



ANNUAL REVIEW

Year ended 31 March 2022

Including
SUMMARY FINANCIAL STATEMENT
and
NOTICE OF ANNUAL GENERAL MEETING

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



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I've never been more proud of the way we do things at The Cumberland

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JOHN

CHAIRMAN'S Welcome

On behalf of your Board of Directors, I am delighted to present Cumberland Building Society's Annual Report and Accounts for the year ended 31 March 2022.

It has been another challenging and unpredictable period as the pandemic continued to disrupt the lives of our people, our customers and our business for far longer than many might have predicted. Despite this, our team has continued to do an outstanding job under sometimes extremely trying circumstances and our business has grown stronger as a result.

I'm proud to say that the hard work and commitment of our people has not just been recognised by us, but resoundingly by our customers and our industry peers alike, contributing to a range of awards we have received this year.

Values & Purpose

The Cumberland is built upon an authentic set of values that are focused on our customers, our people, and the communities we live and work in. I've never been more proud of the way we do things at The Cumberland. I truly believe this approach is what makes our Society different and unique.

Having previously expressed our purpose through Brighter Banking, we have evolved and refined this to better reflect the needs of our customers and the wider world around us.

We have come through the challenges and tragedies of Covid, with its detrimental effect on many lives and livelihoods, and many in our communities face ongoing hardship. The rising cost of living, including, for example, increasing fuel costs and energy charges, will no doubt have a significant impact on many households and businesses as the year unfolds, and we must continue to provide and enhance our support for those that need it wherever we can. Our communities continue to face difficult social challenges, such as a lack of financial education, mental health issues and discrimination, all of which are areas in which we believe we have a part to play, and we are acutely aware of our impact on the environment.

By embracing our new purpose, we will focus on these issues, and we are committing to creating banking experiences that are kinder to people and planet. You can read more about this in the Chief Executive Officer's business review on page 5.

Financial position & profit expectation

Financially, The Cumberland remains in a strong position. Despite the uncertainties of the pandemic, our arrears and bad debts remain remarkably low. This is because we've maintained focus on our core residential business - lending to people so that they can buy a home.

On the commercial side, our specialist sector expertise is in the hospitality sector. After the challenges many have experienced just trying to keep going during the lockdowns and other Covid-related restrictions, we are pleased to see so many businesses are now back on their feet and thriving again. Using their individual business expertise, they have made the most of the increased trend towards holidaying in the UK. The Cumberland has supported them every step of the way as they have had to pivot and cope with the feast or famine nature of running hospitality and holiday businesses this year. We are looking forward to seeing our commercial customers continue to rebuild and prosper this coming year.

Overall, the next few years are going to be a period of investment for us, with our focus firmly set on the next stage of our transformation journey, building a better building society for the long-term benefit of its members. The Cumberland has been serving the people of Cumbria and the surrounding areas for more than 170 years and the work we do now will ensure we continue to flourish and prosper by improving and enhancing our services and making a real difference in our communities for many more years to come.

*John Hooper
Chairman
1 June 2022*

It is never easy transitioning from a sustained period of instability and constantly changing rules. We all experienced the challenges brought by the considerably longer than expected continuation of the Covid-19 pandemic and its effects on business, personal finances, and people's individual health and wellbeing. Managing a financial institution during this time has been challenging, but dare I say that The Cumberland was perhaps better prepared than some others. We have been able to draw on nearly two centuries of solid financial prudence. However, it is the resilience, outstanding attitude and commitment of a fantastic team of people that has again ensured another strong year for the business.

In the face of some of the strongest challenges our people are likely to experience, they helped deliver another year of growth, established the platform we need for the next stage of our transformation programme, and continued to provide exceptional award-winning service to our customers.

I would like to take this opportunity to sincerely thank each and every member of the Cumberland family for their continued dedication and support.

CHIEF EXECUTIVE

Officer's Business Review

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We'll continue to do what is kind, not what is easy, and secure a long, strong future for our building society.

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KINDER BANKING.
It's in our
NATURE.

Our purpose

Look at what we've got here in our region. We're in perhaps the most beautiful corner of the UK. We have a strong sense of community – and we have creative and exciting businesses you won't find anywhere else.

Community and kindness have been at the heart of The Cumberland since 1850, but what this means to our customers, and how we show it, has continually evolved. As we develop our business to remain sustainable for the future, now is the right time to evolve our Society's purpose to align with the changing needs of our customers, colleagues and communities. The purpose is our 'guiding light' that drives all that we do.

Over the last year, we took time to listen to our colleagues, our customers and a range of other stakeholders in a series of surveys and focus groups to understand what people think and expect of us. I'm pleased to say the results were positive. The feedback suggested both our customers and colleagues alike want to see us continue making a real difference but, in order that what we do not be restricted to our immediate stakeholders, we must consider our impact on our society and the wider world around us.

As a result, we have refined our business purpose and relaunched it as we head into this new financial year. Our goal is to create a banking experience that is kinder to people and planet, and this will drive the decisions we make, the actions we take and the way we measure our impact going forward. The purpose manifests itself in our new strapline 'Kinder banking. It's in our nature.' and I am very much looking forward to seeing the business focus on this as we progress with our plans.

We'll continue to do what is kind, not what is easy, and secure a long, strong future for our building society. This next stage in our journey is a very exciting one, and our new purpose will ensure we're looking out for our customers, communities, and countryside – now and for generations to come.

Supporting our people

It became clear early last year that the new ways of working that were forced upon us during the pandemic, and which our people adapted to so well during 2020 and 2021, would continue in some way.

Ahead of our head office teams returning to the workplace, we made some significant changes to the layout and design in response to keeping people safe and helping them work even better together. Hybrid working has now become our standard practice, with people still working from home part of the time and sharing reconfigured office spaces.

Our head office has a new look, in line with the new ways in which we are using the spaces, with breakout booths, areas for small groups to sit together and mini meeting areas. We understand that for some employees, the anxieties of the last two years will take time to reduce, and for other people, working from home has been convenient and enjoyable, and they have been able to thrive and be as productive as they were in the office. We support hybrid working wherever it is possible for a role and have not issued a

prescriptive instruction about who must be in the office and when. As a business, we have experienced the benefits of this, with employees who feel appreciated and respected, trusted to do their best work in the spirit of autonomy and responsibility.

Our people are professional and committed and each team understands their own priorities and processes. We also recognise that in the 'new normal', the opportunity for hybrid working will help us to attract new talent to the business as we continue to grow our teams. This has given us access to some of the best talent in the industry, allowing us to supplement and develop our people to further support us in achieving The Cumberland's business objectives.

Our branches have continued to deliver great service in often adverse conditions. There were times when national restrictions forced us to close or operate shorter hours, but disruption has been kept to a minimum. Earlier this year – at last – we returned to a place where we felt it safe to reintroduce an element of face-to-face appointment based service, and it has been great to see smiling customer faces back in our branches.

Improving our business for the benefit of our customers

Changing behaviours have meant many of our customers are increasingly opting to telephone us. During the year we have invested in our Carlisle-based Customer Care team, bringing in and training more people to be available on the phones to help customers. We have not changed in our commitment to offering multiple channels of communication, depending on what suits each individual customer, whether that be face-to-face in branch, over the phone and, increasingly now, online.

The hospitality sector is also bouncing back after two very challenging years of lockdowns. We've seen a return to growth in our business within the sector and have now invested in an intermediary channel that will help drive further growth in this area.

The year saw us continue to build on our reputation for excellence in customer service. In January, we were delighted to earn a Feefo Platinum Trusted Service Award for the second year in a row. Based on the ratings feedback, we ask all our new customers to give us, 9 out of 10* gave us 5 stars out of 5. We also collected the In-Cumbria Best Large Business of the Year award in November 2021.

Based on the ratings feedback we ask all our new customers to give us, 9 out of 10 gave us*

**5 STARS
OUT OF 5**



*1,074 out of 1,204 new customers (includes existing customers who take a new product (e.g. mortgage renewals))



Our head office reopened earlier this year after a redesign to provide an improved and more efficient environment for hybrid working.



Alex Windle took up the new role of Chief Transformation Officer during the year, and is responsible for delivering the future digital needs of our customers and our business.

Earlier this year, we were thrilled to attend OPEX Week, part of the Business Transformation World Summit in Miami, Florida, where members of our Operations team picked up two global Operational Excellence Awards. These were for Best Transformation Project Delivering Customer Excellence and Best Process Transformation Project Under 90 Days category for our end-to-end bereavement process review. To be recognised on the world stage is quite simply amazing, and testament to the impact of our team as they continue to pursue our goal of providing exceptional customer experiences.

Looking ahead

This year was very much about resetting and responding to the longer-term changes the pandemic brought, but I'm pleased to say that these issues have had relatively little impact on our journey to Cumberland 2025.

As I wrote last year, our business needs to undergo a transformation in order that it can remain a

sustainable, viable and vibrant society for our members and for future generations. Our plan, called Cumberland 2025, is predominately focused on the digital needs of both our customers and our business and is now at the end of the first stage. The groundwork required is complete and this year will see us begin working on delivering the technological change.

Transforming a multi-billion pound financial services business is, unfortunately, not a quick process. The first phase of the programme has seen significant investment in planning, research and bringing in the capability and capacity we need to make it a success, as well as simplifying our business model. I'm minded to consider the old tailor's saying, "Measure twice, cut once." These are wise words, and it was absolutely vital to get the foundations of this programme right. This has involved careful assessment of all of our current processes in order to prepare them for digital transformation.

This year was very much about resetting and responding to the longer-term changes the pandemic brought, but I'm pleased to say that these issues have had relatively little impact on our journey to Cumberland 2025.

We've spent this year getting everything ready – without having made any changes to our digital infrastructure yet, we've had a phenomenal impact on the most critical of all our customer journeys, the mortgage journey. We've reviewed a process, which used to take 73 days from initial conversation to offer, and reduced that to just 12 days. This is just one example, but by making all of the improvements we can, we will ensure that the digital transformation itself will be optimised and most effective. It can't and shouldn't happen overnight. We are changing and we need to make sure that we, and our customers, are fully prepared for the change in order to get the most out of it.

Cumberland 2025 is predominantly focused on protecting and delivering longevity for the Society. We've built a reputation over 172 years for being reliable, safe and secure, and that's not going to change. But some of the ways we deliver services to our customers must change, in line with what they want from a modern financial service.

Our annual financial reviews usually include discussion of strong profits that are shared with our members. This year we have begun spending more of what we earn, investing in the future for our customer's benefit. That means there will be a noticeable reduction in profits over the next few years, but it

is absolutely necessary to do this now. To continue to return profits in the way we have over recent years would prevent us from making the changes we must make, to allow the Society to thrive and continue to help customers for the next 170 years. We believe that our members understand this and are supportive of the reinvestment.

Looking at the future, the next few years are going to be very exciting and we look forward to being able to share more details of our progress in next year's report. We are lining up areas of our business and the ways we operate to allow us to provide additional benefits for our customers, so that they can bank the way they want to.

CONCLUSION in context

It is important too, that we consider our own aims and objectives in the context of what is going on in the wider world. We can't ignore the potential impact that the rising cost of living, increased energy and fuel prices, and on-going adjustments to living with Covid are going to have on our customers. It is clear that there will be a long period of recovery for many, before they achieve equilibrium or get close to the normal they knew pre-2020.

We are continuing to build from our solid, strong and stable foundation, ensuring we can continue to deliver the help our customers need in the ways our customers want. In the short term, there is hard work and investment required to achieve this, and this will increase our costs and impact the profitability of our Society over the next three years. However, we have built a sound platform on which we can continue to grow and transform in order to develop a prosperous future for our Society, our customers and our local communities.

Summary Financial Statement

For the year ended 31 March 2022

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 21 June 2022. This information is also available from our website, cumberland.co.uk.

Chief Financial Officer's Review

The Cumberland delivered a solid financial performance in a challenging year. We moved quickly from preparing for the potential disruption of negative interest rates as the pandemic raged, to responding to inflation and rising base rates as the UK faced into increasing commodity prices and most recently felt the tragic impact of war in Ukraine. Against this backdrop your Society grew its mortgage lending as planned and you continued to trust us with your savings, transactional banking and deposits.

We continued to invest in our people and our processes, delivering a substantially increased resilience in our underlying technology architecture and setting the foundations in place that will allow us to progress on to the delivery of new technology in line with our stated strategy. Our performance was substantially better than budget, and guided in last year's annual report, reflecting both revenue outperformance and a modestly slower ramp up of investment spend than forecast. Profit before tax was £8.6m (2021: £10.5m).

Lending

The Cumberland's lending strategy remains consistent, but the year's performance is best understood in the light of the Covid-19 pandemic and its impact on the UK market over much of the year. Our high quality owner occupied book grew throughout the year. Mortgage growth was slow in the

initial quarter, as the pipeline of business moved slowly under lockdown and its immediate aftermath, before accelerating to a peak in June supported by a surge in holiday let business and, thereafter, growing steadily into the end of calendar 2021. It modestly increased, thereafter, supported by a return to fully secured on land (FSOL) book growth. Strong levels of retention throughout the year supported our growth trajectory.

Our letting portfolio grew, as growth in holiday let demand more than offset a continued reduction in our buy to let business. Our FSOL lending, which is focused on the hospitality and tourism sectors, stabilised and then returned to growth in the final quarter reaching £168m (2021: £171m), almost £6m higher than the book's pandemic low point, as our commercial team investment showed early fruit.

We advanced £422m of mortgages (2021: £343m) and mortgage balances grew by £68m (2021: £24m) and our net interest margin increased to 1.69%.

Arrears and Provisions

The volume of accounts fully secured on residential property (FSRP) and fully secured on land (FSOL) 90 days or more past due (90 DPD) at the balance sheet date are as follows:

Accounts in arrears (≥ 90 DPD) as % of loan book	31 March 2022	31 March 2021
FSRP	0.11%	0.18%
FSOL	2.10%	4.30%

Reflecting the unwinding of forbearance and related arrears as customers have recovered from lockdowns and wider business disruption, we have seen a net release of provision in all of our secured portfolios. This has been supported by successful conclusion of recovery activities in relation to the single large connection within our historic FSOL arrears discussed last year with no further loss.

This reduction in risk, and the related provisions release, has been modestly offset by the raising of new specific provisions. These are on a small number of commercial borrowers who have been unable to trade out of the stresses created by Covid, either due to challenges the business faced before the pandemic or specific factors that meant that their trade has not reverted to the level hoped. We have also had due regard within our collective provision models to the potential impact of the inflation and the cost of living increase we are all experiencing, as these accounts are published.

The income statement credit for bad and doubtful debts was £618k (2021: £678k charge). More information on forbearance, arrears, provisioning and impairment is included in notes 12 and 28 to the annual report and accounts.

A modest loss on revaluation of our investment properties of £15k and an impairment charge of £211k on operating property (2021: £144k (revaluation and loss on sale)) was recognised.

Funding, Liquidity and Capital

The Society continues to be well funded by its retail depositors, the great majority of whom are located in its branch operating area. We saw a more normalised net inflow of funds of £93m (2021: £194m), which saw our total retail funding rising to £2,442m (2021: £2,342m), growth of 4%. As a result, our deposit to loans ratio remained well over 100% and all new lending was fully funded by new deposits.

As a result of the strong retail inflows in 2021 and early this year, our need for new wholesale funding was limited. However, looking forward into our growth plans for the next 3 years, we encumbered a further proportion of our mortgages with the Bank of England and drew down substantial new funding from the Term Funds for SME (TFSME) scheme in the two months prior to its closure to new drawings. This allowed us to repay the residual £130m of TFS prior to its scheduled maturity and has extended the tenor and stability of our funding base. At 31 March 2022, £220m of TFSME funding was outstanding.

The Society's principal measure of liquidity is high quality liquid assets (HQLA) as a percentage of shares, deposits and loans, as this reflects the funds that are immediately and fully available to support the Group's liquidity needs. The level of HQLA remained elevated growing to 20.1% (2021: 17.7%).

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 19.6% at 31 March 2022 (2021: 19.5%).

Subsidiary Companies

The Group's financial statements incorporate the assets, liabilities and results of a small, and reducing, number of subsidiaries, 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 £530k (2021: £453k) to the Group's reported results. BFL traded successfully during the year benefitting from the robust value of used cars and its high touch customer service, which was recognised by awarding of Feefo's platinum accolade. The balance sheet grew modestly to £22.3m (2021: £21.0m). Credit quality has been good. Pleasingly, the level of arrears has remained subdued.

During the year, or shortly thereafter, all of the Group's other historic trading subsidiaries were wound up and struck off, completing the corporate simplification journey commenced in 2019, leaving a basic Group structure of the Society, Borderway and an intermediary holding company.

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 sharp rise in inflation and war in Ukraine is creating a challenging macro-economic outlook with rising rates required to manage inflation before it becomes embedded but, conversely, their imposition risking recession. The last two years have shown that prediction is fraught and while a deep recession has not occurred the pandemic has weakened the resilience of many borrowing households and business. There is an expectation that interest rates will modestly rise over 2022, and that growth may well stall and slow, reflecting supply chain bottlenecks, the second order impact of war and trade frictions that Brexit has bought.

As outlined in the Chief Executive Officer's Review, the Society's profitability is expected to reduce over the coming three years, as it strategically invests in its future coupled with absorbing the impact of inflation, the cost of living squeeze and supply chain bottlenecks on the economy through its key business lines, while simultaneously operating in the highly competitive environment that characterises UK mortgage lending.

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
1 June 2022*

Financial Results

For the year ended 31 March 2022

Results for the Year	Group 2022 £000	Group 2021 £000
Net interest receivable	47,666	42,754
Fair value gains on financial instruments	3,808	1,464
Other income and charges	724	1,076
Administrative expenses, depreciation, amortisation, impairment and profit on sale of tangible fixed assets	(44,029)	(34,019)
Loss on revaluation and disposal of investment properties	(7)	(144)
Provisions for bad and doubtful debts	618	(678)
Provisions for liabilities and charges	(167)	20
Profit for the year before taxation	8,613	10,473
Taxation	(1,204)	(2,059)
Profit for the year	7,409	8,414
Statement of Comprehensive Income		
Profit for the financial year	7,409	8,414
(Loss)/gain on available for sale investment securities	(220)	8
Gain/(loss) on equity share investment	893	(136)
Movement in deferred tax on equity share investment	(427)	26
Actuarial gain/(loss) on retirement benefit obligations	892	(6,768)
Movement in deferred tax on retirement benefit obligations	(223)	1,286
Total recognised gains and losses for the year	8,324	2,830
Financial Position at End of Year		
ASSETS		
Liquid assets	596,372	478,255
Mortgages	2,205,800	2,173,520
Other loans	22,748	21,440
Derivative financial instruments	34,037	3,166
Fixed and other assets	26,328	26,077
Total assets	2,885,285	2,702,458
LIABILITIES		
Shares	2,290,603	2,194,563
Borrowings	383,083	277,157
Derivative financial instruments	110	9,008
Other liabilities	6,385	24,950
Reserves	205,104	196,780
Total liabilities	2,885,285	2,702,458

Summary of key financial ratios	Notes	2022 %	2021 %
Gross capital as a percentage of shares and borrowings	1	7.67	7.96
Liquid assets as a percentage of shares and borrowings	2	22.31	19.35
Profit for the year as a percentage of mean assets	3	0.27	0.31
Management expenses as a percentage of mean assets	4	1.58	1.27

Approved by the Board of Directors on 1 June 2022

John Hooper Chairman
 Mark Stanger Chair of the Audit Committee
 Des 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 2022 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Summary Directors' Report.

Respective responsibilities of directors and auditor

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

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

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

Basis of opinion

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

Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Cumberland Building Society for the year ended 31 March 2022 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of our report

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

Deloitte LLP

Statutory Auditor
Leeds, United Kingdom
1 June 2022

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 PARC. The remuneration of executive directors is determined by PARC.

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 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 2022, 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 2022 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 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 next page.

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

Jackie Arnold

Chair
1 June 2022



Directors' Remuneration

	2022 £000	2021 £000
Total directors' remuneration	1,044	1,006
Non-executive directors' remuneration		
John Hooper (Chairman)	70	68
Alan Johnston (Chair of the Audit Committee and Vice-Chairman) (resigned 30 Sept 2020)		27
Eric Gunn (Chair of the Board Risk Committee and Senior Independent Director)	48	47
Jackie Arnold (Chair of the People, Remuneration and Culture Committee)	48	46
Michael Hulme	45	44
Mark Stanger (Chair of Audit Committee since July 2020)	52	49
Vicky Bruce (29 Sept 2020)	42	21
Kelli Fairbrother (29 Sept 2020)	41	20
	346	322

Executive directors' remuneration	2022					Total £000
	Salary £000	Bonus £000	Pension Contributions £000	Pension Replacement Amounts £000	Other Allowances £000	
Des Moore	268	54	-	38	12	372
Richard Ellison	234	47	33	-	12	326
	502	101	33	38	24	698
2021						
Des Moore	263	53	-	37	12	365
Richard Ellison	230	46	31	-	12	319
	493	99	31	37	24	684

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 12 July 2022

The Annual General Meeting (AGM) of Cumberland Building Society will be held at 4.00pm on Tuesday 12 July 2022 at Cumberland House, Cooper Way, Parkhouse, Carlisle, CA3 0JF for the following purposes:

Ordinary Resolutions

- To receive the Annual Report and Accounts for the year ended 31 March 2022.
- To approve the Report on Directors' Remuneration.
- To approve the re-appointment of Deloitte LLP as Auditors of the Society.

Re-election of Directors

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

BY ORDER OF THE BOARD

Paul Vines, Secretary, 1 June 2022

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 to scan the QR code or to enter your two online voting codes as printed on your paper voting form) and, subject to note 4 below, at the AGM in person or online.
- 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.

4. You may attend the AGM and vote online or in person. If attending and voting online, please see your voting form for further details of how to join. If attending and voting in person, for identification purposes, you should bring with you the voting form and some other evidence of membership (e.g. your passbook, Cumberland debit card or a recent account statement). You will be given voting papers at the Meeting.
5. To be valid, unless you are voting at the AGM, your completed voting form must be received at Civica Election Services, London N81 1ER by 5pm on Friday 8 July 2022. If voting online, votes must be cast by 5pm on Friday 8 July 2022.
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 1 June 2022 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.

Re-election of Directors

The number of candidates standing for 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 6 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. Eric Gunn 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 from 1 April 2022.

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. This has continued to be the case during 2021/22.



Nomination and Governance Committee



Board Risk Committee



Audit Committee



People, Remuneration and Culture Committee

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

Skills and experience

John has been involved in banking and financial services for over 35 years, and still holds active positions as non-executive director on the boards of several financial services companies. During his career, John was an executive director at both Clydesdale Bank PLC and National Australia Bank Europe Limited. Whilst at National Australia Bank, he held a number of senior positions and was a member of its executive committee.

Current material external positions

Non-Executive Director (Chair of Board Risk Committee), Together Money Personal Finance Limited

Non-Executive Director (Chair), Stubbers Adventure Centre Limited

Non-Executive Director (Chair), Stubbers Trading Limited

Previous positions include

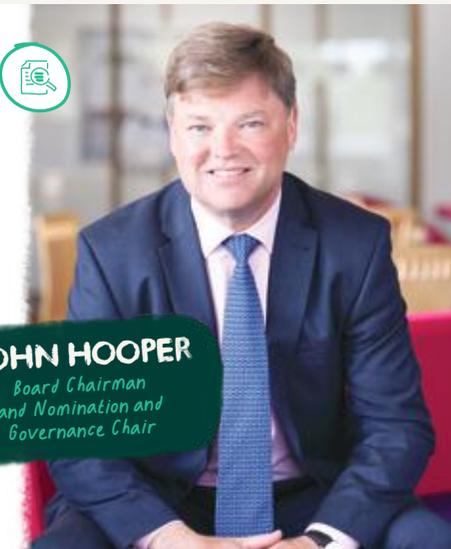
Director, National Australia Bank Europe Limited

Director, Clydesdale Bank PLC

Non-Executive Director, The Leasing Industry Philanthropic and Research Foundation Limited



JOHN HOOPER
Board Chairman and Nomination and Governance Chair



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

Skills and experience

Kelli's background is in consumer and technology businesses. She is currently CEO of technology start-up xigxag after co-founding the company, and was previously Chief Operating Officer of Gelato. Formerly a US Army Captain and an MBA graduate of Harvard Business School, Kelli previously led the entry to market of Premier Inn in Germany whilst working 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

KELLI FAIRBROTHER
Non-Executive Director





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

Skills and experience

Vicky has worked in international financial services for over 25 years, latterly as a Managing Director of Deutsche Bank Wealth Management. Her experience spans change, risk and regulations, and she has UK board experience in the not-for-profit as well as the financial services sector.

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



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
- Executive Director, DB UK Bank Ltd
- Head of Change Management, Coutts

MARK STANGER
Audit Chair

Non-Executive Director since November 2016, BRC Chair since August 2019, SID since April 2022 (independent)

Skills and experience

Eric spent his entire career at Clydesdale Bank PLC, most recently as Chief Risk Officer and a member of its Executive Management Team. Eric was responsible for managing the UK risk profile of National Australia Bank Group as part of a career of almost 40 years in the UK banking sector.

Current material external positions

None

Previous positions include

Chief Risk Officer, Clydesdale Bank PLC



ERIC GUNN
Board Risk Chair and Senior Independent Director

Chief Executive Officer and Executive Director since April 2018

Skills and experience

Des is an accomplished senior leader in Financial Services in both the UK and Ireland, having over 30 years' experience in both retail and commercial banking. Prior to joining the Society, Des spent five years as Managing Director of AIB (NI), the trading division of AIB (UK) plc's Northern Ireland operation. He was responsible for leading the restructure and turnaround of the bank. Des is a Chartered Director with the Institute of Directors, and has been leading the transformation of the Society and the implementation of a new vision since joining in April 2018.

Current material external positions

Non-Executive Director, Cumbria Local Enterprise Partnership

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 and member of NGC 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 business and financial management roles, and was most recently Head of Strategy at BAE Systems. Prior to this, she held a number of other senior positions with BAE Systems and was Managing Director of 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



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

Skills and experience

Richard has significant experience in the UK financial services sector. As Deputy Chief Financial Officer and Chief Data Officer at CYBG PLC, he helped lead the successful demerger and IPO of Clydesdale Bank PLC from National Australia Bank, and led the restructure and cultural transformation of the finance function.

Since joining the Society, Richard has led changes to the treasury function to allow greater sophistication in risk management, as well as improving operational design of the finance function to position them to support the delivery of the Cumberland 2025 strategy. He also oversees the Governance, Legal and Secretariat functions.

Current material external positions

- Non-Executive Director and Audit Committee Chair, Kingdom Bank Limited

Previous positions include

- Interim Finance Director, Newcastle Building Society Group
- Deputy Chief Financial Officer and Chief Data Officer, CYBG PLC
- Director Banking and Capital Markets, PwC

RICHARD ELLISON
Chief Financial Officer

Platinum
Trusted
Service
Award



2022

feefo^{co}

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The Cumberland

Kinder banking. It's in our nature.