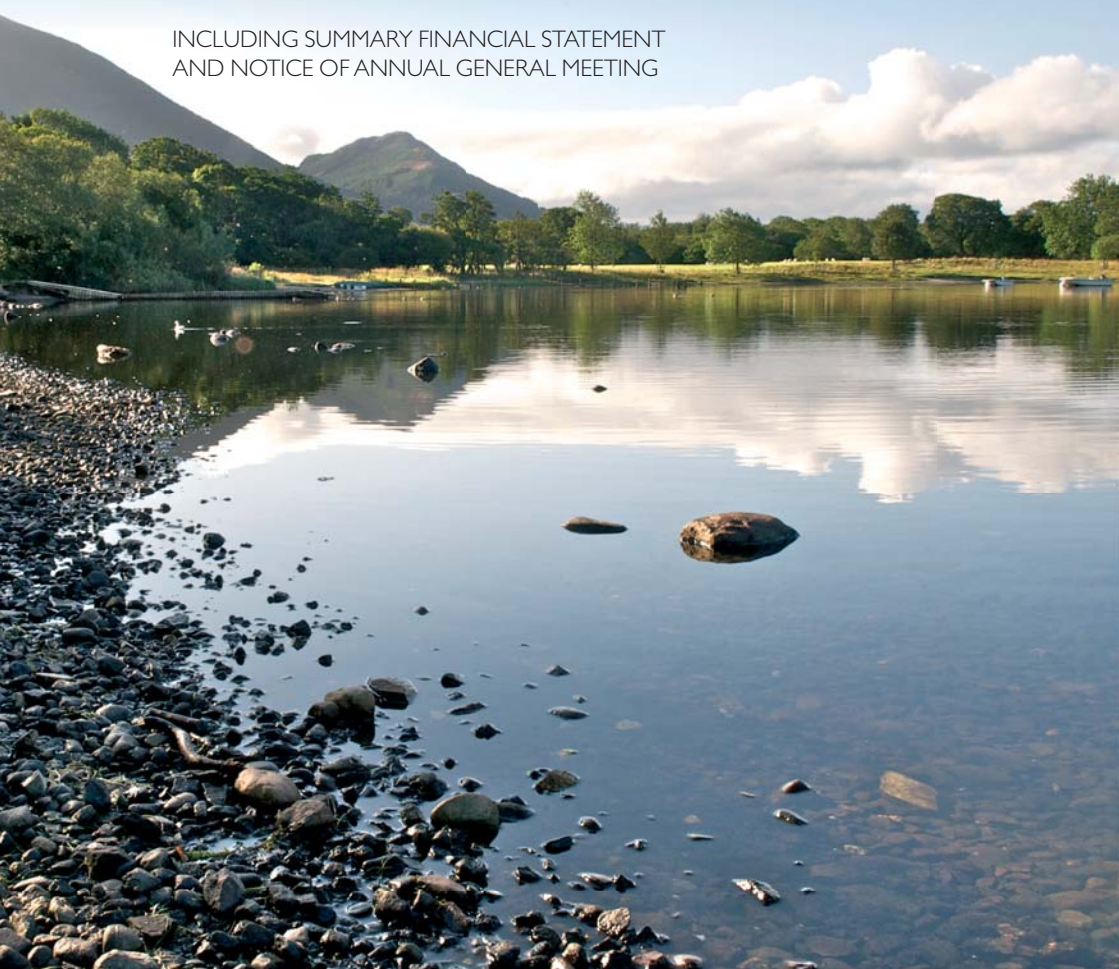


annual. review

year ended 31 March 2016

INCLUDING SUMMARY FINANCIAL STATEMENT
AND NOTICE OF ANNUAL GENERAL MEETING



Call in and see us, visit www.cumberland.co.uk or phone 01228 403141

Be more than a number

Mortgages | Current Accounts | Savings | Financial Planning
Business Banking & Mortgages | Estate Agents | Vehicle Finance


Cumberland
Building Society

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Chairman's welcome

Welcome to the 2016 members' Annual Review

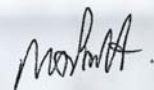
It has been another very successful year for the Cumberland, with a strong profit of £12.62 million after tax, combined with growth of over £200 million, 12.8% in our mortgage balances, and 6.0% in our share (savings and current account) balances, with a net inflow of funds of over £75 million. You can read more about these results on pages 12 to 15 of this booklet. Also, I was delighted that for the second consecutive year, the Cumberland was named 'Best Regional Building Society' at the Mortgage Finance Gazette Awards, for offering the most consistently competitive mortgage rates over the course of a year.

Any review of the year for a business so strongly rooted in this region however, must acknowledge the damage caused to people's homes and businesses by the floods last December, and which affected so many Cumberland members and indeed, staff. I am proud of the way the Society's team responded; over 1,250 people were spoken to by telephone and where no contact could be made by that route, a further 400 were texted, to see if there was anything the Society could do to help. This is an example of what 'be more than a number' means in practice, and you can have confidence that our staff seek to put your interests first and foremost every day, and not just when disaster strikes.

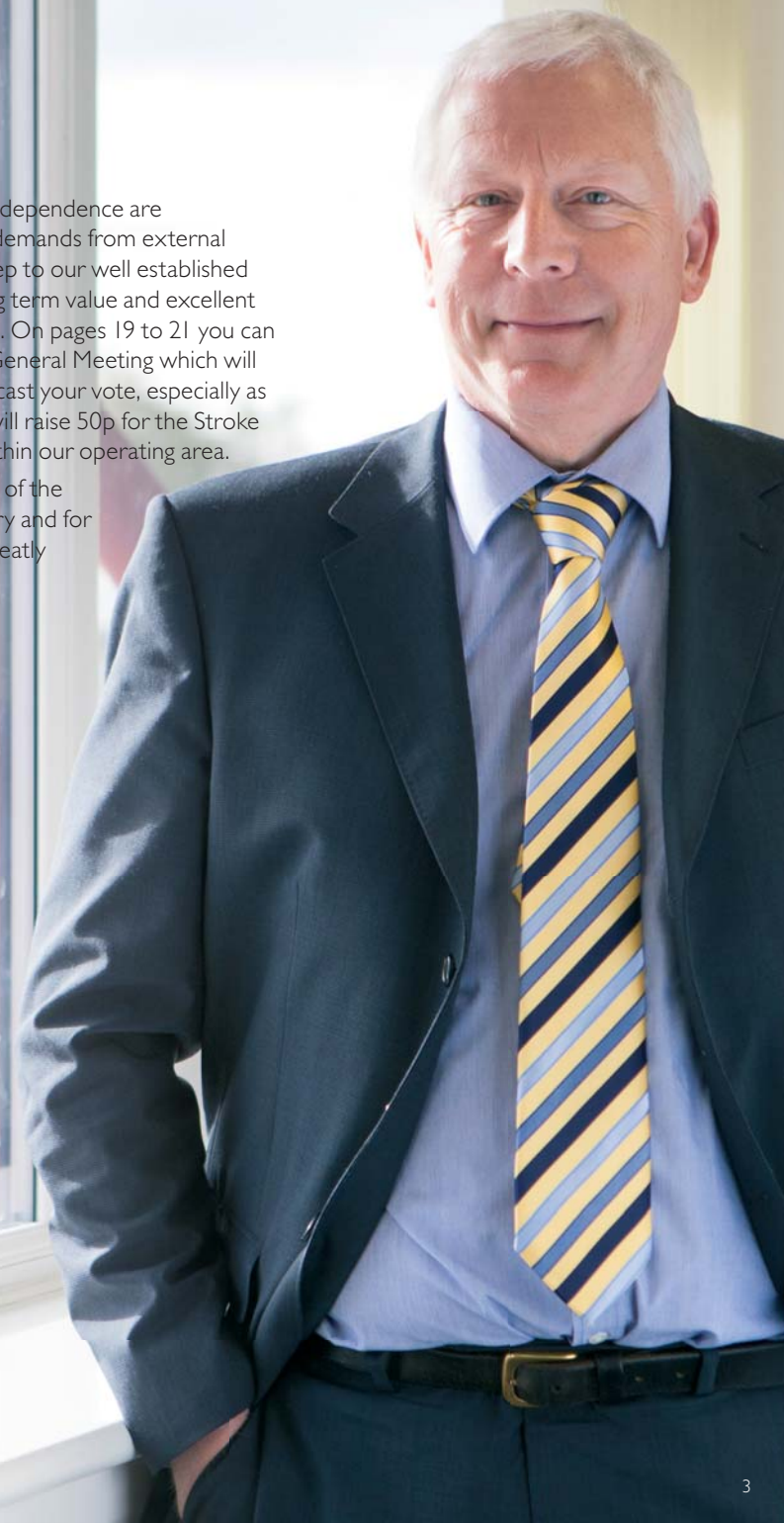
Many projects to improve customer service have again been completed this year. These include the extension of opening hours for Cumberland Estate Agents, together with the development of its very competitive proposition combining the reach of the internet with the personal touch of a high street presence. We launched our mobile banking App, and updated it with additional features in April 2016. Borderway Finance, our specialist vehicle finance provider, also continues to go from strength to strength.

Our mutual status and independence are crucial because with no demands from external shareholders, we can keep to our well established strategy of providing long term value and excellent customer service for you. On pages 19 to 21 you can read about our Annual General Meeting which will be held on 5 July. Please cast your vote, especially as each member doing so will raise 50p for the Stroke Association's services within our operating area.

Thank you for being part of the Cumberland success story and for your support, which is greatly appreciated.



Michael Pratt
Chairman, May 2016



How we're helping... first time buyers

BUYING YOUR FIRST HOME IS A BIG DEAL. PICKING UP THE KEYS AND WALKING THROUGH THE FRONT DOOR FOR THE FIRST TIME IS A GREAT FEELING. AT THE CUMBERLAND, WE BELIEVE WE HAVE A RESPONSIBILITY TO HELP LOCAL PEOPLE BUY THEIR FIRST HOME.

Every first time buyer dreams of the day they'll get the keys to their first home, but saving a large deposit isn't easy. That's why we offer a range of 95% mortgages designed to help first time buyers make their dreams a reality.

We are constantly reviewing our mortgages to ensure they are as competitive as possible. As well as a competitive interest rate, the majority of our first time buyer mortgages have low arrangement fees and a free valuation to reduce the up front costs.

We also offer mortgages designed to help those who have a family member willing to help out by providing additional security, and these mortgages offer a lower interest rate in recognition of this.

Borrow
up to **95%**

£250
cashback
on selected mortgages

Free basic
valuation
on selected mortgages

Save
up to **£500**
on our arrangement fee
on selected mortgages

Help to Buy ISA

Help to Buy ISAs are a great way for first time buyers to save for a deposit. The Cumberland launched its Help to Buy ISA in March this year and it has proved extremely popular. It's easy to see why, with a market-leading variable interest rate of 4% tax-free/AER* and a potential bonus of up to £3,000.

The bonus is provided by the Government and is 25% of the amount saved, up to a maximum of £3,000. This means if you're buying a home with a spouse or partner who also has a Help to Buy ISA, you could receive a bonus of up to £6,000.

If you're in a position to save more you could complement your Help to Buy ISA with our First Home Saver account. As well as a competitive interest rate of 2.5% AER*, we'll give you £250 cashback when you take your first mortgage with us, as long as you have saved a minimum of £100 a month for six consecutive months.

Award Winning Mortgages

We were delighted to be named 'Best Regional Building Society' for the second year in a row at the Mortgage Finance Gazette awards held in November last year. The title is awarded to the building society that has offered the most consistently competitive mortgage rates, based on the actual cost of a mortgage rather than the 'headline' rate, over a year. This is now the fourth time the Cumberland has received this prestigious award.

Our aim has always been to offer our customers consistently competitive



Backed by
HM Government

mortgages and we are proud this has been acknowledged by a national, industry-leading publication.

Mortgage Expertise

Your first home is likely to be the most expensive thing you have ever bought, so it is vitally important you get the right advice.

When you first start looking for a property you can get an initial idea of how much you can borrow and what it will cost by using our website's mortgage calculator, telephoning us or by calling into any of our branches; we can tell you in as little as 15 minutes. However, when you get closer to buying your home you should speak to us. Our professionally qualified mortgage advisors are here to make the experience of buying your first home memorable for the right reasons. We are available 7 days a week, and up to 8pm on weekdays, so you don't need to take time off work to talk to us, and we're on hand if anything crops up unexpectedly along the way.

Even before you are ready to buy we can provide advice on saving for your deposit, and when you are thinking about putting your foot on the ladder we can guide you through the process. You can ask any questions, safe in the knowledge that you are dealing with an organisation that's been doing this for over 165 years.

If you're thinking about buying your first home, arrange an informal and free appointment with one of our mortgage advisors. Visit your local branch or call us on 01228 403141 today.

CUMBERLAND MORTGAGES ARE
**NOT AVAILABLE
THROUGH LOCAL
BROKERS**



*Interest rate correct at 1 May 2016. AER means Annual Equivalent Rate.

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

How we're helping... those moving home

Moving home is regularly listed as one of life's most stressful events. There's certainly a lot to think about; preparing your home for sale, viewing properties, negotiating offers, dealing with solicitors and surveyors and arranging a mortgage.

Fortunately, it is an area the Cumberland is very experienced in. Our estate agency has been selling property for almost 25 years, so we are in a great position to help.

When you first start thinking about moving, the best thing you can do is give us a call. Our expert estate agency staff will tell you what you can expect to sell your home for, and our professionally qualified mortgage advisors will let you know how much you could borrow and the costs. This information will put you in the best possible position to plan your move.



We tick all
the boxes,
so you
can start
packing
yours

- ✓ Competitive fees
- ✓ Available 7 days a week and until 8pm weekdays
- ✓ No withdrawal fee
- ✓ Fully trained, experienced and professional staff
- ✓ Convenient branch locations
- ✓ Advertising on Rightmove, Zoopla and PrimeLocation
- ✓ Feedback after every viewing, regular progress reports and thorough monitoring once a sale has been agreed
- ✓ Part of Cumberland Building Society, which has been helping people buy property for over 165 years





Find us on 

Moving home is a unique experience and there is definitely no 'one size fits all' approach. We know this, and our aim is to treat you as 'more than a number'. When you deal with Cumberland Estate Agents, you will be working with a firm that takes great care in making sure you are kept up to date with what is happening during every stage of the sale of your home.

We take the time to fully understand what features set your property apart from others and which ones drew you to your home in the first place, therefore ensuring we can market your property effectively. We offer a fully comprehensive marketing package with regular advertisements in local newspapers and magazines, highly distinctive for sale boards and branches throughout the region. However, we know that the majority of people start the search for their next property online, and that is why we advertise all our properties on the most popular property web portals, Rightmove, Zoopla and PrimeLocation, as well as on our own website, which is now even easier to use on your desktop, tablet or mobile. Our database of buyers will also get to know about your property immediately with our property email alerts, which we send daily, maximising your home's selling potential.

In October last year, we enhanced our service further by extending our hours to help both buyers and sellers with the home-buying process, and we now have an estate agency customer service team available to take your call 7 days a week. In addition, if you are unable to be at your property during normal 9-5 hours, our valuers can also visit you in the evenings and at weekends.

When combined with our friendly and professional approach, we are convinced Cumberland Estate Agents offer an excellent service, helping you to sell your home for the best price, in the shortest possible time.

To arrange a free market appraisal call today or visit our website or your local Cumberland branch and one of our professional valuers will visit you at your property whichever day of the week suits you, up to 8pm on weekdays and 4pm on Saturdays and Sundays.



 rightmove.co.uk  Zoopla.co.uk  PrimeLocation.com

How we're helping... local businesses



Borderway Finance
VEHICLE FINANCE SPECIALISTS



Contactless
Visa Debit
Card



Internet Banking
& Mobile
Payments



Extensive
local branch
network



Customer
Service Team

Banking for businesses

We've been offering personal current accounts for over 20 years, but did you know that we offer business current accounts too?

Many of the region's businesses have switched their banking to the Cumberland, and it's easy to see why. With a Cumberland Business Current Account you get a contactless Visa debit card and chequebook, and you can manage your account online with our internet banking service or via any of our 34 branches. Your customers can send you payments via Paym, the national mobile payments network, and you can contact our dedicated customer service team 7 days a week.



What's more, you'll get free banking for the first 12 months and then you can choose from one of our competitive account tariffs. When you switch to the Cumberland, you'll also get the benefit of the Current Account Switch Service, which guarantees a simple, quick and stress-free transfer from your old bank. And if you've had an overdraft facility in the past we will also consider taking this on as well.

Our business current account is designed to help businesses manage their money as simply as possible, and we were delighted that this was recognised earlier this year by Moneyfacts, who named the Cumberland as a finalist in the 'Best Online Banking Provider' category at the 2016 Business Moneyfacts Awards.

To find out more about our banking service for businesses, or for details of our other products and services, including commercial, hospitality and holiday let mortgages, visit www.cumberlandbusiness.co.uk, call into your local branch or phone our customer service team on 01228 403141.



Vehicle Finance

If you need to buy a vehicle for your business, you might benefit from using finance to purchase it. By funding your vehicle in this way rather than buying it outright you could improve your cash flow and invest your capital in your business, making your money work harder for you.

Borderway Finance specialise in providing motor finance for small and medium sized businesses throughout our region, and is Cumbria's largest vehicle finance company.

With a knowledgeable and friendly team based in Carlisle, we pride ourselves on providing bespoke finance solutions for local businesses. By assessing every application on an individual basis we can help you purchase the vehicle your business needs. We can consider most types of vehicle, from small vans to luxury cars, new or used.

We make the process of applying for finance easier, allowing you to concentrate on choosing the vehicle you want, and doing what you do best...running your business! If you want to know more about how we can help your business, or for a quote, call us today.

To find out more, or for details of our finance products for personal use, visit www.borderwayfinance.co.uk, or call into your local Cumberland branch or phone 01228 595939.

**All applications
assessed individually**
**Locally based with
extensive knowledge of
the industry**
**First class customer
service**



Cumberland in the Community

In the last year, the Cumberland donated more than £120,000 to local projects. These are some of the recent projects supported by the Society and its staff.



Photo courtesy of CN Group

December's Floods

The unprecedented floods of last December devastated many of our region's communities causing extreme hardship and displacing thousands of families. Many of our staff were directly impacted by the floods, and our Appleby branch was also severely damaged.

We donated £20,000 to Cumbria Community Foundation's Flood Recovery Appeal to help with the recovery efforts, but we also wanted to offer some practical support to those affected. Our staff were keen to help in the clean up and recovery so we gave each of them the opportunity to take an additional 3 days' paid leave to support the recovery efforts in their local communities.

Bendrigg Trust



Bendrigg Trust is an activity centre in Kendal, which specialises in residential and day courses for disabled and disadvantaged people to encourage independence and self-confidence. The Society made a donation to purchase a new canoe, which is being used to encourage young people to take up the sport and for skills training for visually impaired users and limbless veterans.

LANCASTER & MORECAMBE EDUCATION AWARDS



The Lancaster and Morecambe Education Awards were held at Lancaster University in November 2015. The inaugural event, aimed at celebrating the achievements of local schools and recognising the hard work and commitment of the pupils and staff, was sponsored by the Cumberland.

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 of up to £10,000, and we supported over 250 individual applications last 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

1862 City of Carlisle Squadron - Air Training Corps



In February 2016, the Society provided a donation to Carlisle's Air Training Corps to help them purchase outdoor adventure training equipment, which will be used to help the cadets work towards attaining their Duke of Edinburgh awards.

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 £28,500 was donated by the Foundation during the year. South

Lakeland Carers Association, Wigton Baths Trust and Buddies (Dumfries) were just some of those receiving a donation.



A thank you note from Buddies, who provide activities and support for adults with learning and development disabilities.

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 2016

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 20 June 2016.

Summary Directors' Report

In terms of financial and business performance, it has been another very good year for the Cumberland.

Group profit after tax was £12.62 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:

- Mortgages, which increased by over £200 million, with lending of £422 million;
- Savings and current account balances (shares), which increased by 6.0%, with an inflow of funds of £75 million.

Total assets exceeded £2 billion for the first time, and the Cumberland is the 10th largest building society in the U.K.

The Society's mutual status and independence underpin its mission statement of being the natural choice for financial services for the people of the region. Its long established strategy is to develop direct relationships with members by providing them with the up to date financial services they require, with the long term value and excellent service that they rightly expect.

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

Mortgages

- Residential mortgage balances grew by 13.7% in the year. The Cumberland continues to focus heavily on its core business of lending to the people of its region through its branches and estate agency offices. However, it has also diversified very successfully in the last few years by developing its lending with a small number of introducer firms, and by participating strongly in the holiday let and buy to let markets, both inside and outside of its region. This has been assisted by continued participation in the Government's Funding for Lending Scheme.
- Retaining mortgage customers is every bit as important as attracting new ones, and the Cumberland continues to offer the same mortgage products to customers whose products expire, as to new customers.

- Only one residential property was in possession at 31 March 2016, which indicates the continuing very high quality of the Society's residential mortgage book, and the balances of loans in arrears fell by 36%.
- Commercial lending continues to be very important to the Society and many good applications were received again this year, both locally and from further afield. All such cases are handled by our experienced commercial lending team, who have had another very successful year.

Savings and Banking Services

- The Society again received a strong inflow of funds, indicating the competitiveness of its savings rates. Over the last three years, inflows have totalled £230 million, a remarkable figure given that with very limited

exceptions, the Society has not accepted savings and current account applications from those living outside its region.

- The Society's current account products for both personal and business customers continued to be very popular. Balances in these accounts have almost doubled in the last five years as new customers continue to be attracted by the internet and mobile banking functionality offered, combined with excellent customer service.
- The Society's first mobile banking app was launched in August 2015, and upgraded with additional features in April 2016.

Subsidiary Companies

Cumberland Estate Agents' operations were restructured during the last year to provide extended opening hours on evenings and at weekends to meet customer demand. This was combined with the development of a highly competitive proposition in order to compete effectively with new internet-based agents, while retaining the personal high street branch presence that we believe our customers value.

Borderway Finance, our specialist vehicle finance provider, had a very successful second year as part of the Group with increased lending and profitability, and launched a new online quotation and application system.

Charitable Donations

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

Board of Directors

David Clarke is to retire as a non-executive director at the forthcoming AGM after 11 years of valuable service and his insight will be greatly missed. In addition, John Davidson stepped down from the Board on 31 March to concentrate on his other business interests.

Three new non-executive directors joined the Board this year; Michael Hulme, John Hooper and Peter Anstiss, who bring strong and varied experience from the senior posts they have held. Further details about them can be found on page 22.

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.

Outlook for 2016-17

- The Group will soon launch its online appointment booking system, which will enable customers to book over the internet, appointments in our branches and property valuations by our estate agency team. There will also be a significant upgrade to our internet banking system, with an updated 'look and feel' and additional functionality, including an improvement in its responsiveness to different devices.
- The Cumberland is committed to remaining independent and mutual because it enables us to maintain our long term strategy, and to put our members first and foremost in everything that we do. We believe that our strong financial performance and business growth over the last few years has been achieved because of our approach to business, together with the skill and enthusiasm of our staff and the support we receive from our members, which is hugely appreciated. We look forward to the future with great confidence.

On behalf of the Board
Michael Pratt, Chairman
24 May 2016

Financial Results

FOR THE YEAR ENDED 31 MARCH 2016

	Group 2016	Group 2015 Restated (note 1)
	£000	£000
Results for the year		
Net interest receivable	31,916	27,472
Fair value losses on financial instruments	(6)	(1,263)
Other income and charges	4,298	4,974
Administrative expenses and depreciation	(20,662)	(20,082)
Revaluation and gain on disposal of investment properties	558	701
Provisions for bad and doubtful debts	344	251
Provision for FSCS levy	(432)	(873)
Profit for the year before taxation	16,016	11,180
Taxation	(3,400)	(2,275)
Profit for the year	12,616	8,905
Statement of Comprehensive Income		
Profit for the financial year	12,616	8,905
(Loss)/gain on available for sale investment securities	(2)	2
Gain on equity share investment (note 2)	3,369	-
Movement in deferred tax on equity share investment	(674)	-
Actuarial loss on retirement benefit obligations	(3,044)	(5,123)
Movement in deferred tax relating to retirement benefit obligations	548	1,025
Total recognised gains and losses for the year	12,813	4,809
Financial position at end of year		
ASSETS		
Liquid assets	294,990	297,418
Mortgages	1,794,876	1,587,036
Other loans	17,165	9,812
Derivative financial instruments	261	726
Fixed and other assets	22,986	19,235
Total assets	2,130,278	1,914,227
LIABILITIES		
Shares	1,613,296	1,521,806
Borrowings	342,317	238,360
Derivative financial instruments	11,090	7,671
Other liabilities	20,632	16,260
Reserves	142,943	130,130
Total liabilities	2,130,278	1,914,227

Summary of key financial ratios	Notes	2016 %	2015 Restated (note 1) %
Gross capital as a percentage of shares and borrowings	3	7.31	7.39
Liquid assets as a percentage of shares and borrowings	4	15.08	16.90
Profit for the year as a percentage of mean total assets	5	0.62	0.49
Management expenses as a percentage of mean total assets	6	1.02	1.11

Approved by the Board of Directors on 24 May 2016

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

NOTES

- This year, the Group has, in common with many other building societies, been required to adopt Financial Reporting Standard (FRS) 102, which has replaced the UK Generally Accepted Accounting Principles (GAAP), which have been in place for many years. This has led to several changes within the financial statements and has also required the restatement in this Summary Financial Statement, of the financial results for the year ended 31 March 2015. As part of this transition to FRS 102, the Group has also adopted International Accounting Standard (IAS) 39 - Financial Instruments: Recognition and Measurement. Further information on these changes is set out within the Society's Annual Report and Accounts (which will be available in our branches and on our website, www.cumberland.co.uk), in 'Changes to the Basis of the Financial Statements' on page 8 and in note 33 to the accounts.
- The Gain on equity share investment** within the Statement of Comprehensive Income relates to the cash receipt expected later in 2016 as a result of the sale of the Society's share in VISA Europe, which is being acquired by VISA Inc. Note 32 in the Annual Report and Accounts provides further details.
- The Gross Capital Ratio** measures the proportion that the Group's reserves bears to the Group's liabilities to holders of shares and borrowings. The Group's reserves consist of profits accumulated over many years. Capital provides a financial cushion against difficulties that might arise in the Group's business and therefore protects investors.
- The Liquid Assets Ratio** measures the proportion that the Group's assets held in the form of cash, 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.
- The Profit/Assets Ratio** measures the proportion that the Group's profit after taxation for the year bears to the average of the Group's total assets during the year. The Group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors. However, unlike a company, a building society does not have to pay dividends to equity shareholders. The Group is therefore able to operate safely with lower profits than a bank.
- The Management Expenses Ratio** measures the proportion that the Group's administrative expenses bears to the average of the Group's total assets during the year. Management expenses consist mainly of the costs of running the Group's 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 2016 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 2016 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

24 May 2016

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 the sections of the 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 Gill 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 2016, agreed a bonus based on overall business performance achieved, including customer service, mortgage growth, the increase in current accounts and Group profitability.

Mr. Parr, Mr. Temple and Mr. Kidd are deferred members of the Society's contributory defined benefit pension scheme which was closed to further accrual on 31 March 2015. From 1 April 2015 all of the executive directors are members of a defined contribution scheme and 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. During the year the Committee, as part of the Society's senior management succession planning, agreed augmentations in respect of the defined benefit pension scheme retirement benefits of Mr. Parr and Mr. Kidd.

Full details of individual directors' remuneration is shown overleaf.

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

On behalf of the Remuneration Committee
Gill Gardner
Chair
24 May 2016

The remuneration of the Society's directors is listed below:	2016	2015
Non-Executive Directors	£000	£000
Michael Pratt (Chairman)	46	44
Trevor Hebdon (Chairman of the Audit and Risk Committee and from 1 January 2015, Vice-Chairman)	34	29
Richard Atkinson (Vice-Chairman, retired 31 December 2014)	-	21
Peter Anstiss (appointed 25 January 2016)	6	-
David Clarke	25	24
John Davidson (appointed 8 July 2014, retired 31 March 2016)	27	18
Gill Gardner	27	24
John Hooper (appointed 20 November 2015)	11	-
Michael Hulme (appointed 3 September 2015)	15	-
Alan Johnston	27	25

Executive Directors	Salary £000	Bonus £000	Pension Contributions £000	Taxable Benefits £000	Total £000
2016					
Kevin Parr	208	31	29	7	275
Peter Temple	143	21	20	6	190
John Kidd	150	11	20	8	189
Chris McDonald	117	18	16	8	159
2015					
Kevin Parr	203	20	-	6	229
Peter Temple	130	14	3	5	152
John Kidd	136	14	-	7	157
John Leveson (resigned 30 September 2014)	103	-	-	3	106
Chris McDonald (appointed 13 October 2014)	54	12	6	3	75

The Society closed its defined benefit pension scheme to further service accrual on 31 March 2015, and the pension contributions shown in the tables above are in respect of the defined contribution scheme; the amount in respect of Mr. Temple in 2015 related to a portion of his salary.

Defined Benefit Pension Scheme

	Accumulated total accrued pension at 31 March 2016 £000	Increase in accrued pension in year to 31 March 2016 £000	Increase in accrued pension in year to 31 March 2015 £000
Kevin Parr	72	1	4
Peter Temple	61	7	2
John Kidd	51	6	2

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 5 July 2016

The Annual General Meeting (AGM) of Cumberland Building Society will be held at 6.30pm on Tuesday, 5 July 2016 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 2016.
2. To approve the Report on Directors' Remuneration.
3. To approve the re-appointment of Deloitte LLP as Auditors of the Society.

Special Resolution

4. To approve the changes to the Society's Memorandum.

Election and Re-election of Directors

5. To elect/re-elect Directors as follows:
 - a) to elect Peter Anstiss
 - b) to elect John Hooper
 - c) to elect Michael Hulme
 - d) to re-elect Gillian Gardner
 - e) to re-elect Trevor Hebdon
 - f) to re-elect Michael Pratt

BY ORDER OF THE BOARD

John C N Kidd, Secretary, 24 May 2016

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 2 July 2016, or at a branch by 5pm on 30 June 2016. If voting online, votes must be cast by midnight on 2 July 2016.
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 and Special Resolution

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 24 May 2016 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 Group's policy on the remuneration of directors, both executive and non-executive.

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

Re-appointment of Auditors

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

Memorandum Changes

The Board is proposing that the Society's Memorandum be changed at this year's AGM. The Building Societies Act 1986 contained a prohibition on building societies giving a floating charge (a charge given by a building society that allows assets covered by the charge to be bought or sold, as it only becomes fixed in certain circumstances such as default by the Society). This prohibition has now been removed by Parliament so the prohibition in the Society's Memorandum can also now be removed. The Board would only give a floating charge over some or all of the Society's assets if it thought this was in the best interests of the Society. A reference to an out of date section of the Companies Act 1985 is also being updated.

The proposed changes are:

- In paragraph 4.(a) delete '**other than by the creation of a floating charge**'
- In paragraph 7. in the definition '**dispose (or disposing)**', delete '**(except by way of floating charge)**'
- In paragraph 7. in the definition '**parent undertaking**', delete '**section 258 of the Companies Act 1985**' and insert '**section 1162 of the Companies Act 2006**'.

A copy of the existing Memorandum with the amendments highlighted is available on the Society's website www.cumberland.co.uk.

It is intended that, if the changes to the Memorandum are approved at the AGM and registered by the Financial Conduct Authority, the changes would take effect from 1 October 2016.

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.

PETER ANTISS - NON-EXECUTIVE DIRECTOR STANDING FOR ELECTION



Peter joined the Board as a Non-Executive Director in January 2016. Now retired, Peter's recent roles include CEO of BAE Systems Australia and Board membership of the Military Air and Information business based in Lancashire. He has extensive experience of strategic business development, corporate governance, sales and marketing. Peter lives in Barbon, near Kirkby Lonsdale.

JOHN HOOPER - NON-EXECUTIVE DIRECTOR STANDING FOR ELECTION



John joined the Board as a Non-Executive Director in November 2015. He is Chairman of the Board Risk Committee. Now retired, John was most recently Executive Director UK and on the boards of National Australia Bank Europe Limited and Clydesdale Bank PLC, where, for much of that time, he was responsible for all "back office" services in the UK, including Finance, Treasury, IT and Risk. Prior to this, John held a range of senior roles within the National Australia Bank Group in both the UK and Australia. John lives near Knaresborough in North Yorkshire. He also has a home in Ambleside and has business interests in Cumbria.

MICHAEL HULME - NON-EXECUTIVE DIRECTOR STANDING FOR ELECTION



Michael joined the Board as a Non-Executive Director in September 2015. He is a member of the Audit Committee. Michael has a background in research and consultancy on consumer behaviours and the use of digital technologies, working with a number of major national and international brands, including those in financial services. Michael has been a Non-Executive Director of several public companies and has been actively involved in inward investment and business growth in the North West Region. He is currently a director at Social Futures Observatory. Michael lives in Sedbergh.

GILLIAN GARDNER - NON-EXECUTIVE DIRECTOR STANDING FOR RE-ELECTION



Gill joined the Board as a Non-Executive Director in September 2012. She is Chair of the Remuneration Committee and a member of the Board Risk Committee. Gill is Council Secretary of The Co-operative Group, working in Manchester. This corporate governance role follows over 20 years working in private practice as a corporate lawyer, latterly with Brabners LLP. Gill lives in Arkholme, near Kirkby Lonsdale.

TREVOR HEBDON - VICE-CHAIRMAN STANDING FOR RE-ELECTION



Trevor joined the Board as a Non-Executive Director in December 2009 and was appointed Vice-Chairman in January 2015. He is Chairman of the Audit Committee and a member of the Board Risk Committee. Trevor was Chief Executive of the H&H Group until his retirement in 2008 and has a background in the banking industry. He is a trustee of Carlisle Cathedral Development Trust. Trevor lives in Rosley near Wigton.

MICHAEL PRATT - CHAIRMAN STANDING FOR RE-ELECTION



Michael joined the Board in September 1996, in 2005 he was appointed Vice-Chairman of the Society and in June 2007 he became Chairman. Michael is a graduate of Manchester University, a chartered accountant and until his retirement was the senior partner in the firm of Gibbons Chartered Accountants, which operates throughout West Cumbria. Michael lives near Workington.



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The logo consists of a stylized white house icon above the word "Cumberland" in a bold, sans-serif font, with "Building Society" in a smaller, regular font below it.

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