

The Cumberland

Kinder banking. It's in our nature.

ANNUAL REVIEW

Including SUMMARY FINANCIAL STATEMENT
and NOTICE OF ANNUAL GENERAL MEETING



Year ended

31 March 2024

CHAIR'S

Welcome

JOHN

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It is encouraging that over 80% of our mortgage borrowers stay with us when their fixed term ends, a retention rate comfortably above the industry average.

On behalf of your board of directors, I am delighted to present The Cumberland Building Society's Annual Report and Accounts for the year to 31 March, 2024.

It has, I am pleased to say, been another year of steady progress despite repeated increases in the Bank of England's base rate to a level not seen since early 2008. That spike in rates brought relief for savers but pain for borrowers and it dampened demand in the housing market.

The Cumberland's highly competitive mortgage and savings products enabled us to grow regardless. Mortgage lending and savings balances increased and our balance sheet exceeded £3.2bn at the year-end, an all-time high.

Operating profits rose to £27.4m (2023: £21.2m), while statutory profits before tax decreased to £9.6m (2023: £26.6m) as the unwind of last year's hedging gains began to be signalled.

We achieved these results thanks to a focus on containing cost increases as net interest income grew.

Our results were boosted as UK base rate increases exceeded our expectations and those of the market, and we benefitted from the interest-rate swaps we take out to protect the Society in the event of sustained rate increases.

Most of our borrowers have fixed-rate mortgages, which shielded them when interest rates began to rise at the end of 2021. As these fixed-term deals mature, borrowers are seeing an increase in their monthly payments. This has been a financial shock for some, and we have seen a modest rise in mortgage arrears, albeit from a very low base. As part of our 'Kinder Banking' ethos, we have specialists to assist and advise borrowers in difficulty. This has helped to minimise financial distress.

It is encouraging that over 80 per cent of our fixed-rate borrowers stay with us when their fixed term ends, a retention rate comfortably above the industry average. At the same time, we have been successful in winning remortgage business from other lenders.

Our vehicle finance subsidiary, Borderway Finance, performed well, boosted by high residual values for used cars and by winning more fleet business.

Commercial lending to the hospitality sector showed modest growth, although less than we planned. The hospitality industry had to contend with a perfect storm as margins were squeezed by higher staff and food costs and softer demand was seen from consumers struggling with the cost of living.

Our relationship model for commercial loans, which ensures every borrower has a personal contact who knows and understands their business, paid dividends and helped our commercial customers to navigate choppy waters.

We are looking, cautiously, to diversify our commercial lending into other sectors during the next few years while remaining committed to supporting hospitality businesses.

Looking ahead, we anticipate that we are at, or close to, the peak of the interest rate cycle. We expect rates to begin to fall in 2024-25 although not, perhaps quickly or to the ultra-low levels we became used to between 2009 and 2021.

Our customers are changing their behaviour accordingly. The bulk of inflows into savings accounts have been into fixed-interest, fixed-term accounts that enable savers to lock into higher rates. Similarly, while fixed-rate mortgages remain popular, we've seen a modest pivot towards discounted variable-rate products.

An environment of falling rates presents the Society with a different set of challenges. We expect to see pressure on margins as rates fall.

We also face increased costs associated with the implementation phase of our transformation project, "New Cumberland". This represents a major investment for the Society but is one we need to make to ensure that our systems are as robust and resilient as they can be and to enable us to continue to grow.

I will be stepping down as Chair at the annual general meeting after five years in the role and nearly nine years as a non-executive director. It has been a privilege to serve the Society working alongside an outstanding team, not only at Board and senior management level but throughout the business. Our Cumberland colleagues are amongst the most dedicated and diligent in the financial services industry. I thank them for their support.

My successor as chair, subject to member approval at the AGM, will be Jackie Arnold who has been on our Board since 2018.

I wish her well. She is ideally suited to the role and takes on a Society in excellent shape to meet whatever challenges the future brings.

John Hooper, Chair
4 June 2024



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Transformation has put extra demands on our Cumberland colleagues who have responded magnificently. Change within an organisation is never easy but our colleagues have embraced it.



CHIEF EXECUTIVE

Officer's Business Review

Progress

The true test of any business is how it performs in turbulent times.

While savers have benefited from higher interest rates, the past few years have been difficult for mortgage lenders and their customers. A low interest rate housing market had to adapt swiftly as The Bank of England raised its base rate 14 times between December 2021 and August 2023.

Given that backdrop, it is pleasing to report on another year of solid progress. Your Society performed well on almost every metric as we attracted inflows from savers and grew our mortgage book and commercial lending.

This progress was achieved through the trust and support of our customers alongside the hard work and dedication of our Cumberland colleagues. I thank them for their mighty efforts. They live our values and embody our purpose 'to create a banking experience that's kinder to people and the planet'. We will always do the right thing by our customers. That's in The Cumberland's DNA, and it is what 'kinder banking' is all about.

Service

That purpose was tested again this year as interest rates climbed higher. Our savers benefited because we passed on rate rises promptly. Our borrowers, the majority with fixed-rate mortgages, were offered preferential terms when their fixed-rate term ended. We always aim to offer our best deals to existing borrowers. This goes against the industry norm, which often sees new customers being offered the best rates.

We also looked after owner occupier borrowers on variable-rate products by choosing not to pass on any of the three most recent base-rate increases.

Looking forward, we believe we are close to the peak of the interest-rate cycle and expect modest rate cuts in the year ahead. In anticipation of that, we have reduced the rates on our fixed-rate mortgage products to assist borrowers coming to the end of fixed-rate deals from those seen in parts of 2023.

Inevitably, given the cost-of-living crisis, we have seen a rise in mortgage arrears, albeit modest and at a lower level than predicted. That's testament to our prudent lending policies and the efforts of our specialist teams who work with borrowers in financial difficulty, even if we have to extend the term of their loan, switch to an interest-only mortgage or offer a temporary payment holiday.

Our specialists sometimes get calls from customers who aren't behind with their mortgage but have other money worries. They see The Cumberland as a trusted friend and their first port of call on financial matters. That's exactly how we want The Cumberland to be perceived, an organisation to be trusted in a sector where trust is at a premium.

We strive to deliver exceptional customer service and were thrilled to retain our Feefo Platinum Service Award for the fourth consecutive year with an outstanding customer service rating of 4.9 out of 5.0.

Our customers appreciate the option of being able to call into a branch, bank online or phone a local call centre where they are soon through to a real person, not navigating an endless menu or conversing with an AI chatbot. We achieved our target of answering 95 per cent of calls within 60 seconds.

All these instances are practical examples of kinder banking in action.



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4.9 out of 5.0
CUSTOMER SERVICE RATING

Communities

But there's another area that profoundly differentiates The Cumberland from our competitors. We are truly committed to the communities we serve and are determined to do right by them.

As has been the case across our sector, we have seen a decline in the number of customers using our branches. The larger high street banks responded with closures, whereas we are the last financial institution in 16 locations throughout our region.

We've retained our branches because a significant number of customers prefer face-to-face contact.

The branches showed their worth during the Covid-19 pandemic when colleagues would phone to check on regulars they hadn't seen for a while and on occasions even delivered shopping to vulnerable housebound customers.

Whilst the world changes around us, our commitment to delivering a high standard of customer experience remains the same. We'll always listen to what you tell us about the way you want to use our services and we know it's important for our members to be able to speak to a real person – whether that's in one of our branches, or a member of our Carlisle-based customer care team.

Following the refurbishment of our Maryport branch last year, we are pressing ahead with work on our flagship branch in English Street, Carlisle, which was placed on hold during the pandemic and we will be ready to welcome customers later this year.

We think customers will be delighted with what is going to be an exemplar for 21st century banking on the high street. We are evolving our in-branch customer experience, modernising the way our customers can interact with us.

Wherever possible, we have used local contractors and building materials to support local businesses and reinforce a sense of place. A stained-glass wall inspired by the Lake District is a particular highlight of the English Street branch design.

We've also incorporated solar panels and other measures to minimise the branch's carbon footprint and they are already working for us and our planet.

Part of our purpose is to be 'kinder to the planet' and environmental sustainability is a priority as we strive to become operationally carbon neutral by 2030. This year we appointed Jill Johnston, as our first Chief People & Sustainability Officer, demonstrating our commitment to remain on track.

Transformation

The Cumberland is an organisation driven by purpose rather than profit but, to deliver on our purpose, we must ensure the Society is fit to face the future. We have alluded to our transformation programme in previous annual reports and now the hard work is starting to bear fruit.

Transformation involves a substantial technology investment as we plan and prepare to migrate to a new banking platform. This will make our systems more robust, resilient, and secure and enable the incremental and fast rollout of new products and services, for example the ability for new customers to open savings accounts online.

You, our members, will start to see some early signs of these changes from next year. For example, we will be improving the customer and colleague Wi-fi in all of our branches and our payments architecture will be more resilient by the end of the year. We will soon have an online portal for mortgage brokers, enabling them to get a quick lending decision for their clients and enabling more people, many in other parts of the country, to access Cumberland products.

At The Cumberland we are not harnessing technology to replace people and reduce costs. Rather we use it to enhance our offer to members. For us, technology is a tool that will increase efficiency but it will never replace human interaction. As we transform, our values will remain unchanged; we will continue our commitment to being a customer-led, straightforward, responsible and forward-thinking organisation.

Transformation has put extra demands on our Cumberland colleagues who have responded magnificently. Change within an organisation is never easy but our colleagues have embraced it.

If we needed confirmation that we are managing change correctly, it came in our improved standing in

THAT
REALLY IS
KINDER
BANKING.

Best Companies' annual survey, which is based on anonymous feedback from colleagues. We were judged as the best large building society to work for and one of the best large employers in any sector.

I'd like to pay tribute to our outgoing Chair, John Hooper, who has served the Society with distinction since 2015. He has set a standard and momentum that we are determined to follow. At the same time, I'd like to welcome Jackie Arnold as successor (subject to member approval at the AGM), who has been on our Board since 2018.

As we approach our 175th birthday, we have ambitious plans to improve our products and services whilst maintaining our unique Cumberland ethos.

Des Moore
Chief Executive Officer
4 June 2024



We achieved
our target of
answering
95%
of calls within
60
seconds.



The Cumberland has been recognised as an Outstanding Place to Work.



A sneak preview of our new look English Street branch.

SUMMARY FINANCIAL STATEMENT

For the year ended 31 March 2024

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 26 June 2024. This information is also available from our website, cumberland.co.uk.

Chief financial officer's review

The Cumberland and its customers successfully weathered a second year of high inflation, a slowing economy and rising interest rates, the outcomes of which can be seen in our operating results. As expectations strengthen that the next Base rate move will be downwards, your Society is now preparing for the challenges of a downward rate trajectory, which is something last seen in the period after the Global Financial Crisis.

Rising, and then, stable interest rates supported income, and allowed us to complete our ongoing investment in the preparatory stages of the New Cumberland transformation programme without a significant reduction in profit. In fact, while statutory profit before tax fell to £9.6m (2023: £26.6m) due to a significant charge from our hedging activities reversing some of last years gains, operating profits rose.

Against this complex economic backdrop, your Society grew its mortgage lending as planned, and you continued to trust us with your transactional banking, savings and deposits, which cumulatively grew modestly ahead of expectations.

We continued to invest in change, our people and our processes. The pace of delivery rose as planned, resulting in ongoing improvements in our underlying technology architecture and improved cyber security. This included a successful upgrade to our current core banking platform- setting in place more of the foundations that will allow us to confidently progress into our new technology build over the next year.

Our performance was substantially better than budget, and guided in last year's annual report, driven by revenue outperformance reflecting the higher than planned rate environment supported by proportionate cost control. This was offset by derivative volatility, including the partial unwind of last year's gains, as we flagged in this report last year.

At an operating profit level, which strips out the large fair value hedging loss (much of which was reversing elements of 2023's gain and which will ultimately trend to zero), your Society saw an improvement to £27.4m (2023: £21.2m). This measure excludes the cost of our New Cumberland programme.

Lending

The Cumberland's lending strategy remains consistent, but the year's performance is best understood in the light of the macroeconomic environment of the UK market.

Our high quality, owner occupied book grew throughout the year. Within this growth story we saw outperformance in the first half offset by more subdued growth in the second as affordability became strained reflecting high mortgage rates, plus the addition of a stressed rate in our credit assessment (as regulations require). When coupled with the rising cost of living, this reduced customer capacity for mortgage payments. This dynamic may start to reverse as rates turn down in later 2024 easing affordability concerns and we saw an uplift in our pipeline of new business in the last 2 months of the year.

Our holiday let business grew, benefiting from a strong pipeline built up in the early part of the year. However, growth slowed substantially in the second half, as affordability became a concern and owners worried about new regulation and the risk of recession. Our FSOL book, which is predominantly hospitality and tourism led, grew at a slower rate than planned, reflecting uncertainty around recession and lower consumer spending.

In the final months of the year, we saw the pipeline quality and volume improve as confidence in the UK avoiding a hard economic landing increased. The FSOL book grew to £234m.

We advanced £474m of mortgages (2023: £541m) and mortgage balances grew by £194m (2023: £193m).

Arrears and provisions

The volume of accounts fully secured on residential property (FSRP) 90 days or more past due (90 DPD) at the balance sheet date has risen, but remains low, despite the pressures that have emerged from high inflation and the increases in interest rates a growing proportion of our borrowers have faced. In our FSOL book (loans Fully Secured on Land) a similar dynamic was observed.

The volumes are as follows:

Accounts in arrears (≥ 90 DPD) as % of loan book	31 March 2024	31 March 2023
FSRP (90 days)	0.14%	0.7%
FSOL (90 days)	1.90%	1.64%

Reflecting this underlying trend and the build up of pressures on borrowers from inflation, of utility costs in particular, coupled with rising interest rates, the Society has recognised a modest loan loss provision release in 2024. This includes an increase in our modelled collective provision calculations after management overlays to account for the impact of inflation on borrowers capacity to pay. However this was more than offset by releases from our FSOL specific provisions, as borrowers, who had previously struggled during the pandemic, either sold up, re-banked or, in a modest number of cases, returned to our good book.

The income statement credit for bad and doubtful debts was £79k (2023: £434k charge).

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 marginally above budgeted inflow of funds of £144m (2023: £138m), which, after the capitalisation of accrued interest, resulted in our total retail funding rising to £2,814m (2023: £2,611m), growth of 8%. As a result, our deposit to loans ratio remained well over 100%.

Our growth in instant access accounts was modest as a reduction in the first half reversed in the second and member behaviour adjusted in the final two months of the year to the markets reduction in spread between fixed and variable savings rates as the former began to price in likely rate reductions. Current accounts were lower as customers both used funds to respond to the cost of living challenges and transferred excess balances to benefit from the rise in savings rates, particularly fixed term rates.

On-balance sheet liquid assets reduced to £511m (2023: £582m), as we continued our structured repayment of TFSME.

Throughout the year, we maintained a prudent buffer given the uncertain economic backdrop, while unwinding some of the historic conservatism and as we avoided growing fixed term deposits too quickly in the third quarter when retail deposit rates peaked.

The Society holds capital to provide protection for members deposits against losses from lending, and to protect the Society's continued operation through difficult periods. Our capital comes from retained profits, and our strong financial results have sustained our gross capital ratio (gross capital expressed as a percentage of total shares and deposits) at 7.90% (2023: 7.94%). This gives us a firm base to support the business, as we accelerate investment levels to deliver the New Cumberland programme over the next couple of years.



Subsidiary companies

The Group's financial statements incorporate the assets, liabilities and results of a holding company and Borderway Finance Ltd. (BFL), our motor finance business, contributed a profit before tax of £331k (2023: £951k) 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 the retention of Feefo's platinum accolade.

As with the Society, the result was impacted by the unwind of last year's derivative gains and the expectation that rates will trend lower. The balance sheet grew to £27.3m (2023: £26.7m), with the majority of this in the first half, before cost of living challenges and fears of recession dampened demand. Credit quality has been good. Pleasingly, the level of arrears, while modestly increased versus a year ago, has remained subdued.

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.

Richard Ellison
Chief Financial Officer
4 June 2024





The outlook for the UK economy is uncertain. As inflation has moderated (but remains above the Bank of England's target), speculation about rates is significant and has driven swap, and thus mortgage and saving, pricing down from the highs seen during this year. Tragically, the world seems to be at war in multiple locations, with the Middle East joining Ukraine and escalating conflicts further afield. This, coupled with the potential impact of US elections on global politics, creates a challenging macro-economic outlook, with UK growth sluggish. The last two years have shown that prediction is fraught and, while a deep recession has not occurred to date, growth may well continue to stall or reverse.

The Society's profitability is expected to reduce markedly over the coming three years, as it strategically invests in its future in the context of a downward sloping rate environment. This dynamic is occurring while the Society continues to absorb, through its key business lines, the impact on the economy of inflation's long tail, rising costs of wages and supply chain bottlenecks, 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, Chair
4 June 2024*



FINANCIAL RESULTS

For the year ended 31 March 2024

Results for the Year	Notes	Group 2024 £000	Group 2023 £000
Net interest receivable		80,734	69,426
Fair value (losses)/gains on financial instruments		(7,501)	14,054
Other income and charges		776	967
Administrative expenses, depreciation, amortisation, impairment and profit on sale of tangible fixed assets	1	(64,181)	(57,570)
(Loss)/gain on revaluation and disposal of investment properties		(34)	136
Provisions for bad and doubtful debts		79	(434)
Provisions for liabilities and charges		(277)	-
Profit for the year before taxation		9,596	26,579
Taxation		(2,216)	(5,000)
Profit for the year		7,380	21,579
Statement of Comprehensive Income			
Profit for the financial year		7,380	21,579
Gain/(loss) on available for sale debt securities		273	(94)
Gain on equity share investment		1,538	795
Movement in deferred tax on equity share investment		(385)	(199)
Actuarial loss on retirement benefit obligations		(1,426)	(801)
Amount of pension surplus that is not recoverable		(150)	-
Movement in deferred tax on retirement benefit obligations		394	205
Total recognised gains and losses for the year		7,624	21,485
Financial Position at End of Year			
ASSETS			
Liquid assets		511,068	581,911
Mortgages		2,588,743	2,370,836
Other loans		27,866	27,160
Derivative financial instruments		60,549	84,366
Fixed and other assets		30,211	25,813
Total assets		3,218,437	3,090,086
LIABILITIES			
Shares		2,681,716	2,460,248
Borrowings		283,153	393,294
Derivative financial instruments		4,453	136
Other liabilities		14,902	9,819
Reserves		234,213	226,589
Total liabilities		3,218,437	3,090,086

Summary of key financial ratios	Notes	2024 %	2023 %
Gross capital as a percentage of shares and borrowings	2	7.90	7.94
Liquid assets as a percentage of shares and borrowings	3	17.24	20.39
Profit for the year as a percentage of mean assets	4	0.23	0.72
Management expenses as a percentage of mean assets	5	2.03	1.93

Approved by the Board of Directors on 4 June 2024 and signed on its behalf by:

John Hooper Chair
Mark Stanger Chair of the Audit Committee
Des Moore Director and Chief Executive Officer

Notes

- 1. Group administrative expenses** include £15,230,000 (2023 – £15,880,000) of project based expenditure. £10,411,000 (2023 – £10,754,000) is directly related to our strategic transformation of which £9,995,000 (2023 – £8,894,000) was spent on the New Cumberland programme.
- 2. 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.
- 3. 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.
- 4. 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.
- 5. 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 31st March 2024 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 31st March 2024 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
4 June 2024

REPORT ON DIRECTORS' REMUNERATION

The purpose of this report is to provide information about the Group's policy for the remuneration of non-executive and executive directors and to give details of the process for determining the level of remuneration. The Society's remuneration policy meets with the requirements of the Remuneration Code. In determining non-executive and executive director remuneration, both the Board and PARC take account of fees and salaries payable and other benefits provided to non-executive directors, executive directors and chairs of building societies that are similar in size and complexity to The Cumberland. To ensure that fees and salaries are set at a level to retain and attract individuals of the calibre necessary to operate an organisation such as the Society and which reflect the skills and time commitment required, the Committee periodically commissions an external review of executive and non-executive remuneration. This year KPMG reported on executive director and other executive remuneration.

Full details of individual directors' remuneration, are disclosed on pages 16 and 17.

Non-executive directors

The remuneration of non-executive directors comprises only of fees and this is reviewed and agreed annually by the Board. The Chair's remuneration is set by PARC.

Executive directors

Fixed Remuneration

Base Salary

Executive directors are employed under contracts terminable by the Society on nine to twelve months' notice and by the individual on six months' notice. The remuneration of executive directors is determined by PARC.

Variable Remuneration

Benefits

Executive directors in office at 31 March 2024 are members of a defined contribution pension scheme and are entitled to receive pension contributions towards this, although depending upon their individual circumstances, they may be paid a pension replacement amount. Executive directors are also provided with a car allowance and membership of a private medical insurance scheme.

Annual Incentive Scheme

The Committee believes that bonus schemes relating to financial and business performance are an appropriate part of a balanced remuneration package for executive directors, and for the year ended 31 March 2024, agreed a bonus based on key elements of the financial and strategic plan delivered in a way that is consistent with The Cumberland's core values and risk management framework.

Long Term Incentive Plan

During the year, the Board and Committee continued to focus on a review of executive pay arrangements, including consideration of the appropriate balance between salary or fixed pay and pay based on performance, and how we link performance-related pay to the achievement of the longer-term objectives of the Society and the significance of the planned transformation programme.

As a result, PARC completed the first annual appraisal of the Long Term Incentive Plan (LTIP) which was introduced the previous year. The initial performance period outcomes for 2022/23 were approved prior to the issuance of the last year's report, in order to enable accrual for these as part of the LTIP. PARC also approved continuation of the scheme for 2023/24 and assessed outcomes of both years' schemes in April 2024.

The purpose of The Cumberland LTIP is to incentivise delivery of performance over the long term. The Committee and the Board have determined that the delivery of the whole business transformation plan is best supported by an LTIP provided to executive directors, members of the senior leadership team and a small number of other employees.

It was designed as a tool for retention of the assembled team and as a mechanism that will align reward to delivery of both whole business transformation and growth over the period of strategy execution.

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

Jackie Arnold

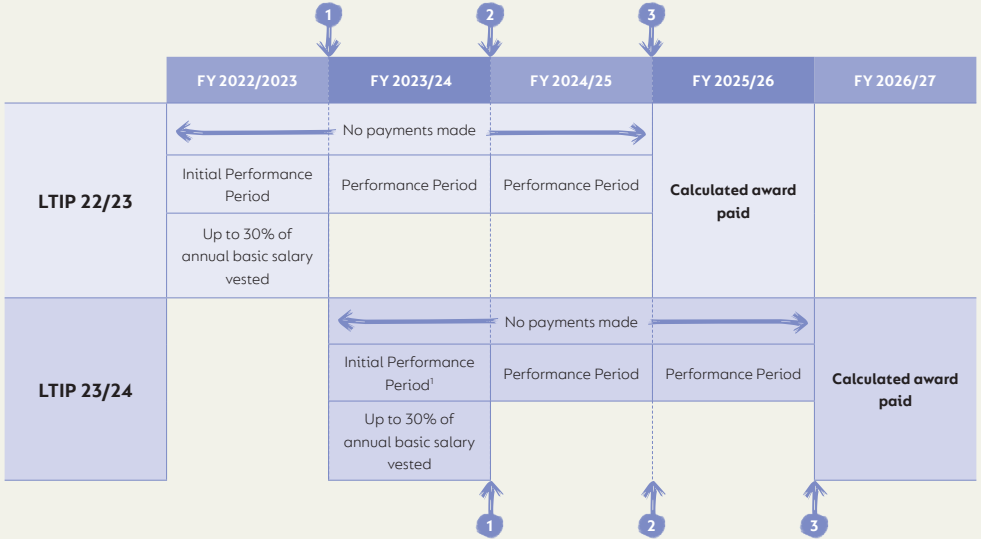
PARC Chair, 4 June 2024

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

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

2. Value of award reassessed

3. Final value of award under LTIP confirmed



¹During the initial performance period the measures that will apply throughout the three year performance period were set along with the individual value of the award. The measures will be assessed at the end of each year in the performance period resulting in a financial accrual for the relevant cumulative proportion of the estimated award outcome. For LTIP 23/24, a final value of the award will be assessed and confirmed by PARC in April or May 2026.

LTIP measures






Our LTIP measures will be assessed annually by the Committee and financial accruals recognised based on those outcomes. These can be reversed, reduced or increased based on the subsequent and the final assessment. The final assessment will determine the outcome achieved over the performance period. No payment is made until after the performance period as a result the first time a payment could be made is July 2025.

LTIP 22/23


Objective	Measure	Portion of Award subject to this objective	PARC Assessed Achievement at end of initial performance period	PARC Assessed Achievement at end of second performance period
Deliver exceptional customer experience consistently	Measured by Feefo	20%	✓	✓
Embed right culture, talent and skills to enable us to grow and transform	B-heard annual accreditation	20%	=	✓
Deliver The Cumberland transformation with pace and focus	Delivery of transformation (Board approved milestones)	20%	✓	✓
Maintain financial soundness and growth	Cumulative operating profit (versus Board approved budget)	20%	✓	✓
Protect the Society and our members	Compliance with risk appetite over the transformation period	20%	✓	✓

The Cumberland achieved a 2* B-heard accreditation during the second performance period resulting in this metric moving to achieved.

LTIP 23/24

Objective	Measure	Portion of Award subject to this objective	PARC Assessed Achievement at end of initial performance period
Deliver exceptional customer experience consistently	Measured by Feefo	20%	
Embed right culture, talent and skills to enable us to grow and transform	B- heard annual accreditation	20%	
Deliver The Cumberland transformation with pace and focus	Delivery of transformation (Board approved milestones)	20%	
Maintain financial soundness and growth	Cumulative operating profit (versus Board approved budget)	20%	
Protect the Society and our members	Compliance with risk appetite over the transformation period	20%	

 Expectation achieved or exceeded.

 Reasonable outcome against expectation.

DIRECTORS' REMUNERATION

	2024 £000	2023 £000
Total directors' remuneration	1,286	1,112
Non-executive directors' remuneration		
John Hooper (Chair)	81	72
Eric Gunn (Chair of the Board Risk Committee until October 2023)	53	51
Jackie Arnold (Chair of the People, Remuneration and Culture Committee)	56	50
Mark Stanger (Chair of Audit Committee)	50	55
Vicky Bruce	47	45
Kelli Fairbrother	45	43
Anna Barsby	45	35
Cameron Marr (appointed November 2023)	21	-
	398	351

Executive directors' remuneration	2024						
	Salary £000	Directors' Annual Incentive £000	Long-term ¹ Incentive Plan £000	Pension Contributions £000	Pension Replacement Amounts £000	Other Allowances £000	Total £000
Des Moore	312	62	60	-	44	13	491
Richard Ellison	251	50	48	35	-	13	397
	563	112	108	35	44	26	888
	2023						
Des Moore	288	58	12	-	40	13	411
Richard Ellison	246	48	10	34	-	12	350
	534	106	22	34	40	25	761

¹ Pro-rated accrual of value calculated.

NOTICE OF ANNUAL GENERAL MEETING 22 JULY 2024

**The Annual General Meeting (AGM) of
Cumberland Building Society will be held at
4.00pm on Monday 22 July 2024 at Cumberland
House, Cooper Way, Parkhouse, Carlisle, CA3 0JF
for the following purposes:**

Ordinary resolutions

1. To receive the Annual Report and Accounts for the year ended 31 March 2024.
2. To approve the Report on Directors' Remuneration.
3. To approve the re-appointment of Deloitte LLP as Auditors of the Society.

Re-election and Election of directors

4. To re-elect directors as follows:
 - a) Jacqueline Arnold
 - b) Anna Barsby
 - c) Victoria Jane Bruce
 - d) Richard Bryan Ellison
 - e) Kelli McKechnie Fairbrother
 - f) Patrick Desmond Moore
 - g) Mark John Stanger
5. To elect Hamish Cameron Galbraith Marr

BY ORDER OF THE BOARD

Silas Heys, Secretary, 4 June 2024

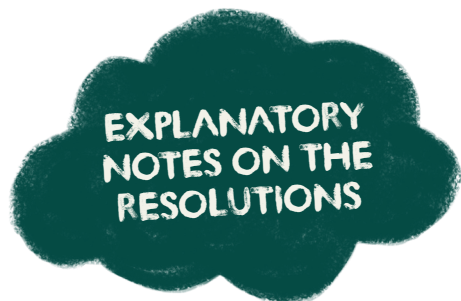
Principal Office: Cumberland House, Cooper Way,
Parkhouse, Carlisle CA3 0JF

Notes on voting

1. These Notes form part of the Notice of Meeting.
2. You can vote using a paper voting form by post, 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.
3. 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 Chair 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 Chair of the Meeting as your proxy. If you are appointing a proxy other than the Chair 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 Thursday 18 July 2024. If voting online, votes must be cast by 5pm on Thursday 18 July 2024.
6. You should check if you are eligible to vote by reading the voting conditions on the voting form.



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 4 June 2024 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 17 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 were judged to be the best firm that responded to a competitive tendering process overseen by the Board's Audit Committee. Your Board therefore 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. The directors standing are shown on page 18 and details of their skills and experience are given on pages 20 to 23. Following formal evaluation, the Board considers that their performance continues to be effective and that they demonstrate the necessary commitment to the role.

The Board is comprised of 7 non-executive, the Chair, and 2 executive directors. The non-executive directors are considered to be independent under the UK Corporate Governance Code; the Chair was considered independent on appointment.

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

The November 2023 Board Effectiveness Evaluation found that, “for a firm of its nature, scale and complexity, the CBS Board and its board members [were] highly competent (both as individuals and as a team),” describing directors as “hard-working, collegiate, cognitively-diverse, highly methodical, [and] challenging.” Their commitment to the service of the Society and its purpose was particularly noted.

John Hooper and Eric Gunn will step down at the conclusion of the AGM this year. Jackie Arnold has been appointed Chair Elect and is working with Nomination and Governance Committee to ensure an orderly transition to a new Board structure.

Meet the Board of DIRECTORS



Nomination and Governance Committee



Board Risk Committee



Audit Committee



People, Remuneration and Culture Committee



JOHN HOOPER

Board Chair and Nomination and Governance Chair

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

Skills and experience

John has been involved in banking and financial services for over 40 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), Digital Completion UK Limited trading as PEXA UK
- Non-Executive Director (Chair), Stubbers Adventure Centre Limited
- Non-Executive Director (Chair), Stubbers Trading Limited

Previous positions include

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



ANNA BARSBY
Non-Executive Director

Non-Executive Director since June 2022, PARC Member since July 2022 (independent)

Skills and experience

Anna is one of the UK's top transformation and technology leaders, used to delivering large scale change across different industries. Currently the Founder and Managing Partner at Tessiant and previously the CDIO/CTO at Halfords, Morrisons and Asda; she has significantly improved technology capabilities in many organisations.

Current material external positions

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

Previous positions include

- Group Chief Product and Technology Officer, 888 Holdings / William Hill
- Chief Digital and Information Officer, Asda
- Chief Transformation Officer, Fortum and Mason
- Chief Information Officer, Halfords
- Chief Technology Officer, Morrisons



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 currently CEO of technology start-up Xigxag, a digital media technology start-up she co-founded. She previously served as Group Head of Strategy for Whitbread, President of the International Business of Deluxe Entertainment and Chief Operating Officer of Gelato. She earned her MBA from Harvard Business School.

Current material external positions

- Co-Founder and CEO, Xigxag Limited

Previous positions include

- Chief Operating Officer, Gelato
- President, International, Deluxe Entertainment
- Business Development and Commercial Director, Whitbread Hotels and Restaurants
- Group Head of Strategy, Whitbread PLC



VICKY BRUCE
Non-Executive Director

Non-Executive Director and BRC Member since September 2020, Audit Member since July 2022, Consumer Duty Champion since September 2022 (independent)

Skills and experience

Vicky has worked in international financial services for over 25 years. Her experience spans change, risk, regulation, wealth management and retail banking and she has UK board experience in financial services and the not-for-profit sector.

Current material external positions

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

Previous positions include

- Non-Executive Trustee, Hope and Homes for Children
- 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



ERIC GUNN

Senior Independent Director

Non-Executive Director since November 2016, BRC Chair August 2019 to November 2023, 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



JACKIE ARNOLD MBE

People, Remuneration and Culture Chair and Chair elect

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

Skills and experience

Jackie has over 35 years' experience in business and financial management roles, and has previously held several senior positions with BAE Systems. She also has significant non-executive experience in the public and education sectors most recently being appointed Non-Executive Director at Furness Education Trust.

Current material external positions

- Professor of Practice, University of Cumbria
- Honorary Fellow, University of Cumbria
- Leader in Residence, Lancaster University
- Chair of Trustees, Furness Education Trust
- Consultant Social Purpose, BAE Systems

Previous positions include

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



MARK STANGER

Audit Chair

Non-Executive Director since June 2018, Audit Committee Chair since July 2020, BRC member since January 2019 and PARC member since July 2022 (independent)

Skills and experience

Mark has over 35 years' experience in accountancy and financial services. His experience includes risk, audit, regulatory compliance and included a focus on the hospitality sector.

Current material external positions

- Partner, Armstrong Watson LLP
- Director, Gibbons Wealth Management Limited
- Director, Gibbons Properties Limited
- Director, Carleton Properties (Cumbria) Limited

Previous positions include

- Chair, Board of Governors, Lakes College, Lillyhall
- Senior Partner and Managing Partner, Gibbons



CAMERON MARR

Non-Executive Officer

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

Skills and experience

Cameron has worked in international financial services for over 35 years. His experience of the sector includes risk, regulation, and sustainability. He also has an extensive background at Board level having chaired Board Audit and Board Risk Committees in other organisations.

Current material external positions

- Non-Executive Director (Chair of Audit Committee), Hewlett Packard International Bank DAC
- Non-Executive Director (Chair), Mars Capital Finance Ireland DAC
- Non-Executive Director (Chair of Audit, Risk and Compliance Committee), AIB Merchant Services
- Non-Executive Director (Chair), Kroo Bank Ltd

Previous positions include

- Chief Risk Officer and Executive Director, KBC Bank Ireland DAC
- Chief Executive Officer, Butterfield Bank (UK) Limited
- Non-Executive Director (Chair of Audit and Risk Committee), Ghana International Bank PLC
- Non-Executive Director (Vice-chair, Chair of Risk Committee and Chair of Audit Committee), National Bank of Kuwait (International) PLC



DES MOORE

Chief Executive Officer

Chief Executive Officer and Executive Director since April 2018

Skills and experience

Des is an accomplished senior leader in the financial services sector in both the UK and Ireland, with extensive experience in both retail and commercial banking. Prior to joining the Society, Des spent five years as Managing Director of AIB (NI) and was responsible for leading the restructure of the bank. Des is a Chartered Director with the Institute of Directors, and has been leading the transformation of the Society.

Current material external positions

- Non-Executive Director, North Cumbria Integrated Care NHS Foundation Trust

Previous positions include

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



RICHARD ELLISON

Chief Financial Officer

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 future of the Society. He also oversees the Governance, Legal and Secretariat functions.

Current material external positions

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

Previous positions include

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



**Platinum Trusted
Service Award**

2024

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