

annual. review

year ended 31 March 2015

INCLUDING SUMMARY FINANCIAL STATEMENT
AND NOTICE OF ANNUAL GENERAL MEETING



TALKING MORTGAGES

Nyree Legge offers help with choosing a mortgage

CUMBERLAND ESTATE AGENTS AND CUMBERLAND BUSINESS

An update on two of the Cumberland's business areas

SPOTLIGHT ON BORDERWAY FINANCE

Profiling the Cumberland's newest subsidiary

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Chairman's welcome

Welcome to the 2015 members' Annual Review



It has been another very successful year for the Cumberland, with a strong profit of £10.22 million after tax, combined with growth of over £180 million, 12.9% in our mortgage balances and 6.2% in our share (savings and current account) balances, with a net inflow of funds of over £80 million. These results have strengthened the Cumberland even further and you can read more about them on pages 12 to 15 of this booklet.

We continue to develop our services for members, particularly as digital technology changes how they wish to conduct their finances with us. This year, the launch of contactless debit cards has been one of our key initiatives. The year has also seen the integration into the Group of Borderway Finance Limited, our specialist vehicle finance provider and you can read more about this and other areas of our business on pages 4 to 9 of this booklet.

Our business and financial success reflects the competitiveness of our mortgage and savings products and our track record of providing long term value. The Cumberland was named the 'Best Regional Building Society' for 2015 at the Mortgage Finance Gazette Awards, for offering the most consistently competitive mortgage rates over the course of a year. This is the third time in six years that the Cumberland has won this award. We regard excellence in customer service as paramount, and we believe that by treating our members as 'more than a number', we can continue to compete successfully with the big banks.

Our mutual status and independence are crucial because with no demands from external shareholders, we can concentrate on putting your interests first in everything we do. On pages 19 to 23 you can read about our Annual General Meeting which will be held on 30 June. Please cast your votes, especially as each member doing so will raise 50p, to be shared between seven hospices within our operating area.

Finally, the positive results we have achieved are the outcome of a combination of our strategy, our approach to business, the skill and enthusiasm of our staff, and the strong support of you, our members, which is so much appreciated by us all. We look forward to next year with confidence.

Michael Pratt
Chairman, May 2015



talking mortgages ...with Nyree Legge

A mortgage is one of the biggest financial responsibilities you're likely to have. Whether you are making the dream of your first home come true, moving home, buying a property for investment purposes or simply looking to save money on your monthly repayments, we can help.

Nyree Legge, Assistant General Manager at the Cumberland and responsible for the smooth running of the Society's branch and estate agency network, answers our questions about mortgages.

Q What advice would you give someone looking for a mortgage?

As soon as you start thinking about your mortgage requirements, speak to a mortgage adviser. The mortgage market is incredibly competitive, with lenders offering an extensive range of mortgages, rates and terms. Our mortgage advisers are qualified and experienced, and are able to advise you on which of our mortgages will suit your circumstances, how much you can borrow and the costs involved. They will also guide you through the application process from your initial enquiry through to completion, answering any questions you may have along the way.

Q Over the last year there have been reports in the media suggesting it has become much harder to get a mortgage. Is this true?

The Mortgage Market Review, a set of new rules introduced by the Financial Conduct Authority last year, has changed the way mortgages are sold. The changes were made to ensure that people only get mortgages they can afford, both now and in the future, and to prevent some of the less responsible lending practices that were evident in parts of the lending industry. These changes have had an impact on some mortgage providers, as they adjusted to the new rules. As the Cumberland has always taken a responsible approach to lending, the changes have had little impact on

how we deal with customers. We continue to offer face-to-face appointments in all our branches, 6 days a week, with an experienced member of staff, either immediately or with relatively little notice. One of the reasons we remain so successful is that we have a track record of treating our customers fairly. We understand the risks attached with borrowing money and have always been very careful to ensure customers borrow an amount they can afford.

Q What makes the Cumberland different from other mortgage lenders?

As a building society, we are owned by you, our members, not by shareholders. This means you are our top priority and we are focused on providing you with a competitive range of financial products and the highest level of customer service. We have been helping people to buy property for 165 years and we know that moving home is a big step.

Our mortgages are amongst the most competitive available and regularly feature in national 'best-buy' tables. We were named the 'Best Regional Building Society' for 2015 by the Mortgage Finance Gazette for our consistently competitive mortgage rates.

Our experienced staff review every mortgage application on an individual basis. We do not use an automated 'credit scoring' system, which means that we can make a decision that considers your own personal circumstances and is right for you. We do everything possible to ensure that your mortgage is completed smoothly and we're always on hand to answer questions you may have, from how to deal with surveyors' reports to when to book the removal van. In addition, we do not charge you for our

mortgage advice, so if you're not sure about any aspect of getting a mortgage, you don't need to pay to find out. And remember, you can only get a Cumberland mortgage directly from us as we do not take introduced business within our operating area.

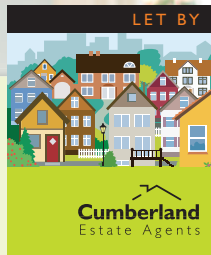
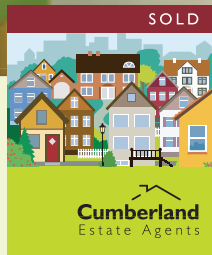
As a firm with its roots in the local community we aim to do all we can to help our region's first time buyers. We continue to offer mortgages of up to 95% of a property's value and a range of savings and mortgage products designed to make it easier to buy your first home. Also, if you are an existing borrower, when your current product reaches the end of its term you can choose from our competitive range of mortgages and receive a discount off the product fee.

We also offer a competitive range of buy-to-let mortgage products for those looking to invest in property.

Whether you are buying your new home, investing in property, or simply looking to save money on your mortgage payments we will provide free advice, exceptional service and a great value mortgage.

**Mortgage
Finance
Gazette
AWARDS 2015
WINNER
Best Regional
Building Society**

Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.



Established in 1992, Cumberland Estate Agents quickly became one of the area's largest and most trusted local estate agencies. Operating throughout Cumbria, South West Scotland and North Lancashire, Cumberland Estate Agents has developed an enviable reputation for its customer service.

Lynne Lancaster is manager of the Carlisle branch. We asked her what you should consider when selling or letting a property.

"Selling a home or letting a property is something most people do very infrequently so it's important that you choose an experienced estate agent that really understands the local market."



Lynne Lancaster

Marketing exposure is critical as this will ensure your property is seen by as many people as possible, which should result in you achieving the best price or the best tenant. Most buyers and tenants begin their search for property online with sites such as Rightmove and Zoopla and we advertise on both.

A good agent will really earn their fee through the service they provide once your property is on the market. At Cumberland Estate Agents, we pride ourselves on our service and we make sure you know what's happening with your property every step of the way. We contact everyone who views your property for feedback, and sales negotiations are managed professionally by an experienced member of staff. We regularly liaise with all those involved, including surveyors and conveyancers, so you are fully informed of progress at all times. We also have a dedicated lettings support team who manage all aspects of property letting.

I'm proud of our service, in fact a recent survey confirmed that 98% of our customers would recommend us to their friends and family."

For more information on selling or letting your property with Cumberland Estate Agents, or for details of our competitive fees, contact your local branch or visit cumberlandestateagents.co.uk

your business
is our business



Pictured (L-R) are Lee Doswell and Linda Slinger, two of Cumberland Business' Lending Managers, with Bob Bishopp, Head of Cumberland Business and Jordan Davis, Support Officer.



Cumberland Business provides mortgage, savings and banking services to businesses of all sizes in a wide range of sectors. With a wealth of experience in the business banking and lending industry, our team are able to offer a personal, friendly and professional service which your business can rely on.

Cumberland Business was formed over 20 years ago when we first started providing mortgages to businesses involved in the local leisure and tourism industry. Two decades later, the skills and experience gained has allowed us to extend lending to hotel and guesthouse owners across mainland UK. In addition, as the market for holiday home ownership expands, our team also uses its expertise to provide mortgages on holiday let properties across the country.

Another area of lending that Cumberland Business specialises in is the buy-to-let market, with tailored lending solutions available to

professional landlords with portfolios of properties.

Supported by the Society's branch network the team also offers the local business community a business current account which provides safe and secure online banking, a contactless VISA debit card and, for the majority of applicants, free banking for the first 12 months. We also offer a current account specifically for the needs of our region's schools.

If you want to know more about Cumberland Business and how they can help you or your business, visit your local branch, call our customer service team on 0845 601 8396 or 01228 403141 or visit cumberlandbusiness.co.uk



Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.



Spotlight on Borderway Finance

Borderway Finance provides funding for both private and commercial vehicles through hire and lease purchase, and also provides personal loans for homeowners.

Our experienced team take pride in their hands-on approach and always aim to provide a 'no fuss' reliable and professional service. Having provided finance for thousands of customers to help them purchase new and used vehicles, our knowledge and relationships with the region's motor dealers mean you can be assured of an unrivalled service, wherever you choose to buy your vehicle.

David Carruthers is Managing Director and has been a part of the senior management team since the business was established.

"As a locally based organisation with an experienced team, we are able to look at every application individually, doing everything we can to ensure our customers get the best possible deal. Our products are a logical extension to the Cumberland's wide range of financial services."



David Carruthers

David Carruthers is Managing Director of Borderway Finance and has been arranging vehicle finance in Cumbria and South West Scotland for 37 years.

Q What's the most important part of your role?

Ensuring that Borderway Finance deliver the highest level of service and at the same time providing a competitive, flexible approach to meet the requirements of all our customers.

Q What would you say to someone considering car finance?

Purchasing a car is the second largest financial transaction that most people will make after buying their own home.

Look at how much deposit (part exchange or cash) you can make towards the purchase, work out how much you can realistically afford to repay each month on a finance agreement and consider all the various finance options available, before you buy.



Mike Deans

Mike Deans is Sales and Marketing Director and has over 20 years experience in the motor industry.

Q What's the best piece of advice you could give someone buying a car?

Do your research and buy from a local, reputable dealer.

Q Why should I use Borderway Finance?

We provide a great personal service, consider every application individually and offer a competitive range of finance products.



Call 01228 595939

Email info@borderwayfinance.co.uk · www.borderwayfinance.co.uk

Finance available subject to status and certain conditions. Finance available to UK residents aged 18 and over only. Indemnities may be required. Authorised and regulated by the Financial Conduct Authority. Registered in England no.3048466. Registered office: Cumberland House, Cooper Way, Parkhouse, Carlisle. CA3 0JF.

Cumberland in the Community

In the last year, the Cumberland donated more than £100,000 to local projects. These are some of the recent projects supported by the Society and its staff.



Annan Girls Hornets

Annan Girls Hornets, a newly established girls-only rugby team in Annan, received a donation from the Society to help them purchase training equipment. The team was formed in the summer of 2014 and now regularly attracts around 30 participants to its training sessions.



CFM Cash For Kids



In May 2014, staff from across the Society took part in a series of fundraising activities to help buy sensory equipment for Alfie, a local child with cerebral palsy and the youngest of four quadruplets. Cumberland staff baked, quizzed, dressed up and raffled their way to a fantastic £4,500, which was donated to Alfie's family in July last year.

Cumberland Community Fund

The Society's Community Fund aims to provide financial assistance to projects that have educational objectives or involve physical activities that will benefit communities in our operating area.

Depending on the request, we provide amounts from £100 to £10,000, and we support around 150 individual applications each year.

For further details of the Community Fund, or to submit an application for support, visit www.cumberland.co.uk or email communityfund@cumberland.co.uk

The Charitable Foundation

We also support local charities and voluntary organisations through an annual donation to the Cumberland Building Society Charitable Foundation.

A total of almost £25,000 was donated by the Foundation during the year, with Blood Bikes Cumbria & South West Scotland, All Saints Community Rock Choir, Citizens Advice Allerdale and Tall Ships Youth Trust being amongst those receiving a donation.



Young crew members from the Tall Ships Youth Trust

Dane Ghyll School Garden, Ulverston



In February 2015, the Society provided a donation to Dane Ghyll Primary School to help purchase new equipment for their school garden. The garden is used as an 'outdoor classroom', helping the pupils learn about food and farming and understand the importance of wildlife and the natural environment.

CANCERCARE, LANCASTER

CancerCare is a charity that offers therapeutic support and information services to individuals who have been diagnosed with cancer and their families. The Society purchased a new washing machine for the CancerCare centre in Lancaster.



Can we help?

If you know, or are a member of, a local charity or voluntary organisation that would like to be considered for a donation, please apply via our website (www.cumberland.co.uk) or by sending an email to: enquiries@cumbriafoundation.org or charitablefoundation@cumberland.co.uk

 **Cumberland Building Society**
charitable foundation

Registered Charity No. 1072435

Summary Financial Statement

FOR THE YEAR ENDED 31 MARCH 2015

This financial statement is a summary of information in the audited annual accounts, the directors' strategic report and annual business statement, all of which will be available to members and depositors, free of charge, on demand at every office of Cumberland Building Society, and on our website, www.cumberland.co.uk, from 15 June 2015.

Summary Directors' Report

The Society has again produced a strong set of financial and business results.

Group profit after tax was £10.22 million, which relative to size, is again one of the best results in the building society industry.

This was combined with continued strong growth in:

- Mortgage balances, which increased by £180 million, 12.9%, with lending of £376 million;
- Savings and current account balances (shares), which increased by 6.2%, with an inflow of funds of £80 million, the second highest ever.

These results reflect the competitiveness and popularity of the Society's products and are the outcome of a strategy and business model which have been in place for many years, and which in turn, are enabled by the Society's independence and mutual status. Fundamental to our approach, is a commitment to put our members first and foremost in everything we do, whether in taking decisions about interest rates, or in providing new services to assist members with their finances in as many ways as we can. Excellence in customer service is regarded as vital whether through our strong branch network, the customer service contact centre in our Head Office in Carlisle, or increasingly, online.

Further details of our results are provided below, and on pages 14 and 15.

Mortgages

- Residential mortgage balances grew by 14.5% in the year, as a result of both an increase in new advances, but also, continued strong performance in retaining existing borrowers, who are offered the same products as new customers. Our mortgage performance was assisted by continued participation in the Government's Funding for Lending Scheme.
- As well as the strong levels of lending obtained directly through its branches and estate agency offices, the Society continued to develop its lending with a small number of introducer firms.
- The Society also participated strongly in the buy to let and holiday letting business markets, and in lending on commercial properties, principally in the leisure and hospitality sectors, in line with our approach for many years. Our specialist commercial

lending team have had a very successful year and whilst much of this lending is derived from within the branch operating area, many good quality applications are received from all around the country.

- The quality of the Society's residential mortgage book remains very high, with only three properties in possession at 31 March 2015, and the number of mortgage accounts in arrears remains very low in relation to industry figures.

Savings and Banking Services

- The year was another difficult one for savers, but the strong inflow of funds the Society received reflected the competitiveness of its rates, especially for existing members, as rates fell across the market generally. There was a significant flow of funds into ISAs (particularly as a result of the raising of the

annual limit), and also into current accounts for both personal and business customers.

- The Society's current account products continued to be very popular. The Cumberland was a founder member in 2013 of the 'Current Account Switch Scheme' and has far more inbound than outbound switches.
- Contactless debit cards were launched in August 2014; these are being issued to new customers as accounts are opened, with existing customers receiving theirs when their cards are renewed, although they can request one at any time.
- In April 2015 the Society began to issue VISA debit cards to corporate business current account customers. Our business current account is unique amongst building societies.

Subsidiary Companies

Cumberland Estate Agents Limited continued to deliver good quality mortgage business, and the lettings service continued to expand. In July 2014 a mobile friendly version of the Cumberland Estate Agents website was launched.

At the start of the financial year we welcomed our specialist vehicle finance provider Borderway Finance Limited to the Group and the team have made great strides in building this business over the last year.

Cumberland Financial Planning Limited, in partnership with Legal and General, and Cumberland Financial Services Limited, our independent financial advisor, continue to assist many of our members with their financial planning needs.

Charitable Donations

Details of the Society's charitable donations in the year are provided earlier in this booklet.

Board of Directors

Richard Atkinson retired as Vice-Chairman after many years of valuable service to the Cumberland. He was succeeded as Vice-Chairman by Trevor

Hebdon, and John Davidson joined the Board, bringing his considerable financial and general business experience.

Our Deputy Chief Executive John Leveson left the Society after 17 years as a member of the Board, having played a key role in the development of the Cumberland over that time in several areas of the business. Peter Temple has succeeded him in this role, and Chris McDonald joined the Board as Operations and Human Resources Director.

Corporate Governance

The Society's Board believes that it conforms to best practice in relation to corporate governance and the Board has regard to and has adopted, where it is believed relevant, the UK Corporate Governance Code, including the revisions which became effective in October 2014.

Outlook for 2015-16

- The Group will continue to develop its services for members. It is envisaged that the Society's mobile app and internet banking systems will be upgraded during the coming year with several new functions being incorporated, including an improvement in their responsiveness to different devices. The Group's websites will be redeveloped, to enhance the range of tools and information available. As strong and as popular as they already are, the further development of our digital services is a core part of our strategy for the next few years.
- The Cumberland remains committed to its independent, mutual status, which enables us to act solely for the benefit of our members. We will continue to maintain our strong financial position and expand our business further, while providing competitive rates and excellent services for members in order to achieve our aim of being the natural choice for financial services for the people of our operating area.

On behalf of the Board
Michael Pratt, Chairman 19 May 2015

Financial Results

FOR THE YEAR ENDED 31 MARCH 2015

	Group 2015	Group 2014
	£000	£000
Results for the year		
Net interest receivable	26,841	23,998
Other income and charges	6,366	5,888
Administrative expenses and depreciation	(20,082)	(18,321)
Gain on disposal of investment property	786	-
Provisions for bad and doubtful debts	(218)	(137)
Provision for FSCS levy	(873)	(1,162)
Profit for the year before taxation	12,820	10,266
Taxation	(2,602)	(2,609)
Profit for the year	10,218	7,657
Statement of total recognised gains and losses		
Profit for the financial year	10,218	7,657
Actuarial (loss)/gain recognised in pension scheme	(5,910)	532
Movement in deferred tax relating to pension scheme	1,182	(106)
Unrealised (loss)/gain on revaluation of investment properties	(85)	515
Total recognised gains and losses for the year	5,405	8,598
Financial position at end of year		
ASSETS		
Liquid assets	297,416	273,824
Mortgages	1,578,935	1,398,213
Other loans	9,812	1,688
Fixed and other assets	17,507	19,164
Total assets	1,903,670	1,692,889
LIABILITIES		
Shares	1,521,695	1,433,199
Borrowings	238,359	126,360
Other liabilities	13,095	8,214
Reserves	130,521	125,116
Total liabilities	1,903,670	1,692,889

	Notes	2015	2014
		%	%
Summary of key financial ratios			
Gross capital as a percentage of shares and borrowings	1	7.42	8.02
Liquid assets as a percentage of shares and borrowings	2	16.90	17.56
Profit for the year as a percentage of mean total assets	3	0.57	0.47
Management expenses as a percentage of mean total assets	4	1.12	1.13

Approved by the Board of Directors on 19 May 2015

M J Pratt Chairman
T Hebdon Vice-Chairman and Chairman of the Audit and Risk Committee
K Parr Chief Executive

NOTES

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

Independent auditor's statement to the members and depositors of Cumberland Building Society

We have examined the Summary Financial Statement for the year ended 31 March 2015 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Summary Directors' Report.

This report is made solely to the Society's members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

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

We also read the other information contained in the Annual Review as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Group and Society's full Annual Report and Accounts describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion, the Summary Financial Statement is consistent with the full Annual Report and Accounts, the Annual Business Statement, Strategic Report and the Directors' Report of Cumberland Building Society for the year ended 31 March 2015 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

David Heaton (Senior Statutory Auditor)

Deloitte LLP

Chartered Accountants and Statutory Auditors
Manchester, United Kingdom

19 May 2015

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 remuneration of non-executive directors comprises only of fees and this is reviewed and agreed annually by the Board. The Chairman's remuneration is set by the Board, however, the Chairman does not attend meetings at which his remuneration is set and takes no part in the Board's consideration of this matter. The remuneration of the executive directors is determined by the Remuneration Committee, which consists of its chair Gillian Gardner and the other non-executive directors.

In determining non-executive and executive director remuneration, both the Board and the Remuneration Committee take account of fees and salaries payable and other benefits provided to non-executive directors, executive directors and chairmen 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.

The Committee believes that bonus schemes relating to financial and business performance are an appropriate part of a balanced remuneration package, and for the year ended 31 March 2015, agreed a modest bonus scheme based on overall business performance achieved, including customer service, mortgage growth, the increase in current accounts and Group profitability.

Mr. Parr, Mr. Kidd and Mr. Temple were active members of the Society's contributory defined benefit pension scheme until its closure to further accrual on 31 March 2015. Mr. Temple was also a member of a defined contribution scheme in respect of the portion of his salary above a certain amount. Mr. McDonald was a member of a defined contribution scheme before and after his appointment as a director on 13 October 2014 and from 1 April 2015, all of the executive directors are members of this scheme. They are also provided with a car and membership of a private medical insurance scheme. They are employed under contracts terminable by the Society on twelve months' notice and by the individual on six months' notice.

Full details of individual directors' remuneration, including bonus payments, and of their pension benefits in respect of the defined benefit scheme, are shown overleaf. The increase in accrued pension represents the change in the annual pension to which each director is entitled as a result of the changes in pensionable earnings, accrual rate and increases in pensionable service during the year.

The Society's remuneration policy meets with the requirements of the Remuneration Code.

On behalf of the Remuneration Committee
Gillian Gardner
Chair
19 May 2015

The emoluments of the Society's directors are listed below:	2015	2014
Non-Executive Directors	£000	£000
Michael Pratt (Chairman)	44	43
Richard Atkinson (Vice-Chairman, retired 31 December 2014)	21	26
Trevor Hebdon (Chairman of the Audit and Risk Committee and from 1 January 2015, Vice-Chairman)	29	28
David Clarke	24	24
John Davidson (appointed 8 July 2014)	18	-
Gill Gardner	24	24
Alan Johnston	25	24

Executive Directors	Salary £000	Bonus £000	Taxable Benefits £000	Total £000
2015				
Kevin Parr	203	20	6	229
John Leveson (resigned 30 September 2014)	103	-	3	106
John Kidd	136	14	7	157
Peter Temple	130	14	5	149
Chris McDonald (appointed 13 October 2014)	54	12	3	69

Included within Mr Leveson's salary is a payment of £25,000 in respect of loss of office as a director.

2014				
Kevin Parr	198	15	6	219
John Leveson	144	11	6	161
John Kidd	133	10	7	150
Peter Temple	121	9	5	135

Defined Benefit Pension Scheme

	Accumulated total accrued pension at 31 March 2015 £000	Increase in accrued pension in year to 31 March 2015 £000	Increase in accrued pension in year to 31 March 2014 £000
Kevin Parr	71	4	6
John Kidd	45	2	3
Peter Temple	54	2	4

The Society paid £3,000 (2014 - £3,000) of contributions into a defined contribution scheme for Mr. Temple relating to a portion of his salary, and £6,000 for Mr. McDonald relating to his salary from 13 October 2014.

The Group operates a salary sacrifice scheme whereby the employee agrees to a reduction in salary in exchange for the Group making the pension contributions that were previously paid by the employee. The amounts shown above include the headline salary (i.e. before the salary sacrifice deduction) and directors' pension contributions include amounts which would have been paid by them had the scheme not been in place.

Notice of Annual General Meeting 30 JUNE 2015

The Annual General Meeting (AGM) of Cumberland Building Society will be held at 6.30pm on Tuesday, 30 June 2015 at Tullie House, Castle Street, Carlisle for the following purposes:

Ordinary Resolutions

1. To approve the Annual Report and Accounts for the year ended 31 March 2015.
2. To approve the Report on Directors' Remuneration.
3. To approve the re-appointment of Deloitte LLP as Auditors of the Society.

Election and Re-election of Directors

4. To elect/re-elect Directors as follows:
 - a) to elect John Davidson
 - b) to elect Christopher McDonald
 - c) to re-elect David Clarke
 - d) to re-elect Kevin Parr
 - e) to re-elect Michael Pratt

BY ORDER OF THE BOARD

Samuel J Lyon, Secretary, 19 May 2015

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

Notes on Voting

1. These Notes form part of the Notice of Meeting.
2. You can vote using a paper voting form by post or in a branch, online at www.cumberland.co.uk (you will need your customer number and access code as printed on your paper voting form) and in person at the AGM.

By completing either Part 1 or Part 2 of the voting form, either on paper or online, you are appointing someone to act for you (a proxy). The person you choose can attend the Meeting and vote on your behalf. The Chairman of the Meeting will automatically act as your proxy unless you choose someone else by filling in the box on the back of the paper voting form; this option is not available if voting online. If you wish to instruct your proxy to vote for or against the resolutions, please place an 'X' or click in the appropriate box on the paper or online voting forms respectively. If you leave the voting boxes blank, your proxy may vote as he or she decides. If you do not want your proxy to vote on a resolution, place an 'X' in or click on the withheld box on the paper or online voting forms. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

Your proxy does not need to be a member of the Society.

If voting in person at the AGM, for identification purposes, you should bring with you the voting form and some other evidence of membership (e.g. your passbook, Cumberland debit card or a recent account statement). You will be given voting papers at the Meeting.

3. To be valid, your completed voting form must be received at the Principal Office by midnight on 27 June 2015, or at a branch by 5pm on 25 June 2015. If voting online, votes must be cast by midnight on 27 June 2015.
4. You should check if you are eligible to vote by reading the voting conditions on the back of the voting form.
5. If you are appointing a proxy other than the Chairman of the Meeting, please ensure that your proxy brings an appropriate form of identification to the Meeting.

Explanatory Notes on the Ordinary Resolutions

The Annual Report and Accounts

You are asked to approve the Annual Report and Accounts. This means that you are asked to endorse the Board's decision to approve them at the Board Meeting held on 19 May 2015 and you are, therefore, asked to vote 'FOR' this resolution.

Report on Directors' Remuneration

You are asked to approve the Report on Directors' Remuneration on pages 17 and 18 of this booklet. This Report informs members of the Society's policy on the remuneration of directors, both executive and non-executive.

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

Re-appointment of Auditors

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

Election and Re-election of Directors

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

DAVID CLARKE - NON-EXECUTIVE DIRECTOR STANDING FOR RE-ELECTION



Age: 67 **Joined the Board:** February 2005

David lives in Kirkby Lonsdale. Before leaving full time employment in 2003, he was Director - UK Division at Scottish Power plc. He is a business graduate with more than 25 years' board level experience, primarily in marketing and customer service. David is a non-executive director of the Disclosure and Barring Service and he has served as a non-executive director in a number of public sector organisations over the last 10 years.

JOHN DAVIDSON - NON-EXECUTIVE DIRECTOR STANDING FOR ELECTION



Age: 60 **Joined the Board:** July 2014

John lives in Waberthwaite, near Millom. He was appointed to the Board in July 2014 and in December 2014 also became a member of the Society's Audit and Risk Committee. He has over 30 years' experience as a tax specialist and was a corporate tax partner at Deloitte LLP until his retirement in 2007. John has business interests in two Cumbria-based companies as well as being a conservation volunteer for the National Trust in the South Lakes and a member of the Ravenglass and Eskdale Railway Preservation Society.

CHRIS MCDONALD - EXECUTIVE DIRECTOR STANDING FOR ELECTION



Age: 52 **Joined the Board:** October 2014

Chris lives in Dalston, near Carlisle. Chris attended William Howard School in Brampton and is a graduate of Sheffield University. Prior to joining the Society in 2006 he had over 20 years' experience in marketing. Chris has worked in a variety of roles within the Cumberland and was appointed to the Board as Operations and Human Resources Director in 2014. He is responsible for the Society's Head Office operations, change management and Human Resources.

KEVIN PARR - EXECUTIVE DIRECTOR STANDING FOR RE-ELECTION



Age: 55 **Joined the Board:** July 1994

Kevin lives in Scotby, near Carlisle. He joined the Society in 1993, was appointed as Finance Director in 1994, Deputy Chief Executive in 1997 and then Chief Executive in 2002. Kevin is a qualified accountant and has wide financial services experience, including audit and treasury. He is responsible for the Society's Group Risk, Compliance and Internal Audit functions. He is also a director of each of the Cumberland's subsidiary companies.

MICHAEL PRATT - CHAIRMAN STANDING FOR RE-ELECTION



Age: 59 **Joined the Board:** September 1996

Michael lives near Workington and was appointed Chairman of the Board in 2007. He is a Trustee of the Society's defined benefit pension scheme. Until his retirement in 2011, Michael was the senior partner in the firm of Gibbons Chartered Accountants, which operates throughout West Cumbria. He has a number of business interests and is also a non-executive director of The Veterinary Defence Society Limited.



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