



Annual Review

year ended 31 March 2020

Including
**SUMMARY FINANCIAL
STATEMENT**
and
**NOTICE OF ANNUAL
GENERAL MEETING**


The Cumberland
Building Society

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Chairman's Welcome

Welcome to the 2020 members' Annual Review

On behalf of the board of directors, I am delighted to present The Cumberland Building Society's Annual Report and Accounts for the first time since I became The Cumberland's Chairman.

I have long been an admirer of The Cumberland; its values; what it has sought to do; and what it has achieved over the years. Thanks to the dedication and outstanding work of our board and my predecessor, Trevor Hebdon, I have the privilege to lead an extremely well-run organisation that fully deserves the trust of our members. This trust is not taken lightly and your Society remains committed to helping our members achieve their financial goals.

The impact of coronavirus

At this stage, it is important to note the impact of the global coronavirus pandemic. My thoughts are with those that have been affected, in particular those that have lost loved ones during this time.

At the time of writing the nation is in lockdown, with no clear timeline for when measures will be fully lifted. While the future remains uncertain, we continue to work to a focused strategy that will ensure we place the relevant resources where they are most needed to support our Customers, our Communities and our People during this time and beyond.

Safe and secure

The Cumberland is profitable, well capitalised, well funded with high levels of liquidity and so now as throughout its 170 year history offers the strength and stability you require and expect as our members as we face the future together.

Brighter Banking

As a customer-owned building society we are here to serve our members. Our new Brighter Banking strategy is The Cumberland's commitment to make a positive difference to the lives of our Customers, our Communities and our People. This means that profit, while important, is not the only yardstick for our success. I am pleased to be able to report that we have delivered another strong set of results for the year across all aspects of the business.

Investing in the future

Technology is changing quickly and, like many businesses, The Cumberland is constantly working to update and replace legacy systems to deliver digital services via modern platforms. The management team is continuing to direct resources into our IT infrastructure, ensuring it is robust and flexible to support the development of the contemporary internet banking service that our customers expect. We also recognise that a physical presence on the high street is essential for many members and still an important part of the banking experience. To this end we have commenced a programme of investment in our branch network which will support the delivery of our Brighter Banking approach and ensure we continue to provide exceptional customer experiences.

The year ahead

Looking ahead, much of this year will be focussed on supporting our customers, colleagues and communities during the coronavirus pandemic and in the subsequent recovery.

As Chairman, I am extremely proud of the way the team at The Cumberland has approached what is, without doubt, the greatest challenge faced by our generation. The hard work and commitment shown has clearly demonstrated our core values. This reassures me that our Brighter Banking strategy is the right strategy for our business. Brighter Banking is transforming the way we serve our members, driving prosperity and wider lifestyle benefits for all of our Customers, our Communities and our People.

I am honoured to be in a position to help steer Cumberland Building Society through this period in its history and thank you for the trust you put in me and your board.

John Hooper

Chairman, 9 June 2020





Chief Executive Officer's Business Review

As we celebrate our 170th Birthday, I am pleased to report that we have made great progress on our journey towards 'Cumberland 2025' - our strategy to remain a strong and sustainable business, despite challenging economic, political and pandemic headwinds.

We have achieved good financial results and at the same time continued to invest heavily in the future of our business for the long term benefit of our Customers, our Communities and our People.

I'm writing this as Coronavirus has become the focal point in all of our thoughts and actions. I am extremely proud to say that the Society's robust contingency plans were deployed very quickly and to great effect in the early stages of the crisis in order to preserve the provision of key services.

Our response to the pandemic has been based on two key principles: to continue to serve our Customers and Communities to the best of our abilities while at the same time protecting our Customers, our People and their families. We have followed, and in many cases been ahead of, all Government, NHS and Public Health England (PHE) guidelines.

We will do everything in our power to support our Customers in their time of need. Rest assured that the Society has the human and financial resources to withstand the impact of this crisis for the foreseeable future.

Our thoughts are with our Customers, our People and their families who have suffered bereavement.

This time last year, I reported that we had developed a clear and focused plan to help secure our future, called 'Cumberland 2025', which started with the appointment of a top level Senior Leadership Team (SLT). Over the past 12 months, the SLT has put in place much of the capability required to deliver on our plan, in areas such as digital architecture, transformation, product management, strategy, change management, data and management information.

Our strategy is driven by our vision "To make Banking Brighter"; to stand apart in the financial services industry in 3 ways:

1. delivering exceptional customer service, as evidenced by our leading net promoter score (NPS) of 84 and our average Feefo customer rating of 4.8 out of 5;
2. being anchored in a clear purpose and values - our commitment to making a positive difference in everything we do for our Customers, Communities and our People; and
3. developing straightforward digital services that enable customers to bank with us how they want, when they want.

This means focusing our investment on developing our core business of mortgages and savings, making it easier and simpler for customers to bank with us.

We are continuing to invest in upgrading our branches, offering the face-to-face service, that many of our customers



prefer, in contemporary surroundings. Our Brampton branch was the first branch to be refurbished in the new style and opened on 30 March this year. We also remain committed to our Cumbria-based call centre, providing a friendly, easily accessible and local voice for many.

At the same time, we are setting the foundations for our digital evolution - a change programme that will provide alternative and more convenient opportunities for our customers to interact with us, while ensuring we remain operationally resilient for the future. This will not only provide greater choice for existing customers, it will also allow us to build on our foundations, as a regional provider, to further expand our lending and savings nationally, in niche





Our Brampton branch was refurbished earlier this year. The branch opened in March, at the start of the coronavirus lockdown, with a number of social distancing measures to keep our colleagues and customers as safe as possible.

Brighter Cumbria Day, an initiative to encourage people to undertake random acts of kindness and launch our Brighter Banking brand, was supported by schools and businesses across Cumbria, and our colleagues from South West Scotland and Lancashire joined in too! Over 22,000 acts of kindness were recorded, a new unofficial world record.

sectors such as hospitality and tourism, and lending to people in later life. This is important to ensure we can continue to grow in the long term and ensure the prosperity of our business.

We took great pride in launching our new brand position in January – Brighter Banking. This is our external commitment to continue to deliver exceptional customer experience, from a business with true values and a responsibility to its Customers, Communities and People. We are here to offer simple, straightforward banking that continues to win awards, such as Feefo's Gold Service Award and Fairer Finance's gold ribbon. Despite the challenging economic market we are now operating in, we remain committed to delivering our Brighter Banking promise. Looking after our members and their finances is paramount to delivering a sustainable business that will be here for the long term.

You can expect to see our investment in the future continuing over at least the next four years. We believe as a customer-owned organisation, investing in our business to ensure it remains sustainable and successful is the right decision for our Customers, our Communities and our People.

OUR CUSTOMERS

Customer experience is at the heart of all we do. In order to enhance this, we are investing in our branch network as well as putting in place the foundations for a long-term digital change programme which will enable customers to bank with us however they choose.

Continuing to improve our customer experience is really important to us. Last Summer, we introduced our 'Brilliant Basics' programme. This is an extensive training plan which includes a set of principles to ensure we're providing our

differentiated Cumberland customer experience consistently across our branch network, no matter which branch you choose to bank in.

Our Cumbria-based Customer Care team continue to receive incredibly positive feedback from our customers for their warm and genuine support on our phone lines. Their commitment to providing exceptional service, along with our other teams, has been recognised through the accolade of a second successive Feefo Gold Trusted Service Award and increasing Net Promoter Score (NPS) to 84, which is now one of the highest in the industry.

OUR COMMUNITIES

This time last year we announced a significant increase in our community funding to a minimum of 1.5% of the previous year's profit after tax. This level of ongoing commitment, tied to our own success, places us in the top 2% globally of companies who support charitable giving.

We also announced a new partnership with the Cumbria Community Foundation (CCF) whereby we would work with them to identify larger projects in our regions to support.

I have been fortunate enough to witness first-hand what this support means to some of the beneficiaries this year. I had the pleasure of spending some time with Susan Aglionby of 'Susan's Farm', near Carlisle, a care farm in Houghton that teaches primary and secondary age



All our colleagues are able to take a paid day's leave to support a charity or community group of their choice. This year, over 80 of our team from all areas of the business helped make a positive difference to the lives of communities right around the region.

In line with our strategy and vision for the future, a group of 50 of our people managers went through our Leadership 2025 programme in 2019/2020 to ensure our managers and leaders feel supported and have the skills to drive performance, navigate change and inspire our colleagues. The task with the superhero masks was to think about themselves as 'superleaders'

children, and children with special needs, about organic and environmentally friendly farming. They also provide opportunities for people with long term mental illness, ex-offenders and teenagers with behavioural problems. Our funding of £15,000 a year for 3 years has allowed Susan to recruit an administrator to help her spend more of her time running the farm.

Dignity in Dementia was another of our major beneficiaries last year, and will receive £20,000 a year for 3 years. The South Lakes-based charity is dedicated to helping people living with dementia. It supports them to continue living at home and remain active in their communities and the organisation will use the funding to expand their operation into West Cumbria.

During the year our team were actively involved in making positive differences

across our region. More than 80 of our People took part in Community Days, a paid day off to support a charity or community activity of their choice. Many of our team were also involved in supporting educational initiatives with schools and community groups around the region. One of the year's highlights was helping James Rennie School in Carlisle with the launch of their school bank, a project designed to help pupils improve their social interaction and numeracy skills. You can see the full story on film at brighterbanking.co.uk.

Another day from last year that we won't forget was 'Brighter Cumbria' day, which took place on 20 January. To help celebrate the launch of our Brighter Banking brand proposition, we attempted to break the world record for the most acts of kindness undertaken on one day. On 'Blue Monday', reputedly the most

miserable day of the year, we encouraged people around the region to simply do something kind for someone else. The response to the initiative was absolutely phenomenal with over 20 schools taking part and businesses from around Cumbria joining in. In all, over 22,000 acts of kindness were undertaken - a new unofficial world record.

OUR PEOPLE AND CULTURE

A substantial part of our investment has been in developing our culture and our people, and this remains a major focus for our business. We are already well underway in our cultural journey and we want our people to feel like The Cumberland is a great place to work, where people feel valued and can produce their best work.

BRIGHTER FUTURE AHEAD

I am incredibly proud of how far the team here at The Cumberland has come over the past 12 months and am hugely energised by the progress we are making towards Cumberland 2025 - delivering a sustainable, future-proofed business against the headwinds of significant public health and economic challenges. Thanks to our robust contingency plans we expect to continue to meet the needs of our Customers during the current crisis by being agile and flexible. We have been serving our Communities since 1850 and have overcome some major challenges in that time.

While the situation may appear challenging today, I am confident we will ultimately come through this crisis together to emerge stronger and wiser and with a much brighter future ahead of us.

Des Moore, Chief Executive Officer

Summary Financial Statement

FOR THE YEAR ENDED 31 MARCH 2020

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 The Cumberland Building Society from 7 July 2020. This information is also available from our website, cumberland.co.uk.

Summary Directors' Report

2020's performance reflects the first full year of our commitment to invest in making The Cumberland a business that is sustainable over the longer term and able to live up to the promises inherent in Brighter Banking from Cumbria. Our profit before tax for the year was £8.3m and is a good result for a Society of our size, generating surplus capital despite including the first part of the step change in cost required to sustainably meet the expectations of our Customers, our Communities and our People, alongside the cost of change we face as a highly regulated business.

Our substantial investment in making our business safe, sound, compliant and ultimately sustainable is seen in both our people and administrative costs, which rose as new hires joined the business bringing additional skills and capacity, particularly through the second half of the year, and this trend will continue as we move forward. This alongside charges reflecting a number of historic matters we have provisioned for, has contributed to the reduction in profit after tax for the year to £6.6m.

Lending

We have continued to grow our residential lending book which rose by 3.8% to £2.0 billion. This included £377m of gross new lending.

Our commercial lending team had a successful year recording the highest level of approvals in the Group's history for the second straight year. At 31 March 2020, the commercial lending book had grown by 8.1% to £179m.

We have seen increasing levels of competition in our core lending markets over the last year; we expect this to continue and exert a high level of downward pricing pressure on our new business mortgage margins, including in a number of the long term niches we have supported. Despite these pressures the Society's margin was stable at 1.60%.

Arrears and Provisions

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

Accounts in arrears as % of loan book	31 March 2020	31 March 2019
Residential	0.08%	0.10%
Commercial	0.80%	0.48%

In March 2020, The Cumberland, alongside the rest of the UK and much of the globe, was impacted by the pandemic caused by Covid-19. The Group has moved swiftly to support its borrowing members, offering payment holidays, or other requested forms of forbearance, in line with both Government and regulatory requests and customer need. The Group was able to deliver all mortgage payment holidays requested by its business and retail customers prior to 31 March, and avoid customers impacted by Covid-19 having to make end of March mortgage payments.

The level of forbearance requested and granted is significant and the Group expects this to grow. While the lockdown is expected to continue for some time, the Group expects there to be a longer period of economic downturn, as businesses and households respond to the loss of revenues and the valuable summer trading months. The impact of these matters is difficult to forecast and the significant Government support packages, including grants, will make a positive difference, changing the likely impact of forbearance measures on credit risk outcomes. Nevertheless, the Group does expect the level of arrears and losses to be elevated over

the next year, and potentially for some time longer, and has incorporated this view in the year end provisioning judgements. The pandemic alongside the impact of the default of a single large borrower saw our charge for impairment rise to £1.3m.

Funding, Liquidity and Capital

The Society continues to be strongly funded by its retail depositors and we saw a net inflow of funds of £44 million over 2020. As a result, the vast majority of net new lending was funded by deposit growth.

Our strong retail deposit growth has enabled us to reduce the level of wholesale funding used by the Group. This incorporated the repayment of £130m of FLS and TFS funding from the Bank of England well ahead of its scheduled maturity dates. The Society's principle measure of liquidity is high quality liquid assets (HQLA) as a percentage of Shares, Deposits and Liabilities, as this reflects the funds that are immediately and fully available to support the Group's liquidity needs. The level of HQLA was stable and strong at 15.9%.

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 19.0% at 31 March 2020 (2019: 17.6%). If 2020's earned profit was included, this ratio improves to 19.6%.

Subsidiary Companies

The Group's financial statements incorporate the assets, liabilities and results of a small number of subsidiary companies, the largest and only operationally significant of which is Borderway Finance Limited (BFL). BFL, our motor finance business, reported a profit before tax of £549k (2019: £538k) with its loan balances growing by 6.2% to £24.4m.

As part of our ongoing strategy to simplify the Group, we successfully executed the management buyout of Cumberland Estate Agents Limited (CEAL), which completed in November 2019. The transaction is an excellent outcome for both The Cumberland and CEAL's former employees, as it provides them

access to the specialist skills and focus that an industry owner can provide. The transaction resulted in the transfer of 51 people. During the period prior to the MBO, CEAL continued to be loss making.

Corporate Governance

The Society's board is committed to good practice in corporate governance and has complied with the UK Corporate Governance Code. The details of the work of its four committees that support your Board can be found in the ARA.

Outlook for 2020/2021

The outlook for the UK economy is highly uncertain. In the immediate term, the impact of the pandemic is dramatic and is expected to result in a major recession, despite the unprecedented level of Government support. In the background, the significant unknowns around the UK's trading relationship with Europe and the post Covid-19 "rest of the world" will re-emerge. Both matters make any prediction fraught. There is an expectation that interest rates will ultimately rise from their historic lows, but this is more likely in the medium term than in the next financial year.

As outlined in the Chief Executive Officer's Business Review, the Society's profitability is expected to reduce further over the coming three years, as it comes under increasing market pressure and competition, as it absorbs the impact of the Coronavirus on the economy through its business, mortgage and overdraft customers and as it strategically invests in its future towards Cumberland 2025.

Nevertheless, The Cumberland has already benefited from the clarity brought by the Group's strategic review and 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.

On behalf of the Board
John Hooper, Chairman
9 June 2020

Financial Results FOR THE YEAR ENDED 31 MARCH 2020

Results for the year	Group 2020 £000	Group 2019 £000
Net interest receivable	41,621	40,623
Fair value losses on financial instruments	(987)	(1,842)
Other income and charges	2,642	2,836
Administrative expenses, depreciation, impairment and profit on sale of tangible fixed assets	(31,987)	(27,013)
Loss on revaluation of investment properties	(445)	(163)
Provisions for bad and doubtful debts	(1,252)	(64)
Provisions for liabilities and charges	(963)	(56)
Profit for the year before taxation	8,629	14,321
Loss on disposal of operations (Note 1)	(289)	-
Taxation	(1,779)	(2,920)
Profit for the year	6,561	11,401
Statement of Comprehensive Income		
Profit for the financial year	6,561	11,401
(Loss)/gain on available for sale investment securities	(49)	54
Movement in gain on equity share investment	463	1,584
Movement in deferred tax on equity share investment	(149)	(269)
Actuarial gain/(loss) on retirement benefit obligations	2,016	(1,107)
Movement in deferred tax on retirement benefit obligations	(25)	188
Total recognised gains and losses for the year	8,817	11,851
Financial position at end of year		
ASSETS		
Liquid assets	456,992	462,351
Mortgages	2,156,331	2,061,951
Other loans	25,465	24,414
Derivative financial instruments	40	1,367
Fixed and other assets	24,710	26,721
Total assets	2,663,538	2,576,804
LIABILITIES		
Shares	2,000,282	1,933,232
Borrowings	436,735	429,420
Derivative financial instruments	13,391	3,905
Other liabilities	19,180	25,114
Reserves	193,950	185,133
Total liabilities	2,663,538	2,576,804

Summary of key financial ratios	Notes	2020 %	2019 %
Gross capital as a percentage of shares and borrowings	2	7.96	7.84
Liquid assets as a percentage of shares and borrowings	3	18.75	19.57
Profit for the year as a percentage of mean total assets	4	0.25	0.45
Management expenses as a percentage of mean total assets	5	1.22	1.06

Approved by the Board of Directors on 9 June 2020

J Hooper Chairman

A Johnston Vice-Chairman and Chair of the Audit Committee

D Moore Chief Executive Officer

NOTES

- Discontinued operations** The loss attributable to the discontinued operation (CEAL), including the loss on disposal is shown below.

	2020 £000	2019 £000
Fees and commissions receivable (less amounts received from Society)	922	1,172
Administrative expenses	(1,088)	(1,736)
Depreciation, impairment and profit on sale of tangible fixed assets	(59)	(46)
Provisions for bad and doubtful debts	(9)	(5)
Loss on ordinary activities before tax	(234)	(615)
Loss on disposal of operations	(289)	-
Tax on loss	88	40
Loss for the financial year	(435)	(575)
- 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 31st March 2020 which comprises the results for the year, balance sheet 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 Summary Financial Statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement, 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 as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

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 Annual Report and Accounts, the Annual Business Statement and the Directors' Report of Cumberland Building Society for the year ended 31st March 2020 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of our report

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

Deloitte LLP

Statutory Auditor
Edinburgh, United Kingdom
9 June 2020

Report on Directors' Remuneration

The purpose of this report is to provide information about the Group's policy for the remuneration of non-executive and executive directors and to give details of the process for determining the level of remuneration.

The remuneration of non-executive directors comprises only of fees and this is reviewed and agreed annually by the Board. The Chairman's remuneration is set by the People, Remuneration and Culture Committee (PARC). The remuneration of the executive directors is determined by PARC, which consists of its Chair Jackie Arnold, Michael Hulme and Alan Johnston.

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 2020, 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. Payment of all bonus schemes,

including amounts disclosed as awarded to executive directors, has been delayed until the impact of the Covid-19 pandemic on the Society becomes clearer.

Executive directors in office at 31 March 2020 are members of a defined contribution scheme and are entitled to receive contributions towards this, although depending upon their individual circumstances, they may be paid as a pension replacement amount. Executive directors are also provided with a car (or car allowance) and membership of a private medical insurance scheme. They are employed under contracts terminable by the Society on nine to twelve months' notice and by the individual on six months' notice.

Full details of individual directors' remuneration, including the arrangements that applied to executive directors who stepped down in the prior year, are disclosed in note 9 to the ARA.

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

On behalf of the People, Remuneration and Culture Committee
Jackie Arnold
Chair
9 June 2020

The remuneration of the Society's directors is listed below:	2020	2019
Non-Executive Directors	£000	£000
John Hooper (appointed as Chairman 16 July 2019)	63	45
Trevor Hebdon (resigned 16 July 2019)	22	67
Alan Johnston (Chair of the Audit Committee and Vice-Chairman)	53	50
Eric Gunn (Chair of the Board Risk Committee)	46	41
Jackie Arnold (Chair of the People, Remuneration and Culture Committee)	44	38
Michael Hulme	47	44
Mark Stanger (appointed 1 June 2018)	44	32
Gill Gardner (resigned 2 July 2018)	-	11

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

Executive Directors	Salary £000	Bonus £000	Pension Contributions £000	Pension Replacement Amounts £000	Other Allowances £000	Total £000
2020						
Des Moore	258	52	-	36	12	358
Richard Ellison (appointed 22 May 2019)	194	39	26	-	10	269

Richard Ellison was employed as Chief Financial Officer on 29 April 2019 and joined the board on 22 May 2019 after receipt of regulatory approval. The remuneration figures are stated from the date of his appointment to the board.

2019						
Des Moore	250	50	-	35	12	347
Peter Temple (resigned 22 June 2018)	37	-	5	-	7	49
John Kidd (resigned 11 December 2018)	116	-	8	9	7	140
Chris McDonald (resigned 30 April 2018)	14	-	2	-	1	17

Mr. Temple received £55,000 in compensation for loss of office in respect of his resignation from the board and Society on 22 June 2018. Mr. McDonald received £55,000 in compensation for loss of office in respect of his resignation from the board and the Society on 30 April 2018 (of this amount £30,000 had been provided in the 2018 financial statements).

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 21 July 2020

The Annual General Meeting (AGM) of Cumberland Building Society will be held at 6.30pm on Tuesday, 21 July 2020 at Cumberland Building Society, 38 Fisher Street, Carlisle for the following purposes:

Ordinary Resolutions

1. To approve the Annual Report and Accounts for the year ended 31 March 2020.
2. To approve the Report on Directors' Remuneration.
3. To approve the re-appointment of Deloitte LLP as Auditors of the Society.

Election and Re-election of Directors

4. To re-elect Directors as follows:
 - a) to re-elect Jacqueline Arnold
 - b) to re-elect Richard Ellison
 - c) to re-elect Eric Gunn
 - d) to re-elect John Hooper
 - e) to re-elect Michael Hulme
 - f) to re-elect Alan Johnston
 - g) to re-elect Desmond Moore
 - h) to re-elect Mark Stanger

BY ORDER OF THE BOARD

Paul Vines, Secretary, 9 June 2020

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 your two online voting codes as printed on your paper voting form) and, subject to note 4 below in relation to Covid-19 restrictions in person at the AGM.
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 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.

- Given current Government guidance relating to Covid-19, we would prefer you not to attend this year's AGM or vote in person to help us maintain social distancing. The AGM will be limited to statutory business only, and there will be no refreshments or other hospitality offered. If you must attend the AGM and vote in person, you will need to pre-register by writing to Cumberland Building Society, Cumberland House, Cooper Way, Parkhouse, Carlisle CA3 0JF or by email to AGM@cumberland.co.uk before 5pm on Friday, 17 July 2020. If you do not pre-register, you will not be permitted to attend or vote.

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

- To be valid, your completed voting form must be received at Civica Election Services, London N81 1ER by 5pm on Friday, 17 July 2020. If voting online, votes must be cast by 5pm on Friday, 17 July 2020.
- You should check if you are eligible to vote by reading the voting conditions on the voting form.

Explanatory Notes on the Ordinary Resolutions

The Annual Report and Accounts

You are asked to approve the Annual Report and Accounts. This means that you are asked to endorse the Board's decision to approve them at the Board Meeting held on 9 June 2020 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.

Election and Re-election of Directors

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



JOHN HOOPER Board Chair and Nomination and Governance Chair

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

COMMITTEES: NGC

SKILLS AND EXPERIENCE

John has extensive banking experience, having been an Executive Director at National Australia Bank Europe Limited and Clydesdale Bank PLC, with responsibilities including finance, treasury, IT and risk. He previously held a number of senior positions at National Australia Bank.

CURRENT MATERIAL EXTERNAL POSITIONS

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

PREVIOUS POSITIONS INCLUDE

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



ALAN JOHNSTON Vice-Chair and Audit Chair

Non-Executive Director since February 2011, Vice-Chair and Audit Chair since September 2016

COMMITTEES: NGC; AC (Chair); BRC; PARC

SKILLS AND EXPERIENCE

Alan is a Chartered Accountant with strong local connections including 36 years with a local firm (latterly as Senior Partner). Alan has generously devoted his time, and considerable experience, to the Society taking on the role of Vice-Chair, Audit Committee Chair and sitting on the remaining three board committees.

CURRENT EXTERNAL POSITIONS

Non-Executive Director, Future Money Limited
Trustee/Director, The Langham Partnership (UK and Ireland)
Trustee, Carlisle Cathedral Development Trust
Chair of Governors, Robert Ferguson Primary School, Carlisle

PREVIOUS POSITIONS INCLUDE

Senior Partner, Armstrong Watson



MICHAEL HULME
Senior Independent Director

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

COMMITTEES: NGC; AC; PARC

SKILLS AND EXPERIENCE

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

CURRENT EXTERNAL POSITIONS

Honorary Professorial Fellow, Lancaster University Management School

PREVIOUS POSITIONS INCLUDE

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



ERIC GUNN
Board Risk Chair

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

COMMITTEES: NGC; BRC (Chair)

SKILLS AND EXPERIENCE

Eric has 37 years' experience of the UK banking sector, having spent his entire career at Clydesdale Bank PLC, most recently as Chief Risk Officer and member of the Executive Management Team. Eric had responsibility for managing the Risk profile of the UK operations of the National Australia Bank Group.

CURRENT EXTERNAL POSITIONS

None

PREVIOUS POSITIONS INCLUDE

Chief Risk Officer, Clydesdale Bank PLC



JACKIE ARNOLD
People, Remuneration and Culture Chair

Non-Executive Director since March 2018, PARC Chair since May 2019 (independent)

COMMITTEES: NGC; PARC (Chair)

SKILLS AND EXPERIENCE

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

CURRENT EXTERNAL POSITIONS

Pro Vice Chancellor, University of Cumbria

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



MARK STANGER
Audit Chair (Elect)

Non-Executive Director since June 2018 (independent)

COMMITTEES: NGC; AC; BRC

SKILLS AND EXPERIENCE

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

CURRENT 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



DES MOORE

Chief Executive Officer

Chief Executive Officer and Executive Director since April 2018

COMMITTEES: NGC

SKILLS AND EXPERIENCE

Des is an accomplished senior leader in financial services in the UK and Ireland. He led the restructure and turnaround of AIB(NI) into a reinvigorated brand with clear strategy and sharply improved financial results. Des has been leading the development and implementation of a new vision and strategy for the Society since he arrived in April 2018.

PREVIOUS POSITIONS INCLUDE

Managing Director, First Trust Bank

Senior positions – 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

COMMITTEES: NGC

SKILLS AND EXPERIENCE

Richard has considerable experience in the UK finance services sector. Whilst Deputy Chief Financial Officer and Chief Data Officer at CYBG PLC, he played a leading role in the successful demerger and IPO of Clydesdale Bank PLC from National Australia Bank, and led the restructure and cultural transformation of the Finance function. Since joining the Society in April 2019, Richard has increased strength and capacity within the Treasury function which is key to opening up new investment opportunities for the Society in the future, as well as uplifting the skills and capability in core finance. On 1 April 2020, Richard also took operational responsibility for Group governance, legal & procurement.

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

Gold Trusted Service Award



2020

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The Cumberland
Building Society