exposure excluding hedge accounting adjustments.

capitalisation of accrued interest, resulted in our total retail funding rising to £3,170m (2025: £3,013m), growth of 5%. As a result, our deposit to loans ratio remained well over 100%.

Our growth was strongly skewed this year to ISAs (both fixed term and instant access) as the politics surrounding ISA limits changed customer behaviours. We saw both absolute growth but also defensive transfers across our portfolio into the tax wrapper. Now that future ISA policy and limits are clearer it is possible that this dynamic will moderate. Instant access accounts grew year on year as member behaviour adjusted to the falling rate environment despite a widening in the spread between fixed and variable savings rates. Current accounts outperformed forecast but were modestly lower as customers used funds.

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 on a number of occasions both reflecting their size and the unattractive pricing relative to other liability types. We expect to do this proactively throughout next year to avoid overpaying for unnecessary funding. The falling base rate dynamic has not fed through to customer expectations which is the sticky market pricing dynamic we describe elsewhere. While continuing to offer competitive rates we have seen larger divergence in return across competitors than is sometimes the case.

Growth in fixed term deposits was strong, particularly in ISAs, reflecting both market positioning, which generated new inflows, and the overarching rate environment, which encouraged existing and new customers to lock in returns at higher rates, by fixing more of their savings. Our long term commitment to savers remains at the forefront of our mind as we proactively manage the rate environment and concurrently prepare for our system change.

## Wholesale funding

We use wholesale funding to make our funding mix more diverse. This reduces risk, and our use of the Bank of England's sterling monetary framework facilities provides additional tenor and flexibility.

As a result of the retail inflows this year, our need for new wholesale funding was limited. Reflecting this, we completed repayment of our existing TFSME funding ahead of its scheduled maturity and our own plans. At 31 March 2026, we held £0m (2025: £55m) in TFSME. We have raised modest funding through ILTR reflecting the Bank of England's stated ambition that this is a normal line of funding for UK institutions and that its use should be a normal part of liquidity management.

At 31 March 2026 we had £50m in ILTR (2025: £5m). We maintained a modest presence in the interbank funding market.

## Capital

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 modestly reduced our gross capital ratio (gross capital expressed as a percentage of total shares and deposits) to 7.0% (2025: 7.7%). 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 capital plans incorporated a greater level of loss than we incurred in 2026 and we remain confident that our capital provides us with the capacity to successfully make the investment in our future New Cumberland represents. Nevertheless despite the FPC's (Financial Policy Committee's) own judgement that UK capital levels could fall, conservatism is a feature of this area of regulation. This coupled with a concurrent change in calculation basis under SDDT means that our focus will be on careful capital management with this taking priority over growth over the next 2 years.

We will adopt the SDDT capital regime which is scheduled to be in place from 1 January 2027 in line with the adoption date of Basel 3.1.

The Society's regulatory capital position at 31 March 2026 is summarised below. Our CET 1 ratio decreased to 16.61% (2025: 18.18%).

	March 2026	March 2025
<b>Capital resources:</b>	<b>£m</b>	<b>£m</b>
Common Equity Tier 1 (CET 1) capital	222.4	234.9
Total capital	222.4	234.9
Risk weighted assets	1339.4	1,288.9
<b>Capital and leverage ratios:</b>	<b>%</b>	<b>%</b>
Common Equity Tier 1 (CET 1) ratio*	16.61	18.18
UK leverage ratio	6.81	7.69

\* At 31 March 2025 the profit earned in the year was excluded for the regulatory capital calculation. It is added after the Annual Report is released so was included from June 2025 onwards. Losses have been immediately recognised.

The Prudential Regulation Authority (PRA) provides the Society with a Total Capital Requirement (TCR). This sets the minimum capital which the Society must hold under Pillar 1 and Pillar 2A requirements and is driven by both balance sheet size and risk factors determined by the PRA. The Society comfortably meets this requirement using CET 1 capital alone. The Group's TCR at 31 March 2026 was £113.36m.

As a result of its adoption of the SDDT regime for liquidity and disclosure which is already in place, the Society is no longer required to produce or report in line with Pillar 3 disclosures. Further information on the Group's capital position can be found in note 36.

**Richard Ellison**  
**Chief Financial Officer**  
**2 June 2026**

# VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the directors have formally assessed the longer term prospects and viability of the Group, taking into account its current financial position and considering the potential impact of the principal and emerging risks set out on pages 44-47.

## Longer term prospects

The Group's business model and strategic priorities are set out on pages 16-19. These are regularly reviewed by the Board. In the year ended 31 March 2019, the Group completed a 12 month piece of work, which resulted in our Cumberland 2025 strategy. During 2024 the Strategy was reconfirmed but became referred to by the title New Cumberland reflecting that our work in delivering it would persist well after 2025. In 2025 the Board considered the why behind our existing Kinder Banking purpose and confirmed that our strategy remains enduring, focused on organic growth with a clear priority of delivering our transformation for the benefit of our community and members.

During 2026 this work was further developed and refined and the Board confirmed that The Cumberland is committed to its position as a purpose and values led organisation with customer centricity as its core competitive advantage focusing on building deep customer relationships, developing products and services to meet customer and community needs and maintaining customer loyalty through exceptional service and human connection.

The Society has a highly differentiated model within the UK being a regional mutual focused on community and offering a full banking proposition to personal and business customers making The Society the UK's only functioning community bank.

During 2026 we continued to increase the quality of change delivery, progressing on our cyber, operational resilience and transformation goals which are closely interrelated.

We have moved substantially forward in the New Cumberland programme itself. Having completed a BAFO (Best and Final Offer Process) and a 5 month discovery period we signed a Master Service Agreement (MSA) in March 2025 allowing us to move into detailed design and build activity during 2025-2026.

The Board and Management have consistently prioritised understanding, clarity and quality over pace as illustrated by the 5 months of discovery (a more standard period is 2-3 months).

This approach has been maintained in our decision making at all governance levels in 2026.

One key lesson emerging from other transformations, undertaken in the regulated financial services sector, is that sufficient time must be

given to each stage of a major programme and planning must not be based on a set delivery date. While being mindful of the need to progress work which supports operational resilience and addresses end of life dates on the horizon for some of our technology, the Board remains committed to a structured and rigorous step by step process, utilising the skills of experienced third parties, wherever this is practical and appropriate, as a key risk mitigation strategy. This has included use of all 3 lines of defence with both the first and second line supported by external experts and the third line having employed specialists in this work.

In this context, the New Cumberland programme build phase has progressed substantially this year and we have already entered some elements of system testing at the date of this report.

Stepping back the Board reflected on another year of change delivery, substantial strategic progress and a better than planned financial outcome, while recognising that investment in New Cumberland has necessitated a financial loss. It also noted that the path of the economy is uncertain, and that global events have created volatility and pressures on our business that we had to carefully manage through.

The Board considers a three year time horizon in detail, which aligns with its usual forecasting and management reporting, but also has due regard to the longer timescales over which its strategy will ultimately be executed.

The Board's reviews considered the strengths of the Group's business model and financial position, and the changes, which the planned investment over this and the next two years will bring about. Actions identified as part of these reviews are incorporated into the Group's strategic thinking and progressed, so that the Group's business model remains relevant and, crucially, that the amount of change is maintained at a level that is absorbable by the business and its available surplus capital resources.

The Board considered and approved The Cumberland's latest three year budget on 31 March 2026. It considered our ongoing transformation plans in light of New Cumberland's progress and the updated financial forecast for the life of the programme that accompanied it which incorporates substantial contingency. It has incorporated that analysis in its assessment of viability presented here.

## Assessment period for viability

The directors have considered the viability of the Group and Society over a three year period to 31 March 2029. The three year review period is considered to be the most appropriate timeframe for viability for the following reasons:

- increasing uncertainty, regarding the economic, competitive and regulatory environments beyond the three year period, reduces the reliability of a longer assessment of viability;
- a significant proportion of the Group's assets and liabilities are expected to mature within three years;
- key drivers of financial performance, such as NII and impairment losses, are heavily influenced by the level of market interest rates, house prices and unemployment, which are increasingly difficult to predict beyond a three year horizon. Even predicting these over a one year time horizon remains challenging, quite aside from the global volatility from politics, war and our changing climate; and
- the three year period aligns with the period over which the Group conducts its annual budgetary forecasts.

## Viability assessment activities

The corporate planning process assesses the forecast financial performance of the Group under a range of scenarios against its strategic risk appetite. The following risk factors, among others, were specifically considered in the modelled scenarios, which are aligned with scenarios used in the Group's ICAAP and ILAAP:

- a scenario based on the Bank of England's recommendation with sharp base rate cuts (to 0.1%) and a recession driving unemployment and sharp HPI falls before recovering;
- a liquidity stress as a result of an idiosyncratic event coupled with a market wide stress in the banking sector triggered by unemployment and cost of living pressures driving withdrawals of saving and current account balances. Due consideration was given to the learnings from events over the last few years which have impacted other global and UK banks despite our own resilience.

The Group's baseline financial forecasts for the next three year period assume a further two base rate reductions, as inflation continues to weaken towards the Bank of England's target. It is possible that current rates may persist, reflecting the persistence of inflation in the UK, the impact of the US war with Iran that erupted in March on oil and inflation, or that the pace of rate cuts may accelerate, as some elements of the market priced in until the end of February. Markets are currently indicating that after a period of flat rates the longer term direction is upward. In the UK's case this may reflect the growing governmental budget deficits.

As a building society owned by its members, the directors believe that short term profitability is not the only, or indeed the primary, driver of its viability. In 2026 while operationally profitable we incurred a

statutory loss and we expect a loss next year before commencing recovery in the following year as we move past migration. We expect to expense the vast majority of New Cumberland's remaining build and testing costs in the year ended 31 March 2027 driving statutory losses in that year. They feature in our planning assumptions, as the shape of our strategic investment is balanced between the need to transform at pace and our financial capacity which includes the substantial capital surplus we have built up in recent years through our profitable operation, some of which we are now using. The Board recognises that a sharper rates down trajectory, in the middle of our peak transformation spend in the next year, could challenge this outcome further and this is what our ICAAP, in particular, tests. Conversely a higher rate trajectory than our baseline which now appears more likely, would be supportive and lead to better outcomes all else held equal.

The financial statements presented alongside this viability discussion incorporate the directors' current best estimate of incurred losses in its lending portfolios at 31 March 2026. While we are cautious about the future, and have provided on this basis through our modelled assumptions and judgemental overlays, the level of loss crystallised has remained very low. This tension between observed experience which has been much better than most predicted, including by our regulators, and the continuing risk of loss is reflected in provision coverage (which has modestly reduced).

While there remains a risk that the level of loan losses ultimately suffered is higher than forecast, as a result of the impact on households and businesses of the embedded squeeze on living standards, the inflation impact of the war in Iran, and relatively higher cost of mortgage and consumer debt, our persistently low levels of loan losses over the last fourteen years show the strength of our underwriting and quality of our book in relative terms. Our financial budgets have incorporated an appropriate level of loan losses vis à vis our actual historic performance in each of the years forecast, and this risk is also incorporated in our stress testing.

During 2025, the Group conducted an analysis of the susceptibility of its lending books to the risk of climate change and the transition to a non/lower carbon economy. This analysis was conducted at an individual mortgaged property level. It is further discussed on page 47.

While the calculated impact increased versus a year ago (a year in which the impact fell), climate change has a very limited direct impact on the three year viability assessment period.

The directors have also reviewed the Group's viability from a capital and liquidity perspective through the ICAAP and the ILAAP. These processes assess the Group's ability to withstand severe capital and liquidity stresses, in line with regulatory requirements, including new and emerging regulation where sufficient information is known about future requirements.

The ICAAP and ILAAP assessments take into account potential

management actions and consider the impact and credibility of those actions in mitigating the potential impacts of the stresses applied. An example of a capital stress would be a significant growth in the level of loan losses or a reduction in net interest income, both of which could occur as a result of a recession and the macro-economic tools used to respond to the stress.

The ICAAP was last updated in December 2025 and concluded that the Group maintains sufficient capital resources to meet regulatory requirements under the central planning scenario and, with management actions, under the modelled economic stress scenarios. The Group's surplus of capital over regulatory requirements is currently significant, but will reduce over the next 2 years as we deliberately invest in New Cumberland to secure our operational resilience and future.

Therefore, in the central scenario, our capital surplus is expected to decrease over the three year period assessed, reflecting modest lending levels, the impact of sharply lower interest rates in the modelled scenario and the concurrent diversion of income into strategic investment, two of which are in the control of the Society's Management.

One additional factor, that will impact capital in our forecasting period, is a change in the UK's capital adequacy framework. In the Group's case, this will be the UK's new Strong and Simple regime ('SDDT' - Small Domestic Deposit Takers) which we have opted into. SDDT adopts the Pillar 1 treatment of Basel 3.1 which will drive the primary RWA calculation.

Based on our updated but still indicative calculations under the new policy the total capital required may be modestly lower though uncertainty remains and we are presuming a flat outcome in our forecasting. The implementation date for the SDDT regime is 1 January 2027 and we will remain on and solely subject to existing rules until this point.

During calendar year 2026 the PRA will conduct a number of data collection and calibration activities and we will progress our own work on data collection and reporting. These all mean that there is inherent uncertainty over the next year as to the detailed outcome. A further risk is that we and industry are yet to understand the revised SDDT stress testing regime which appears prima facie to include counter cyclical elements. We expect that this may change the stress test outcomes though a greater offsetting factor will be the completion of New Cumberland spend and unwind of its current treatment within Pillar 2B though the timing of this is uncertain.

The Group considered the economic conditions, which existed at 31 March 2026, including the war between the USA, Iran and Israel which moved predictions of interest rates to an upward sloping curve, but nevertheless concluded that the stress testing conducted remained appropriate. The stress tests applied were in line with Bank of England scenarios.

Our ICAAP stress testing also incorporates a series of reverse stress tests, which explore the extent to which changes in specific underlying factors would render the Group's business model non-viable. These are designed to assist Management's understanding of the constraints inherent in the business model.

The ILAAP, which addresses the Group's funding and liquidity, was last updated in July 2025, and concluded that the Group is able to meet both internal risk capacity requirements and regulatory requirements under modelled stress scenarios. The ILAAP noted our plans to complete repayment of TFSME in the first year of the assessment (now completed), as well as the modestly differing growth trajectory of the loan and savings book over the next two years. Reflecting on both our own and other institutions' experience including our balance sheet growth, we modestly adjusted our risk appetite metrics including increasing our minimum funds at the Bank of England and available collateral there. Since the ILAAP's preparation, the Group has successfully managed through its peak retail term deposit refinancing without issue and seen ongoing deposit inflow. In addition to its existing liquidity tools and regulatory metrics the Group has also recalculated its OLAR monthly to ensure that within the book and its healthy trajectory unexpected dynamics do not emerge.

The Cumberland is an active member of the Sterling Monetary Framework (SMF). It repaid its outstanding TFSME during the early part of the year and has started to modestly utilise ILTR in the current period though the level drawn was lower than we planned due to the strength of retail inflows relative to mortgage growth.

At 31 March 2026, £0m (2025: £55m) of TFSME remained outstanding. The TFSME drawdowns, which were concentrated at the back end of the drawdown window in 2022, were repaid early. £55m was repaid (2025: £85m).

ILTR which is 6 month term funding is being drawn so that there is a term structure and no significant repayment peaks. At 31 March 2026 the Group had drawn £50m (2025: £5m).

Since our last ILAAP the level of FSCS protected deposits has increased from £85,000 to £125,000 resulting in a lowering of inherent risk in our retail deposits. In addition we have topped up our available collateral with the Bank of England increasing our ILTR drawing capacity.

Liquidity stress testing, incorporating each of the relevant principal risks on pages 44-47, has been performed to understand the ability of the Group to withstand extreme stress scenarios, including unprecedented adverse movements in key economic indicators, major dislocation and volatility in financial markets, significant liquidity outflows and severe operational risk events. This testing has demonstrated that the Group has the resources, measures and controls in place to manage and withstand such extreme events. Liquidity stress testing is conducted monthly.

Following the largely remote working environment in Covid the Group has utilised a now well established hybrid working practice. These hybrid arrangements represent a stable way of working that has proved its effectiveness. As time has progressed, we have seen growing use of our office facilities, but this is a hybrid work environment maturing, and our teams recognising the crucial benefits of real personal interactions rather than a return to pre-pandemic patterns.

This form of flexible and agile operation has become a new normal enhancing our inherent resilience. The Group has planned, and is confident, that it can offer the critical services required by its members, even if 50% of colleagues are unable to work. This leaves the directors satisfied that the business can continue to operate safely and soundly, even if it were to see a repeat of the type of circumstances it found itself in during the pandemic.

## Suppliers and viability

In our interconnected modern world, the Group relies on third party suppliers for the provision of both goods and services this reliance is increasing over time and as part of the New Cumberland programme. It will increase further as we partner with TCS and a number of other ecosystem providers, all of which are now contracted with, for both build and run aspects of the New Cumberland programme.

The Group periodically reassesses both its own critical services, and its supplier base, and has conducted a significant amount of recontracting work in recent periods which materially concluded

last year. This work which is maintained through a structured work programme alongside our transformation work reduced risk and increased our level of control. It has included multiple notifications of outsourcing to the PRA in line with regulations.

In March 2022, the Board approved its important business services for the first time; these have subsequently been reassessed annually. The Society has steadily progressed its work and plans to ensure that these services remain within stated impact tolerances. This assessment was updated and approved again in March 2026, and progress continues to be made, enhancing our resilience and our understanding of the matters that could breach our tolerance. Nevertheless a number of underlying resilience improvements are linked to and dependent upon our New Cumberland transformation.

During the year ended 31 March 2026, the Group has continued the process of moving some of its non-customer facing technology provision to the Cloud and, as part of the New Cumberland journey, we expect this trend to accelerate, including the further use of material outsourcing, as defined under regulation.

Accordingly, the Group is satisfied that there is nothing in its current regulatory or legal position that would have an impact on its viability.

The Group's overarching risk management process, as detailed on pages 43-47, includes ongoing monitoring and reporting of emerging risks and scenario analysis, enabling further enhancements to the control environment to adapt to these risks.



Our Kinder Kitchens initiative in Carlisle city centre

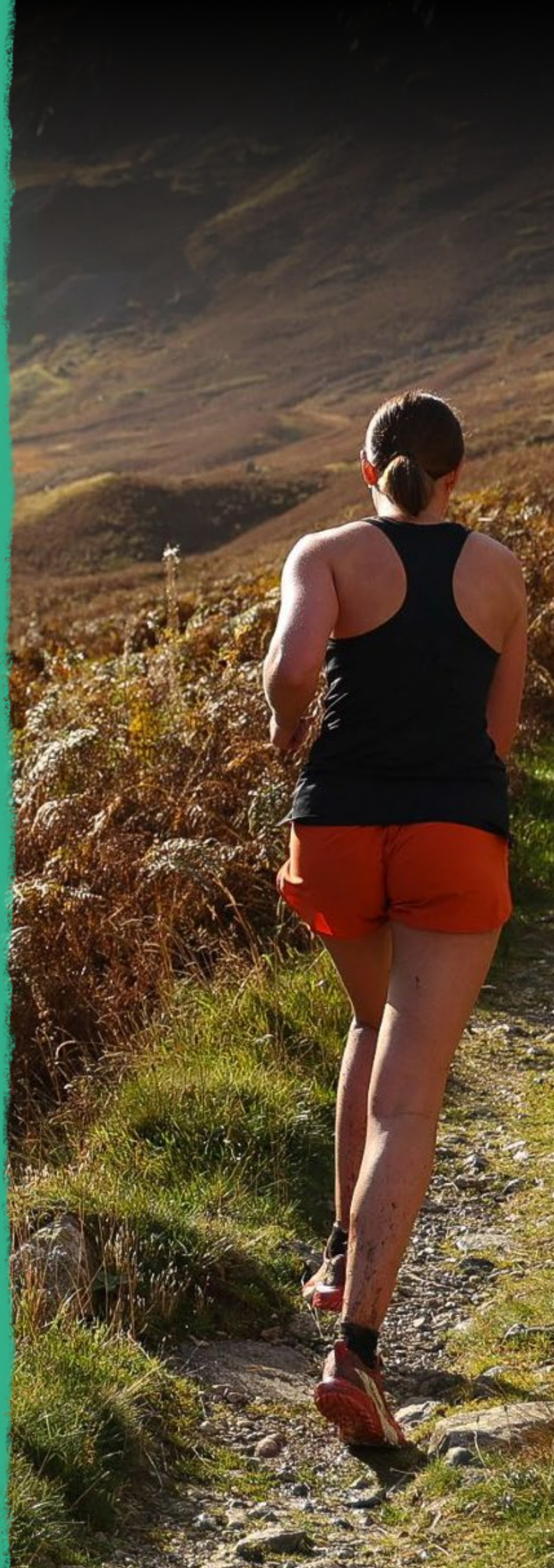
## Conclusion

Based on the above assessments, and having considered each of the principal risks and uncertainties discussed on pages 44-47, the directors have concluded that:

- the Group's business model and overarching strategy remain appropriate, and actions have been identified which are intended to enable it to remain relevant as the markets in which it operates evolve;
- the Group maintains an appropriate level of liquidity, sufficient to meet both the normal demands of the business and requirements, which might reasonably arise in modelled stressed circumstances. The availability and quality of liquid assets are structured so that funds can reasonably be expected to be available to repay maturing wholesale funds and to cover exceptional demand from retail investors;
- the Group has sufficient current capital resources, in excess of regulatory requirements, and credible plans to meet known future requirements, under both central and modelled stressed scenarios, including the delivery of the New Cumberland programme while noting the currently incomplete understanding of some specific elements of the Small Domestic Deposit Taker Capital regime which we expect to apply to the Society from 1 January 2027; and
- whilst it is accepted that it is not possible to completely eliminate all risk, the Society has taken reasonable steps to put in place suitable operational capabilities to manage and mitigate the impacts of risk events to within reasonable tolerances, showing over the last three years that it can safely operate under highly unusual and stressed circumstances.

Therefore, the directors have a reasonable expectation that the Group and Society will be able to continue in operation and meet their liabilities as they fall due over the three year period.

The Group's going concern statement is included on page 129.



# OUTLOOK

The outlook for the UK and indeed the world is uncertain as a significant number of what were thought to be global norms have been challenged by multiple state actors including the US alongside the war persisting in Ukraine. This context matters to the UK and its economy as a trading nation unattached to one of the world's larger trading blocs. When this is coupled with the domestic concerns around growing government debt levels and taxation levels the economic outlook is uncertain.

As inflation has moderated but more slowly than forecast, speculation about rates and the pace and limits of any fall continues. Swap volatility continues too as the driving factors change both domestically and globally as interest rates become more political. Prior to year end we expected a downward sloping rate environment in the nearer term. The war in Iran and subsequent blockade of shipping flows has now made a flatter rate trajectory increasingly likely.

UK growth remains sluggish and forecasters' consensus is for a period of slow growth which will do little to generate either government revenue or support jobs and consumer wealth. 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 further over the coming year before recovering, as it strategically invests in our future. 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 community banking 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*  
*2 June 2026*

# CORPORATE GOVERNANCE REPORT

## HIGHLIGHTS OF 2025/26

- 
*Stuart Miller appointed as new Chief Executive Officer*
- 
*Cross-functional work to prepare for the new Corporate Governance Code*
- 
*Improved internal Board effectiveness review*

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# Our SENIOR TEAM

*The Society's Board of Directors and Senior Leadership Team are responsible for the governance and management of the Society.*



## Chair’s welcome

Dear Member,

**Welcome to the Corporate Governance Report for the year ended 31 March 2026. Although the Society, as a mutual organisation, is not required to comply with the principles in the UK Corporate Governance Code 2024 (the ‘Code’), we nevertheless have regard to the Code, along with other legislation and guidance, when establishing and reviewing corporate governance arrangements. This report explains how the Society does that and the table on pages 160-162 sets out the principles of the Code and where in this report you can find how the Society addresses them.**

Following the publication of the revised 2024 UK Corporate Governance Code last year, this year marks the first year of the Society reporting against the updated Code. As testament to the good corporate governance the Society implements and

follows, only minimal changes have been needed to your Annual Report. Next year, an additional provision of the updated Code comes into effect covering the effectiveness of the Society’s material controls. While the FRC has been clear that dual regulated financial institutions should need to make little change reflecting the high standards they already operate to, your Society has nevertheless already made preparations and will be ready to report proportionally on this element of the code in next year’s report.

This year has been another significant one for your Society, as it was the final year of our Chief Executive Officer, Des Moore, being in post. Des took the decision to retire from the Society and executive life to spend more time with his growing family and travel, and his retirement in early summer marks the end of over eight years of service to the Society. Naturally, your Board has been focused on ensuring a successor is appointed who can continue the excellent work that Des has started, both ensuring our

culture is maintained and enhanced, and also that our New Cumberland program is successfully delivered. I am pleased to confirm that, following a rigorous selection process that involved all of the Society’s Directors, Stuart Miller joined us in February 2026. He assumed the role of CEO from Des after the close of business on 31 March 2026. Your Board was impressed with Stuart’s experience and drive, and will be holding both him and the wider Management team to account in the delivery of our New Cumberland programme.

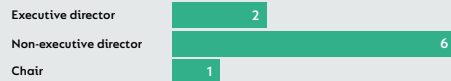
In any organisation, change at a senior level brings both opportunities and risks. You can be assured that your Board has been and remains focused on ensuring the transition of leadership from Des to Stuart is smooth, and that Stuart continues the progress we have made to date as we modernise your Society, ensuring it is able to serve both you and future generations.

*Jackie Arnold, Chair  
2 June 2026*

### Gender split



### Executive and non-executive director split



### Longevity of Board members (years with the Society since 2018)\*

\*as at 31 March 2026



### Committee membership

	NGC	BRC	Audit	PARC
Jackie Arnold	Chair			
Anna Barsby	Member	Member		Member
Kelli Fairbrother	Member		Member	Chair
Mark Stanger			Chair	Member
Richard Pike		Member		
Vicky Bruce		Member	Member	
Cameron Marr		Chair		
Des Moore				
Richard Ellison				

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.

## Meet the Board of DIRECTORS

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**Nomination  
and Governance  
Committee**



**Board Risk  
Committee**



**Audit  
Committee**



**People,  
Remuneration  
and Culture  
Committee**



**JACKIE ARNOLD  
MBE DL**

*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 extensive experience in governance, strategic leadership, and the financial services sector and has previously held several senior positions with BAE Systems and Edison Mission Energy. Her dedication to supporting the local community was recognised when she was awarded an MBE for her services to the Cumbrian economy in 2016. She continues to champion the communities served by the Society, serving as a Workstream Director on the Team Barrow Delivery Board and, in 2025 being appointed Deputy Lieutenant of Cumbria.

### Current material external positions

- Workstream Director, Team Barrow Delivery Board
- Professor of Practice, University of Cumbria
- 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


**STUART MILLER**
*Incoming Chief Executive Officer*

**Chief Executive Officer and Executive Director since 31 March 2026**

### Skills and experience

Stuart is an accomplished banking executive with over 38 years of experience across retail and commercial financial services. He has held a range of senior leadership roles, specialising in strategy, commercial delivery and customer experience. Before joining the Cumberland Building Society, Stuart served as Chief Commercial Officer at Newcastle Building Society, where he was responsible for driving member value across the Group, which encompasses Newcastle Building Society, Manchester Building Society, and Newcastle Financial Advisers Limited.

### Current material external positions

- None

### Previous positions include

- Group Board Director and Chief Commercial Officer, Newcastle Building Society
- Director, Newcastle Financial Advisers Limited
- Managing Director, Newcastle Strategic Solutions Limited
- Board Member, Government's High Streets Task Force

**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, with extensive experience delivering large-scale change across a variety of industries. She is currently the Founder and Managing Partner of Tessiant, a boutique consultancy that helps organisations define the strategy and role of technology, digital and data, while successfully driving cultural and transformative change. Throughout her career, Anna has worked with several FTSE 100 and FTSE 250 companies providing strategic insight and leadership.

### Current material external positions

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

### 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


**ANNA BARSBY**
*Senior Independent Director*

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**VICKY BRUCE**
*Non-Executive Director*

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

### Skills and experience

Vicky has spent her career in the global financial services sector, and brings expertise in programme/change management, risk management, regulatory compliance and wealth management. Her more recent experience in the not-for-profit sector reflects her passion for people centric organisations that have strong societal purpose and values.

### Current material external positions

- Non-Executive Trustee, Agitos Foundation
- Strategy Consultant, International Paralympic Committee

### Previous positions include

- Non-Executive Trustee (Chair of People Committee), Hope and Homes for Children
- Global COO for Institutional Wealth Partners, Deutsche Bank Wealth Management
- Global Head of Regulatory Change, Deutsche Bank Wealth Management
- Head of Change Management and Client Experience, Coutts Private Banking
- Global Head of Governance and Controls, Royal Bank of Scotland Markets



**RICHARD ELLISON**  
Chief Financial Officer

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

### Skills and experience

Richard has extensive financial services experience spanning finance, risk management and strategic planning. Prior to joining the Cumberland Building Society, Richard held several senior finance roles including Deputy Chief Financial Officer and Chief Data Officer at CYBG PLC where 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.

### 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

**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, bringing extensive expertise in strategy, operations, and digital innovation. She is the co-founder and CEO of xigxag, a B Corp certified digital media technology start-up, where she drives the company's growth and innovation while championing its social and environmental mission. Previously, Kelli held senior leadership roles including Group Head of Strategy at Whitbread, President of the International Business at Deluxe Entertainment, and the Chief Operating Officer at Gelato, where she led strategic initiatives and operational transformation.

### 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



**KELLI FAIRBROTHER**  
People, Remuneration and Culture Chair

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

### Skills and experience

Cameron has over 40 years of experience in international financial services, with extensive C-suite experience, including CEO, CRO, and other senior leadership roles. He also has considerable board-level experience at Board Chair level and has chaired both Audit and Risk Committees in other organisations. Cameron's expertise spans business leadership, strategy development, change management, systems transformation, and regulatory engagement.

### Current material external positions

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

### 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), National Bank of Kuwait (International) PLC
- Non-Executive Director (Board Chair), Kroo Bank Ltd



**CAMERON MARR**  
Board Risk Committee Chair

**DES MOORE***outgoing Chief Executive Officer***Chief Executive Officer and Executive Director since April 2018 (resigned 31.3.2026)****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**

- None

**Previous positions include**

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

**Non-Executive Director since June 2024, BRC member since July 2024 (independent)****Skills and experience**

Richard is an experienced Board Chair, Non-Executive Director and governance expert with a career spanning strategy, technology, finance, innovation and risk management. He currently serves as Chair of FBD Insurance PLC, Citadel Securities GCS (UK & Europe), Tuath Housing and is Chair of Monzo Bank EU's Risk & Compliance Committee. A former founder and CEO, he has deep expertise in financial services, digital transformation, and regulatory oversight. Richard lectures on governance and risk, has published widely on operational risk, and is recognised as a leading voice in risk management and board effectiveness.

**Current material external positions**

- Non-Executive Director (Board Chair), FBD Insurance PLC
- Non-Executive Director (Board Chair), Citadel Securities (Europe) Ltd
- Non-Executive Director (Board Chair), Citadel Securities (Ireland) Ltd
- Non-Executive Director (Board Chair), Tuath Housing
- Non-Executive Director (Chair of the Risk & Compliance 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

**RICHARD PIKE***Non-Executive Director*

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**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. He has held several senior roles at Gibbons Chartered Accountants and Gibbons Wealth Management Limited and served as an independent Governor at Lakes College. His expertise spans risk, audit and regulatory compliance.

**Current material external positions**

- None

**Previous positions include**

- Chair, Board of Governors, Lakes College
- Senior Partner, Gibbons Chartered Accountants
- Partner, Armstrong Watson LLP
- Managing Director, Gibbons Wealth Management Limited

**From 31 March 2026 our Senior Leadership Team is headed by Stuart Miller, CEO, who we introduced as a member of our Board. Stuart is responsible for managing the Society and delivering the strategy within the framework agreed by the Board, advised by his Senior Leadership Team.**

Richard Ellison, who we also introduced as a member of our Board, is our CFO and a member of the Senior Leadership Team.

The remaining members of the Senior Leadership Team are introduced on the following pages.

# Meet the Senior LEADERSHIP Team

**JOHN HUNT***Chief Risk Officer (CRO)***Chief Risk Officer since December 2020**

The CRO is responsible for overseeing risk management across the Group on behalf of the Board. He is accountable for enabling the efficient and effective governance of significant risks and related opportunities for the business and its subsidiaries. John oversees the management of standard risk categories: strategic, credit, operational, financial, conduct and regulatory, and supports the CEO and SLT to manage the risks in their respective business areas.

**Skills and experience**

John is a qualified accountant, with experience across risk, including credit risk, compliance and as a CRO covering retail and commercial lending and other banking products. He was previously CRO at Together Personal Finance and held senior risk roles at Nationwide Building Society, GMAC and Capital One.

**Current material external positions**

- None

**Previous positions include**

- CRO, Oodle Car Finance
- CRO, Together Personal Finance
- Director of Compliance Advisory, Nationwide Building Society

**Chief Operating Officer since March 2019**

The COO has responsibility for direction and control of all organisation operations in accordance with strategy and business planning as agreed by the CEO and the Board. Susanne leads the Operations, Procurement and Customer Service functions and supports the Society by leading enterprise Operational Resilience and Information Security.

**Skills and experience**

Susanne has over 25 years' leadership experience in the financial services sector with a degree in Banking & Finance and a MSc in Leadership and Management. Having spent her career with The Cumberland, she has extensive experience working across the business, leading teams of all sizes and developing new operating models, always with the customer at the heart of what we do.

**Current material external positions**

- Trustee (Chair of Audit & Risk Committee), Tullie Museum and Art Gallery

**Previous positions include**

- Vice-Chair, University of Cumbria Students' Union Board
- Director, Cumberland Estate Agency
- Director, Borderway Finance Limited

**SUSANNE PARRY***Chief Operating Officer (COO)***IAN STACEY***Chief Information and Transformation Officer (CITO)***Chief Information and Transformation Officer since May 2023 (CIO from January 2022 – May 23)**

The CITO is responsible for the direction and control of the Cumberland's information and communications technology (ICT) systems and services and directing and delivering the Society's change portfolio. In addition, he is responsible for defining and delivering the Society's New Cumberland programme to transform the Society's technology infrastructure, applications and Target Operating Model.

**Skills and experience**

Ian is an experienced transformation and technology leader with over 35 years' experience in financial services. He has global transformation experience with major consultancy firms and international banks. He was previously the Head of International Operations at Barclays, Retail CIO at First Abu Dhabi Bank and has held the role of Chief Operating Officer at two start-up challenger banks in London.

**Current material external positions**

- None

**Previous positions include**

- Chief Information Officer, Cumberland Building Society
- Chief Operating Officer, Vive
- Chief Operating Office, LQID
- Chief Information Officer, First Abu Dhabi Bank



**CLAIRE DEEKES**  
*Chief Customer Officer (CCO)*

#### **Chief Customer Officer since August 2022**

The CCO is responsible for ensuring the business provides a differentiated and exceptional customer experience to deliver the business' income objectives. Claire is accountable for overall customer acquisition and retention. This includes responsibility for the branch network, the direct and introduced lending functions, Product Development, Marketing, First Line Risk, Cumberland Commercial and Borderway Finance.

#### **Skills and experience**

Claire is a member of the Chartered Institute of Bankers with over 30 years' of experience in the retail banking sector. Prior to moving into the role of CCO, she had held the role of Head of Retail Distribution since 2019. Claire moved to the Society from Virgin Money where she was Head of Stores and Lounges, and prior to this enjoyed success in several senior manager roles within Lloyds Banking Group.

#### **Current material external positions**

- None

#### **Previous positions include**

- Head of Retail Distribution, Cumberland Building Society
- Head of Stores and Lounges, Virgin Money
- Senior Manager, Lloyds Banking Group
- Non-Executive Director, Cumbria Local Enterprise Partnership (CLEP)



**JILL JOHNSTON**  
*Chief People & Sustainability Officer (CPSO)*

#### **Chief People & Sustainability Officer since January 2024 (Chief People Officer from March 2019 – January 2024)**

The CPSO is responsible for leading on people and sustainability strategy. Jill oversees the development of people and culture across the business, providing support across the People function including recruitment, performance, retention, talent development, engagement and internal communications. In addition to this, Jill provides organisational development initiatives, including leadership development, reward, wellbeing, safety, and diversity and inclusion. Jill is also responsible for the development of the Society's sustainability approach bringing together a number of initiatives under the Environment, Social and Governance umbrella, as Exec lead on the accreditation of B Corp for the Cumberland.

#### **Skills and experience**

Jill has a Marketing degree, is CIPD qualified and has over 35 years' experience working in HR across a range of sectors including retail, media and finance including start ups, scale ups, mergers and acquisitions. She has led HR teams and has been part of the Executive team for organisations including the Guardian Media Group (GMG Radio Holdings) and Border Television plc. She also has experience of successfully running her own HR consultancy business.

#### **Current material external positions**

- Non-Executive Director (Chair of Remuneration Committee), University of Cumbria
- Women in Finance Board Member and Chair for Building Society and Credit Union Sectors
- Trustee, Eden Valley Hospice and Jigsaw, Cumbria's Children's Hospice

#### **Previous positions include**

- Head of HR, Border Television plc/Border Radio
- Group HR Director, GMG Radio (part of the Guardian Media Group)

## Leadership & purpose

The Board has established a purpose, values and strategy for the Society as set out in the Strategic Report on pages 6-63. The Board oversees Management’s delivery of the strategy within this framework, measuring the SLT against key performance metrics across a range of strategic, financial, customer, operational, risk and conduct, and people measures.

The Board meets at least ten times each year to fulfil its function. The non-executive directors meet without the executive directors present on a regular basis. Set out below are details of the directors’ attendance record at Board meetings during 2025/26. Membership of and attendance at Board Committees are set out in the relevant Committee reports.

# How the BOARD works

 <p><b>CAMERON MARR</b> 11/11</p>	 <p><b>ANNA BARSBY</b> 11/11</p>
 <p><b>RICHARD ELLISON</b> 10/11</p>	 <p><b>JACKIE ARNOLD</b> 11/11</p>
 <p><b>DES MOORE</b> 10/11</p>	 <p><b>VICKY BRUCE</b> 10/11</p>
 <p><b>RICHARD PIKE</b> 11/11</p>	 <p><b>MARK STANGER</b> 11/11</p>
 <p><b>KELLI FAIRBROTHER</b> 10/11</p>	 <p><b>STUART MILLER</b> 0/0</p>

The Chair ensures that directors receive accurate, timely and clear information to enable them to undertake their roles effectively. Established Board reporting formats provide the Board with information on the performance of each business area; these are proactively amended when new matters and themes emerge. Information is provided via a secretariat, headed by the Society's Secretary. The Secretary ensures that non-executive directors have access to resources, the advice and services of the Secretary and, if necessary, are able to take independent professional advice at the Society's expense. Each year, at least one Board meeting includes an in-depth review of strategy. The Board also meets informally, as required, to provide support and challenge to Management in the development of strategy before it is formally presented to the Board and to provide input to the agenda for the reviews of strategy. There was one strategy day in September, when the Board reviewed plans for the Society's transformation and considered proposals for growth during and following the implementation of the transformation programme.

**The Board is assisted in its work by four Board Committees:**

**Nomination  
and  
Governance  
Committee**



**Board Risk  
Committee**



**Audit  
Committee**



**People,  
Remuneration  
and Culture  
Committee**



Further information on the membership and work of each Committee can be found in the relevant Committee report later in this section.

The Board, through the work of PARC has actively engaged with the changes being made as part of the Society's strategy and their impact on culture. This direct involvement is supported by the Society's Internal Audit function's work, which seeks to assess the Society's culture to ensure alignment with the Society's purpose, values and strategy, as part of its ongoing work, particularly in its end-to-end audit work.

Platinum Trusted  
Service Award

2026

feefo<sup>co</sup>

# STAKEHOLDER ENGAGEMENT

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Under Section 172 of the Companies Act 2006, boards have a duty to promote the success of a company by considering the consequences of decisions in the long term and the interests of different stakeholders. As a mutual organisation, with members rather than shareholders, a status which the Board values, the Board believes the Society is particularly well placed to respond to the similar provisions that apply to it. The Board recognises the diverse range of the Society's stakeholders and the importance of assessing and understanding their needs. We have identified our key stakeholders below and describe how we engage with each group and give examples of how they have influenced our decision making.

## Our customers

The primary annual engagement with the Society's members takes place through the AGM. Those members eligible to vote under the Society's rules are invited to attend the AGM, where they can ask questions and voice their opinions. The voting form and Annual Review booklet sent to all eligible members also includes the ability to ask questions or make comments to the Society, all of which are read and responded to on a thematic basis on behalf of the Board. At the AGM itself, the Chair, Board Committee Chairs, the CFO and the CEO are present, along with other members of the Board, to answer those questions submitted with voting forms and any asked by in-person attendees, as appropriate.

The Society actively seeks customer engagement feedback daily through its partnership with Feefo, achieving the much sought-after Platinum Trusted Service Award for the sixth year running. To achieve platinum status, an organisation must attain Feefo's gold standard for three consecutive years. Therefore, the Cumberland's six platinum awards represent nine years of outstanding customer service.

The Society actively monitors social media to ensure that customer feedback is captured and addressed. We are able to interact daily with customers through our extensive branch network and local call centre, ensuring that their opinions are recorded.

The Society also seeks customer feedback through market research, focus groups and website surveys. We monitor our NPS score and in 2026 our average score was 86 among the highest in the industry. The output is used to shape the Society's strategy and business model, as well as in the design of the Society's product and service offering.

"Customer Led" has been adopted as one of the Society's core values underpinning the strategy and the customer perspective is considered as part of our decision making process, as a key factor for consideration, in all Board papers. This focus has been taken into our work on Consumer Duty to ensure consistently good outcomes for our customers, and Vicky Bruce acts as the Board's designated customer champion.

The Board considered the interests of the customer in having a sustainable society in the long term when setting its strategy and making the decision to invest significantly in its New Cumberland transformation.

## Our people

The Chair of the People, Remuneration and Culture Committee is the designated non-executive director for workforce engagement; workforce engagement is facilitated by the Chief People & Sustainability Officer utilising a variety of forums. Wider people engagement was a focus of the Board during the year, and the 'Our People' section of the strategic report on page 26 and PARC report on page 98 summarise just some of the activity undertaken.

We also participate in the Best Companies B Heard engagement survey, which measures levels of engagement across the Society – we were graded world class in July 2024, which we retained in July 2025, improving our score. We supplement this externally benchmarked analysis with, drop-in sessions, meetings with the Heads of Functions, and gatherings that include all colleagues.

The Senior Leadership Team hold regular events and briefings at which the Society's strategy and objectives are communicated to our people, who are encouraged to participate, ask questions and give feedback. This year, we continued to offer an additional paid "wellbeing day" which all our people can use to promote and care for their health and wellbeing.

In the year, feedback we obtained in this way has been instrumental in shaping the way in which the Society continues to support its people and further their development.

## Our communities

We are actively engaged with the communities in which we operate, providing sponsorship, education and financial support, as well as through the provision of branch-based services. Our people also have the option to spend a day volunteering for local community organisations.

The perspective of our community stakeholders was a key consideration for the Board in setting our refined purpose launched in 2023, which is to create a banking experience that's kinder to people and planet.

## Our suppliers

Our procurement function and relationship managers stay in close contact with our key suppliers via regular relationship reviews and supplier health checks.

Feedback we have obtained through discussions with suppliers has helped shape our transformation programme and its approach.

## Environment

We work with a range of external bodies and suppliers to monitor, manage and reduce our environmental impacts. Feedback we obtained in this way, alongside the work we have done with Landmark, has helped the Board in shaping the planet element of our purpose as well as our policies and risk management framework. As part of our B Corp accreditation, consideration of the environment (amongst other aspects of sustainability) is now a core part of the Society's rules and Directors' responsibilities.

## Regulators

We have a transparent and open relationship with our regulators and have regular dialogue with them, both directly, for example through our quarterly update with the PRA, and through our industry bodies. We monitor regulatory publications both from the regulators and wider stakeholder groups and take action as required.

Further details on our key stakeholders, and why they are important to us, can be found on pages 20-33 of the Strategic Report.



# NOMINATION and GOVERNANCE Committee Report

A portrait of Jackie, a woman with brown hair, wearing a black sleeveless top, smiling. She is leaning on a wooden surface. The background is a blurred outdoor scene with trees and a building.

JACKIE

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## CHAIR'S INTRODUCTION

Dear Member,

As Chair of the Nomination and Governance Committee (NGC), which I chair in addition to the Board, I am pleased to present the Committee's report for the financial year ended 31 March 2026.

NGC assists the Board in fulfilling its responsibilities in relation to Board appointments, succession planning and corporate governance. We lead the process for appointments and ensure plans are in place for orderly succession to Board positions. This includes ensuring the right mix of capabilities at Board level to enable the successful operation of the Board.

NGC's remit includes oversight of the Society's wider governance framework to ensure it remains effective, particularly during implementation of the Society's transformation programme.

The following pages detail the composition of the Committee, the main areas of focus for the Committee during the year, as well as the areas we are prioritising during for the current year.



## WHO CURRENTLY SITS ON THE COMMITTEE



**JACKIE ARNOLD**  
**(CHAIR)**  
4/4



**ANNA BARSBY**  
4/4



**KELLI FAIRBROTHER**  
4/4

## HOW THE COMMITTEE WORKS

The current Committee is chaired by the Chair of the Board; the Chair of PARC and the Senior Independent Director are also members. The number of meetings held in the year was four.

The current Committee's attendance record is set out above. Details of the skills and experience of the Committee members can be found in their biographies on pages 68-70.

The Committee is also attended by the Chief People & Sustainability Officer, the Chief Executive Officer, the Chief Financial Officer and the Society's Secretary. The Committee meets four times a year in January, April, July and October and, additionally, as and when required.

The Committee focusses on the orderly succession of and appointments to the Board, Board related policies, SMCR compliance and the continuing effectiveness of the Society's governance framework with diversity and inclusion and wider succession planning being considered by PARC. More detail on the Committee's duties and responsibilities can be found within its terms of reference on the Society's website: [cumberland.co.uk](http://cumberland.co.uk)

The Board conducts an annual assessment exercise to review the effectiveness of the Board and the Board Committees and highlight any areas which should be improved. During 2025, the internal effectiveness review of the Board and its committees found that they were functioning effectively, promoting good corporate governance. No significant matters were identified and no matters relevant to Board composition were raised. Some minor improvements around meeting administration and content of Board reports were identified, and Management have agreed to implement such changes going forward.

The Society also has a process to evaluate, at least annually, the performance and effectiveness of individual directors. The performance of all directors, both executive and non-executive, is evaluated annually by the Chair. The Chair is evaluated by the Senior Independent Director, after consulting and obtaining the views of the other directors.

Those non-executive directors, who have served at least six years on the Board, are subject to a particularly rigorous performance evaluation in line with the Code's requirements. All directors were appraised during the year and the Board is of the view that all directors contribute effectively and are considered suitable for election/re-election (where appropriate) at the AGM 2026.

In relation to diversity and inclusion, the Committee works closely with PARC, which oversees diversity and inclusion throughout the organisation (see Report of PARC on pages 98-111) and all appointments to the Board comply with the Society's diversity and inclusion policy.

# REPORT ON THE YEAR

NGC focussed on the following key areas during the year:

Areas of Focus	Committee's Response
<b>CEO Succession</b>	The Committee has been focused on the succession of the CEO. Significant time was dedicated to the recruitment process, with the Committee overseeing the process and scrutinising and recommending to the Board the appointment and the terms of appointment of Stuart Miller.
<b>Board Procedures</b>	The Committee considered and approved revised operating procedures for the Board and the induction of new non-executive directors.
<b>Board Skills and Experience</b>	The Committee facilitated a review of the skills and experience of Board members and those required to support the Society's strategy and considered the results.
<b>Law Society Ethics Framework</b>	The Committee reviewed the Law Society Ethics Framework, recommending the adoption of the framework and formalising pre-existing best practice in ethics and conduct.
<b>Status of Directors</b>	The Committee considered the independence status of directors and whether they were eligible for election at the AGM.
<b>SMCR Compliance</b>	The Committee monitored the progress of applications and allocation of responsibilities under the Senior Manager & Certification Regime and approved the Society's Management Responsibilities Map each time it was updated.
<b>UK Corporate Governance Code 2024</b>	The Committee considered the changes to the UK Corporate Governance Code, and the changes the Society would need to make in order to continue to have regard to the Code in line with updated BSA Guidance.
<b>NED Expenses Policy</b>	The Committee considered and recommended a new NED expenses policy to maintain compliance with tax law and ensure probity and value for money.

NGC will focus on the following key areas during 2026/27:

Areas of Focus	Committee's Response
<b>Succession Planning</b>	The Committee will focus on planning for the succession of the Chair, and the Chair of Audit Committee, who both reach the end of their final term in office at the 2027 AGM.
<b>SMCR Compliance</b>	The Committee will continue to monitor the progress of outstanding applications under the Senior Manager & Certification Regime and consider the Management Responsibilities Map twice in the year.
<b>Policies, Procedures and Processes</b>	The Committee will consider policies, procedures and processes, including the Delegation of Authority Framework, related to the Board as part of its annual cycle to ensure they remain effective and to drive continuous improvement.
<b>UK Corporate Governance Code 2024</b>	The Committee will oversee the Society having due regard to the final element of the UK Corporate Governance Code 2024, Provision 29. This provision, which relates to the effectiveness of material controls, is applicable to the Society from 1 January 2027. In line with BSA Guidance, the Society will adopt a proportionate approach and utilise the existing comprehensive control and monitoring frameworks it has in place as a dual-regulated financial services firm. Whilst the work is primarily being done by BRC and Audit Committee, NGC will continue to receive reports from a corporate governance perspective.

On behalf of the Nomination and Governance Committee

Jackie Arnold, Chair

2 June 2026

# THE YEAR AHEAD

2026



Board Succession Planning

SMCR Compliance

Policies, Procedures  
& Processes

UK Corporate  
Governance Code 2024



2027

The Cumberland

# BOARD RISK

## Committee Report

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CAMERON

### CHAIR'S INTRODUCTION

Dear Member,

**As Chair of the Board Risk Committee, I am pleased to present the Committee's report for the financial year ended 31 March 2026.**

This year the Board Risk Committee has focussed on overseeing an evolving set of risks. This includes balancing the safe risk management of the Society's day to day activities with the risks of our transformation plans, and ensuring the right level of control and governance to deliver the incredible opportunity this presents for the Society, our customers, and colleagues alike. The Committee has an ethos of continuous improvement and during the year has led reporting improvements to ensure Committee members can focus on key risks. In addition, in a period of economic and regulatory change, we have overseen changes to lending criteria and mandates to promote opportunities for growth.



In every decision we make, we place the customer at the centre of our thinking – the ethos of the Committee is geared towards the safe stewardship of the Society. Challenges we saw in the previous financial year have continued, therefore we have retained focus on monitoring emerging economic and competitor pressures, protecting our customers from fraud and financial crime risk, and overseeing the ongoing strengthening of the Society’s operational resilience and impacts from technological advancements like Artificial Intelligence. We have been pleased to note how the maturity and quality of the risk processes, culture and teams have helped protect the Society, giving us strong insight into the risks of transformation, and helping us proactively manage the recent economic upheaval.

There has been continued focus on our vehicle financing business, Borderway, as we consider implications for the whole industry from the FCA review and UK High Court judgements. Here we have ensured investigation has been thorough, and where we have identified issues, we are establishing processes to make things right for our customers and ensure errors are not repeated in the future.

Regular and welcome engagement with the regulators has continued throughout the year. This included a visit from the PRA which covered various areas including capital management, transformation, operational resilience and strategic plans. As transformation progresses and work on a solution to meet the Basel 3.1/SDDT regulatory deadlines continues, we anticipate further engagement and welcome the feedback opportunity this provides.

The past year has been very exciting, and we fully expect next year to be even more so. The decisions the Committee must make often need careful thought to get the balance right, but the strength and depth of experience and knowledge amongst committee members helps us to oversee these complex matters effectively. I look forward to working with the team to help guide the next stage of the Cumberland journey.

## WHO SITS ON THE COMMITTEE



**CAMERON MARR**  
**(CHAIR)**  
**7/7**



**VICKY BRUCE**  
**7/7**



**ANNA BARSBY**  
**6/7**



**RICHARD PIKE**  
**7/7**

# HOW THE COMMITTEE WORKS

The BRC meets quarterly and assists the Board in fulfilling its oversight and challenge responsibilities for risk management and compliance across the Society, including all principal risk categories. The BRC reports to the Board and will escalate any matter to the Board it deems appropriate.

The Board Risk Committee comprises independent Non-Executive Directors whose attendance record is set out above. Details of the skills and experience of the Committee members can be found in their biographies on pages 69 to 71. The Committee is scheduled to meet four times a year in January, April, July, and October, and additionally as and when required. The Committee is also attended on a standing basis by the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Customer Officer, Chief Operations Officer, Chief Information & Transformation Officer and the Head of Internal Audit. The Committee receives a report from the Chief Risk Officer at each meeting, with subject matter experts also invited to present on a variety of topics.

Following each meeting, a written report is provided to the Board by the Chair of the Committee, which summarises the areas of focus and documents key decisions made. The Board Risk Committee also oversees three executive Management Committees, the Risk Management Committee, which is responsible for ensuring a co-ordinated risk management approach across all the Society's risks, the Credit Risk Committee and the Assets & Liabilities Committee, which is responsible for oversight and consideration of financial risk matters, including liquidity, funding and capital risks.

The Committee reviews its terms of reference and its activities over the previous year as part of an annual cycle to confirm that its activities were in line with its remit. It also undertakes an annual self-assessment of meeting effectiveness. More detail on the Committee's duties and responsibilities can be found within its terms of reference on the Society's website: [cumberland.co.uk](http://cumberland.co.uk).

## REPORT ON THE YEAR

The purpose of the Committee is to provide oversight and advice to the Board on all risk-related matters, including advising on risk in strategy setting, monitoring the risk profile, horizon scanning future risks, supporting adherence to regulations, and ensuring the appropriate level and capability of risk resources.

**It supports the Board sign-off of the following key documents:**

- **Risk Management Framework:** the formal framework for identifying and managing risks throughout the business;
- **Risk Appetite:** to support and monitor the delivery of the corporate plan by ensuring an appropriate level of risk is taken; and
- **Policy Framework:** ensuring the adherence to documented minimum standards.

**The Committee also delivers the following:**

- Oversight and challenge of the Society's significant risks and the controls in place to manage those risks, including a specific New Cumberland transformation section, and routine review of Financial and Credit Risk;
- Sign off of key policies under delegated authority from the Board; and
- Oversight of key annual reports including the Money Laundering Reporting Officer's Annual Report and the Annual Report on Climate Change Risk.



# KEY AREAS OF FOCUS DURING THE YEAR

BRC focussed on the following key areas during the year:

Areas of Focus	Committee's Response
<p><b>RISK MANAGEMENT FRAMEWORK</b>                      The Cumberland is a prudent business that ensures compliance with all applicable laws and regulations and maintains a robust control environment delivered through a consistently applied Risk Management Framework.</p>	<ul style="list-style-type: none"> <li>Continued oversight of Risk Management Framework embedding in the Society, including self-assessment of Board Risk Committee effectiveness and identifying training requirements, such as Artificial Intelligence and operational continuity training.</li> <li>Reviewed and approved key risk management policies.</li> <li>Agreed appropriate risk appetite measures to continue to inform governance of risk management performance.</li> </ul>
<p><b>TRANSFORMATION RISK</b>                      The risk of loss or failure from formally managed project activities that seek to maintain, improve or deliver change in the Society's capabilities.</p>	<ul style="list-style-type: none"> <li>Specific focus through a separate Board Risk Committee section to oversee progress and risks of the New Cumberland transformation programme and its governance.</li> <li>Received feedback from second line and third party assurance reports into transformation, including programme risks and lessons learned from TSB, Co-operative Bank et al.</li> <li>Provided challenge direct to the programme in relation to the management of its risks and its envisaged impact on the risk profile of the Society.</li> <li>Oversight of critical programme milestones, delivery plan and progression of 'Sprints' to understand, design and build new capability and business requirement.</li> </ul>
<p><b>CONDUCT RISK</b>                      The risk that poor customer outcomes arise or may arise, from the operations of the Society and/or its third party contractors.</p>	<ul style="list-style-type: none"> <li>Oversaw continued embedding of the Consumer Duty.</li> <li>Received updates relating to our Conduct Risk MI, customer outcome testing and vulnerable customers to ensure strength of frameworks in place to oversee customer outcomes.</li> </ul>
<p><b>REGULATORY RISK</b>                      The risk that the Society makes errors or exercises inappropriate judgement in the execution of its business activities, leading to non-compliance with regulation or legislation or voluntary codes of practice potentially leading to unfair outcomes for customers and/or regulatory sanction and/or reputational risks materialising.</p>	<ul style="list-style-type: none"> <li>Supported proactive and positive engagement with our regulators including oversight of feedback following FCA and PRA calls and visits.</li> <li>Assessed the annual Money Laundering Reporting Officer report and monitored implementation of recommendations, including projects.</li> <li>Considered potential impact on Borderway of current FCA and High Court examination of discretionary commissions in the motor finance industry.</li> <li>Reviewed the outputs of regulatory horizon scanning and FCA and PRA business plans and priorities, alongside oversight of delivery of the operational and regulatory changes required to remain compliant.</li> <li>Continued oversight of data protection at the Society.</li> </ul>
<p><b>STRATEGIC RISK</b>                      The risk of current or prospective impact on the Society's earnings, capital, reputation or standing arising from changes in the environment the Society operates in.</p>	<ul style="list-style-type: none"> <li>Received quarterly reports examining strategic risks, with particular emphasis on Society navigation of macro-economic risk.</li> <li>Reviewed our Strategic Risk Register to ensure risks arising in the external environment are well understood with appropriate monitoring and actions in place.</li> </ul>

Areas of Focus	Committee's Response
<p><b>CREDIT RISK</b></p> <p>The risk that a borrower fails to pay interest or to repay capital on a loan and/or that a counterparty fails to meet their contractual obligations to repay the Society or fails to perform their obligations in a timely manner.</p>	<ul style="list-style-type: none"> <li>• Oversaw lending standards and product evolution as we manage the impact of the UK economic position and long-term market trends.</li> <li>• Tracked portfolio performance particularly in respect of arrears and forbearance.</li> <li>• Provided oversight and challenge of lending criteria.</li> <li>• Reviewed the annual Climate Risk Portfolio Analysis report.</li> </ul>
<p><b>FINANCIAL RISK</b></p> <p>The risk of the Society having inadequate earnings, cashflow or capital to meet current or future requirements and expectations.</p>	<ul style="list-style-type: none"> <li>• Working closely with the Assets and Liabilities Committee (our key financial risk meeting) and the Board, BRC maintained oversight of financial risk metrics and regulator engagement, with particular focus on changing prudential regulation, and the capital, liquidity and funding position of the Society.</li> <li>• BRC members have worked closely with business teams to oversee the management of capital through transformation.</li> </ul>
<p><b>OPERATIONAL RISK</b></p> <p>The risk of loss resulting from inadequate or failed internal (including where provided by a third party) processes, people, and systems, or from external events.</p>	<ul style="list-style-type: none"> <li>• Considered the continued embedding of our risk and control processes, including the annual Risk and Control Self-Assessment and oversight outcomes.</li> <li>• Oversaw and challenged key enhancements of Information Security, Technology, Payments and Third Party Supplier risk management.</li> <li>• Monitored progress against key Operational Resilience requirements as the Society further enhanced capability in advance of transformation.</li> <li>• Assessed Fraud control effectiveness and steps being taken to continually develop to keep our members safe.</li> </ul>

## THE YEAR AHEAD

Over the next eighteen months, the role and experience of the Board Risk Committee will continue to be crucial as we move through the delivery phase of transformation including design, build, testing, training migration and launch of the new system and related processes. This will be a demanding balancing act, to robustly oversee the risks of transformation whilst also retaining the strength of controls in our day-to-day activities, and guiding our risk management strategy. BRC oversight and guidance will continue to be critical, and will support Board through the complex decisions ahead.

The Committee will continue to play a key role overseeing transformation, providing oversight of delivery, including timeliness, quality, value for money and the impact on the Society's risk profile. We will also continue to seek specialised support from third party assurance firms where required. This will be done in conjunction with the Audit Committee and the Board as a whole. Combined, this will deliver on-going assessment of effectiveness of delivery against its strategic objectives and help ensure we get the priority calls right. The Committee will also be involved in overseeing changes to our key risks and controls in the post transformation environment and ensuring that the transformation delivers the expected improvements in key risks.

Externally, we end the year seemingly entering a further period of sustained economic volatility arising from events in the Middle East that are translating into macro-economic impacts in the UK market. This will bring the Committee's vital role in monitoring financial and credit risk of the Society on behalf of our members, as well as understanding and overseeing the risks and experiences of our personal and business customers alike into sharp focus, ensuring procedures and processes are in place to help them through potentially challenging times ahead. We know regulatory change will be a constant as well, so our focus on this area will remain equally strong.

The coming year promises to be both central to the development and wellbeing of the Society, and tremendously exciting at the same time as we look to grasp the opportunities transformation will bring. The Committee is well placed to provide the oversight, guidance, and balance this will need to help the Society navigate this busy period for the benefit of all our members.

**On behalf of the Board Risk Committee**

**Cameron Marr, Chair, 2 June 2026**

# THE YEAR AHEAD

2026



Monitor risks arising from New Cumberland

Re-assess Risk appetite

Oversee Economic and Regulatory Environment

Safeguard the Society's members and ensure good customer outcomes



2027



# AUDIT

## Committee Report

MARK

### CHAIR'S INTRODUCTION

Dear Member,

**As Chair of the Audit Committee, I am pleased to present the Committee's report for the financial year ended 31 March 2026.**

The report explains the details of membership of the Committee, the work of the Committee during the year and key areas of focus.

The Audit Committee plays a key role in overseeing many aspects of the Society's activities and performance. In particular, oversight of financial reporting matters, the working of both internal and external auditors, and procedures for whistleblowing and monitoring the effectiveness of internal controls.

Key areas of focus for the committee noted within this report include significant accounting judgements, consideration of key accounting policies and the review of the Society's Internal Audit function.

As part of my role, I meet regularly with the Head of Internal Audit, the external auditor and the Chief Financial Officer and have a good working relationship with them all. The Audit Committee has a strong working relationship with the Board Risk Committee and has considered that Committee's priorities when approving its own assurance priorities for the year ahead.

After conducting careful reviews, the Committee has advised the Board that, in its opinion, the Annual Report and Accounts are fair, balanced and understandable.

I set out in the following report details of the work the Committee has focused on during the year.



## WHO SITS ON THE COMMITTEE



**MARK STANGER**  
(CHAIR)  
9/9



**VICKY BRUCE**  
9/9



**KELLI FAIRBROTHER**  
9/9

## HOW THE COMMITTEE WORKS

The Audit Committee comprises three non-executive directors who bring a broad range of skills, knowledge and experience that is relevant to their role as members of the Committee. Details of their experience can be found in their biographies on pages 68-71

The role of the Committee is to support the Board in protecting the interests of the Society's members by fulfilling oversight responsibilities for the following:

- Monitoring the integrity of annual financial statements, including the summary financial statements, focusing particularly on significant financial reporting judgements and ensuring that the financial statements are fair, balanced and understandable and that interests of the Society's members are properly protected;
- Reviewing the effectiveness of the systems of internal controls and risk management systems that monitor and manage financial and other risks;
- Monitoring and reviewing the activities and performance of the internal audit function including approving the internal audit plan and its progress;
- Monitoring the independence and objectivity of the external auditor and the effectiveness of the external audit process;
- In advance of the Annual General Meeting make recommendations to the Board for the appointment, re-appointment and/or removal of the external auditor;
- Approving the remuneration and terms of engagement of the external auditor;
- Implementing the Society's policy on the use of the external auditor for non-audit work, the purpose of which is to ensure the continued independence and objectivity of the external auditor. The external

auditor, Deloitte LLP, undertook no non-audit related assignments during the year;

- Overseeing the Society's whistleblowing arrangements; and
- To report to the Board on how the Audit Committee has fulfilled its responsibilities.

To assist the Committee in fulfilling its responsibilities there are additional individuals who are standing attendees at each meeting. These are the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and the Head of Internal Audit, the Committee can also draw on the expertise of key advisors and control functions, including the external auditors. In addition, the Committee is authorised by the Board to obtain any information it needs from any director or employee of the Society. It is also authorised to seek, at the expense of the Society, appropriate professional advice as needed.

The Committee works closely with the Board Risk Committee, as some matters are relevant to both Committees and the attendance of the Chief Risk Officer at Audit Committee facilitates this work.

The Committee met on nine occasions during the year, details of members attendance is set out above. After each meeting the Committee Chair reports to the Board the activities undertaken and the decisions made.

Private meetings are held at least once a year with the external auditor and with the Head of Internal Audit in the absence of Management to enable issues to be raised directly if necessary. The Committee Chair meets with the Head of Internal Audit on a regular basis.

More details on the Committee's duties and responsibilities can be found within Its terms of reference on the Society's website: [cumberland.co.uk](http://cumberland.co.uk).

# REPORT ON THE YEAR

The Audit Committee's main purpose is to support the Board in protecting the interests of the Society for the benefit of our members and customers. It has achieved this during 2025/26 by:

- overseeing the Society's systems of internal control, including the work undertaken by Internal Audit;
- monitoring and reporting to the Board on the integrity and the fair and balanced nature of the Society's financial reporting;
- assessing and reporting to the Board on the appropriateness of the Society's accounting policies;
- monitoring the performance of the external auditor; and
- overseeing the Society's whistleblowing arrangements.

## KEY AREAS OF FOCUS DURING THE YEAR

The significant judgements, issues and actions taken by the Committee in relation to the Annual Report and Accounts for the year ended 31 March 2026 are outlined below. Each matter was discussed with the external auditor during the year and, where appropriate, have been addressed as areas of audit focus in the Auditors' Report.

Areas of Focus	Committee's Response
<b>Accounting Policies</b>	<p>The Committee reviewed the Society's accounting policies and confirmed they were appropriate to be used in the financial statements. In preparing the financial statements, there are inevitably material areas in which significant judgements are necessary, and the Committee considered these in detail. This year, these included:</p> <ul style="list-style-type: none"> <li>i) ensuring our approach to hedge accounting under FRS 102 (IAS 39) remained consistent; and</li> <li>ii) reviewing the method to account for the revenue from amortised cost financial instruments on an effective interest rate basis under FRS 102.</li> </ul> <p>No new accounting policies were adopted this year.</p>
<b>Going Concern and Business Viability Statement</b>	<p>The Committee reviewed and recommended to the Board the use of the Going Concern basis of preparation for the Annual Report and Accounts and the attendant Going Concern and Viability Statements, having assessed and challenged the basis for the conclusions Management had reached. The detailed viability statement can be found on pages 58-62 and the Board's Going Concern Statement on page 129.</p>
<b>Fair, Balanced and Understandable Report and Accounts</b>	<p>The Society's Annual Report and Accounts, taken as a whole, must be fair, balanced and understandable. The Committee assessed the financial statements and was satisfied that they portrayed both successes and challenges, fairly represented the results and business performance, and that language used was appropriate (in that it could be understood by a person with reasonable knowledge of the building society and financial services sectors). The Committee reviewed the Corporate Governance Report and was satisfied that it presented an accurate view of the work of the Board and its Committees.</p> <p>After consideration of Management's report and the Committee's own review, the Committee concluded that it could inform the Board that, in its opinion, the Annual Report and Accounts were fair, balanced and understandable.</p>

In compiling a set of financial statements, it is necessary to make estimates and judgements about outcomes that are typically dependent on future events. Significant matters are set out below:

Significant Estimates and Judgements	Committee's Response
<p><b>Impairment Provisions for Loan Portfolios and Related Disclosures</b></p>	<p>The Committee oversaw the outcomes of Management's assessment of loan loss provisioning at 31 March 2026. It noted that Management had used a consistent modelling approach for loans fully secured on residential properties, though it had refreshed the underlying data sets the modelling is based on. It also evaluated Management's approach to overlays, in light of the impact of inflation, higher interest rates and the attendant cost of living squeeze. After due consideration, the Committee supported removal of in-model adjustments to probability of default and probability of possession given default reflecting the limited impact the recent period of high inflation has had on our borrowers and arrears level, and to avoid overly conservative outcomes.</p> <p>It was also noted that the use of forbearance remained limited and arrears were low, though the latter had modestly increased year on year for our FSRP book.</p> <p>In relation to loans fully secured on land, which is our commercial portfolio focused on tourism and hospitality, the Committee noted a decrease in collective provisions reflecting a consistent removal of our historic overlay for the impact of inflation and cost of living and the benefits of our model having been rebuilt in a manner consistent with the FSRP model using the latest available portfolio data. The Committee also noted the specific provisions recorded, which had reduced in size and number for a second year based on successful resolution of customer difficulty or re-banking away from the Society, validating our ongoing investment in this area of our commercial team.</p> <p>The Committee challenged Management's application of judgement in relation to security realisation rates and HPI trends in light of the requirements of FRS 102 (IAS 39), and concluded that, despite the difficulty in fairly estimating losses at 31 March 2026, Management had calculated a suitable best estimate.</p>
<p><b>Impairment of Investment Properties and Buildings within Fixed Assets</b></p>	<p>At 31 March 2026, the Society continued to hold a portfolio of non-operating property, reduced through successful sale of further property. In this context, the Committee noted that the Group had obtained independent, external valuations to support the values of investment properties recognised at 31 March 2026. The Committee was therefore pleased to note that no impairment charge was required this year. A modest loss on sale was seen on the properties sold.</p>
<p><b>Provisions for Commissions on historic vehicle finance sales via dealers</b></p>	<p>At 31 March 2026, Borderway Finance, the Society's sole operating subsidiary, increased its provision for the potential redress of historic commission vehicle finance offered through dealers to £2,314k, recording a charge of £750k. The Committee noted that the provision had risen to reflect the FCAs proposals initially in its Consultation paper and then refined by its policy statement published on 30 March 2026. The increase incorporated higher estimates for the cost of administering the scheme alongside an adjustment in provisioning as cases in scope were refined (including by regulatory deminimus) and the basis of redress calculation was confirmed. At the year end our provision was calculated based on two probability weighted scenarios reflecting the greater certainty now available in this matter despite the potential for further legal challenge and delay.</p>

The Committee has responsibility for monitoring the adequacy of the Group's control environment. This has included the ongoing steps being taken to improve Internal Audit's operating model and enhance its service proposition. The Committee's review of the operation of internal controls encompassed the following:

Controls	Committee's Response
<p><b>Control Environment</b></p>	<p>The Committee continued to monitor the overall effectiveness of the Society's control environment during the year by reviewing reports from Internal Audit, External Audit and updates from Management in respect of the design and effectiveness of the systems of control in place to manage risks.</p> <p>During the year, the Committee, through Internal Audit and other Management information and insight, reviewed the controls in operation for: treasury, technology, bereavements, interest only contract strategy for both residential and commercial business, SM&amp;CR, data governance, financial promotions &amp; social media, product pricing, the Project Management Office (PMO) and cyber security. Internal Audit utilised the services of third party partners to provide specialist/expert support, input and promote knowledge transfer.</p> <p>Supported by the work of Internal Audit and the opinion of the Head of Internal Audit, the Committee concluded that the overall control environment remains appropriate and effective while noting that it will be strengthened further by our ongoing change and transformation agenda. The Committee noted substantial progress in resolving the IT deficiencies reported by Deloitte in the year ended 31 March 2025.</p>
<p><b>Risk Management</b></p>	<p>The Committee had a particular focus in the year on the steps Management is taking to maintain operational continuity and the building of resilience into BAU activities and the New Cumberland programme. Presentations were made by Management to Members providing an update on key activity underway relating to this topic.</p>
<p><b>New Cumberland</b></p>	<p>Internal Audit continued to provide independent assurance over New Cumberland. Due to the complexity of this activity, Internal Audit utilised the services of an expert third party with the outcome of these assurance reviews reported to both Audit Committee and Board Risk Committee alongside the work of close and continuous assessment of the programme from its own team. Given the critically of the Society's transformation activity, Internal Audit will continue to undertake periodic reviews at key stages in the programme.</p>
<p><b>Consumer Duty</b></p>	<p>The Committee, in meeting its regulatory responsibilities, continued its overview of the Society's conduct risk management arrangements by reviewing the outcome of Internal Audit's review of the Bereavements, Financial Promotions &amp; Social Media and Interest Only Contact Strategy for both Commercial and Residential customers. The principles underpinning the Consumer Duty continue to be relevant to and factored into Audit Committee discussions.</p>

## Internal audit

The Committee works closely with the Head of Internal Audit, who reports directly to the Chair of the Audit Committee. Throughout the year, the Committee monitors the progress of the Internal Audit function.

The Audit Committee approved the internal audit plan and all changes to it during the year. The scope of work takes account of the function's own assessment of risks, and the input of Management and the Audit Committee itself. At each meeting the Committee received updates from the Head of Internal Audit on the work of the Internal Audit function, drawing its attention to the most significant audit work.

The Committee continued to focus on the prompt and effective resolution of control issues raised by Internal Audit, where progress was made during the year.

Every six months, the Committee reviewed the resourcing of the Internal Audit function and was satisfied that the resources were appropriate.

## External audit

Deloitte LLP acted as the Society's external audit firm throughout the 2025/26 financial year. The Audit Committee is advised of the audit's proposed materiality level in advance of the annual audit.

## Auditor independence

The Board has an established policy setting out the non-audit services that can be provided by the external auditor. The aim of the policy, which is reviewed annually, is to safeguard the independence and objectivity of the external auditor and comply with the ethical standards of the FRC. The policy specifies non-audit services provided by the external auditor that are either permitted or prohibited. Deloitte has confirmed that it has complied with relevant regulatory and professional requirements and its objectivity is not impaired. The Committee is satisfied that Deloitte remained independent throughout the year.

## Audit outputs

The Committee reviewed Deloitte's year end report for the 2025/26 financial year and its statutory opinion in respect of the year.

The Committee also reviewed Deloitte's planning report and interim updates on its work.

## Audit and non-audit fees

Under the Society's non-audit fees policy, all non-audit work is approved by the Audit Committee where the fee is over £10k, or by its Chair (and subsequently ratified at the next meeting). Where the fee is below £10k approval is required from the Chief Financial Officer. During the 2025/26 financial year, no requests to use the external auditor for non-audit services were made.

Matthew Bainbridge of Deloitte LLP is the Society's statutory auditor for the 2026 financial year. This is Matthew's fifth and final year as The Cumberland's statutory auditor.

Deloitte's report can be found on pages 117-124.

## Audit quality and materiality

The Committee has a responsibility for reviewing the quality and effectiveness of the external audit. Due to the ongoing focus on audit quality from the FRC and the ever more detailed work expected to be carried out by the external auditor, there has been a further uplift in the external audit fee. Despite this uplift and after benchmarking the new fee levels with the experience of its peers, the Committee has decided to stay with its current external auditor. It noted the sustained quality of Deloitte's outcome for FRC reviews was a key factor in their re-engagement at the retender in 2024. The Committee approved the scope of the audit plan and considered the proposed materiality level in advance of the annual audit. Materiality is the level at which the auditor considers that a misstatement would compromise the truth or fairness of the financial statements. For 2025/26, overall audit materiality was set by Deloitte at £1.8m (2024/25: £1.4m).

The fees paid to Deloitte for the year ended 31 March 2026 totalled £562k for audit services (2025: £542k). No fees were paid for non-audit services. The total fees are set out in note 6 to the financial statements.

## Audit effectiveness

The Committee reviews the effectiveness of the external audit process on an annual basis taking into account Management feedback. This review confirmed that the external auditor was performing its duties in an independent and effective manner, with some areas for consideration identified and fed back to the statutory auditor. The Committee Chair and CFO have worked with Deloitte to support the transition to a new audit partner next year.

In 2026/27, the Audit Committee will continue to focus on its oversight of the financial reporting and internal controls of The Cumberland. A key area of focus for the Committee will be understanding how management continues to embed the Risk Management Framework across the wider Society and how this will need to change as it prepares for the migration to and operation of its new core banking system as part of New Cumberland. The Committee will also oversee a proportional responses to provision 29 "material controls" of the 2024 UK Corporate Governance Code. In the challenging and competitive environment in which The Cumberland operates, the Audit Committee remains committed to its vital role in overseeing the integrity of financial reporting and the effectiveness of controls.

### On behalf of the Audit Committee

**Mark Stanger**

**Chair**

**2 June 2026**

# THE YEAR AHEAD

2026



Oversight of external auditor's planning

96

Internal controls

Externally supported internal audit  
review of New Cumberland

Integrity of  
financial reporting



2027

The Cumberland



# PEOPLE, REMUNERATION and CULTURE *Committee Report*

**KELLI**

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## CHAIR'S INTRODUCTION

**Dear Member,**

As Chair of the People, Remuneration and Culture Committee (PARC), I am pleased to present the Committee's report for the financial year ended 31 March 2026. PARC assists the Board by overseeing all people related matters at the Society, including remuneration and culture. I set out in this report details of the work the Committee has focused on during the year. This report includes the Report on Directors' Remuneration, which explains the remuneration policies for executive and non-executive directors and how the Society has regard to the principles of the UK Corporate Governance Code.



## WHO SITS ON THE COMMITTEE



**KELLI FAIRBROTHER**  
(CHAIR)  
6/6



**ANNA BARSBY**  
6/6



**MARK STANGER**  
6/6

## HOW THE COMMITTEE WORKS

PARC comprises three non-executive directors with a broad range of experience and diverse perspectives relevant to the Committee's remit. The Committee met on six occasions during the year; member attendance is set out above. Details of the skills and experience of the Committee members can be found in their biographies on pages 69-71. The Committee is attended on a standing basis by the Chief Executive Officer, Chief Financial Officer and Chief People and Sustainability Officer. From time to time, the Committee invites the Chief Risk Officer and Head of Internal Audit to provide additional advice.

Following each meeting, a written report is provided to the Board by the Chair of the Committee, summarising activities undertaken, areas where the Committee had challenged Management and key decisions taken.

The Committee reviews its terms of reference and its activities over the previous year as part of an annual cycle to confirm that its activities were in line with its remit. More detail on the Committee's duties and responsibilities can be found within its terms of reference on the Society's website: [cumberland.co.uk](http://cumberland.co.uk).

## REPORT ON THE YEAR

The purpose of the PARC is to ensure:

- the Society's remuneration, culture and people policies and practices are designed to support the business achieving its strategic objectives;
- executive remuneration is aligned to the Society's purpose, values and risk appetite, and is clearly linked to the successful delivery of the Society's long-term strategy; and
- there is a formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration.

A key focus of the Committee this year was shaping the development of a more strategic approach to remuneration, including the review of a simplified, fair and transparent grading structure. Building on the foundations of several years of work, including alignment on a set of organisational reward principles, the work the Committee reviewed ensures greater fairness and transparency in our approach to reward and how this links to performance and accountability.

The Committee also focused on ensuring the organisation is fit for the future, in the context of the New Cumberland transformation. This involved a focus on reducing the risk of key person dependency, future state Target Operating Model thinking, engagement strategy and change readiness. Underpinned by the previous work on our Belonging Culture, the Committee worked to ensure the organisation is in a position to continue to deliver to a high standard for customers through a period of significant change.

WE ARE BUILDING  
A CULTURE OF  
**BELONGING**  
where our people have  
**OPPORTUNITY, VISIBILITY and VOICE.**  
A place where everyone feels  
**VALUED.**



PARC has four themed meetings per year on Reward, Talent, Engagement and Diversity and Inclusion. This allows for a focused but progressive People agenda.

The key highlights are given here with more detail in the following pages.

- PARC oversaw focused work on simplifying and aligning the Society's approach to colleague pay with the overarching aim of ensuring transparency on pay decisions.
- PARC reviewed the Society's approach to managing performance with a high level review of performance and accountability data. This was a well timed review to help us consider accountability given the complexities of our transformation programme.
- The Committee was able to consider and reflect on the range of learning interventions offered and how colleagues access these, including plans to upskill colleagues in readiness for the introduction of our new technology platform.
- The work on how we can better understand and mitigate key person dependencies developed and we spent time considering how we might best focus on transformation readiness which also included overseeing the development of a change readiness programme for our people leaders.
- PARC continues to review our engagement with colleagues including receiving the results of our annual Best Companies colleague survey, a key temperature check with our people. The Committee noted that the Society maintained a 3\* World Class Status for the second year running, following a steady progression over a number of years. The Committee noted the work being done to sustain this level of engagement through periods of change, in particular through the development of a dedicated communication platform specifically focused on New Cumberland.
- PARC welcomed and continued to support the progressive work around the wellbeing agenda as not only core to our remit as a responsible employer but also central to how we develop the right mindsets to enable our people to flourish professionally.
- PARC received an annual update as part of the commitment of the Board to redress the gender balance at senior level. We are a partner in the Women in Banking and Finance network (WIBF) and have committed and exceeded progressive targets for female representation at senior levels as a signatory to the HM Treasury Women in Finance Charter. When we signed up to the Charter in October 2018, we had 19% female representation at Board and Executive Level. Based on our data at 30 September 2025, we were cited in the charter as one of 39 signatories who have met their targets ahead of their deadline with 50% representation at senior level. In the same report our best practice in relation to expanding our strategy to include belonging was commended. To once again be recognised at industry level is of key importance to us as it highlights that we are making a difference in our sector.
- Our Belonging approach also includes how we support male colleagues with a dedicated mens' mental health support group, facilitated by our male colleagues, as well as the flourishing of other colleague-inspired support initiatives.
- PARC received an annual review of our Gender Pay Gap which continues to incrementally improve.

As at 31 March 2026, the gender balance of the Society’s Board, Senior Leadership Team and their direct reports, is as follows:

	Male		Female	
	2026	2025	2026	2025
Board <sup>1</sup>	5/9 (55%)	5/9 (55%)	4/9 (45%)	4/9 (45%)
Senior Leadership Team <sup>1</sup>	4/7 (57%)	4/7 (57%)	3/7 (43%)	3/7 (43%)
Extended Leadership Team	16/30 (53%)	16/30 (53%)	14/30 (47%)	14/30 (47%)

<sup>1</sup>Des Moore and Richard Ellison are included in Board and Senior Leadership Team. Stuart Miller, who became an Executive Director and CEO on 31 March 2026 is excluded as Des Moore stood down on the same date.

PARC focussed on the following key areas during the year:

Areas of Focus	Committee’s Response
<b>Remuneration</b>	<p>The Committee reviewed and approved the Society’s reward philosophy and remuneration principles, including the roles considered to be Material Risk Takers, and oversaw compliance with the FCA and PRA Remuneration Codes, including regulatory policy updates.</p> <p>The Committee considered the approach to the annual cost of living increase for all colleagues and made a recommendation to Board for an Annual Pay Award for all colleagues, effective 1 April 2026 of 3%, with upward adjustments where necessary to meet our commitment to the Real Living Wage.</p> <p>The Committee oversaw work on retention principles and key person dependencies with a focus on mitigating people risks and retaining key talent through the next phase of our transformation.</p> <p>The Committee continued to review the work on simplifying our reward structure through the development and implementation of a simplified, fair and transparent grading structure aligned with our agreed reward principles.</p> <p>The Committee approved an increase to the Chair and non-executive director fees in line with the increase awarded to all colleagues.</p>
<b>Incentive Schemes</b>	<p>The Committee approved the Senior Leadership Team Incentive Scheme, the Commercial Incentive Scheme, the Heads Of Incentive Scheme, the Distribution Incentive Scheme and the Brighter Performance Incentive Scheme (for all other colleagues). This included calibrating performance against objectives set for 2025/26 and setting objectives for 2026/27.</p> <p>With retention as a core consideration, the Committee also reviewed the suitability of remuneration in the context of the Society’s transformation programme. It approved the initial performance period outcomes for 2025/26 enabling accrual for that performance period within the context of the Long Term Incentive Plan (LTIP). It also re-assessed the outcomes of the 2024/25 scheme at the end of the second performance period and the final outcome of the 2023/24 scheme. In both cases it adjusted the outcome to reflect its view of delivery to date in the New Cumberland programme and financial out-performance versus budget. LTIP is available to a number of its senior colleagues, including executive directors. The second payment, to participants in the Group LTIP (relating to the 2023/2024 scheme) will be made in July 2026.</p>

Areas of Focus	Committee's Response
<b>Benefits</b>	Having previously built strong foundations in the benefits we offer colleagues, during this period we have focused on embedding our benefits whilst continuing to raise colleague awareness.
<b>Diversity and Inclusion</b>	<p>The Committee received the annual update on the Belonging Framework and Roadmap which had been approved in October 2023.</p> <p>This approach is underpinned by “building a culture of belonging where our people have opportunity, visibility, a voice and feel valued”.</p> <p>The Committee also approved a refreshed Belonging Policy and noted progress on our commitment to the self-population of colleague data through our People Hub.</p> <p>The Committee also reviewed how we track and progress our diverse talent pool to ensure access to opportunities.</p> <p>The importance of our affiliations with organisations such as Women in Finance Charter, Becoming (female leadership programme) and Progress Together (socio economic diversity) was noted by the Committee. Socio-economic diversity was agreed as an important priority area of focus.</p>
<b>Talent &amp; Succession</b>	<p>The Committee oversaw the progress of the Learning and Development Strategy with particular focus on reviewing the frameworks and approaches for orderly succession planning, and understanding key person dependencies and our approach to sharing knowledge and mitigating risks. Talent acquisition approaches, including improvements in our onboarding and joiner processes were also reviewed.</p> <p>Alongside this PARC received annual updates on our range of learning interventions including professional and mandatory compliance learning.</p>
<b>Culture and Engagement</b>	The Committee reviewed the engagement among colleagues and the continued success of the culture of Belonging.
<b>Wellbeing</b>	The Committee continued to support our progressive approach to the wellbeing of our colleagues which is now embedded as core to our people strategy. Updates were received on the continuous development of initiatives in the mental and physical health space, supported by our Wellbeing Champions, Occupational Health and key external partners who work with us to provide support and guidance. The work in relation to our Wellbeing Retreat Day with sessions on nutrition, physical and mental health was noted. Neurodiversity also continued to be a key focus.
<b>Other People Policies</b>	The Committee considered the Society's people related policies and a roadmap for updating these.

# 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 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.

Full details of individual directors' remuneration are disclosed on page 110.

## Non-executive directors

The remuneration of non-executive directors comprises only 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 2026 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 2026, 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 transformation programme.

As a result, PARC completed the annual appraisal of the Long Term Incentive Plan (LTIP) which was first introduced in 2022. The performance period outcomes for 2023/24, and 2024/25 were challenged, reassessed and approved. The continuation of the scheme was agreed in April 2025 and that period's initial outcomes were assessed in April 2026. In April 2026 PARC also provisionally approved the 2026/27 scheme but asked for adjustments to one of the proposed objectives.

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 colleagues.

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.

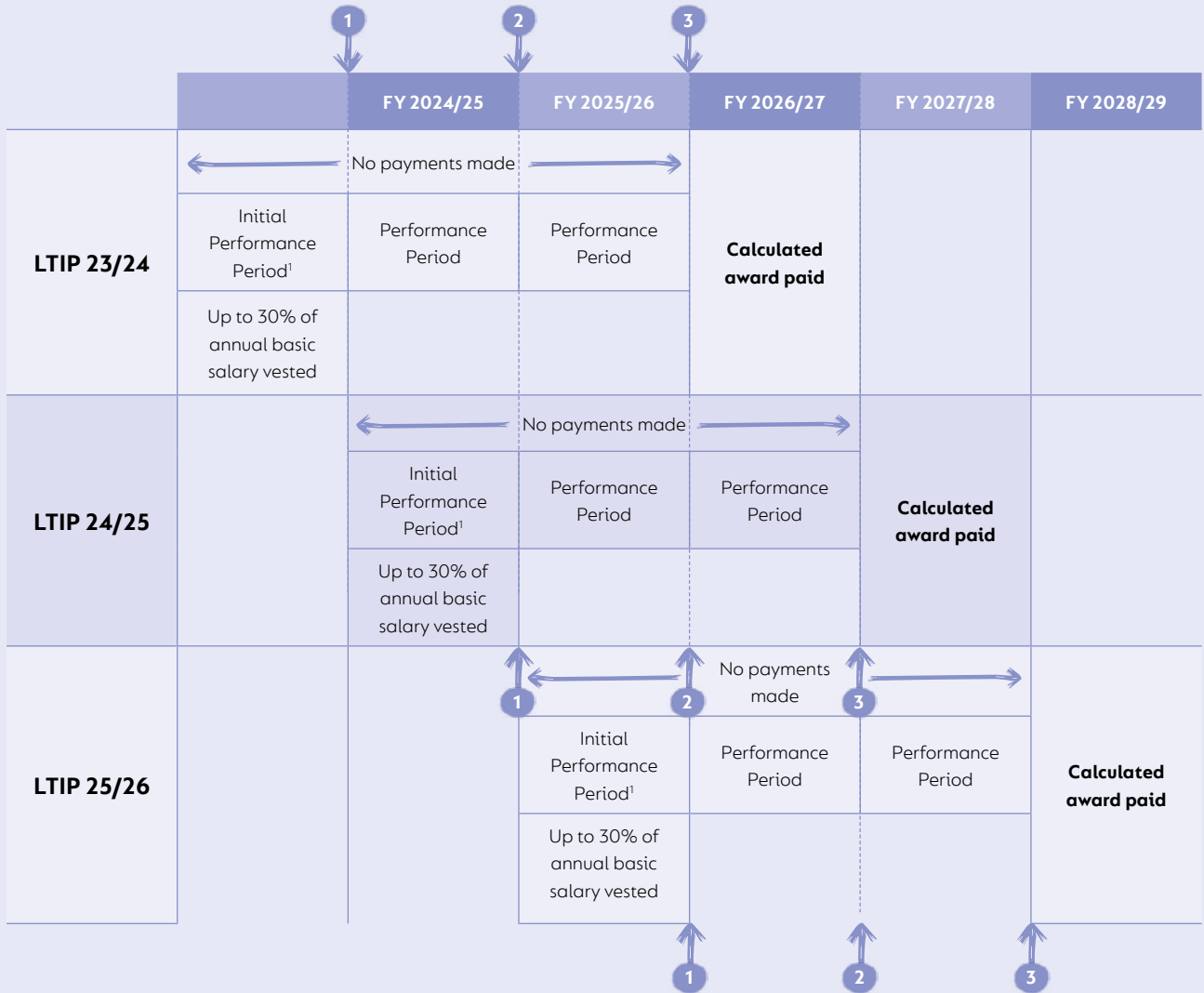
In the view of PARC, the proposed performance measures for LTIP awards are supportive of the Society's risk appetite and do not promote the taking of undue risk inconsistent with that appetite.

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

1. Initial value of award under LTIP determined subject to performance

2. Value of award reassessed

3. Final value of award under LTIP confirmed



<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. For LTIP 25/26, a final value of the award will be assessed and confirmed by PARC in April or May 2028.

Remuneration Policy for Executive Directors			
Element	Operation	Opportunity	Performance Metrics
<b>Fixed Remuneration</b>			
<p><b>Base Salary</b></p> <p>Provides base salary that is market competitive and reflects the size and complexity of the role</p>	<p>Base salary is normally reviewed on an annual basis. Any changes are normally effective from 1 April.</p>	<p>Base salaries are set taking into account market data for similar roles in comparable organisations. Other factors considered include the individual's skills, experience and performance in the role, and the approach being taken on salaries in the wider organisation.</p>	Not applicable
<p><b>Benefits</b></p> <p>Provide a market competitive and cost-effective benefits package as part of fixed remuneration</p>	<p>Benefits include a car allowance, healthcare and insurance benefits.</p> <p>Other benefits may be provided to enable recruitment, retention or relocation.</p>	<p>Benefits are reviewed regularly to ensure they remain appropriate to role and location to assist individuals in carrying out their duties effectively.</p> <p>The value of benefits may vary depending on service providers, cost and market conditions.</p>	Not applicable
<p><b>Pension</b></p> <p>Provides post-retirement benefits for participants in a cost-efficient manner</p>	<p>Executive directors receive payments into a defined contribution scheme or a cash allowance in place of pension.</p>	<p>Pension or cash allowances are set as a percentage of base salary.</p> <p>The maximum cash allowance payable is currently 14% of base salary.</p>	Not applicable

## Remuneration Policy for Executive Directors

Element	Operation	Opportunity	Performance Metrics
<b>Variable Remuneration</b>			
<p><b>Directors' Annual Incentive</b></p> <p>Rewards achievement of stretching targets for the Society, team and individual for a single financial year</p>	<p>Awards are normally paid in cash following the end of the financial year based on Society performance achieved in the year.</p> <p>This element operates in a manner aligned to the scheme for all colleagues.</p>	<p>The targets reflected in the Society's Plan need to be achieved to generate a 'target' award against the Society measures, and exceeded to generate the maximum award.</p> <p>The maximum opportunity for the executive directors is 20% of base salary.</p>	<p>The performance measures selected are set on an annual basis by the Committee.</p> <p>These will normally reflect a mix of financial and non-financial measures, relating to the strategic priorities of the Society as well as regulatory obligations and risk performance.</p> <p>Individual performance (including conduct and behaviours) is also assessed.</p>
<p><b>Long Term Incentive Plan (LTIP)</b></p> <p>To incentivise sustainable long-term performance and alignment with member interests through the retention of key individuals, awards are made annually and only pay out where challenging performance measures are met, normally measured over a three-year period</p>	<p>LTIP awards are discretionary and normally granted subject to the achievement of satisfactory performance over the year prior to being granted.</p> <p>Awards are normally subject to a forward-looking three-year performance period from the start of the financial year in which the grant is made.</p> <p>Payment of the awards will not start until after the end of this three-year performance period and are subject to the achievement of performance conditions.</p>	<p>For each applicable performance measure for the three-year performance period, the Committee will determine targets by reference to the Society's Plan that need to be achieved to generate a 'partial', 'achieve' and 'outperform' level of award. Performance targets will normally be set annually for each three-year cycle.</p> <p>The Committee will determine the extent of achievement based on actual performance against the targets set and any other relevant factors the Committee considers appropriate to take account of.</p>	<p>The Committee will take into consideration performance over the initial performance period prior to the grant when determining whether LTIP grants will be made. The pre-grant conditions will normally include an assessment of both Society and individual performance to ensure that the granting of awards is sustainable according to the financial position of the Society and justified on the basis of individual performance, conduct and behaviours.</p>

Remuneration Policy for Executive Directors			
Element	Operation	Opportunity	Performance Metrics
Variable Remuneration			
<p><b>Long Term Incentive Plan (LTIP) (cont.)</b></p>	<p>The Committee may reduce, freeze, suspend or cancel payments under the LTIP if it believes that the plan outcomes are not representative of the overall performance of the Society.</p>	<p>Maximum awards will only be paid where there has been outstanding performance against stretching targets during the forward-looking performance period.</p> <p>The overall maximum opportunity may vary by role. The actual amount awarded in respect of any year is subject to the limit laid down by regulatory standards.</p> <p>The maximum LTIP opportunity for the executive directors is 30% of base salary.</p> <p>Normally, 24% of base salary is payable for target performance and at the threshold level of performance, 15% of the award opportunity will be paid. No portion of the award will be paid where threshold performance is not achieved in the related measure.</p> <p>The award levels above may be varied in exceptional circumstances.</p>	<p>Forward-looking performance will be measured against a long-term scorecard determined by the Committee on an annual basis and set to align with the long-term objectives of the Society. The measures will normally reflect a mix of financial and non-financial measures drawn from the Society's Plan and be subject to the satisfaction of risk performance and regulatory obligations.</p> <p>The measures used will typically comprise:</p> <ul style="list-style-type: none"> <li>• member outcomes (delivering exceptional customer experience) and growth and defence of margin;</li> <li>• management of risk (protecting the Society and its members); and</li> <li>• transformation (to include delivery of key New Cumberland strategic milestones).</li> </ul>

## 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 was made was July 2025.

### 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	PARC Assessed Achievement at end of third and final performance period
<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-heard 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%	✓	✓	✓

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### LTIP 24/25

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
<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-heard 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.

LTIP 25/26

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.



Colleagues at our Barrow branch.

## Directors' Remuneration

	2026 £000	2025 £000
<b>Total directors' remuneration</b>	<b>1,573</b>	<b>1,383</b>
<b>Non-executive directors' remuneration</b>		
John Hooper (Chair resigned July 2024)	-	26
Eric Gunn (resigned July 2024)	-	15
Jackie Arnold (Chair appointed July 2024)	88	76
Mark Stanger (Chair of the Audit Committee)	58	57
Vicky Bruce	53	49
Kelli Fairbrother (Chair of the People, Remuneration and Culture Committee)	62	54
Anna Barsby	57	51
Cameron Marr (Chair of the Board Risk Committee)	58	53
Richard Pike (appointed June 2024)	51	39
	<b>427</b>	<b>420</b>

<b>Executive directors' remuneration 2026</b>	<b>Salary £000</b>	<b>Directors' Annual Incentive £000</b>	<b>Long-term Incentive Plan £000</b>	<b>Pension Contributions £000</b>	<b>Pension Replacement Amounts £000</b>	<b>Other Allowances £000</b>	<b>Recruitment £000</b>	<b>Total £000</b>
<b>Des Moore</b> (resigned 31/03/2026)	334	67	80	-	47	13	-	541
<b>Stuart Miller</b> (appointed 31/03/2026)	-	-	-	-	-	-	166	166
<b>Richard Ellison</b>	269	54	64	38	-	14	-	439
	<b>603</b>	<b>121</b>	<b>144</b>	<b>38</b>	<b>47</b>	<b>27</b>	<b>166</b>	<b>1,146</b>
2025								
Des Moore	324	65	85	-	45	13	-	532
Richard Ellison	261	52	68	37	-	13	-	431
	<b>585</b>	<b>117</b>	<b>153</b>	<b>37</b>	<b>45</b>	<b>26</b>	<b>-</b>	<b>963</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.

Stuart Miller joined the Society on 2 February 2026 as CEO Designate. Stuart became an Executive Director and Chief Executive Officer after the close of ordinary business on 31 March 2026. In the period to 31 March 2026 Stuart received remuneration of £67,000 salary, £9,000 pension replacement amounts, and £2,000 other allowances for his role as CEO Designate, in addition to the remuneration detailed above. Items recorded in recruitment in the table above are amounts the Society agreed to pay to secure Stuart Miller's services as CEO and Executive Director, replacing remuneration Stuart would have earned had he remained in his previous employment.

### PARC will focus on the following key areas during 2026/27:

Areas of Focus	Committee's Response
<b>Future Organisational Shape</b>	Monitor progress on future organisational shape to ensure the Society is able to leverage the capabilities needed as the organisation continues to transform.
<b>Talent and Succession</b>	Oversee how the Society develops capability to include a focus on both current and future skills, together with continued focus on succession plans, key person dependencies work and continued work on a framework to underpin our knowledge management approach.
<b>Culture and Engagement</b>	Review plans to continue the high level commitment to how the Society engages its people, alongside receiving timely colleague survey data to measure and inform this. There will be a particular focus on engagement around our New Cumberland programme, the impact of change and maintenance of our culture as we continue to go through change.
<b>Diversity and Inclusion</b>	Monitor progress of the approved Belonging ambition, strategy and action plan together with tracking the regulatory activity and reporting in this area. Continue with the review of people data to aid workforce understanding.
<b>Reward</b>	Continue with the work on the Society's Reward Roadmap guided by the reward principals.
<b>Wellbeing and Support</b>	Review the Society's Wellbeing Strategy and its commitment to support its people.

On behalf of the People, Remuneration and Culture Committee

Kelli Fairbrother, Chair, 2 June 2026

# THE YEAR AHEAD

2026



*Talent and Succession*

*Culture and Engagement*

*Diversity and Inclusion*

*Wellbeing and Support*



2027

The Cumberland

# DIRECTORS'

## Report

Information on the Group's strategy and its financial and business performance and likely future developments are included within the Strategic Report, which starts on page 6.

### Directors

The directors of the Society during the year and to the date of this report were as follows:

<b>Jackie Arnold</b>	Chair
<b>Anna Barsby</b>	Senior Independent Director
<b>Mark Stanger</b>	
<b>Vicky Bruce</b>	
<b>Kelli Fairbrother</b>	
<b>Cameron Marr</b>	
<b>Richard Pike</b>	
<b>Des Moore</b>	Chief Executive Officer (resigned 31/3/2026)
<b>Richard Ellison</b>	Chief Financial Officer
<b>Stuart Miller</b>	Chief Executive Officer (appointed 31/3/2026)

Further information on all of the directors in office as at 31 March 2026 is provided in the directors' biographies on pages 68-71, and their attendance at the Board and Board Committees is set out in the corporate governance and Committee reports on pages 80-111.

All directors not retiring will submit themselves for election or re-election at the Annual General Meeting. 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.

At 31 March 2026, one director had mortgage loans granted in the ordinary course of business, amounting to £183k (2025: one director, £219k). A register is maintained at the principal office of the Society, containing details of loans, transactions and arrangements between the Society and its directors and connected persons; requisite particulars from it are available for inspection.

In addition, directors and their connected persons have savings and current accounts with the Society, on the same terms as those available to all persons.

### Mortgage arrears and forbearance

At 31 March 2026, there were 11 (2025: 9) accounts where payments were twelve months or more in arrears. The total amount outstanding on these accounts was £3.164m (2025: £2.059m), and the amount of arrears was £403k (2025: £193k), which represents 0.014% (2025: 0.007%) of mortgage balances. In certain circumstances, the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty. Such measures include agreeing a temporary transfer to interest only payments, or a capitalisation of arrears, in order to reduce the borrowers' financial pressures. We expect borrowers to resume normal payments once they are able.

As at 31 March 2026, forbearance measures had been agreed for 24 (2025: 23) residential mortgages with a total balance of £4.659m (2025: £2.850m). Where the Society considers that there is a possibility of a loss, a specific provision is made in accordance with the Society's policies, and the level of forbearance undertaken is also an element of the Society's collective provisioning methodology.

### Financial risk management policies and objectives

The Society's objective is to minimise the impact of financial risk upon its performance. The financial risks facing the Society are summarised together with an overview of arrangements for managing risk in the Strategic Report on pages 42-47 and are discussed in more detail in notes 27 to 30 of the financial statements.

### Creditor payment policy

Our policy concerning the payment of trade creditors is to agree terms of payment, to ensure that suppliers fulfil their contractual obligations and to settle invoices for the provision of goods and services within the agreed payment terms. At 31 March 2026, the total amount owed to suppliers was equivalent to 12 days' credit (2025: 22 days).

## Charitable and political donations

During the year, charitable donations of £305,884 were made to a number of organisations within our operating area. No contributions were made for political purposes.

## Engagement with stakeholders

Please see pages 20-41 of the Strategic Report and pages 77-78 of the Corporate Governance Report.

## Environmental impact and energy efficiency

Please see pages 34-41 of the Strategic Report.

## Events since the year end

The directors consider that there have been no events since the year end that have had a material effect on the position of the Society or any of its subsidiary undertakings.

## Going concern

The directors are satisfied that the Group and Society have adequate resources to continue in business for the foreseeable future, having taken into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue. For this reason, the annual accounts continue to be prepared on the going concern basis. Further information on how this assessment was performed and its basis is included as part of the Group's viability statement on pages 58-62.

## Statement of disclosure to auditors

So far as each director is aware, there is no relevant audit information of which the Society's auditors are unaware. Each of the directors, whose name is listed above have taken all steps that he or she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and establish that the Society's auditors are aware of that information.

## Auditor

Deloitte LLP are eligible for re-appointment and have offered themselves for re-election. A resolution to re-appoint Deloitte LLP will be proposed at the AGM.

On behalf of the Board of Directors

Jackie Arnold

Chair

2 June 2026

# Statement of Directors'

# RESPONSIBILITIES

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

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

The Building Societies Act 1986 ("the Act") requires the directors to prepare Group and Society annual accounts for each financial year. Under the Act they have elected to prepare these in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

In preparing each of the Group and Society annual accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the Group and Society will continue in business.

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

## Directors' responsibilities for accounting records and internal control

The directors are responsible for ensuring that the Group:

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

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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



# FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT

*to the members of Cumberland Building Society*

## Report on the audit of the financial statements

### 1. Opinion

In our opinion the financial statements of Cumberland Building Society (the 'Society') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 March 2026 and of the Group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

- the Group and Society income statements;
- the Group and Society statements of comprehensive income;
- the Group and Society balance sheets;
- the Group and Society statements of changes in members' interests;
- the consolidated cash flow statement; and
- the related notes 1 to 35.

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

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under

those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and the Society for the year are disclosed in note 6 to the financial statements. We confirm that that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

#### Key audit matters

The key audit matters that we identified in the current year were:

- Loan loss provisioning; and
- Motor finance redress provision.

Within this report, key audit matters are identified as follows:

- ! Newly identified
- ↑ Increased level of risk
- ↔ Similar level of risk
- ↓ Decreased level of risk

#### Materiality

The materiality that we used for the Group financial statements was £1.8m (2025: £1.4m) which was determined on the basis of 0.8% (2025: 0.6%) of net assets.

#### Scoping

All components of the Group are operated centrally, and all audit work was performed centrally by the Group audit engagement team.

## Significant changes in our approach

In the prior year, we identified hedge accounting as a key audit matter. Following our risk assessment procedures in the current year, we no longer consider hedge accounting to be a key audit matter following the improvements observed in the hedge accounting process during our walkthroughs and data testing, as well as the absence of significant errors or deficiencies in the prior year.

## 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Society's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the relevant controls around the directors' going concern assessment and the forecasting process;
- assessing the directors' considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the reasonableness of the assumptions, such as cash flows, capital and liquidity, used in the forecasts prepared by the directors;
- assessing the historical accuracy of forecasts prepared by the directors by comparing these to the actual results;
- involving prudential regulation specialists to review the information supporting the directors' liquidity and capital adequacy assessment and stress testing;
- consideration of whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion;
- inspecting board meeting and relevant committee minutes to identify events or conditions that may impact the Group's and Society's ability to continue as a going concern;
- reviewing correspondence and meeting with the regulators at the Prudential Regulation Authority ("PRA") to assess whether there are any matters that may impact the going concern assessment; and
- assessing the appropriateness of going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1 Loan loss provisioning

#### Key audit matter description

The Group currently holds on its balance sheet £2.7bn (2025: £2.5bn) of loans and advances fully secured on residential property and £245m (2025: £250m) of loans and advances fully secured on land. As at 31 March 2026, the Group held incurred loss provisions of £1.1m (2025: £0.8m) against loans fully secured on residential property and £0.5m (2025: £1.2m) against loans fully secured on land in relation to the incurred losses on these loans.

Under IAS 39 "Financial Instruments: Recognition and Measurement" the directors are required to assess whether there is objective evidence of impairment of any financial assets that are measured at amortised cost. If there is objective evidence of impairment, the directors recognise an impairment loss within the income statement immediately.

Loan loss provisioning remains one of the most significant estimates made by the directors, particularly in light of the uncertain economic outlook and market conditions at the reporting date.

We consider the most significant areas of judgement within the Group's loan loss provision methodology to be the determination of the specific provision for loans fully secured on land, given the judgement in determining the expected realisable values of the collateral on which the exposures are secured and the age of some of these valuations.

Given the degree of judgement involved in determining key assumptions, we also identified that there is potential for fraud through possible manipulation of this balance.

The Group's loan loss provision balances are detailed within note 13. The associated accounting policies are detailed on pages 129-131 with detail about the associated critical accounting estimates on page 131-132.

#### How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the loan loss provisioning process. This included assessment of the risk of inappropriate assumptions being used in the loan loss provisioning

models, including how the loss given default parameters are calibrated against collateral valuations which are subject to review and challenge at the credit risk committee.

With the involvement of our real estate specialists, we reviewed the latest collateral valuations and related information used in the specific provision for loans fully secured on land to challenge whether management's estimate of the future cashflows arising from realising the collateral valuations were reasonable. Where appropriate we used externally available information from recent sales of similar properties, our own market knowledge and other relevant forecast information as part of this assessment.

Our wider procedures over loan loss provisioning included:

- reconciling the loan book to the general ledger;
- substantively testing a sample of loans against the underlying mortgage agreements, recent repayments to bank statement, and other key inputs to relevant supporting evidence;
- with involvement of our credit risk specialists, challenging the methodologies and assumptions used within the commercial and residential loan loss provisioning model with reference to the historical experience observed by the Group, and evaluating whether the approach generated an output that was compliant with IAS 39;
- assessing the appropriateness of recalibrations of model inputs relating to probabilities of default and whether there are any additional risks that are not addressed by the Group's loan loss provision models that require overlays;
- consideration of current economic conditions and external market forecasts to benchmark the Group's assumptions relating to future house price index (HPI) which may affect the recoverable value of collateral; and;
- reviewing management's loan loss provisioning models for mechanical accuracy and consistency of inputs to management's judgement papers and challenging their reasonableness against historical default experience.

#### Key observations

Based on our audit procedures, we concluded that the Group's provisions recorded against loans and advances fully secured on residential property and land are reasonable.

## 5.2. Motor finance redress provision

### Key audit matter description

The Group has recognised a £2.3m (2025: £1.6m) provision for potential redress relating to historical motor finance commissions.

Following the Court of Appeal's judgement in October 2024 and the Supreme Court judgement in August 2025, the FCA published a consultation paper in October 2025 setting out the proposed structure, scope and methodology for compensating consumers affected by undisclosed motor finance commission arrangements. Subsequently, on 30 March 2026, the FCA issued its Policy Statement (PS26/3: Motor finance consumer redress scheme), which set out the final design of the redress scheme, which may be subject to future legal challenge from the wider industry.

The FCA's Policy Statement clarified some of the uncertainty and judgement that was required in the prior year to determine the Group's provision.

As a result, the Group revised the scenarios and assumptions used to determine the provision required for historic motor finance commission arrangements, including the anticipated operational and legal costs associated with the scheme. This resulted in an additional charge of £0.7m recognised in the year.

We consider the most significant areas of judgement within the Group's motor finance redress provision to be the methodology and underlying assumptions applied in estimating the provision, and the extent to which these are consistent with the specific guidance issued by the FCA.

The Group's motor finance redress provision balance is detailed within note 24. The associated accounting policies are detailed on pages 129-131.

### How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the motor finance redress provisioning process and the determination of the judgements within the model.

Our audit procedures to address the risk identified within the motor finance redress provision included:

- review of management's judgement paper and assessment of the underlying computation of provision against the redress methodology outlined in the FCA consultation statement;
- assessment of the accuracy and completeness of the provision by sampling and reviewing redress calculations within the underlying computation; and
- performing a stand-back assessment, reviewing and considering the judgements reached by other industry participants that are observable from publicly available financial statement data, and insights from our audit work across the sector.

Our wider procedures over the motor finance redress provision included:

- Assessing the mechanical accuracy of management’s calculation of the provision estimate;
- Reviewing and challenging the appropriateness of associated disclosures in the 2026 financial statements;
- Assessing whether our testing performed in the prior year remained relevant and reliable for the current year in respect of the underlying data, used to derive the assumptions within the model for accuracy and completeness; and
- Obtaining audit evidence from events occurring up to the date of the auditor’s report regarding litigation and claims.

**Key observations**

Based on the work performed, we concluded the Group’s motor finance provision recorded against the potential redress related to historical motor finance commissions to be appropriate.

## 6. Our application of materiality

### 6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Society financial statements
<b>Materiality</b>	£1.8m (2025: £1.4m)	£1.7m (2025: £1.4m)
<b>Basis for determining materiality</b>	0.8% of net assets (2025: 0.6% of net assets)	Society materiality equates to 0.8% of net assets (2025: 0.6% of net assets) which is capped at 95% of Group materiality.
<b>Rationale for the benchmark applied</b>	<p>In determining materiality, we considered a range of benchmarks. The overall capital base is a key focus for the Group’s and Society’s members and regulators and is most closely represented by net assets.</p> <p>Net assets are also a stable metric in comparison to profit/loss before tax. Therefore, net assets are considered the most appropriate base on which to determine materiality.</p>	



## 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Society financial statements
<b>Performance materiality</b>	60% (2025: 70%) of Group materiality	60% (2025: 70%) of Society materiality
<b>Basis and rationale for determining performance materiality</b>	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> <li>the quality of the control environment and the nature, volume and size of misstatements identified in the previous audit.</li> <li>the remaining IT control deficiencies, and our continued inability to adopt a controls reliant approach when performing our audit procedures over lending and savings balances.</li> </ul>	

## 6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £90k (2025: £71k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1 Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We identified components at the individual entity level. All components of the Group are operated centrally, our audit procedures involved an audit of the entire financial information for all components and all audit work was performed centrally by the Group audit engagement team.

The component performance materiality range used for determining the level of audit procedures performed ranged from £0.03m to £1.03m (2025: £0.03m to £0.95m).

We, as the group auditor, were responsible for performing the audit of each subsidiary. At the Group level, we also tested the consolidation process.

### 7.2 Our consideration of the control environment

We planned to take a non-controls reliant auditing strategy over the lending and savings cycles due to control deficiencies previously identified by our IT specialists in respect of user access reviews and privileged user access. During the year, management made progress in remediating the majority of these findings. Our non-controls reliant auditing strategy increases the extent of some of our substantive audit procedures over these balances which involved the use of data analytics to enhance the coverage of our testing over the mortgages, savings and related interest balances.

We have also obtained an understanding of the relevant controls within financial reporting and relevant controls identified in the lending, loan loss provisioning, deposits, and treasury business cycles. The Audit Committee's assessment of the Group's internal control environment is set out on page 94.

### 7.3 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group continues to develop its assessment of the potential impacts of climate change and has reported these on pages 39 to 41.

As a part of our audit, we held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement.

We have also read the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

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

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

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

### 11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, analytics, pensions, IT, credit risk, financial instruments, real estate, conduct risk and prudential regulatory specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in loan loss provisioning. In common with all audits under ISAs (UK), we are also required to

perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Building Society Act 1986 for the Society and UK Companies Act for the subsidiaries.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulations set by the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA).

### 11.2 Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on Other Legal & Regulatory Requirements

### 12. Opinions on other matters prescribed by the Building Societies Act 1986

In our opinion, based on the work undertaken in the course of the audit:

- the annual business statement and the directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In the light of the knowledge and understanding of the Group and the Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

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

In our opinion the information given in note 35 to the financial statements for the financial year ended 31 March 2026 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

### 14. Matters on which we are required to report by exception

#### 14.1. Adequacy of explanations received and accounting records

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

## 15. Other matters which we are required to address

### 15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 24 June 2014 to audit the financial statements for the year ending 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12 years, covering the years ending 31 March 2015 to 31 March 2026.

### 15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

## 16. Use of our report

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

Matthew Bainbridge – FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom  
02 June 2026

## GROUP AND SOCIETY INCOME STATEMENTS

For the year ended 31 March 2026

	Notes	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Interest receivable and similar income	3	162,921	184,036	161,144	181,881
Interest payable and similar charges	4	(93,638)	(109,297)	(93,638)	(109,297)
Net interest receivable		69,283	74,739	67,506	72,584
Fair value losses on financial instruments	5	(2,415)	(2,141)	(2,581)	(2,001)
Pension finance income	26	21	1	21	1
Fees and commissions receivable		487	637	487	637
Fees and commissions payable		(2,824)	(3,057)	(2,824)	(2,739)
Other operating income		2,627	2,805	2,627	2,805
<b>Total Income</b>		<b>67,179</b>	<b>72,984</b>	<b>65,236</b>	<b>71,287</b>
Administrative expenses	6	(76,809)	(68,405)	(75,539)	(67,388)
Depreciation, amortisation, impairment and profit on sale of tangible fixed assets		(2,313)	(3,079)	(2,290)	(3,061)
Gain on revaluation and disposal of investment properties	17	110	229	110	229
Provisions for bad and doubtful debts	13	356	569	345	651
Provisions for liabilities and charges	24	(750)	(1,287)	-	-
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(12,227)</b>	<b>1,011</b>	<b>(12,138)</b>	<b>1,718</b>
Tax credit on loss/(tax charge on profit)	8	2,972	(398)	2,707	(644)
<b>(Loss)/profit for the financial year</b>		<b>(9,255)</b>	<b>613</b>	<b>(9,431)</b>	<b>1,074</b>

The notes on pages 129 to 154 form part of these accounts.

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 March 2026

	Notes	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
(Loss)/profit for the financial year		(9,255)	613	(9,431)	1,074
<b>Items that may subsequently be reclassified to income and expenditure:</b>					
Loss on available for sale debt securities	11	(31)	(136)	(31)	(136)
Movement in deferred tax relating to debt securities		8	34	8	34
(Loss)/gain on equity share investment	33	(1,793)	2,193	(1,793)	2,193
Movement in deferred tax relating to equity share investment		448	(548)	448	(548)
<b>Items that may not subsequently be reclassified to income and expenditure:</b>					
Actuarial (loss)/gain on retirement benefit obligations	26	(758)	482	(758)	482
Movement in amount of surplus that is not recoverable	26	(11)	(483)	(11)	(483)
Movement in deferred tax relating to retirement benefit obligations		192	-	192	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(11,200)</b>	<b>2,155</b>	<b>(11,376)</b>	<b>2,616</b>

The notes on pages 129 to 154 form part of these accounts.

## GROUP AND SOCIETY BALANCE SHEETS

As at 31 March 2026

Assets	Notes	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>Liquid assets</b>					
Cash in hand and balances with the Bank of England	9	236,159	285,655	236,159	285,655
Loans and advances to credit institutions	10	18,285	17,226	18,285	17,226
Debt securities	11	227,297	172,983	227,297	172,983
		481,741	475,864	481,741	475,864
Derivative financial instruments	31	26,659	36,903	26,527	36,866
<b>Loans and advances to customers</b>					
Loans fully secured on residential property	12	2,643,071	2,509,640	2,643,071	2,509,640
Other loans		272,958	275,962	245,138	249,436
		2,916,029	2,785,602	2,888,209	2,759,076
Investments in subsidiary undertakings	14	-	-	22,869	22,021
Investment in equity shares	33	9,450	11,243	9,450	11,243
Intangible assets	15	679	1,270	679	1,270
Tangible fixed assets	16	11,695	10,977	11,627	10,902
Investment properties	17	980	1,585	980	1,585
Other assets	18	4,241	1,703	3,635	1,489
Prepayments and accrued income	19	11,760	3,938	11,299	3,568
<b>Total Assets</b>		<b>3,463,234</b>	<b>3,329,085</b>	<b>3,457,016</b>	<b>3,323,884</b>
<b>Liabilities</b>					
Shares	21	3,044,398	2,889,795	3,044,398	2,889,795
Derivative financial instruments	31	2,046	3,644	2,025	3,568
Amounts owed to credit institutions	27	50,545	63,609	50,545	63,609
Amounts owed to other customers	27	125,139	123,389	125,400	123,614
Other liabilities	22	2,661	3,446	4,167	5,073
Accruals and deferred income	23	10,963	7,270	10,791	7,159
Provisions for liabilities and charges	24	2,314	1,564	-	-
<b>Total liabilities</b>		<b>3,238,066</b>	<b>3,092,717</b>	<b>3,237,326</b>	<b>3,092,818</b>
<b>Total equity attributable to members</b>		<b>225,168</b>	<b>236,368</b>	<b>219,690</b>	<b>231,066</b>
<b>Total Equity and Liabilities</b>		<b>3,463,234</b>	<b>3,329,085</b>	<b>3,457,016</b>	<b>3,323,884</b>

The notes on pages 129 to 154 form part of these accounts.

These accounts were approved by the Board of Directors on 2 June 2026 and signed on its behalf by:

Jackie Arnold, Chair

Mark Stanger, Chair of the Audit Committee

Richard Ellison, Chief Financial Officer

## STATEMENTS OF CHANGES IN MEMBERS' INTEREST

Group	General Reserve £000	Available for Sale Reserve £000	Total Equity Attributable to Members £000
<b>Balance at 1 April 2024</b>	229,274	4,939	234,213
Profit for the year	613	-	613
Other comprehensive income	(1)	1,543	1,542
Total comprehensive income for the year	612	1,543	2,155
<b>Balance at 31 March 2025</b>	229,886	6,482	236,368
Loss for the year	(9,255)	-	(9,255)
Other comprehensive (loss)/income	(577)	(1,368)	(1,945)
Total comprehensive (loss)/income for the year	(9,832)	(1,368)	(11,200)
<b>Balance at 31 March 2026</b>	220,054	5,114	225,168

Society	General Reserve £000	Available for Sale Reserve £000	Total Equity Attributable to Members £000
<b>Balance at 1 April 2024</b>	223,511	4,939	228,450
Profit for the year	1,074	-	1,074
Other comprehensive income	(1)	1,543	1,542
Total comprehensive income for the year	1,073	1,543	2,616
<b>Balance at 31 March 2025</b>	224,584	6,482	231,066
Loss for the year	(9,431)	-	(9,431)
Other comprehensive (loss)/income	(577)	(1,368)	(1,945)
Total comprehensive (loss)/income for the year	(10,008)	(1,368)	(11,376)
<b>Balance at 31 March 2026</b>	214,576	5,114	219,690

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2026

	2026 £000	Restated* 2025 £000
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(12,227)	1,011
<i>Adjustments for:</i>		
Depreciation, amortisation, impairment and profit on sale of tangible fixed assets	2,313	3,079
Gain on revaluation and disposal of investment properties	(110)	(229)
Changes in fair values of derivatives and hedged items	7,270	2,561
Provisions for bad and doubtful debts	(356)	(569)
Provisions for liabilities and charges	750	1,287
Pension finance income and expenses paid by the scheme	231	(1)
Other non-cash movements	(275)	(75)
Interest paid on financing facilities	2,091	4,934
<b>Cash generated from operations</b>	<b>(313)</b>	<b>11,998</b>
<b>Movements in operating assets and liabilities</b>		
Loans and advances to customers	(129,174)	(147,755)
Shares	155,169	207,786
Loans and advances to credit institutions and other liquid assets	(5,116)	6,112
Amounts owed to other customers	(1,147)	(8,205)
Prepayments and accrued income	(7,978)	163
Other assets	3	(8)
Accruals and deferred income	3,693	(992)
Other liabilities	415	(3,800)
Payment into defined benefit pension scheme	(1,000)	-
Taxation paid	-	(41)
<b>Net cash flows from operating activities</b>	<b>14,552</b>	<b>65,258</b>
<b>Cash flows from investing activities</b>		
Purchase of debt securities	(75,815)	(37,456)
Maturity of debt securities	21,693	5,059
Acquisition of intangible fixed assets	-	(220)
Purchase of tangible fixed assets	(2,219)	(1,278)
Sale of tangible fixed assets	104	43
Sale of investment property	390	69
<b>Net cash flows from investing activities</b>	<b>(55,847)</b>	<b>(33,783)</b>
<b>Cash flows from financing activities</b>		
Drawdown of ILTR	95,000	5,000
Repayment of ILTR	(50,000)	-
Repayment of TFSME	(55,000)	(85,000)
Repayment of time deposits	-	(6,500)
Interest paid on financing facilities and movements in accrued interest payable	(2,258)	(6,384)
<b>Net cash flows from financing activities</b>	<b>(12,258)</b>	<b>(92,884)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(53,553)</b>	<b>(61,409)</b>
Cash and cash equivalents at beginning of year	302,881	364,290
<b>Cash and cash equivalents at end of year</b>	<b>249,328</b>	<b>302,881</b>
<b>Represented by:</b>		
Cash and balances with the Bank of England	236,159	285,655
Loans and advances to credit institutions repayable on demand	13,169	17,226
	<b>249,328</b>	<b>302,881</b>

Included within cash flows from operating activities, is total interest received of £165,545,000 (2025 - £186,912,000) and total interest paid of £89,048,000 (2025 - £105,950,000) for the Group.

\*Cash flows from financing activities were previously presented under net cash flows from operating activities. The 2025 comparatives have been represented. There is no net impact on cash and cash equivalents at the end of the year.

# NOTES TO THE ACCOUNTS

## 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the prior comparative period.

### Basis of Preparation

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Society is included in the consolidated annual accounts, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The Society has taken advantage of the exemption from producing a separate Society Cash Flow Statement with related notes.

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Society and its subsidiary undertakings for the year ended 31 March 2026. All intra-group transactions are eliminated on consolidation.

### Going Concern

The Group's financial position and business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis. Further details of the directors' assessment and its basis can be found on pages 58-62.

### Corporation Tax

Corporation tax is charged in the accounts on the profit for the year as adjusted for taxation purposes. Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date and any adjustment to tax payable in respect of previous years.

### Deferred Taxation

Provision for deferred tax is made in respect of all timing differences that have originated but not reversed by the balance sheet date. Timing differences represent differences between gains and losses recognised for tax purposes in periods different from those in which they are recognised in financial statements. No deferred tax is recognised on permanent differences between the Group's taxable gains and losses and its results as stated in the financial statements. Deferred tax assets and liabilities are stated without discounting and are calculated at the tax rates that are substantively enacted at the time the timing differences are expected to reverse.

### Intangible Assets

An intangible asset is recognised if control can be identified and it is probable that future economic benefits attributable to the asset will flow from it and can be measured reliably. These include configuration and customisation of developed and purchased software licences, construction of code and build and installation of qualifying intangible assets. The Society also recognised as intangible assets directly attributable internal development costs which are considered to meet the intangible assets criteria. Examples of such development costs include software licence costs, configuration and installation of software, external contractor based development costs and professional services. Costs associated with maintaining computer software programmes, research costs and development costs that do not meet the criteria for recognition as intangible assets are recognised as an expense as incurred.

Intangible assets are recognised at initial cost less accumulated amortisation. Amortisation of intangible assets commences when they are ready for their intended use and is charged to the income statement on a straight line basis over the useful economic life of the asset, usually deemed to be between three and five years.

Intangible assets are reviewed annually for indications of impairment, which includes the judgement as to whether it is probable that future economic benefits will be realised from the asset and whether the value in use of the asset is in excess of carrying value. Any impairment in the value of these assets is recognised immediately in the income statement.

### Software as a Service Costs

Long term Software as a Service (SaaS) contracts that do not meet the definition of an intangible asset are expensed to profit and loss and not capitalised. Implementation, configuration and customisation costs associated with the software are expensed to profit and loss either at the time they are incurred or when access to the software is provided.

The build configuration and customisation of Software as a Service (SaaS) do not qualify as intangible assets as the Group has a right of use and not asset ownership.

### Fixed Assets and Depreciation

The cost of additions and major alterations to freehold land and buildings and equipment are capitalised. Freehold land and buildings are depreciated at 1% per annum on cost. In addition, included in freehold land and buildings are amounts in respect of refurbishment and plant which are depreciated over their estimated useful lives on a straight line basis at rates between 5% and 20%.

# NOTES TO THE ACCOUNTS

The costs less estimated residual values of fixed assets other than freehold land and buildings are written off over their estimated useful lives on a straight line basis using the following annual rates:

Fixtures and Fittings and Office Furniture	20%
Computer Equipment	20% to 50%
Office Equipment	20%
Motor Vehicles	20%

## Investments in Subsidiary Undertakings

Investments in subsidiaries are measured at cost less accumulated impairment.

If the estimated recoverable amount is lower than carrying amount, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognised immediately in the income statement.

## Pension Costs

The Group operates a defined benefit pension scheme and a defined contribution pension scheme for its people. The assets of the schemes are held separately from those of the Group in independently administered funds.

Contributions to the defined contribution pension schemes are charged to the income statement as incurred.

The defined benefit pension scheme's assets are measured at market value at each balance sheet date and the liabilities are measured using the projected unit method with a suitable control period which reflects the expected ageing of the scheme, discounted using the current rate of return on a high quality corporate bond of equivalent term to the liability.

Any resultant deficit is carried on the balance sheet, as is the associated deferred tax. Scheme surpluses are not recognised.

Increases in the present value of scheme liabilities from employee service or service benefit improvements, are charged to the income statement as administrative expenses. The expected return on the scheme's assets less the increase in the scheme's liabilities, arising from the passage of time, is disclosed as pension finance income or charge.

Any resulting actuarial gains or losses, that is gains or losses arising from differences in the expected return on scheme assets compared to the actual return and changes in assumptions, or factors which affect those assumptions, used in measuring the scheme liabilities, are recognised immediately in the Statement of Comprehensive Income.

## Investment Properties

When land and buildings are held for rental purposes or capital appreciation, they are classified as investment properties and held in

the balance sheet at their open market valuation and not depreciated. When the Society ceases operational uses of buildings they are transferred to investment property. Changes in the fair value are included in the income statement in the period in which they arise.

## Financial Instruments

Purchases and sales of financial assets are accounted for at settlement date. In accordance with IAS 39 the financial instruments of the Group have been classified into the following categories:

### i) Loans and advances

Interest in respect of all loans is measured using the effective interest rate method.

### ii) At fair value through income and expenditure

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The need for credit valuation adjustments is considered in the determination of the fair value of derivatives. All derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative.

Derivatives can be designated as fair value hedges.

### iii) Available for sale

Available for sale assets are non-derivative financial assets that are not classified into either of the two categories above. The available for sale assets are held at fair value with changes in the fair value recognised in other comprehensive income. Impairment losses are recognised in the income statement when they arise.

The premia and discounts arising from the purchase of available for sale assets are amortised over the period to the maturity date of the security on an effective yield basis. Any amounts amortised are charged or credited to the income statement in the relevant financial years.

### iv) Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method, except for those financial liabilities measured at fair value through income and expenditure, e.g. derivative liabilities.

### v) Derecognition of financial assets and liabilities

Financial assets are only derecognised when the contractual rights to receive cash flows from them have expired or when the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are only derecognised when the obligation is discharged, cancelled or has expired.

## NOTES TO THE ACCOUNTS

### vi) Fair value hedges

A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate loans and investment products. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the period to maturity. If derivatives are not designated as hedges then changes in fair values are recognised immediately in the income statement.

### Provisions for Bad and Doubtful Debts

The Group applies the measurement criteria of IAS 39. Provisions are held to reflect the directors' best estimate of the likely shortfall between the value of loans and advances and the amount that is likely ultimately to be received.

Throughout the year and at the year end, individual assessments are made of all loans and advances on properties which are in possession or in arrears by three months or more. Specific provision assessment is made against those loans and advances which are considered to be impaired. In considering the specific provision for impaired loans, account is taken of any discount which may be needed against the value of the property at the balance sheet date to agree a sale, the anticipated realisation costs and if applicable the amount recoverable under mortgage indemnity policies. The directors recognise that not all accounts in arrears will result in possession and apply a factor to reflect this probability when calculating the provision for accounts in arrears.

In addition, a collective impairment reduction is made against those loans and advances to customers where objective evidence, including forbearance measures taken to assist borrowers who are, or could be experiencing financial difficulty, indicates that it is likely that losses may ultimately be realised and thus a loss event has occurred. These factors take into account the Group's experience of default and delinquency rate, loss emergence periods, regional house price movements and adjustments to allow for forced sale values.

Loans and advances in the balance sheet are shown net of provisions. The debit or credit to the income statement comprises the movement in the provisions together with losses written off in the year. Further information on the Group's approach is included in notes 13 and 30.

### Interest Income and Expense

IAS 39 requires that financial instruments carried at amortised cost be accounted for on an effective interest rate basis. Revenue on financial instruments classified as loans and receivables, available

for sale, or financial liabilities at amortised cost, is recognised on an effective interest rate basis. The effective interest rate basis is a method of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. This calculation takes into account interest received or paid and fees and commissions paid or received that are integral to the yield as well as incremental transaction costs. The effective interest rate recognises the expected future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial instrument at initial recognition.

In respect of residential mortgages, incremental fees and costs associated with the origination of a mortgage are deferred and amortised over the mortgage product life.

### Fees and Commission Income

Fees and commissions are generally recognised on an accruals basis when the service has been provided.

## 2. Critical accounting estimates and judgements

The Group has to make estimates and judgements in applying its accounting policies which affect the amounts recognised in the financial statements. These estimates and judgements are based on the best available information at the balance sheet date. Although the Group has internal control systems in place to ensure that estimates are reliably measured, actual amounts may differ from these estimates. There are no critical accounting judgements.

The Group considers the most significant use of accounting estimates relate to the following area:

### Provisions for Bad and Doubtful Debts

The Group reviews its loan portfolios to assess impairment on a monthly basis, to determine whether an impairment loss should be recorded in the income statement. In undertaking this review, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before such decrease in an individual loan can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status or borrower's position, including forbearance measures such as a transfer to interest only products and term extensions. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment. Management also assesses the expected loss on loans and advances as a result of the movement in house price indices and the discount on the sale of possession

## NOTES TO THE ACCOUNTS

properties. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience. At 31 March 2026 the level of judgement and estimation of uncertainty reduced from the prior year position as the FRSP provision model assumptions have been refreshed to be based on the most recently available data and our FSOL provision models have been rebuilt also using the most recently available data. The downward movement in interest rates in the year combined with the continued strong asset quality performance have resulted in an overall provision release. Directly observable indications of distress in the Group's lending portfolio (such as raised arrears and forbearance requests) remain subdued and they can largely be attributed to individual life circumstances rather than macro-economic factors at 31 March 2026.

If the Group assumed that the loss given default (LGD) of each of its loans which are subject to collective impairment were to increase or decrease by 15%, holding all other assumptions constant, the following movement in provision would be seen resulting in an income statement impact:

Impact of increase/decrease in LGD	+15% £000	-15% £000
FSOL	54	(54)
FSRP	110	(110)
Total	164	(164)

If the Group assumed an increase or decrease in the probability of default (PD) of 15% across its book for loans subject to collective impairment, holding all other assumptions constant, the following increase in provision would be seen resulting in an income statement impact:

Impact of increase/decrease in PD	+15% £000	-15% £000
FSOL	53	(53)
FSRP	76	(76)
Total	129	(129)

The greater impact of LGD than PD arises due to the secured nature of the Group's primary lending portfolios and the generally low LTV of the loans.

## NOTES TO THE ACCOUNTS

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>3. Interest Receivable and Similar Income</b>				
On loans fully secured on residential property	108,297	103,684	108,297	103,684
On other loans	19,827	20,698	18,048	18,832
On debt securities				
Interest and other income	8,304	7,848	8,304	7,848
On other liquid assets				
Interest and other income	11,250	15,570	11,236	15,570
Net income on derivative financial instruments	15,243	36,236	15,259	35,947
<b>Total interest receivable</b>	<b>162,921</b>	<b>184,036</b>	<b>161,144</b>	<b>181,881</b>

All income is derived from operations within the UK.

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>4. Interest Payable and Similar Charges</b>				
On shares held by individuals	88,795	99,102	88,795	99,102
On deposits and other borrowings	5,022	9,884	5,022	9,884
Net expense on derivative financial instruments	(179)	311	(179)	311
<b>Total interest payable</b>	<b>93,638</b>	<b>109,297</b>	<b>93,638</b>	<b>109,297</b>

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>5. Fair Value Losses on Financial Instruments</b>				
Change in fair value derivatives in designated fair value hedge accounting relationships	(5,199)	(24,007)	(5,199)	(24,007)
Adjustment to hedged items in designated fair value hedge accounting relationships	1,376	20,276	1,376	20,276
Change in fair value derivatives not in designated fair value hedge accounting relationships at year end date	1,408	1,590	1,242	1,730
	<b>(2,415)</b>	<b>(2,141)</b>	<b>(2,581)</b>	<b>(2,001)</b>

The Group only uses derivatives to manage interest rate risk. Accordingly the fair value accounting (loss)/gain above represents the net fair value movement on derivative instruments that are or were matching risk exposures on an economic basis. Accounting volatility arises on these items due to accounting ineffectiveness on designated hedges, or because hedge accounting has not been adopted or is not achievable on certain items which includes derivatives used to hedge the mortgage pipeline.

During the year ended 31 March 2023 derivatives matching mortgages reserved by customers but not yet advanced, which do not qualify for hedge accounting, saw significant increases in fair value. By that year end these derivatives had largely entered into accounting hedge relationships. In the current year, the fair value movement during this historic pipeline period has continued to unwind. While declining in significance, this still accounted for the largest portion of this year's charge to the income statement (2025 - largest portion of charge). Gains and losses during the pipeline period continue but are relatively less significant.

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>6. Administrative Expenses</b>				
Staff costs (note 7)	48,383	41,624	47,492	40,842
The analysis of the auditor's remuneration is as follows:				
Fees payable to the Group's auditor for the audit of the annual accounts	562	542	514	497
Other expenses	27,864	26,239	27,533	26,049
	<b>76,809</b>	<b>68,405</b>	<b>75,539</b>	<b>67,388</b>

Group and Society administrative expenses include £23,516,000 of project based expenditure (2025 - £20,559,000), of which expenditure related to New Cumberland programme was £19,854,000 excluding capitalisation and SaaS prepayment (2025 - £15,857,000).

Capitalisation of certain project based expenses as intangible assets and tangible fixed assets are disclosed in note 15 and note 16. Prepayment of certain project based SaaS expenses are disclosed in note 19.

# NOTES TO THE ACCOUNTS

## 7. Staff Numbers and Costs

The average number of persons employed during the year (including executive directors) was as follows:

	Full time		Part time	
	2026	2025	2026	2025
Society's principal office	461	472	102	81
Society's branches	99	85	108	89
Subsidiaries	17	17	3	3
	<b>577</b>	<b>574</b>	<b>213</b>	<b>173</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
	<b>2026</b>	<b>2025</b>	<b>2026</b>	<b>2025</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
The aggregate costs of these persons were as follows:				
Wages and salaries	41,050	36,206	40,318	35,547
Social security costs	4,513	3,114	4,419	3,046
Other pension costs (note 26)	2,820	2,304	2,755	2,249
	<b>48,383</b>	<b>41,624</b>	<b>47,492</b>	<b>40,842</b>

The Society operates a salary sacrifice scheme whereby the employee agrees to a reduction in salary in return for the Group making the pension contributions that were previously paid by the employee. The amounts shown above under wages and salaries include the headline salary (i.e. before the salary sacrifice deduction) and other pension costs exclude the additional contributions made by the Group as a result of the salary sacrifice scheme. This treatment also applies to the executive directors' remuneration disclosures in the People, Remuneration and Culture Committee Report.

## 8. Taxation

### a) Analysis of charge in year:

#### Current tax

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Current corporation tax at 25% (2025 - 25%)	-	-	-	-
Adjustments in respect of prior year	(420)	29	(406)	164

#### Deferred tax

Current year	(2,963)	426	(2,816)	537
Adjustments in respect of prior year	411	(57)	515	(57)
Tax on (loss)/profit on ordinary activities	(2,972)	398	(2,707)	644
Total deferred tax relating to items of other comprehensive income	(648)	514	(648)	514

### (b) Factors affecting tax charge in year:

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax is as follows:

(Loss)/profit on ordinary activities before tax	(12,227)	1,011	(12,138)	1,718
Tax on (loss)/profit on ordinary activities at UK standard rate of 25% (2025 - 25%)	(3,057)	253	(3,035)	430
Effects of:				
Fixed asset differences	46	66	46	66
Other differences	(52)	82	(52)	17
Expenses not deductible for tax purposes	100	25	100	24
Transfer pricing adjustments	-	-	125	-
Adjustment to tax charge in respect of previous periods - current tax	(420)	29	(406)	164
Adjustment to tax charge in respect of previous periods - deferred tax	411	(57)	515	(57)
Tax on (loss)/profit on activities	(2,972)	398	(2,707)	644

Adjustments in respect of prior year primarily relate to differences between the tax charge in the prior year's financial statements and the finalised tax charge upon completion of the prior year tax return.

Deferred tax assets and liabilities are measured at whichever of the enacted tax rates are expected to apply when the related asset is realised or liability is settled.

## 9. Cash in Hand and Balances with the Bank of England

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Cash in hand	3,899	3,655	3,899	3,655
Balances with the Bank of England	232,260	282,000	232,260	282,000
<b>Included in cash and cash equivalents</b>	<b>236,159</b>	<b>285,655</b>	<b>236,159</b>	<b>285,655</b>

## NOTES TO THE ACCOUNTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances which are repayable on demand:

	Group	
	2026 £000	2025 £000
Cash in hand and balances with the Bank of England (as above)	236,159	285,655
Loans and advances to credit institutions	13,169	17,226
	<b>249,328</b>	<b>302,881</b>

10. Loans and Advances to Credit Institutions	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Repayable on call and short notice	13,169	17,226	13,169	17,226
Other loans and advances to credit institutions	5,116	-	5,116	-
	<b>18,285</b>	<b>17,226</b>	<b>18,285</b>	<b>17,226</b>

11. Debt Securities	Group and Society	
	2026 £000	2025 £000
Debt securities		
Covered bonds	178,823	150,676
Supranational floating rate notes	33,514	15,371
Supranational fixed rate notes	14,960	6,936
	<b>227,297</b>	<b>172,983</b>

Debt securities are held as available for sale assets and carried at their fair value with movements reported through other comprehensive income.

Movements in available for sale debt securities are summarised as follows:

At 1 April	172,983	140,666
Additions	75,815	37,456
Maturities and amortisation of premium and discount	(21,626)	(5,084)
(Losses)/gains from changes in fair value	(31)	(136)
Movements in accrued interest	156	81
At 31 March	<b>227,297</b>	<b>172,983</b>

The remaining maturity of debt securities are noted in note 27.

12. Loans and Advances to Customers	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Loans and advances to customers comprise:				
Loans fully secured on residential property before EIR adjustment	2,654,106	2,522,104	2,654,106	2,522,104
Effective interest rate adjustment	2,623	1,694	2,623	1,694
Loans fully secured on residential property	<b>2,656,729</b>	<b>2,523,798</b>	<b>2,656,729</b>	<b>2,523,798</b>
Other loans				
Loans fully secured on land	244,795	249,870	244,795	249,870
Other loans	29,313	27,995	1,301	1,216
Fair value adjustment for hedge risk	(12,930)	(13,740)	(12,930)	(13,740)
	<b>2,917,907</b>	<b>2,787,923</b>	<b>2,889,895</b>	<b>2,761,144</b>
Less: Provisions for bad and doubtful debts (note 13)	(1,878)	(2,321)	(1,686)	(2,068)
	<b>2,916,029</b>	<b>2,785,602</b>	<b>2,888,209</b>	<b>2,759,076</b>

Other loans include £1.301 million (2025 - £1.216 million) of overdraft lending to the Society's current account customers. Other loans of the Group also include £28.012 million (2025 - £26.779 million) of loans and advances to customers of Borderway Finance Limited.

As at 31 March 2026 £506.1 million (2025 - £396.7 million) of loans fully secured on residential property had been pledged as collateral to the Bank of England.

The effective interest rate adjustment of £2.623 million (2025 - £1.694 million) represents fees earned and incurred as a result of bringing mortgages onto the balance sheet. These fees and charges are amortised over the effective lives of the related loans.

# NOTES TO THE ACCOUNTS

	Society 2026			
	Loans fully secured on residential property £000	Loans fully secured on land £000	Other loans £000	Total £000
<b>13. Provisions for Bad and Doubtful Debts</b>				
<b>At 1 April 2025</b>				
Collective impairment	567	881	93	1,541
Individual impairment	230	282	15	527
	<b>797</b>	<b>1,163</b>	<b>108</b>	<b>2,068</b>
<b>Income and expenditure account</b>				
Charge/(release) for the year				
Collective impairment	313	(519)	14	(192)
Individual impairment	(57)	(94)	(2)	(153)
	<b>256</b>	<b>(613)</b>	<b>12</b>	<b>(345)</b>
<b>Amount written off during the year</b>				
Individual impairment	(2)	(35)	-	(37)
	<b>(2)</b>	<b>(35)</b>	<b>-</b>	<b>(37)</b>
<b>At 31 March 2026</b>				
Collective impairment	880	362	107	1,349
Individual impairment	171	153	13	337
	<b>1,051</b>	<b>515</b>	<b>120</b>	<b>1,686</b>

#### Group provisions for bad and doubtful debts

The table above relates to the Society.

Borderway Finance Limited had individual impairment provisions of £64,000 and collective provisions of £128,000 at 31 March 2026, and a provision release in the year of £11,000 to the income statement.

During the year to 31 March 2026 the Society has continued to work with its customers to ensure that they are supported. There has been a modest year on year increase in the FSRP 90 DPD arrears from a low base to a position that continues to generally remain lower than peers. For the FSOL portfolio, the value of loans 90 DPD or more has fallen. There are no sub sector concentrations evident in these cases with restructure, refinance or asset sale strategies being employed to remediate the current position.

The payment status of the Group's loans at 31 March 2026 and the current level of active forbearance by type are disclosed in note 30.

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	Society 2025			
	Loans fully secured on residential property £000	Loans fully secured on land £000	Other loans £000	Total £000
<b>At 1 April 2024</b>				
Collective impairment	1,100	872	129	2,101
Individual impairment	171	485	13	669
	<b>1,271</b>	<b>1,357</b>	<b>142</b>	<b>2,770</b>
<b>Income and expenditure account</b>				
Charge/(release) for the year				
Collective impairment	(533)	9	(36)	(560)
Individual impairment	97	(203)	15	(91)
	<b>(436)</b>	<b>(194)</b>	<b>(21)</b>	<b>(651)</b>
<b>Amount written off during the year</b>				
Individual impairment	(38)	-	(13)	(51)
	<b>(38)</b>	<b>-</b>	<b>(13)</b>	<b>(51)</b>
<b>At 31 March 2025</b>				
Collective impairment	567	881	93	1,541
Individual impairment	230	282	15	527
	<b>797</b>	<b>1,163</b>	<b>108</b>	<b>2,068</b>

#### Group provisions for bad and doubtful debts

The table above relates to the Society.

Borderway Finance Limited had individual impairment provisions of £67,000 and collective provisions of £186,000 at 31 March 2025, and a charge in the year of £82,000.

During the year to 31 March 2025 the Society continued to work with its customers to ensure that they were supported. There was a modest year on year increase in the 90 DPD arrears from a low base to a position that continued to generally remain lower than peers. The main driver for the FSRP 90 DPD arrears increase being 5 Owner Occupied customers totalling £2.4m where the arrears had been caused by changes in their personal circumstances (relationship breakdown or health issue). All of the 5 cases were below 50% LTV. For the FSOL portfolio, a small number of higher value cases had driven the year-on-year increase. There were no sub sector concentrations evident in these cases with restructure, refinance or asset sale strategies being employed to remediate the current position.

The payment status of the Group's loans at 31 March 2025 and the level of active forbearance by type are disclosed in note 30. At 31 March 2025 the level of judgement and estimation of uncertainty reduced from the prior year position as the FRSP provision model assumptions had been refreshed to be based on the most recently available data and, while aspects of the cost of living challenge remained, the downward movement in interest rates combined with the strong asset quality performance resulted in cost of living overlays that we judged necessary at 31 March 2024 being removed at 31 March 2025.

## NOTES TO THE ACCOUNTS

14. Investments in Subsidiary Undertakings			Society
	Shares £000	Loans £000	Total £000
Cost less impairment at 1 April 2025	870	21,151	22,021
Advances	-	1,848	1,848
Repayments	-	(1,000)	(1,000)
Cost less impairment at 31 March 2026	870	21,999	22,869
Cost less impairment at 1 April 2024	870	22,548	23,418
Advances	-	1,603	1,603
Repayments	-	(3,000)	(3,000)
Cost less impairment at 31 March 2025	870	21,151	22,021

The loans principally relate to the Society's operational funding of Borderway Finance Limited, the Group's vehicle finance subsidiary.

### Subsidiary undertakings

The Society has ordinary share investments in the following subsidiary undertakings, all registered in England at the Society's Principal Office, Cumberland House, Cooper Way, Parkhouse, Carlisle, CA3 0JF, and in each case the interest of the Society is 100%.

	Company Number	Principal Activity
Direct		
Cumberland Holdings Limited	02332404	Holding Company
Indirect		
Borderway Finance Limited	03048466	Motor Vehicle Finance

15. Intangible Assets (Group and Society)			Total £000
	Externally Acquired £000	Internally Developed £000	
Cost			
At 1 April 2025	1,918	4,766	6,684
Additions	-	-	-
At 31 March 2026	1,918	4,766	6,684
Amortisation			
At 1 April 2025	1,688	3,726	5,414
Charge for year	70	521	591
At 31 March 2026	1,758	4,247	6,005
Net book value			
At 31 March 2026	160	519	679
At 31 March 2025	230	1,040	1,270

The Group has capitalised internally generated intangible assets where this treatment can be adopted. The Group capitalised assets to the value of £nil (2025 - £220,000) that met the definition of an intangible asset under FRS 102. In 2025 this included IT development costs and certain staff costs. Amortisation of such assets is charged to the Income Statement on a straight line basis over the useful life of the asset once the asset is brought into use, the useful life of such assets is determined to be between three and five years - five years for new core systems and usually three years for system enhancements of existing platforms, reflecting their expected replacement or upgrade prior to the end of the New Cumberland programme.

## NOTES TO THE ACCOUNTS

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Equipment, Fixtures and Fittings and Vehicles £000	Total £000
<b>16. Tangible Fixed Assets (Group)</b>				
Cost				
At 1 April 2025	13,504	3,255	16,930	33,689
Additions	1,176	-	1,043	2,219
Transfer from investment property	325	-	-	325
Disposals	(32)	-	(132)	(164)
At 31 March 2026	14,973	3,255	17,841	36,069
Depreciation				
At 1 April 2025	8,465	504	13,743	22,712
Charge for year	813	33	934	1,780
Disposals	(13)	-	(105)	(118)
At 31 March 2026	9,265	537	14,572	24,374
Net book value				
At 31 March 2026	5,708	2,718	3,269	11,695
At 31 March 2025	5,039	2,751	3,187	10,977

### Tangible Fixed Assets (Society)

Cost				
At 1 April 2025	13,151	3,255	17,071	33,477
Additions	1,168	-	1,035	2,203
Transfer from investment property	325	-	-	325
Disposals	(32)	-	(132)	(164)
At 31 March 2026	14,612	3,255	17,974	35,841
Depreciation				
At 1 April 2025	8,104	504	13,967	22,575
Charge for year	813	33	911	1,757
Disposals	(13)	-	(105)	(118)
At 31 March 2026	8,904	537	14,773	24,214
Net book value				
At 31 March 2026	5,708	2,718	3,201	11,627
At 31 March 2025	5,047	2,751	3,104	10,902

During the year ended 31 March 2026 one property was transferred to fixed assets from investment properties due to a change in use, one property was sold and a profit of £57,000 was recognised, with a further £1,000 profit recognised on sale of vehicles. In the prior year, £41,000 profit was recognised on sale of vehicles.

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>17. Investment Properties</b>				
At 1 April	1,585	1,013	1,585	1,013
Transfer from tangible fixed assets	-	412	-	412
Transfer to tangible fixed assets	(325)	-	(325)	-
Disposals	(410)	(78)	(410)	(78)
Revaluation	130	238	130	238
At 31 March	980	1,585	980	1,585

Valuations of all investment properties were carried out on an open market value basis by an independent valuer, I Henderson BSc MRICS of Carigiet Cowen, as at 31 March 2026. During the year ended 31 March 2026 three properties were sold (2025 - one) and a loss of £20,000 (2025 - £9,000 loss) was recognised. The loss on sale of £20,000 (2025 - £9,000 loss) and revaluation gain of £130,000 (2025 - £238,000 revaluation gain) result in a total income statement credit of £110,000 (2025 - £229,000 credit).

## NOTES TO THE ACCOUNTS

If investment properties had not been revalued they would have been included at the following amounts:

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Cost	1,807	2,427	1,807	2,427
Depreciation	(1,124)	(1,335)	(1,124)	(1,335)
	683	1,092	683	1,092

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	Group and Society	
	2026 £000	2025 £000
Within one year	102	82
In the second to fifth years inclusive	224	231
After five years	26	1
	352	314

The Group is additionally contractually obliged to carry out annual repairs and maintenance in respect of investment properties, which in the year ended 31 March 2026 amounted to £4,000 (2025 - £32,000).

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>18. Other Assets</b>				
Corporation tax	2,233	1,692	2,002	1,489
Deferred taxation asset (note 20)	2,000	-	1,633	-
Other	8	11	-	-
	4,241	1,703	3,635	1,489

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>19. Prepayments and Accrued Income</b>				
Prepayments	5,224	3,830	4,763	3,460
Prepayment relating to SaaS arrangement	6,536	108	6,536	108
	11,760	3,938	11,299	3,568

During the year, the Group recognised £6,428,000 (2025 - £108,000) as prepayments in respect of configuration and customisation activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS access over the contract term. Note 2 describes the Group's accounting policy in respect of configuration and customisation costs incurred in implementing SaaS arrangements.

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>20. Deferred Taxation</b>				
At 1 April	(1,200)	(317)	(1,316)	(322)
Credit/(charge) to income and expenditure account (note 8)	2,552	(369)	2,301	(480)
Credit/(charge) to other comprehensive income	648	(514)	648	(514)
<b>Deferred tax asset/(liability) at 31 March</b>	2,000	(1,200)	1,633	(1,316)

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

Difference between accumulated depreciation and amortisation and capital allowances	(127)	(111)	(124)	(108)
Tax losses	3,420	576	3,053	458
Investment in equity shares	(1,756)	(2,204)	(1,756)	(2,204)
Debt securities	50	42	50	42
Other temporary differences	413	497	410	496
	2,000	(1,200)	1,633	(1,316)

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

# NOTES TO THE ACCOUNTS

	Group and Society	
	2026 £000	2025 £000
<b>21. Shares</b>		
Held by individuals	2,971,809	2,814,005
Other	72,704	75,339
Fair value adjustment for hedged risk	(115)	451
	<b>3,044,398</b>	<b>2,889,795</b>

Other shares include deposits from our SME customers.

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>22. Other Liabilities</b>				
Other liabilities falling due within one year:				
Deferred tax liability (note 20)	-	1,200	-	1,316
Other creditors	2,661	2,246	4,167	3,757
	<b>2,661</b>	<b>3,446</b>	<b>4,167</b>	<b>5,073</b>

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>23. Accruals and Deferred Income</b>				
Administrative and operating costs	10,963	7,270	10,791	7,159
	<b>10,963</b>	<b>7,270</b>	<b>10,791</b>	<b>7,159</b>

	2026 £000	2025 £000
<b>24. Provisions for Liabilities and Charges (Group)</b>		
At 1 April	1,564	277
Charge to income and expenditure account	750	1,287
Utilised	-	-
At 31 March	<b>2,314</b>	<b>1,564</b>

#### Discretionary commission arrangements

Borderway Finance Limited, our vehicle finance subsidiary, increased its provision for redress and related claims management costs during the year by £750,000, resulting in the total provision held rising to £2,314,000. The provision has been increased to reflect our current assessment of the Financial Conduct Authority's final rules published on 30 March 2026, which provide greater clarity on the regulatory framework and the company's potential exposure. The revised provision represents management's best estimate of the likely financial outflow, based on information available at the reporting date. The provision movement includes an increase in our estimate of the cost of administering the redress scheme and adjustments to our expectation of redress likely to be due, reflecting both the passage of time and clarity in how redress will be calculated. This remains a best estimate as elements such as the level of customer participation and timing of payment on cases where commission was above the scheme de-minimis remains uncertain, as does the impact of potential legal challenge to the FCA scheme. There are no provisions for liabilities and charges held in Society.

## 25. Financial Commitments

(a) The Society has undertaken to discharge the liabilities of all its subsidiary undertakings, in so far as they are unable to discharge them out of their own assets.

(b) Capital commitments at 31 March for which no provision has been made in the accounts were as follows:

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Contracted but not provided for	256	105	256	105
(c) Memorandum items				
Irrevocable mortgage commitments*	188,344	100,893	188,344	100,893
Undrawn customer overdraft facilities	7,401	7,490	7,401	7,490

On 10 March 2025 the Society signed a 12 year contract for £72 million with TCS to build, implement and run a new Software as a Service banking platform incorporating a number of ecosystem partners. Costs incurred up to 31 March 2026 are held as a prepayment (see note 19).

\*2025 comparative updated to conform to current year irrevocable mortgage commitments.

# NOTES TO THE ACCOUNTS

## 26. Pensions

The Group operates one defined benefit pension scheme and one defined contribution scheme.

### Defined contribution scheme

The Group's defined contribution scheme is funded by contributions from the Group and its staff. The scheme is open to all new employees. The total expense charged to the income statement as part of staff costs in the year ended 31 March 2026 was £2,524,000 (2025 - £2,165,000).

### Defined benefit scheme

The group operates a defined benefit scheme which was closed to new entrants in April 2000, and to further accrual at 31 March 2015.

All of the following details relate solely to the defined benefit scheme.

The valuation used for FRS 102 disclosures has been prepared by a qualified independent actuary to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 March 2026 using the projected unit method with a suitable control period which reflects the expected ageing of the scheme. Scheme assets are stated at their market value at 31 March 2026.

The most recent full actuarial valuation was as at 26 August 2024 and showed a surplus of £1,769,000. Whilst there is no deficit and so no formal deficit reduction plan, the Society had agreed to make up to three further annual payments of £1,000,000 to support the scheme in progressing towards its Long Term Funding objective of self sufficiency. During the year ended 31 March 2026 the Society made the second payment of £1,000,000. No contributions were made in the year ended 31 March 2025.

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK and detailed investigations into historic scheme amendments remains ongoing. The Group is aware of this legal ruling and the pension scheme trustees are in the process of reviewing historical pension amendments to determine if there is any potential impact on the defined benefit scheme valuation. Initial findings suggest that there are no material issues in relation to amendments post 2008, however further work to review earlier amendments remains ongoing and as such no adjustment has been made to the valuation at 31 March 2025. In the year ended 31 March 2026 the UK government announced it would legislate in order to allow changes to be approved by scheme actuaries retrospectively if required to resolve this matter without creating unintended liabilities.

### Key assumptions used:

	2026 %	Valuation at 2025 %
Rate of increase in pensions in payment	2.10-3.25	1.95-3.00
Discount rate	6.05	5.65
Inflation assumption – RPI	3.50	3.30
– CPI	3.15	2.85

### Mortality assumptions:

Post-retirement mortality is based on 100% of the S4PxA tables (2025 - 100% of S4PxA), with projected improvements based on CMI 2025, with a long-term trend of 1.00% p.a. (2025 - 1.25% p.a.), and a smoothing parameter of 7 (2025 - 7). No allowance is made for pre-retirement mortality. In 2026 the W parameter was removed and a new half life parameter of 0.5 introduced. In the year ended 31 March 2025 a weight of 0% is applied to 2020 and 2021 and 15% to 2022 and 2023 experience to mitigate Covid-19 based distortions (100% all other years).

### The number of years' life expectancy, retiring at 62, is as follows:

	2026	2025
Retiring today:		
Males	86.3	86.1
Females	88.7	88.7
Retiring in 20 years:		
Males	87.4	87.2
Females	89.9	89.8

### The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit scheme is as follows:

	2026 £000	2025 £000
Present value of defined benefit obligations	(43,676)	(42,228)
Fair value of scheme assets	44,363	42,868
Surplus in plan	687	640
Unrecognised surplus	(687)	(640)
Liability recognised in the balance sheet	-	-

### Changes in impact of asset ceiling:

	2026	2025
Restriction due to asset ceiling at beginning of period	640	150
Interest on the asset ceiling	36	7
Change in the asset ceiling excluding interest	11	483
Restriction due to asset ceiling at end of period	687	640

Under FRS102, where a scheme is in surplus according to FRS102 assumptions, the surplus may only be recognised if it is available to the Society. A surplus is only deemed available to the extent that the Society can take a contribution holiday or if the Trustees have agreed to provide a refund to the Society. The Scheme is now closed and has no active members and no agreement has been made with the Scheme Trustees to make any refunds. Accordingly, it has been assumed that none of the surplus is currently available to the Society, unless the Scheme were to be wound up and therefore no asset was recognised at the balance sheet date.

# NOTES TO THE ACCOUNTS

## Movements in the present value of defined benefit obligations were as follows:

At 1 April	42,228	48,657
Interest cost	2,335	2,291
Service cost	-	-
Benefits paid	(1,817)	(1,868)
Actuarial loss/(gain)	930	(6,852)
At 31 March	43,676	42,228

## Movements in the fair value of scheme assets were as follows:

At 1 April	42,868	48,807
Actuarial gain/(loss)	172	(6,370)
Expected return on assets	2,392	2,299
Contributions from employer	1,000	-
Benefits paid	(1,817)	(1,868)
Expenses paid	(252)	-
At 31 March	44,363	42,868

## The analysis of the scheme assets at the balance sheet date was as follows:

Growth assets	15,313	4,023
Diversified credit	7,803	8,799
Liability driven investments (LDI)	13,985	15,367
Cash	5,843	13,448
Other assets	1,419	1,231
	44,363	42,868

The scheme's assets are not intended to be realised in the short term and their market values may be subject to significant change before the assets are realised. The scheme's mix of assets is designed to include a significant proportion of hedging which was increased during the year ended 31 March 2024 and since that point movements in assets and liabilities are substantially correlated.

## Amounts recognised in the performance statements under the requirements of FRS 102

### a) Administrative expenses

Service cost	0	0
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The service cost of £nil (2025 - £nil), plus the Group's contributions to the defined contribution schemes of £2,524,000 (2025 - £2,165,000) and life assurance premiums of £296,000 (2025 - £139,000), comprise the Group's other pension costs total of £2,820,000 (2025 - £2,304,000) shown in note 7.

The Society has directly paid administrative expenses of the scheme which in 2026 totalled £67,000 (2025 - £319,000). Further scheme administration expenses totalling £252,000 (2025 - £nil) were settled by the scheme. These scheme administration expenses totalling £319,000 (2025 - £319,000) are included within administrative expenses shown in note 6.

### b) Pension finance income

Expected return on pension scheme assets	2,392	2,299
Interest on pension scheme liabilities	(2,335)	(2,291)
Interest on asset ceiling not recognised	(36)	(7)
Pension finance income recognised in the Income Statements	21	1

### c) Statements of Comprehensive Income

Actual return less expected return on pension scheme assets	172	(6,370)
Actuarial (loss)/gain on defined benefit obligation	(930)	6,852
Actuarial (loss)/gain	(758)	482
Movement in amount of surplus not recoverable	(11)	(483)
Movement in deferred taxation relating to pension scheme	192	-
Actuarial loss recognised in the Statement of Comprehensive Income	(577)	(1)

## NOTES TO THE ACCOUNTS

d) Movement in the deficit in the scheme during the year	2026 £000	2025 £000
Deficit in scheme at beginning of year	-	-
Movement in year:		
Service cost	-	-
Contributions net of expenses paid	748	-
Pension finance income recognised in the Income Statements	21	1
Interest on the asset ceiling	36	7
Actuarial loss	(758)	482
Unrecognised surplus	(11)	(483)
Unrecognised interest on the asset ceiling	(36)	(7)
Deficit in scheme at end of year	-	-

History of experience gains and losses	2026	2025	2024	2023	2022
Actual return less expected return on pension scheme assets (£000)	172	(6,370)	(3,044)	(22,496)	(4,526)
Percentage of opening scheme assets	(0.4)	13.1	6.3	31.6	7.8
Actuarial (loss)/gain on defined benefit obligation (£000)	(930)	6,852	1,618	21,695	5,418
Percentage of opening scheme liabilities	(2.2)	14.1	3.2	30.3	7.0

Note: all figures in the table above are on the FRS102 basis.

### 27. Liquidity Risk

The Group's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Group and to enable the Group to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets, wholesale funding facilities and management controlling the operations of the business.

It is Group policy to ensure that sufficient liquid assets are available at all times to meet the Group's statutory, regulatory and operational obligations. The development and implementation of liquidity policy is the responsibility of the ALCO and approved by the Board. The day-to-day management of liquidity is the responsibility of Treasury with oversight from the Group's independent Risk Function.

A series of liquidity stress tests are performed each month to confirm that liquidity levels in relation to the limits remain appropriate. The ALCO is responsible for setting limits over the level and maturity profile of wholesale funding and for monitoring the composition of the Group balance sheet.

Limits on potential cash flow mismatches over defined time horizons are the principal tool used to control liquidity. The size of the Group's holdings of readily realisable liquid assets is primarily driven by such potential outflows but with due regard given to the Group's ability to access contingent funding from the Bank of England, for which the Group maintains a pool of prepositioned but unencumbered assets.

#### Maturity profile of financial instruments

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period between the balance sheet date and the contractual maturity date. The Society's maturity grouping is not materially different to the Group position.

At 31 March 2026:	Repayable on demand £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	Over 5 years £000	Derivative fair value and non interest bearing £000	Group Total £000
<b>Assets</b>							
Cash in hand and balances with the Bank of England	235,848	-	-	-	-	311	236,159
Loans and advances to credit institutions	13,169	5,116	-	-	-	-	18,285
Debt securities	-	4,998	36,001	185,125	-	1,173	227,297
Derivative financial instruments	-	-	-	-	-	26,659	26,659
Loans and advances to customers							
Loans fully secured on residential property and land	3,324	25,473	69,703	441,481	2,358,920	(11,873)	2,887,028
Other loans	1,301	88	1,154	26,716	54	(312)	29,001
<b>Liabilities</b>							
Shares	1,854,844	500,865	537,611	132,336	-	18,742	3,044,398
Derivative financial instruments	-	-	-	-	-	2,046	2,046
Amounts owed to credit institutions	-	43,000	7,000	-	-	545	50,545
Amounts owed to other customers	80,503	34,048	10,245	82	-	261	125,139

# NOTES TO THE ACCOUNTS

	Repayable on demand £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	Over 5 years £000	Derivative fair value and non interest bearing £000	Total £000
<b>At 31 March 2025:</b>							
<b>Assets</b>							
Cash in hand and balances with the Bank of England	285,247	-	-	-	-	408	285,655
Loans and advances to credit institutions	17,226	-	-	-	-	-	17,226
Debt securities	-	-	15,029	140,011	16,926	1,017	172,983
Derivative financial instruments	-	-	-	-	-	36,903	36,903
Loans and advances to customers							
Loans fully secured on residential property and land	3,384	23,071	64,739	406,908	2,273,872	(14,006)	2,757,968
Other loans	1,216	89	1,076	25,614	-	(361)	27,634
<b>Liabilities</b>							
Shares	1,823,018	473,840	439,525	135,188	-	18,224	2,889,795
Derivative financial instruments	-	-	-	-	-	3,644	3,644
Amounts owed to credit institutions	-	2,897	60,000	-	-	712	63,609
Amounts owed to other customers	82,737	30,083	9,984	317	-	268	123,389

Included within Other loans are balances of £28,012,000 (2025 - £26,779,000) relating to loans and advances to customers of Borderway Finance Limited.

## Gross contractual cash flows for financial liabilities

The following tables detail the Group's remaining undiscounted contractual cash flows for its non derivative financial liabilities including interest that will be accrued to those instruments, except where the Group is entitled and intends to repay the liabilities before their maturity. The figures in the following tables will not reconcile to the financial statements because of the undiscounted nature of the cashflows.

	Repayable on demand £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	Over 5 years £000	Derivative fair value and non interest bearing £000	Total £000
<b>At 31 March 2026:</b>							
Shares	1,866,420	504,262	541,874	134,466	-	-	3,047,022
Amounts owed to credit institutions	-	43,637	7,104	-	-	-	50,741
Amounts owed to other customers	80,934	34,128	10,316	82	-	-	125,460

<b>At 31 March 2025:</b>							
Shares	1,834,766	477,075	443,254	138,295	-	-	2,893,390
Amounts owed to credit institutions	-	3,609	60,000	-	-	-	63,609
Amounts owed to other customers	83,144	30,158	10,056	317	-	-	123,675

The following table details the Group's contractual maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows / (outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows / (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the conditions existing at the reporting date. For example, interest rates have been projected as illustrated by the yield curves existing at the reporting date.

	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	Over 5 years £000	Derivative fair value and non interest bearing £000	Total £000
<b>At 31 March 2026:</b>						
Swap contracts	5,248	9,895	10,427	41	-	25,611
<b>At 31 March 2025:</b>						
Swap contracts	10,749	13,506	9,795	3	-	34,053

## NOTES TO THE ACCOUNTS

### 28. Interest Rate Risk

The primary market risk faced by the Group is interest rate risk. The net interest income of the Group is exposed to movements in interest rates. This exposure is managed on a continuous basis, within limits set by the Board, using a combination of derivatives and the matching of naturally offsetting instruments. During the year ended 31 March 2021 the Group enhanced its interest rate risk management through commencing the process of allocating its free reserves over a 63 month profile and in 2022 introduced behaviouralisation into its treatment of a proportion of current accounts.

The Group only uses derivatives for risk management purposes, principally the management of interest rate risk, and does not run a trading book.

The Group uses interest rate stress testing and gap analysis to analyse and manage its interest rate position.

The following table provides a summary of the interest rate re-pricing profile of the Group's assets and liabilities. The Society's interest rate re-pricing profile is not materially different to the Group's position.

Assets and liabilities have been allocated to time bands by reference to the earlier of the next interest rate reset date and the contractual maturity date.

The table takes account of derivative financial instruments which alter the interest basis of Group assets and liabilities.

The table does not capture the use of reserves hedging and current account behaviouralisation discussed above.

<b>At 31 March 2026:</b>	Not more than 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but not more than 5 years £000	Derivative fair value and non interest bearing £000	Group Total £000
<b>Assets</b>						
Liquid assets	466,765	-	-	14,976	-	481,741
Derivative financial instruments	-	-	-	-	26,659	26,659
Loans and advances to customers	738,911	158,238	396,462	1,622,418	-	2,916,029
Intangible assets	-	-	-	-	679	679
Tangible fixed assets	-	-	-	-	11,695	11,695
Other assets	-	-	-	-	26,431	26,431
<b>Total assets</b>	<b>1,205,676</b>	<b>158,238</b>	<b>396,462</b>	<b>1,637,394</b>	<b>65,464</b>	<b>3,463,234</b>
<b>Liabilities</b>						
Shares	2,409,417	172,225	327,789	134,967	-	3,044,398
Derivative financial instruments	-	-	-	-	2,046	2,046
Amounts owed to credit institutions and other customers	175,684	-	-	-	-	175,684
Other liabilities, pension liability, accruals and deferred income	-	-	-	-	15,938	15,938
Reserves	-	-	-	-	225,168	225,168
<b>Total liabilities</b>	<b>2,585,101</b>	<b>172,225</b>	<b>327,789</b>	<b>134,967</b>	<b>243,152</b>	<b>3,463,234</b>
Net assets/(liabilities)	(1,379,425)	(13,987)	68,673	1,502,427	(177,688)	-
Derivative instruments	1,464,050	(54,300)	(157,900)	(1,208,850)	(43,000)	-
Interest rate sensitivity gap	84,625	(68,287)	(89,227)	293,577	(220,688)	-
Cumulative gap	84,625	16,338	(72,889)	220,688	-	-

## NOTES TO THE ACCOUNTS

<b>At 31 March 2025:</b>	Not more than 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but not more than 5 years £000	Derivative fair value and non interest bearing £000	Group Total £000
<b>Assets</b>						
Liquid assets	468,788	–	–	7,076	–	475,864
Derivative financial instruments	–	–	–	–	36,903	36,903
Loans and advances to customers	643,986	135,955	213,189	1,792,472	–	2,785,602
Intangible assets	–	–	–	–	1,270	1,270
Tangible fixed assets	–	–	–	–	10,977	10,977
Other assets	–	–	–	–	18,469	18,469
<b>Total assets</b>	<b>1,112,774</b>	<b>135,955</b>	<b>213,189</b>	<b>1,799,548</b>	<b>67,619</b>	<b>3,329,085</b>
<b>Liabilities</b>						
Shares	2,348,876	141,799	261,717	137,403	–	2,889,795
Derivative financial instruments	–	–	–	–	3,644	3,644
Amounts owed to credit institutions and other customers	181,950	5,048	–	–	–	186,998
Other liabilities, pension liability, accruals and deferred income	–	–	–	–	12,280	12,280
Reserves	–	–	–	–	236,368	236,368
<b>Total liabilities</b>	<b>2,530,826</b>	<b>146,847</b>	<b>261,717</b>	<b>137,403</b>	<b>252,292</b>	<b>3,329,085</b>
Net assets/(liabilities)	(1,418,052)	(10,892)	(48,528)	1,662,145	(184,673)	–
Derivative instruments	1,422,900	(19,400)	(137,700)	(1,265,800)	–	–
Interest rate sensitivity gap	4,848	(30,292)	(186,228)	396,345	(184,673)	–
Cumulative gap	4,848	(25,444)	(211,672)	184,673	–	–

The Society's interest rate re-pricing profile is not materially different to the Group's position.

The following table details the Group's and Society's embedded value (EV) sensitivity to a 250 basis point change in interest rates at the year end with all other variables held constant. A positive number indicates an increase to profit and equity reserves.

	<b>Group and Society +250bps 2026 £000</b>	Group and Society +250bps 2025 £000	<b>Group and Society -250bps 2026 £000</b>	Group and Society -250bps 2025 £000
Impact on equity reserves	<b>(3,318)</b>	(1,215)	<b>3,896</b>	1,557

The above interest rate risk represents the market value movement, calculated using a discounted cash flow basis, on all of the Society's financial assets and liabilities, resulting from an immediate 250 basis points parallel shift in interest rates.

Other interest rate risk exposures, such as basis risk (the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics, such as SONIA and Bank of England Base Rate) and prepayment risk (the risk of loss arising from early repayments of fixed rate mortgages or withdrawal of fixed rate savings) are also monitored closely and regularly reported to the ALCO.

## NOTES TO THE ACCOUNTS

### 29. Wholesale Credit Risk

The Society holds various liquid investments, including central bank deposits, in order to satisfy operational demand, earn interest and to meet current and future liquidity requirements. Credit risk arises because of factors such as deterioration in the counterparty's financial health and uncertainty within the wholesale market generally.

Wholesale lending credit risk is managed through setting limits to each type of investment in relation to time to maturity, credit rating and country of origin. These limits are set by the ALCO, approved by the Board and monitored by the treasury team on a continuous basis.

Comprehensive management information ensures that credit risk is effectively controlled, and any adverse trends are identified before they impact on performance.

There has been no change in the year to the manner in which the Group manages and measures wholesale credit risk.

At 31 March 2026 none of the Group's treasury portfolio exposure was either past due or impaired. There are no assets that would otherwise be past due or impaired whose terms have been renegotiated. 99% (2025 - 94%) of the Group's treasury investments are rated A3 or better.

	2026 %	Group and Society 2025 %
Aaa	-	-
Aa1-A3	50	37
Sovereign exposure to the UK	49	57
Other	1	6
	100	100

All wholesale exposures are to UK financial institutions or supranational institutions. The largest exposure to a single institution other than the UK Government was £46.5 million (2025 - £40.5 million). Exposures to supranational institutions total £48.5 million (2025 - £22.3 million).

Wholesale credit risk is recorded in the extracts from the balance sheet below:

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
Cash in hand and balances with the Bank of England	236,159	285,655	236,159	285,655
Loans and advances to credit institutions	18,285	17,226	18,285	17,226
Debt securities	227,297	172,983	227,297	172,983
<b>Total wholesale credit risk</b>	<b>481,741</b>	<b>475,864</b>	<b>481,741</b>	<b>475,864</b>

Credit risk also arises from the Group's derivatives. The Group's agreements to enter derivatives transactions with counterparties are all documented through the International Swaps and Derivatives Association (ISDA) Master Agreement. All derivatives entered into during 2026 are centrally cleared (2025: all derivatives). In addition, the Group's agreements in respect of repurchase contracts are documented through the Global Master Repurchase Agreement (GMRA). Credit Support Annexes are in place with all of the Group's ISDA and GMRA counterparties. These provide the legal basis for measuring the extent of any credit risk exposures and govern how cash is moved as collateral between the Group and the counterparty to offset these exposures, which arise as a result of movements in interest rates. At 31 March 2026 the Group had no open repurchase transactions (2025 - nil).

# NOTES TO THE ACCOUNTS

## 30. Credit Risk on Loans and Advances to Customers

Experienced credit risk functions operate within the Group and comprehensive management information on movements and performance within the various loan portfolios ensures that credit risk is effectively controlled, and any adverse trends are identified before they impact on performance. The only difference between the Group and Society's exposure is the vehicle loans of Borderway Finance Limited of £28,012,000 (2025 - £26,779,000) held within other loans.

The Group's exposure to retail credit risk can be broken down as follows:

	2026 £000	Group 2025 £000
Loans fully secured on residential property	2,654,106	2,522,104
Loans fully secured on land	244,795	249,870
Other loans	29,313	27,995
Total gross exposure (contractual amounts)	2,928,214	2,799,969
Impairment and hedging adjustments	(14,808)	(16,061)
EIR adjustment	2,623	1,694
<b>Total net exposure</b>	<b>2,916,029</b>	<b>2,785,602</b>

### Loans fully secured on residential property

The Group is firmly committed to the management of this risk at all stages of the lending cycle. The Group closely monitors customer affordability and income multiples at the application and underwriting stage and takes a proactive approach to the control of bad and doubtful debt, which is managed by a specialist team dedicated solely to the collections and recovery process.

	Group and Society	
Geographical distribution	2026 %	2025 %
North West	45	46
Scotland	10	10
London	10	10
South East	11	11
South West	10	10
Yorkshire & Humberside	3	3
East of England	2	2
North East	2	2
West Midlands	3	2
East Midlands	2	2
Wales	2	2
	<b>100</b>	<b>100</b>

### Loan to value distribution:

The indexed loan to value analysis on the Group's residential loan portfolio is as follows:

	2026	2025
<70%	74	76
70%-80%	18	16
80%-90%	7	7
>90%	1	1
	<b>100</b>	<b>100</b>

The overall indexed loan-to-value of the residential portfolio is 44% (2025 - 43%).

The following table provides further information on the Group's loans fully secured on residential property by payment due status. The balances exclude the fair value adjustment for hedged risk and impairment losses.

Payment due status	Group and Society		Group and Society	
	2026 £000	2026 %	2025 £000	2025 %
<b>Not impaired:</b>				
Neither past due nor impaired	2,617,416	99	2,497,152	99
Past due up to 3 months but not impaired	29,245	1	18,074	1
<b>Impaired:</b>				
Past due 3 to 6 months	3,028	-	3,707	-
Past due 6 to 12 months	1,778	-	1,576	-
Past due more than 12 months	2,639	-	1,595	-
	<b>2,654,106</b>	<b>100</b>	<b>2,522,104</b>	<b>100</b>

Note: Loans in the analysis above which are less than three months past due have collective impairment allowances set aside to cover credit losses.

# NOTES TO THE ACCOUNTS

## Forbearance strategies

The Group continues to operate arrears management strategies that minimise credit risk whilst ensuring good customer outcomes. Such forbearance strategies include the use of arrangements to assist borrowers in arrears who are able to meet agreed repayment strategies, and aim to avoid repossession.

The Group will use forbearance when it is in the customer best interest and in order to allow a regularisation of the customer debt.

	Payment Holiday £000	Payment concessions including interest only £000	Arrears capitalised £000	Transfer to interest only £000	Total forbearance £000
<b>At 31 March 2026:</b>					
Neither past due nor impaired	-	52	562	-	614
Past due up to 3 months	-	2,878	-	-	2,878
Past due more than 3 months	-	1,167	-	-	1,167
<b>Total loans and advances</b>	-	<b>4,097</b>	<b>562</b>	-	<b>4,659</b>

<b>At 31 March 2025:</b>					
Neither past due nor impaired	-	2,475	192	50	2,717
Past due up to 3 months	-	85	86	-	171
Past due more than 3 months	-	-	-	-	-
<b>Total loans and advances</b>	-	<b>2,560</b>	<b>278</b>	<b>50</b>	<b>2,888</b>

## Loans fully secured on land

Credit risk associated with lending fully secured on land is affected by similar factors as for residential mortgages, although on average loans are generally larger and reflect the Group's primary focus on tourism related sectors. The recent extended period of elevated interest rates, economic challenges and variable weather have created volatility in tourism demand and operating costs impacting customers, however the portfolio continues to show resilience with 90 DPD arrears having moved lower year on year. Arrears remain modest, well secured and they are being proactively managed by a specialist team.

Loans fully secured on land are split by industry type as follows:

Industry type	Group and Society	
	2026 %	2025 %
Leisure and hotel	91	92
Commercial investment and industrial units	2	3
Offices	3	-
Others, including mixed use	4	5
	<b>100</b>	<b>100</b>
<b>Unindexed loan to value distribution</b>		
<70%	95	94
70%-80%	5	3
80%-90%	-	3
>90%	-	-
	<b>100</b>	<b>100</b>

The following table provides further information on the Group's loans fully secured on land by payment due status. The balances exclude the fair value adjustment for hedged risk and impairment losses.

Payment due status	Group and Society		Group and Society	
	2026 £000	2026 %	2025 £000	2025 %
<b>Not impaired:</b>				
Neither past due nor impaired	237,038	97	235,811	94
Past due up to 3 months but not impaired	3,778	2	9,034	4
<b>Impaired:</b>				
Past due 3 to 6 months	2,878	1	2,083	1
Past due 6 to 12 months	576	-	2,478	1
Past due more than 12 months	525	-	464	-
	<b>244,795</b>	<b>100</b>	<b>249,870</b>	<b>100</b>

Loans in the analysis above which are less than three months past due have collective impairment allowances set aside to cover credit losses. The Group utilises a variety of strategies to support its commercial borrowers, particularly those in hospitality and tourism which have seasonal trading patterns. In doing this it ensures that customers are treated fairly while deploying strategies to minimise credit risk.

A small proportion of the Group's commercial mortgage borrowers continue to make use of forbearance, as some have experienced cash flow challenges as a result of the challenging trading conditions created by the UK's muted economic environment, the period of elevated interest rates and wage (including employee national insurance) cost pressures. The majority of forbearance at 31 March 2026 reflects the seasonal cash flow of our hotel and guest house borrowers, but also includes support required due to other factors such as ill health or material loss of income.

# NOTES TO THE ACCOUNTS

		Payment concessions including interest only £000	Arrears capitalised £000	Transfer to interest only £000	Total forbearance £000
<b>At 31 March 2026:</b>					
Neither past due nor impaired	-	528	-	-	528
Past due up to 3 months	-	978	-	-	978
Past due more than 3 months	-	1,881	-	-	1,881
<b>Total loans and advances</b>	-	<b>3,387</b>	-	-	<b>3,387</b>
<b>At 31 March 2025:</b>					
Neither past due nor impaired	-	2,472	-	-	2,472
Past due up to 3 months	-	-	-	-	-
Past due more than 3 months	-	-	-	-	-
<b>Total loans and advances</b>	-	<b>2,472</b>	-	-	<b>2,472</b>

## 31. Derivative Financial Instruments

Derivative financial instruments are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates, exchange rates, or stock market indices. These types of instruments tend to have a smaller or no initial net investment relative to financial assets/liabilities offering the same risk/return as cash flows and are generally settled at a future date.

Derivatives are only used by the Group in accordance with section 9A of the Building Societies Act 1986, to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. Derivatives are not used in trading activity or for speculative purposes.

### Types of derivatives

The main derivatives used by the Group are interest rate swaps. The following table describes the significant activities undertaken by the Group, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. These risks may alternatively be managed using on balance sheet instruments or natural hedges that exist within the Group balance sheet.

### Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

Activity	Risk	Types of derivative
Fixed rate savings products	Sensitivity to falls in interest rates	Receive fixed interest swaps
Fixed rate lending	Sensitivity to increases in interest rates	Pay fixed interest rate swaps

The following table shows the notional principal amounts of the different types of derivatives held, and their positive and negative market values:

	Group 2026			Group 2025		
	Notional principal amount £000	Positive market value £000	Negative market value £000	Notional principal amount £000	Positive market value £000	Negative market value £000
<b>At 31 March:</b>						
Interest rate swaps designated as fair value hedges	1,717,500	23,569	(1,718)	1,650,800	34,631	(3,366)
Interest rate swaps not designated as hedges	388,150	3,090	(328)	214,700	2,272	(278)
<b>Total derivatives held for hedging</b>	<b>2,105,650</b>	<b>26,659</b>	<b>(2,046)</b>	<b>1,865,500</b>	<b>36,903</b>	<b>(3,644)</b>

	Society 2026			Society 2025		
	Notional principal amount £000	Positive market value £000	Negative market value £000	Notional principal amount £000	Positive market value £000	Negative market value £000
<b>At 31 March:</b>						
Interest rate swaps designated as fair value hedges	1,717,500	23,569	(1,718)	1,650,800	34,631	(3,366)
Interest rate swaps not designated as hedges	364,250	2,958	(307)	191,000	2,235	(202)
<b>Total derivatives held for hedging</b>	<b>2,081,750</b>	<b>26,527</b>	<b>(2,025)</b>	<b>1,841,800</b>	<b>36,866</b>	<b>(3,568)</b>

The following table shows the notional principal and their residual maturity.

	Group 2026 £000	Group 2025 £000	Society 2026 £000	Society 2025 £000
<b>At 31 March:</b>				
Interest rate swaps				
Under one year	823,800	564,700	819,000	558,300
Between one and five years	1,238,850	1,284,800	1,219,750	1,267,500
Over five years	43,000	16,000	43,000	16,000
	<b>2,105,650</b>	<b>1,865,500</b>	<b>2,081,750</b>	<b>1,841,800</b>

## NOTES TO THE ACCOUNTS

### 32. Fair Values

The following tables summarise the carrying amounts and fair values of those financial assets and liabilities by category where these are different. Where available, market values have been used to determine fair values. Where market values are not available in the balance sheet, fair values have been calculated for other financial instruments by discounting cash flows at prevailing interest rates.

	Group and Society	
	Carrying Value £000	Fair Value £000
<b>At 31 March 2026:</b>		
<b>Financial assets:</b>		
Loans and advances to customers:		
Loans fully secured on residential property	2,655,678	2,661,524
Loans fully secured on land	244,280	244,807
<b>Financial liabilities:</b>		
Shares	3,044,513	3,043,128
<b>At 31 March 2025:</b>		
<b>Financial assets:</b>		
Loans and advances to customers:		
Loans fully secured on residential property	2,523,001	2,524,466
Loans fully secured on land	248,707	251,347
<b>Financial liabilities:</b>		
Shares	2,889,344	2,889,861

The fair value and carrying value of balance sheet items not included in the table above are the same, as shown on the balance sheet, due to their short term nature.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms-length transaction.

The carrying value of loans and advances to customers and shares are recognised at amortised cost using the effective interest rate method, less provisions for impairment together with fair value adjustments using discounted cash flow principles set out in IAS 39.

The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value of derivatives is calculated using discounted cash flow models. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk exposure to the various counterparties.

The above are Level 2 assets, as defined in FRS 102. In addition, the 'investment in equity shares' which is shown in the balance sheet at fair value (see note 33) includes Series A preference and ordinary C shares (which are valued in relation to ordinary A shares of Visa Inc.) which are Level 2 assets and Series B preference shares which are a Level 3 asset, as the valuation includes certain assumptions which are deemed to be unobservable.

Debt securities which are carried at fair value taken from quoted prices in active markets are disclosed in note 11 and are considered Level 1 assets.

# NOTES TO THE ACCOUNTS

The following table analyses the Group's assets and liabilities by the class of financial instrument to which they are assigned on a measurement basis:

	Financial assets/ liabilities at fair value through income statement £000	Financial assets available for sale £000	Loans and receivables £000	Financial liabilities at amortised cost £000	Non-financial assets/ liabilities £000	Total £000
<b>At 31 March 2026:</b>						
<b>Financial assets:</b>						
Cash and balances with the Bank of England	-	-	236,159	-	-	236,159
Loans and advances to credit institutions	-	-	18,285	-	-	18,285
Debt securities	-	227,297	-	-	-	227,297
Derivative financial instruments	26,659	-	-	-	-	26,659
Loans and advances to customers:						
Loans fully secured on residential property	(12,607)	-	2,655,678	-	-	2,643,071
Loans fully secured on land	(323)	-	244,280	-	-	243,957
Other loans	-	-	29,001	-	-	29,001
Investment in equity share	-	9,450	-	-	-	9,450
Non financial assets	-	-	-	-	29,355	29,355
<b>Total assets</b>	<b>13,729</b>	<b>236,747</b>	<b>3,183,403</b>	<b>-</b>	<b>29,355</b>	<b>3,463,234</b>
<b>Financial liabilities:</b>						
Shares	(115)	-	-	3,044,513	-	3,044,398
Derivative financial instruments	2,046	-	-	-	-	2,046
Amounts owed to credit institutions	-	-	-	50,545	-	50,545
Amounts owed to other customers	-	-	-	125,139	-	125,139
Non-financial liabilities	-	-	-	-	15,938	15,938
General and other reserves	-	-	-	225,168	-	225,168
<b>Total reserves and liabilities</b>	<b>1,931</b>	<b>-</b>	<b>-</b>	<b>3,445,365</b>	<b>15,938</b>	<b>3,463,234</b>
<b>At 31 March 2025:</b>						
<b>Financial assets:</b>						
Cash and balances with the Bank of England	-	-	285,655	-	-	285,655
Loans and advances to credit institutions	-	-	17,226	-	-	17,226
Debt securities	-	172,983	-	-	-	172,983
Derivative financial instruments	36,903	-	-	-	-	36,903
Loans and advances to customers:						
Loans fully secured on residential property	(13,361)	-	2,523,001	-	-	2,509,640
Loans fully secured on land	(379)	-	248,707	-	-	248,328
Other loans	-	-	27,634	-	-	27,634
Investment in equity share	-	11,243	-	-	-	11,243
Non-financial assets	-	-	-	-	19,473	19,473
<b>Total assets</b>	<b>23,163</b>	<b>184,226</b>	<b>3,102,223</b>	<b>-</b>	<b>19,473</b>	<b>3,329,085</b>
<b>Financial liabilities:</b>						
Shares	451	-	-	2,889,344	-	2,889,795
Derivative financial instruments	3,644	-	-	-	-	3,644
Amounts owed to credit institutions	-	-	-	63,609	-	63,609
Amounts owed to other customers	-	-	-	123,389	-	123,389
Non-financial liabilities	-	-	-	-	12,280	12,280
General and other reserves	-	-	-	236,368	-	236,368
<b>Total reserves and liabilities</b>	<b>4,095</b>	<b>-</b>	<b>-</b>	<b>3,312,710</b>	<b>12,280</b>	<b>3,329,085</b>

## NOTES TO THE ACCOUNTS

### 33. Investment in Equity Shares

The investment in equity shares is mostly in respect of Visa Inc. preference shares. These were originally received as part of the consideration for the sale of the Society's share in Visa Europe in June 2016. At 31 March 2026 the preference shares have been recognised at a fair value of £8,944,000 (2025 - £10,642,000). The Society also holds an investment in Ordinary C shares with a fair value of £506,000 (2025 - £601,000). The loss for the year has been recognised in the available for sale reserve, net of deferred tax.

Series A preference shares were received on partial conversion of Series B preference shares in September 2020. The £8,585,000 fair value of the Series A shares at 31 March 2026 is derived from the share price of Common A shares and the conversion factor.

Series B preference shares are convertible into Visa Inc. common stock or its equivalent at a future date, subject to potential litigation losses that may be incurred by Visa Europe. The £359,000 fair value of Series B preference shares at 31 March 2026 is derived from the share price of Common A shares by way of a conversion factor (which reduced upon the partial conversion in September 2020) discounted for illiquidity/lack of marketability and contingent litigation risks. The valuation of the Visa Inc. shares is dependent on the underlying performance of Visa Inc., broader global equity market conditions, and movements in the US dollar against pounds sterling. The fair value loss in the year of £1,793,000 occurred almost entirely in March 2026 as geopolitical tensions between the US and Iran impacted markets.

### 34. Related Parties

Transactions with directors

In the normal course of business, directors and their close family members, transacted with the Group and Society. The year end balances of transactions with directors, and their close family members, are as follows:

	Group – 2026	
	Number of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members £000
Loans and advances to customers	1	183

	Group – 2025	
	Number of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members £000
Loans and advances to customers	1	219

None of the loans to directors are impaired or have any arrears.

Under the Society rules, all Directors are required to hold a savings balance of at least £1,000. These are held on normal commercial terms and were a balance of £793,000 at 31 March 2026 (2025 - £640,000).

#### Defined Benefit Pension Scheme

The Group operates a closed defined benefit pension scheme which constitutes a related party. Details of this pension scheme and of transactions which took place during the year are shown in note 26.

### 35. Country by Country Reporting

The Capital Requirements Regulations require the Group to disclose the information below as part of 'Country by Country Reporting'.

- Nature of activities and geographical location: The principal activities of the Group are set out in the Directors' Report. The Group operates entirely in the UK and so no further Country to Country information has been presented.
- Average number of employees: information is disclosed in note 7.
- Turnover is equivalent to operating income items disclosed in the Group Statement of Income, comprising net interest receivable, fees and commissions receivable and payable and other operating (charge)/income.
- Pre-tax profit or loss represents the Group profit or loss before tax, as reported in the Group Statement of Income.
- Corporation tax paid: as disclosed in the Group Cash Flow Statement.
- Public subsidies received: none received.

# NOTES TO THE ACCOUNTS

## 36. Capital Structure

The Group's policy is to maintain a strong capital base to maintain member and market confidence and sustain its future development. The Internal Capital Adequacy Assessment Process (ICAAP) assesses the Society's capital adequacy and determines the levels of capital required going forward to support the current and future risks to the business. The Board monitors the Group's actual and projected capital position through its quarterly reporting to ensure that it is maintained at a level above its Individual Capital Guidance (ICG) as determined by the PRA.

The Total Capital Requirement required by the regulator as at 31 March 2026 was £113.36 million (unaudited). The Group has maintained capital in excess of that required by the regulator throughout the year and in doing so, has complied with the requirements included within the EU Capital Requirements Directive IV (Basel III).

In managing the Group's capital against regulatory requirements, the Board monitors:

- Lending and business decisions - the use of strict underwriting criteria establishes whether mortgage, current account overdraft, vehicle finance and secured personal loan applications fit within its appetite for credit risk;
- Pricing - pricing models are utilised for all mortgage product launches;
- Concentration risk - product design takes into account the overall mix of products to ensure that exposure to market risk is within permitted parameters;
- Counterparty risk - wholesale lending is only carried out with approved counterparties in line with the Group's lending criteria and limits, which are monitored daily to ensure the Society remains within its risk appetite.

Regular stress tests ensure the Group maintains sufficient capital for possible future events.

There have been no material changes in the Group's management of capital during the year.

## ANNUAL BUSINESS STATEMENT

For the year ended 31 March 2026

### 1. Statutory Percentages

	31 March 2026 %	Statutory Limit %
Lending Limit	10.58	25
Funding Limit	7.71	50

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

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets comprise Group total assets plus provision for bad and doubtful debts, less liquid assets, tangible fixed assets and intangible assets.

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

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

# ANNUAL BUSINESS STATEMENT

2. Other Percentages	Group	Group
	31 March 2026	31 March 2025
	%	%
As percentage of shares and borrowings:		
Gross capital	6.99	7.68
Free capital	6.65	7.33
Liquid assets	14.96	15.47
Profit for the financial year as a percentage of mean total assets	(0.27)	0.02
Management expenses as a percentage of mean total assets	2.33	2.18
	Society	Society
	31 March 2026	31 March 2025
	%	%
Management expenses as a percentage of mean total assets	2.30	2.16

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

'Shares and borrowings'	represent the total value of shares, amounts owed to credit institutions and amounts owed to other customers.
'Gross capital'	represents the general reserve and the available for sale reserve.
'Free capital'	represents the aggregate of gross capital and collective loss provisions for bad and doubtful debts less tangible and intangible fixed assets.
'Mean total assets'	represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
'Liquid assets'	represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debit securities.
'Management expenses'	represent the aggregate of administrative expenses, depreciation, impairment and profit on sale of tangible fixed assets.

## 3. Information Relating to the Directors as at 31 March 2026

Name	Occupation	Date of appointment	Other Directorships (excluding dormant companies)
J. Arnold, FCMA, FGMA	Management Consultant	19/03/18	Jackie at Eastwood Limited Furness Education Trust
M. J. Stanger, FCA	Chartered Accountant	01/06/18	None
S. Miller	Chief Executive Officer	31/03/26	Cumberland Holdings Limited
R. B. Ellison, CA, MA Hons	Chief Financial Officer	22/05/19	Kingdom Bank Limited Cumberland Holdings Limited
V. J. Bruce	Company Director	29/09/20	Agitos Foundation
K. M. Fairbrother	Company Director	29/09/20	xigxag Limited Liberty Wines Limited Hola Caracola Limited
A. Barsby	Company Director	01/06/22	Tessiant Limited ACR Cars Limited Talent Mapper Limited
C. Marr	Company Director	01/11/23	Hewlett Packard International Bank DAC Mars Capital Finance Ireland DAC AIB Merchant Services Guarantee Trust Bank (UK) Limited
R. Pike	Company Director	06/06/24	FBD Insurance PLC FBD Holding PLC Citadel Securities (Europe) Ltd Citadel Securities (Ireland) Ltd Tuath Housing Association Monzo Bank EU

Mr S Miller is employed under a contract terminable by the Society on nine months' notice or by the individual on six months' notice. Mr S Miller's contract was signed on 3 December 2025.

Mr R.B. Ellison is employed under a contract terminable by the Society on nine months' notice or by the individual on six months' notice. Mr R.B. Ellison's contract was signed on 29 January 2019.

Correspondence to the directors jointly or individually should be addressed 'Private and Confidential' and c/o Deloitte LLP, 1 City Square, Leeds, LS1 2AL.

# OTHER INFORMATION

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# GLOSSARY

AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
BAFO	Best And Final Offer
BFL	Borderway Finance Limited
BP(S)	Basis Point(s)
BRC	Board Risk Committee
BTL	Buy to Let
CBS	Cumberland Building Society
CCyB	Countercyclical Capital Buffer
CCO	Chief Customer Officer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CITO	Chief Information and Transformation Officer
CPSO	Chief People & Sustainability Officer
CRO	Chief Risk Officer
EPC	Energy Performance Certificate
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FSCS	Financial Services Compensation Scheme
FSOL	Mortgages Fully Secured on Land
FSRP	Mortgages Fully Secured on Residential Property
HL	Holiday Let
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Advisor
ILAAP	Internal Liquidity Adequacy Assessment Process
ILTR	Index Long-Term Repo
IMT	Incident Management Team

KPI	Key Performance Indicator
KYC	Know Your Customer
LCP	Liquidity Contingency Plan
LDI	Liability Driven Investment
LMS	Learning Management System
LTV	Loan to Value
Management expenses	Administrative expenses, depreciation and impairment and profit on sale of tangible fixed assets as adjusted by items excluded from operating profit
MI	Management Information
MSA	Master Services Agreement
NGC	Nomination and Governance Committee
NIM	Net Interest Margin
NPS	Net Promoter Score
PARC	People, Remuneration and Culture Committee
PRA	Prudential Regulation Authority
RAG	Red, Amber, Green
RFP	Request for Proposal
SDDT	Small Domestic Deposit Takers Regime
SLT	Senior Leadership Team
SMCR	Senior Managers & Certification Regime
SME	Small and Medium Enterprise
SMF	Sterling Monetary Framework
SONIA	Sterling Overnight Index Average
SVR	Standard Variable Rate
TCR	Total Capital Requirement
TCS	Tata Consultancy Services
TFSME	Term Funding Scheme with Additional Incentives for SMEs

# CALCULATION OF THE GROUP'S KPIs

## Feefo rating

The Feefo rating is the average score received, out of 5, from customers who review the Group's service on the feedback platform Feefo.

## Engagement score

The Engagement Score is based on the responses of our People to the B-heard survey provided by Best Companies and represents the level of employee engagement across a range of workplace factors and commitment to delivering the Group's objectives.

## Group profit before tax

Group profit before tax is the net amount earned after taking into account all expenses as shown in the statutory Income Statement.

## Group profit before tax as a % of mean total assets

This ratio shows the Group's profit before tax to its mean total assets, which are calculated as the simple average of total assets at the beginning and end of the financial year. It allows the Board to understand the relationship between profitability and the size of the balance sheet.

## Common equity tier 1 capital ratio

Common Equity Tier 1 (CET 1) is the highest form of regulatory capital available and is a measure of financial strength and an entity's ability to absorb future operational losses if and when they arise, and its ability to support future balance sheet growth. In the case of the Group CET1 capital primarily comprises internally generated capital from retained profits. An adjustment is made to deduct intangible assets. CET 1 capital is fully loss absorbing. This ratio, which under regulatory rules incorporates profits that have been both earned and verified, is expressed as a percentage of the Group's total Risk Weighted Assets.

## Net interest margin

This ratio takes the interest received from all financial instruments (principally loans, but including liquid assets and swaps), minus the interest paid on financial liabilities (principally members share accounts, but also deposits by our business customers, swaps and market counterparties) as a percentage of average financial assets. It reflects the margin earned by the Group.

## Cost / income ratio

This ratio shows operating costs (administrative expenses and depreciation) expressed as a percentage of total income, being the sum of net interest income, fees and commissions receivable, other operating income and fees and commissions payable. This ratio measures how much the Group spends to earn each £1 of income.

## Growth in loans and advances to customers

This shows the net change in the Group and Society lending books – principally the mortgage books but also vehicle finance and overdrafts.

## Gross lending during the year

This figure shows the amount lent by the Group prior to repayments, redemptions and other movements.

## Group operating profit

Group operating profit is a non-statutory alternative performance measure. It is Group profit before tax, having excluded the impact of hedge accounting, provisions and other gains and losses determined by Management not to reflect the Group's underlying performance. It also excludes the Group's investment in the New Cumberland programme. A reconciliation between Group operating profit and statutory profit before tax is included on page 51.

## Inflow of funds from customers

This reflects the net movement of funds in and out of the Society's savings and current account products. It excludes capitalised interest.

## HQLA ratio

The HQLA ratio expresses the Group's high quality liquid assets (cash in hand, reserve account balance and certain highly-liquid securities) as a percentage of shares, deposits and other funding liabilities. The Board ensures that the Group maintains a prudent level of liquidity at all times to support its ongoing operations while seeking to avoid excessive liquidity holdings which would cause an unnecessary drag on net interest margin.

# UK CORPORATE GOVERNANCE CODE

The Code is issued by the Financial Reporting Council and a copy can be obtained at [frc.org.uk](http://frc.org.uk). This report is based on the principles of the 2024 Code. Where the Code refers to ‘company’ and ‘shareholder’, for our purposes, you should read ‘Society’ and ‘member’. The Board believes that throughout the year, the Society has had regard to the principles of the Code (in line with the Building Societies Association guidance of October 2024) in establishing and reviewing their corporate governance arrangements as required by PRA Supervisory Statement 19/15 (paragraph 2.17), and has complied with the Code save for the limited aspects explained below.

		Where to read more on how The Cumberland has complied	Pages
<b>Board Leadership and Company Purpose</b>	<b>A.</b> A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. The Board should ensure that the necessary resources, policies and practices are in place for the company to meet its objectives and measure performance against them.	Strategic Report How the Board Works	6-63 75-76
	<b>B.</b> The Board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Strategic Report How the Board Works	6-63 75-76
	<b>C.</b> Governance reporting should focus on board decisions and their outcomes in the context of the company’s strategy and objectives. Where the Board reports on departures from the Code’s provisions, it should provide a clear explanation.	Our Performance Highlights Audit Committee Report	2-3 90
	<b>D.</b> In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	Our Communities and our People Stakeholder Engagement Our approach to sustainability	20-33 77-79 34-41
	<b>E.</b> The Board should ensure that workforce policies and practices are consistent with the company’s values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Our People Stakeholder Engagement PARC Report	26-33 77-79 98-111
<b>Division of Responsibilities</b>	<b>F.</b> The chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Chair’s Welcome Meet the Board of Directors Nomination and Governance Committee Report	8-9 68-71 80-83

		Where to read more on how The Cumberland has complied	Pages
<b>Division of Responsibilities</b>	<b>G.</b> The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board’s decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company’s business.	Meet the Board of Directors Meet the Senior Leadership Team	68-71 72-74
	<b>H.</b> Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold Management to account.	Meet the Board of Directors Attendance Charts	68-71 75, 81, 85, 91, 99
	<b>I.</b> The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	How the Board Works	75-76
<b>Composition, Succession and Evaluation</b>	<b>J.</b> Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan for the Board and senior Management should be maintained. Both appointments and succession plans should be based on merit and objective criteria. They should promote diversity inclusion and equal opportunity.	Nomination and Governance Committee Report PARC Report	80-83 98-111
	<b>K.</b> The Board and its Committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	Our senior team Meet the Board of Directors	66-67 68-71
	<b>L.</b> Annual evaluation of the Board should consider its performance, composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	How the Board Works Nomination and Governance Committee Report	75-76 80-83

# UK CORPORATE GOVERNANCE CODE

		Where to read more on how The Cumberland has complied	Pages
<b>Audit, Risk and Internal Control</b>	<b>M.</b> The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	Audit Committee Report	90-96
	<b>N.</b> The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	What We Do and Why We Do It CFO's Review Viability Statement Outlook Audit Committee Report	16-19 48-57 58-62 63 90-96
	<b>O.</b> The Board should establish and maintain an effective risk management and internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Principal Risks and Uncertainties Board Risk Committee Report Audit Committee Report	44-47 84-89 90-96
<b>Remuneration</b>	<b>P.</b> Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	PARC Report	98-111
	<b>Q.</b> A formal and transparent procedure for developing policy on executive remuneration and determining director and senior Management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	PARC Report	98-111
	<b>Compliance explanation:</b> The Society did not plan to and has not engaged in a two-way engagement with employees on executive remuneration during the year.		
	<b>R.</b> Directors should exercise independent judgment and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	PARC Report	98-111





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