



The Cumberland 
**annual
review**

YEAR ENDED
31 MARCH 2021



INCLUDING
**Summary Financial
Statement**
AND
**Notice of Annual
General Meeting**



chairman's

WELCOME



Over the past year, we have been focused on meeting the needs of and supporting the financial resilience of all our customers – from those who have borrowed to buy their house, to those who operate hospitality businesses; we continued to provide new mortgages as pent-up demand and the stamp duty holiday incentive created a housing boom.

Ensuring the safety of our people and our customers has been paramount from day one. This inevitably resulted in some disruptions to our services during the year. However, thanks to the way our teams have managed the Covid-19 crisis, we were able to keep most branches open most of the time, and ensure call waiting times to our Customer Care team were minimised.

Operationally, we have achieved things many would have considered impossible 18 months ago. Thanks to the adaptability of our IT team, your Society has continued to run efficiently, with a vast majority of our non-branch based colleagues working from home for over a year.

While it is difficult to look to the future given the ongoing uncertainty surrounding Covid-19, one thing remains certain – your Society is in a strong position to continue to support its customers for many years to come. We remain committed to improving The Cumberland for the benefit of its members, and this will see us continue to invest in our digital infrastructure to better meet the needs and aspirations of our customers.

I am humbled by the resilience and dedication our loyal colleagues have shown over the past 12 months. It has reinforced our belief that we have a unique team of great people who are committed to doing the right thing. Collectively, they have gone to extraordinary efforts to support our customers while ensuring the health and safety of all.

John Hooper
Chairman
8 June 2021

On behalf of the Board of Directors, I am delighted to present Cumberland Building Society's Annual Report and Accounts for the year ended 31 March 2021.

This year will undoubtedly be remembered for Covid-19, its impact on our world and the unprecedented challenges it has created for all of us. I start this report, on behalf of everyone in our business, by expressing my sincerest condolences to our customers and colleagues who have lost family and friends during this time.

Undeniably, the past year has been like no other; who could ever have predicted or prepared for such a global pandemic? Thankfully, our business has been prudently managed over many years and we have been able to face the crisis from a robust position; our balance sheet and operating performance have been consistently strong, enabling us to support our customers, our communities and our people throughout the Covid-19 pandemic. And our ethos – to make a positive difference to our customers and our communities – truly manifested itself through our dedicated and hardworking colleagues.

I am humbled by the resilience and dedication our loyal colleagues have shown over the past 12 months

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As I reflect upon the last year, it is impossible to look past the Covid-19 pandemic and the impact it has had on all our lives. The challenges brought by the crisis are some of the toughest our business has faced in its 171 years, and certainly the most difficult anyone currently at The Cumberland has ever experienced.

And yet I look back at the year with immense pride. The Cumberland has customers, communities and people at its core. The past 12 months have truly demonstrated that we have a business anchored in its values and united behind its purpose. The vital role we play in our communities has been reinforced and our goal of making a positive difference reinvigorated. I have witnessed unparalleled levels of resilience, empathy and agility, and I'm proud to say that everyone in your Society has valiantly risen to the challenge.

As we move through what we hope will be the final stages of this pandemic, two simple principles remain at the heart of our business: to continue to protect the health and wellbeing of our customers and our people; and to provide the best level of customer experience possible.

Throughout the crisis, we have remained committed to maintaining the quality, security and availability of services, while keeping our people and customers safe. And we couldn't have delivered the uncompromising level of service we have, if it wasn't for the dedication of a brilliant team at The Cumberland.

For this, I thank them all.

As a result, our financial position remains strong, enabling us to continue delivering the exceptional customer service you expect of us, while moving ahead with our Cumberland 2025 journey to become a stronger, more sustainable business.

The vital role we play in our communities has been reinforced and our goal of making a positive difference reinvigorated.



Brighter Together

Supporting our customers

Throughout the Covid-19 pandemic, we have focused relentlessly on supporting our customers through an incredibly difficult time. Initiatives, including mortgage payment holidays, additional overdrafts and mortgage offer extensions, provided support for our customers, with over 2,000 residential mortgage borrowers taking a payment holiday, over 10% of all mortgage customers.

We also deferred and waived current account charges, including for our commercial customers, as well as supporting more than 1,000 of them with a payment holiday, accounting for over £250 million of mortgages across the hospitality, tourism and holiday let sectors.

While the initial shock of the crisis is behind us, we understand that the economic effects will be felt for some time to come, and many of our customers will face further financial difficulties. We will continue to do all we can to help and support our customers through the uncertainty ahead.

chief executive

OFFICER'S BUSINESS REVIEW

Supporting our people

At the outset of the crisis, we recognised the difficulties that lay ahead for our people, not just from a work perspective, but also personally. Issues, such as home schooling and personal anxieties caused by caring for vulnerable family members, underlying health issues, worries around their own mental wellbeing and grieving the loss of family or friends, have unfortunately, impacted many in our team.

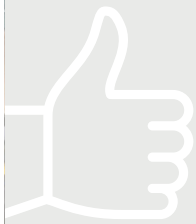
We took steps very early to keep our people safe. Even before the first lockdown came into effect, we made the decision to stop our teams coming into head office, unless absolutely necessary, and the vast majority of our head office team continue to work from home.

We introduced a flexible working day, so that our people could manage their work as well as home schooling or caring for relatives, and we undertook regular welfare calls with our teams to ensure they were coping with the situation and to identify any areas where further support might be needed.

As an essential service, our branch team continued to work throughout the pandemic, initially in the face of an uncertain threat. Again, we quickly took all measures possible to ensure their safety, with additional cleaning, screens and social distancing, and our teams operated in 'bubbles' to make every effort to contain any potential cases of the virus.

While everyone settled into a new way of working with determination and understanding, we do recognise the longer-term impacts on mental wellbeing and we also took steps to support the wellbeing of our people. You can read more about this in our full Annual Report & Accounts.

FareShare received a donation of £19,000 after last year's AGM



AFTER LAST YEAR'S AGM WE DONATED

£19,000

TO LOCAL BRANCHES OF FARESHARE ON OUR MEMBERS' BEHALF

Supporting our communities

Throughout the crisis, we have remained committed to supporting our communities. Our Community Fund has continued to make donations to local good causes and charities, committing over £125,000 to organisations around our region.

Our 2020 Annual General Meeting took place behind closed doors as the first lockdown ended. Although the number of votes was understandably reduced, we were delighted to match the level of 2019's donation and provided £19,000 to local branches of FareShare on our members' behalf. The charity provides an invaluable service distributing surplus food to frontline organisations such as food banks – something that has sadly been much in demand this year.

Local branches of Mind and Support in Mind will benefit from our Pledge for Votes donation this year, and therefore, I ask that you please use your vote to support their valuable work.

Our partnerships with industry bodies, such as Cumbria Tourism and the Association of Scottish Self-Caterers, have been strengthened, as we unite in a bid to support our customers and this vital sector. This has manifested itself in shared webinars and panels, as we help bring together experts on particular issues we know our customers and communities are facing.

During the summer, our '100 Thank You's' campaign was launched to celebrate 100 people across the region, who symbolise the extraordinary response we've seen to the Covid-19 crisis. The entries really humbled us and showcased the way our local communities have risen to this challenge and the acts of kindness we continue to see in all walks of life. We hope this campaign will leave a lasting legacy, one that will always recognise and remember how our communities united and coped with this historic challenge.



We are incredibly proud of the way our teams have risen to the challenges



Maintaining excellent customer service

Providing excellent customer service has never been more important, and we are proud to have been nationally recognised for both this and our support for customers during the Covid-19 pandemic.

Our teams across the business have continued to receive positive feedback from our customers for their warm and genuine support, with many customers relying on them to provide a friendly, easily accessible and local voice.

Their commitment to providing exceptional service has been recognised through the accolade of a Feefo Platinum Trusted Service Award and increasing Net Promoter Score (NPS) to 81, which is now one of the highest in the industry. The accolade from Feefo was a particular highlight of the year as this is entirely assessed on customer feedback. The financial services industry is not known for its transparency on review platforms and so the Platinum status, awarded to businesses that have achieved Gold awards for three consecutive years, was made even more special.

The year also saw us top The Times Money Mentor customer experience table. This independent survey of over 20,000 current account holders rated The Cumberland best.

We were also highly commended for our customer service and community involvement at the Mortgage Finance Gazette Awards in November. This commendation was in recognition of the actions we have taken to support our customers during the pandemic and for our continued commitment to making a positive difference in communities around the region. While we don't take these actions for the recognition, it certainly was a positive piece of news to be noticed for our work in this area.

We are incredibly proud of the way our teams have risen to the challenges of forbearance, home-working, flexible branch opening hours and dealing with customers who may be anxious about their financial situation to continue to deliver the customer experience we have become renowned for.



6 Our experts teamed up with our hospitality industry partners to continue providing advice and support



Chirnside House Care Home, Lancaster, one of our 100 Thank You's recipients

Looking ahead

At the time of writing, the Covid-19 vaccination programme is well underway and there is most definitely a light at the end of the tunnel. However, the final stages of the pandemic will require careful management, as the full economic impact remains uncertain. We are in a strong and stable position to continue to weather this storm and meet the evolving needs of our customers, our communities and our people.

Our Cumberland 2025 journey, a programme of work we began in 2019 to make the Society fit for the future, continues, with 2021 marking the start of the third year of our transformation programme. 2021 will see us enter the biggest and most important phase of that programme - digitalising the business. Despite the disruption caused by Covid-19 during this year, we were still able to progress preparatory work with the

recruitment of the right expertise and capabilities. Now it is time for the detail and the intricacies that will see your Society begin the process of building a sustainable digital infrastructure – a strategic commitment that has already been in place for a couple of years, the importance of which the pandemic has truly brought to the fore. Not only will this digital strategy increase choice for our customers, enabling them to decide how they want to interact with us – online, by phone or in branch – it will also create a Society of the future, one that meets the needs and expectations of our customers, regardless of age or location.

Hope for the future

Despite 2021 starting with a new national lockdown, I believe this year will be filled with hope and optimism. This, in turn, should unlock the chains that have been wrapped around the hospitality

sector for the past 12 months, ensuring the pent-up demand can finally be released to the benefit of all.

Thank you

I am immensely grateful to our people for the extraordinary efforts they've made, and continue to make, to support our customers and their colleagues throughout one of the most difficult years we have experienced. This is undoubtedly the most important 'thank you' I have expressed as CEO of The Cumberland.

We look forward with hope and optimism to the coming year and remain committed to delivering a brighter future for our customers, our communities and our people.

Des Moore
Chief Executive Officer
8 June 2021

Summary Financial Statement

For the year ended 31 March 2021

This Summary Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement (ARA), all of which will be available to members and depositors free of charge, on demand, at every office of Cumberland Building Society no later than 6 July 2021. This information is also available from our website, cumberland.co.uk.

Chief Financial Officer's Review

The Cumberland delivered a robust financial performance in a challenging year. Your Society grew despite the disruption to mortgage lending of the various lockdowns across the UK. You trusted us with your savings and deposits grew faster than for some time.

We continued to invest in our people and our processes, while necessarily diverting energy and resources to protecting our people and you, our members, and facilitating the new remote working world that has characterised so many of our lives. Our performance was substantially better than budget, reflecting both better business conditions than feared and a slower ramp up of investment spend than forecast. Profit before tax rose to £10.5m (2020: £8.3m).

Lending

Despite the uncertainty arising from Covid-19, we modestly grew the residential lending book, which ended the year at £2.0 billion. This included £343m of gross new lending.

At 31 March 2021, the commercial lending book, which has been most significantly impacted by the Covid-19 lockdowns, had reduced by £8m to £171m.

Our Net Interest Margin increased by one basis point to 1.61%. During the year, there was some respite from the downward pricing pressure in our core lending markets, as competitors withdrew. However in the final quarter, most lenders returned and pricing tightened. We expect this to continue and exert a high level of downward pricing pressure on our new business mortgage margins, including in a number of the long term niches we have supported.

Arrears and Provisions

The volume of accounts 90 days past due (90 DPD) or more at the balance sheet date is as follows:

Accounts in arrears (≥ 90 DPD) as % of loan book	31 March 2021	31 March 2020
Fully secured on residential property	0.18%	0.08%
Fully secured on land	4.30%	0.80%

In 2021, The Cumberland, alongside the rest of the UK and much of the globe, has been impacted by the Covid-19 pandemic. The Group moved swiftly to support its borrowing members, offering payment holidays, or other requested forms of forbearance, in line with both Government and regulatory requests and customer need. The level of forbearance requested and granted in the initial part of the year was significant, but the vast majority of customers successfully exited payment holidays.

From November 2020, we began to see a small, but definite, increase in the level of customers in arrears, as the repeated waves of lockdown on business and holiday let borrowers created challenging trading conditions, and prolonged furlough and unemployment affected some borrowers. While the lockdown is easing, the Group expects there to be a longer period of economic downturn, as businesses and households respond to the loss of revenues for

Our Cumberland 2025 journey continues, with 2021 marking the start of the third year of our transformation programme.

This year will also see us enter the biggest and most important phase of that programme – digitalising the business.

much of the year and prepare for the removal of the extraordinary support measures provided by the UK government. Reflecting this outlook the Group ended the year with a loan loss provision of £3.5m and recognised a charge of £678k.

Funding, Liquidity and Capital

The Society continues to be well funded by its retail depositors. We saw a significant net inflow of funds of £194m (2020: £44m). Our experience was consistent with much of the market as consumer spending dropped and people saved. As a result, all new lending was funded by deposit growth and liquidity rose.

Responding to our retail inflows, we reduced wholesale funding repaying £160m of Bank of England funding.

The Society's principle measure of liquidity is high quality liquid assets (HQLA) as a percentage of Shares, Deposits and Liabilities, as this reflects the funds that are immediately and fully available to support the Group's liquidity needs. The level of HQLA strengthened to 17.7% (2020: 16.0%).

The Society holds capital to provide protection for members' deposits against losses from lending and to protect the Society's operations through difficult times. The Group's Regulatory Common Equity Tier 1 (CET1) ratio strengthened to 19.5% at 31 March 2021 (2020: 19.0%).

Subsidiary Companies


The Group's financial statements incorporate the assets, liabilities and results of a small, and reducing, number of subsidiary companies, as we deliver on our commitment to simplify our business as part of the Cumberland 2025 strategy. The only operationally significant subsidiary is Borderway Finance Limited (BFL). BFL, our motor finance business, contributed a profit before tax of £453k (2020: £549k) to the Group's reported results, with its loan balances reducing by 13.9% to £21.0m (2020: £24.4m), as customers, who could do so, took the opportunity to pay down loans and new lending was lower throughout the lockdown periods when car dealerships were closed.

After an extension of transitional service arrangements to support its new owners during the first lockdown (through to July 2020), Cumberland Estate Agents Limited, our former estate agency subsidiary ceased all operations. We also took the decision in December 2020 to close Cumberland Financial Services Limited, our independent financial advisor. The subsidiary ceased operations prior to the year end.

Corporate Governance

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

outlook



The outlook for the UK economy is highly uncertain. In the immediate term, the impact of the pandemic on all of our lives and the economy is dramatic and has resulted in a major recession, despite the extraordinary levels of support by Government. The shape of the recession is likely to differ to those experienced in recent history because of the sustained Government support and the two track economy that has emerged with some businesses thriving and others forced to shut. This will develop as the UK faces into a more complex and burdensome trading relationship with Europe which will create a drag on many sectors. This makes prediction fraught. There is an expectation that interest rates will remain at their historic lows for a sustained period with rises perhaps pushed outside of our current planning horizon.

The Society's profitability is expected to reduce over the coming three years, as it comes under increasing market pressure and competition, as it absorbs the impact of the Covid-19 on the economy through its business, mortgage and overdraft customers, and as it strategically invests in its future towards Cumberland 2025.

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

John Hooper
Chairman
8 June 2021

Financial Results

For the year ended 31 March 2021

Results for the year	Group 2021 £000	Group 2020 £000
Net interest receivable	42,754	41,621
Fair value gains/(losses) on financial instruments	1,464	(987)
Other income and charges	1,076	2,642
Administrative expenses, depreciation, impairment and profit on sale of tangible fixed assets	(34,019)	(31,987)
Loss on revaluation and disposal of investment properties	(144)	(445)
Provisions for bad and doubtful debts	(678)	(1,252)
Provisions for liabilities and charges	20	(963)
Profit for the year before taxation	10,473	8,629
Loss on disposal of operations	-	(289)
Taxation	(2,059)	(1,779)
Profit for the year	8,414	6,561

Statement of Comprehensive Income

Profit for the financial year	8,414	6,561
Gain/(loss) on available for sale investment securities	8	(49)
(Loss)/gain on equity share investment	(136)	463
Movement in deferred tax on equity share investment	26	(149)
Actuarial (loss)/gain on retirement benefit obligations	(6,768)	2,016
Movement in deferred tax on retirement benefit obligations	1,286	(25)
Total recognised gains and losses for the year	2,830	8,817

Financial position at end of year

ASSETS

Liquid assets	478,255	456,992
Mortgages	2,173,520	2,156,331
Other loans	21,440	25,465
Derivative financial instruments	3,166	40
Fixed and other assets	26,077	24,710
Total assets	2,702,458	2,663,538

LIABILITIES

Shares	2,194,563	2,000,282
Borrowings	277,157	436,735
Derivative financial instruments	9,008	13,391
Other liabilities	24,950	19,180
Reserves	196,780	193,950
Total liabilities	2,702,458	2,663,538

Summary of key financial ratios	Notes	2021 %	2020 %
Gross capital as a percentage of shares and borrowings	1	7.96	7.96
Liquid assets as a percentage of shares and borrowings	2	19.35	18.75
Profit for the year as a percentage of mean assets	3	0.31	0.25
Management expenses as a percentage of mean assets	4	1.27	1.22

Approved by the Board of Directors on 8 June 2021

J Hooper Chairman
M Stanger Chair of the Audit Committee
D Moore Director and Chief Executive Officer

Notes

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



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

We have examined the Summary Financial Statement of Cumberland Building Society for the year ended 31 March 2021 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Summary Directors' Report.

Respective responsibilities of directors and auditor

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

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

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

Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts, Annual Business Statement and Directors' Report. Our report on the Group's and Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Cumberland Building Society for the year ended 31 March 2021 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of our report

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

Deloitte LLP

Statutory Auditor
Edinburgh, United Kingdom
8 June 2021

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 People, Remuneration and Culture Committee (PARC). The remuneration of the executive directors is determined by PARC, which consists of Jackie Arnold (Chair), Michael Hulme and Kelli Fairbrother.

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 chairmen/women 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 for executive directors, and for the year ended 31 March 2021, 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 framework.

Executive directors in office at 31 March 2021 are members of a defined contribution scheme and are entitled to receive contributions towards this, although depending upon their individual

circumstances, they may be paid as a pension replacement amount. Executive directors are also provided with a car (or car allowance) and membership of a private medical insurance scheme. They are employed under contracts terminable by the Society on nine to twelve months' notice and by the individual on six months' notice.

Full details of individual directors' remuneration are disclosed on the following page. The Society's remuneration policy meets with the requirements of the Remuneration Code.

On behalf of the People, Remuneration and Culture Committee.

Jackie Arnold
Chair
8 June 2021



Directors' Remuneration

	2021 £000	2020 £000
Total directors' remuneration	1,006	946
Non-executive directors' remuneration		
John Hooper (appointed as Chairman 16 July 2019)	68	63
Trevor Hebdon (resigned 16 July 2019)	-	22
Alan Johnston (Chair of the Audit Committee and Vice-Chairman) (resigned 30 Sept 2020)	27	53
Eric Gunn (Chair of the Board Risk Committee)	47	46
Jackie Arnold (Chair of the People, Remuneration and Culture Committee)	46	44
Michael Hulme	44	47
Mark Stanger (Chair of Audit Committee since July 2020)	49	44
Victoria Bruce (29 Sept 2020)	21	-
Kelli Fairbrother (29 Sept 2020)	20	-
	322	319

Trevor Hebdon was the Society's Chairman until his resignation.

Executive directors' remuneration	Pension Replacement Amounts					
	Salary £000	Bonus £000	Pension Contributions £000	£000	Other Allowances £000	Total £000
2021						
Des Moore	263	53	-	37	12	365
Richard Ellison	230	46	31	-	12	319
	493	99	31	37	24	684
2020						
Des Moore	258	52	-	36	12	358
Richard Ellison (appointed 22 May 2019)	194	39	26	-	10	269
	452	91	26	36	22	627

Richard Ellison was employed as Chief Financial Officer on 29 April 2019 and joined the Board on 22 May 2019 after receipt of regulatory approval. The remuneration figures for the year ended 31 March 2020 are stated from the date of his appointment to the Board. None of the directors had an interest in shares in, or debentures of, any subsidiary undertaking of the Society at any time during the financial year.

Notice of Annual General Meeting 20 July 2021

The Annual General Meeting (AGM) of Cumberland Building Society will be held at 4pm on Tuesday 20 July 2021 at Learning Gateway, University of Cumbria, Fusehill Street, Carlisle, CA1 2HH for the following purposes:

Ordinary Resolutions

- To receive the Annual Report and Accounts for the year ended 31 March 2021.
- To approve the Report on Directors' Remuneration.
- To approve the re-appointment of Deloitte LLP as Auditors of the Society.

Election and Re-election of Directors

- To elect and re-elect directors as follows:
 - to elect Victoria Jane Bruce
 - to elect Kelli McKechnie Fairbrother
 - to re-elect Jacqueline Arnold
 - to re-elect Richard Bryan Ellison
 - to re-elect Eric Richard Gunn
 - to re-elect John Elliott Hooper
 - to re-elect Michael Keith Hulme
 - to re-elect Patrick Desmond Moore
 - to re-elect Mark John Stanger

Special Resolution

- To approve the changes to the Rules of the Society as set out in the explanatory leaflet.

BY ORDER OF THE BOARD

Paul Vines, Secretary, 8 June 2021

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

Notes on Voting

- These Notes form part of the Notice of Meeting.
- You can vote using a paper voting form by post, online at www.cumberland.co.uk/AGM (you will need your two online voting codes as printed on your paper voting form) and, subject to note 4 below, 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 at the bottom of the paper voting form; this option is not available if voting online. If you wish to instruct your proxy to vote for or against the resolutions, please place an 'X' or click in the appropriate box on the paper or online voting forms respectively. If you leave the voting boxes blank, your proxy may vote as he or she decides. If you do not want your proxy to vote on a resolution, place an 'X' in or click on the withheld box on the paper or online voting forms. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

Your proxy does not need to be a member of the Society, but must pre-register to attend unless you are appointing the Chairman of the Meeting as your proxy. 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.

- For everyone's safety in light of Covid-19, we would prefer you not to attend this year's AGM or vote in person. We won't be providing any refreshments or hospitality. If you must attend the AGM and vote in person, you will need to pre-register by writing to Cumberland Building Society, Cumberland House, Cooper Way, Parkhouse, Carlisle CA3 0JF or by

email to AGM@cumberland.co.uk before 5pm on Tuesday 13 July 2021. If you do not pre-register, you will not be permitted to attend or vote.

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.

Alternatively, the AGM will be streamed live online. There will also be an online Q&A at 6pm on Tuesday 6 July 2021. See voting form for further details.

5. To be valid, your completed voting form must be received at Civica Election Services, London N81 1ER by 5pm on Friday 16 July 2021. If voting online, votes must be cast by 5pm on Friday 16 July 2021.

6. You should check if you are eligible to vote by reading the voting conditions on the voting form.

Explanatory Notes on the Resolutions

The Annual Report and Accounts

You are asked to receive the Annual Report and Accounts. This means that you are asked to endorse the Board's decision to approve them at the Board Meeting held on 8 June 2021 and you are, therefore, asked to vote 'FOR' this resolution.

Report on Directors' Remuneration

You are asked to approve the Report on Directors' Remuneration on pages 15 to 16 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.

Changes to the Society's Rules

The Board is proposing to make changes to the Society's Rules, including allowing the Society to hold AGMs virtually, or in multiple venues simultaneously. A summary of the principal proposed changes is set out in the separate leaflet "Proposed Alterations to the Society's Rules", accompanying this Annual Review booklet. The leaflet contains details on how you can review the changes in more detail, and/or request hard copies. If the new rules are adopted at the AGM, they will take effect (subject to registration and any changes required by the Financial Conduct Authority) from 1 October 2021.

The Board believes that these alterations will benefit the Society and its members as a whole and recommends that members vote FOR the alterations.

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 on pages 20 to 23 and, following formal evaluation, the Board considers that their performance continues to be effective and that they demonstrate the necessary commitment to the role.



MEET THE BOARD OF directors

The Board is comprised of 7 non-executive and 2 executive directors. All of the non-executive directors are considered to be independent under the Code; the Chairman was considered independent on appointment.

The Chairman is responsible for leading the Board and ensuring it acts effectively. The Chairman must be a different individual to the CEO and there must be a clear division of responsibilities between the two roles. Michael Hulme is the Senior Independent Director and acts as a sounding board for the Chairman and serves as an intermediary for the other directors and the members.

The November 2020 Board effectiveness review found the Board operates a positive, friendly, constructive culture that encourages transparency and facilitates straight talking; the way non-executive directors and executive directors operate within the Board environment is in line with best practices for a unitary board; and the relationship between the Board and the executive team is effective, transparent and productive.



**Nomination
and
Governance
Committee**



**Board Risk
Committee**



**Audit
Committee**



**People,
Remuneration
and Culture
Committee**



John Hooper

Board Chairman and Nomination
and Governance Chair



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

Skills and experience

John has spent over 35 years working in banking and financial services. He is currently a non-executive director on the board of several financial institutions. Prior to this, John was an executive director at National Australia Bank Europe Limited and Clydesdale Bank PLC. He previously held a number of senior positions at National Australia Bank, and was a member of its Executive Committee.

Current material external positions

Non-Executive Director (Chair of Board Risk), VTB Capital Limited
Non-Executive Director, VTB Capital Holdings Limited
Non-Executive Director (Chair of Board Risk), Together Money Personal Finance Limited
Non-Executive Director (Chair), Stubbers Adventure Centre Limited
Non-Executive Director (Chair), Stubbers Trading Limited

Previous positions include

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

Non-Executive Director since September 2015, SID since July 2018 (independent)

Skills and experience

Michael has over 20 years' experience in research based consultancy examining the current and future impact of technological change on corporate strategy and personal behaviour, working with many national and multi-national brands including several in the financial services sector. He has been a non-executive director of several public companies.

Current material external positions

None

Previous positions include

Director of Applied Research, Henley Management College
Non-Executive Director (Chair), Merseyside Special Investment Fund
Non-Executive Director (Chair), Cumbria Vision Board
Non-Executive Director, Artillium Plc



Michael Hulme

Senior Independent Director



Kelli Fairbrother

Non-Executive Director



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

Skills and experience

Kelli has over 20 years of experience in consumer and technology businesses. She is co-founder and CEO of technology startup Xigxag, and former Chief Operating Officer for Gelato. A Harvard Business School MBA graduate and former US Army Captain, Kelli previously led the German market entry for the Premier Inn and Costa brands at Whitbread Hotels and Restaurants.

Current material external positions

Co-Founder and CEO, Xigxag Limited

Previous positions include

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

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

Skills and experience

Vicky has more than 25 years' international financial services experience, most recently as a Managing Director with Deutsche Bank Wealth Management. She has extensive global experience in change, risk and regulation with UK board experience in financial services and not-for-profit sectors.

Current material external positions

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

Previous positions include

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



Vicky Bruce
Non-Executive Director



Mark Stanger
Audit Chair

Non-Executive Director since June 2018 (independent),
Audit Committee Chair since July 2020

Skills and experience

Mark has over 30 years' experience in the accountancy sector, and is a Senior Partner and Managing Partner with a West Cumbria-based chartered accountancy practice.

Current material external positions

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

Previous positions include

Chair, Board of Governors, Lakes College, Lillyhall



Non-Executive Director since November 2016, BRC Chair since August 2019 (independent)

Skills and experience

Eric has almost 40 years' experience of the UK banking sector, having spent his entire career at Clydesdale Bank PLC, most recently as Chief Risk Officer and member of the Executive Management Team. Eric had responsibility for managing the risk profile of the UK operations of the National Australia Bank Group.

Current material external positions

None

Previous positions include

Chief Risk Officer, Clydesdale Bank PLC



Eric Gunn
Board Risk Chair

Chief Executive Officer and Executive Director since April 2018

Skills and experience

Des is an accomplished senior leader in Financial Services in the UK and Ireland, with over 30 years' experience in retail and commercial banking. Before joining the Society, Des spent 5 years as Managing Director of AIB (NI), the trading division of AIB (UK) plc's Northern Ireland operations. He led the restructure and turnaround of that bank into a reinvigorated brand with clear strategy and sharply improved financial results. Des has been leading the development and implementation of a new vision and strategy for the Society since he arrived in April 2018.

Previous positions include

Managing Director, AIB (NI)
Senior positions – AIB, Bank of Ireland, Permanent TSB and National Irish Bank



Des Moore
Chief Executive Officer

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

Skills and experience

Jackie has over 35 years' experience in financial and business management, most recently as Head of Strategy at BAE Systems. Prior to this she held a number of other senior positions with BAE Systems and was Managing Director at Lakeland Power Limited.

Current material external positions

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

Previous positions include

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



Jackie Arnold MBE
People, Remuneration and Culture Chair



Richard Ellison
Chief Financial Officer

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

Skills and experience

Richard has considerable experience in the UK finance services sector. Whilst Deputy Chief Financial Officer and Chief Data Officer at CYBG PLC, he played a leading role in the successful demerger and IPO of Clydesdale Bank PLC from National Australia Bank, and led the restructure and cultural transformation of the Finance function. Since joining the Society in April 2019, Richard has successfully enhanced our Treasury function allowing greater sophistication in risk management and uplifted the skills and capability in core finance to ensure the Cumberland 2025 strategy is financially underpinned. He took accountability for our Governance, Legal and Procurement function in April 2020.

Current material external positions

Non-Executive Director, 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

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Service
Award



2021

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BRIGHTER BANKING
FROM CUMBRIA