Members’ Review
for the year ended 31 December 2018

Always with your interest at heart
I am pleased to introduce our Members’ Review which takes a look back on the Society’s achievements in 2018, a year in which the Society continued to make great progress in its programme of change transformation and again achieved good financial results.

We continued to grow our mortgage assets and retail savings balances whilst maintaining strong levels of capital and liquidity and delivered profit above our target for the year.

This strong financial performance was delivered in addition to the further development of our systems and processes to enable the customer service we provide to continue to be improved. In addition we operate in a challenging competitive and regulatory environment and have developed the skills and resources to meet these demands and ensure the Society has a successful future.

During 2018 we restructured and developed our core operational capabilities to focus on improving service delivery. We also strengthened the Board Management teams in Operations, Risk, Finance, Sales, Marketing, Treasury, Compliance and IT and continue to invest in the specialist skills required to operate in our highly regulated and competitive market. The development of our people and processes is essential to achieving improved levels of customer service and efficiency.

In order to ensure we provide the right environment for the Society and its people to thrive and develop, we will continue to invest in our infrastructure. The provision of modern IT systems is key to enable further product and service development whilst also continuing to improve operational resilience. We have secured a new Head Office administrative centre and will transition to the new building in 2019. Our staff members are very excited to move to the new building which supports our people strategy to develop a high performance culture and modernise our Society.

During 2018 we completed a detailed strategic review to determine how we can best meet the challenges of the financial market and we are determined to ensure the Society continues to grow steadily and secures a successful and prosperous future for our customers and staff.
I am positive about the future of our Society and we will begin the implementation of our strategy during 2019.

We are well positioned to meet the challenges we face in our competitive markets including the uncertainties that the impact of Brexit causes for us. The Society has done everything possible to ensure it remains safe, undertaking a range of scenario reviews and contingency plans. The Board does not underestimate these challenges and we will continue to run the Society conservatively to improve our financial strength and put our customers’ interests and needs first.

I would like to thank all my colleagues and our agents and introducers for their contributions in achieving these great results in 2018, and most importantly our customers for your continued support.

I hope to meet some more of you at our Annual General Meeting where we can share more details of our 2018 results and plans for 2019.

Christopher Michael Harrison
Chief Executive

Even if you cannot attend the AGM itself, it is still important to use your vote and you can do this in various ways. We’ll also make a donation to our chosen charity which this year is Alzheimer’s Society when you do. You’ll find all of the details on how to vote in the Chairman’s letter.

“During 2018 we restructured and developed our core operational capabilities to focus on improving service delivery.”

“I am positive about the future of our Society and we will begin the implementation of our strategy during 2019.”
The Furness Community Awards Scheme

Throughout 2018 the Furness awarded 150 local good causes and charities with cash amounts of £150 to continue their great work across our branch and agency network. Here you'll see stories of just a few of those who have benefitted from the scheme and how they have put the funds to great use.

If you’re involved in a charity or good cause based in the North West who could use a helping hand, why not apply for a Furness Community Award by visiting: https://www.furnessbs.co.uk/furness-community-awards-scheme and see if we can help you.

Furness Rovers

When coach Steve McGarry wrote to us we couldn’t help but listen. Steve is a passionate coach whose philosophy is all about inclusion. Steve says “at Furness Rovers every child gets equal match time no matter what their ability. We have two teams with players from several different schools in the Furness area and everyone is welcome at the club”.

“We really appreciate the award as we can put it towards waterproofs for the children to wear for warming up or training in the cold weather”

Baycliff First Responders

Community First Responder’s play a vital role in our local areas, often getting to people who need help quicker than the ambulance service. Team member John Kidger told us “In 2018 Baycliff First Responders responded to over 200 emergency callouts and helped patients on 58 occasions. People we help can be suffering from anything from cardiac arrests to asthma attacks”.

Dalton branch manager Tyne Redfern is pictured here presenting Baycliff First Responders with a Furness Community Award of £150 to help them continue their brilliant work in the community.
Flying the Furness Flag

Alongside the day job, a mortgage adviser in our busy new lending team, Fern Cloudsdale really does like a challenge. Fern has raised over £10,000 for a charity close to her heart, the Steve Prescott Foundation, organising glamorous black tie events and even braving a swim in the Irish Sea at the end of last year. But she was yet to face her biggest challenge.

In October 2018, Fern and her friend Sam flew out to Nepal to meet fellow fundraisers. Their mission? To reach Everest Base Camp.

This is Fern’s story “My mum was diagnosed with a rare stomach cancer that affects just 1 in a million people in the UK. It’s a condition that is easily misdiagnosed and unfortunately only 2 hospitals in the UK are familiar with this disease.

In 2015 my mum was put forward as only the 3rd patient to have a pioneering multi organ transplant. Sadly, after 10 weeks and still in hospital she passed away but only due to a blood clot - the operation was actually deemed a success. The good news is that this operation is now showing hope for other patients and possibly a vital option for a cure.”

The climb to Everest Base Camp was absolutely gruelling but we all helped each other to get through it and, knowing that we were raising money to help the foundation, made it all worthwhile.”

Well done Fern – keep flying that flag!
Scams: Helping you to protect your money

Here at the Furness we work hard to protect our customers by providing helpful information and talking to you if we have concerns about any transactions on your account.

Authorised Push Payment Fraud
This type of fraud is on the increase and is carried out when criminals trick customers into making a payment or transferring money to them, in the belief that they are making a payment to a genuine person or organisation. This means that you have authorised and ‘pushed’ the money into the fraudster’s account.

Criminals use a range of tactics to target people, often impersonating someone else to exploit our naturally trusting nature. They may pretend to be from your bank or building society, the police, card company, or a government department.

Most people don’t think that they would fall victim to a scam, however, recent data shows in the first 6 months of 2018, 34,000 consumers lost £145.4 million* as a result of this type of fraud.

In most cases when you realise this has happened to you, you’ll call your financial services provider to let them know what has happened, often, finding out it’s too late and the criminal has made off with the funds.
Here are some tips to avoid this happening to you:

1. **Check Activity**
   A criminal could contact you and explain that there has been suspicious or fraudulent activity on your account and you need to take immediate action – you should check your account activity as soon as possible.

2. **Keep Calm**
   This is to make you panic! When you are panicked, you may do something that you wouldn’t normally do if you had time to consider what was happening.

3. **Be suspicious**
   They may also explain your eg bank or building society is involved and that you should not discuss it with anyone who serves you.

4. **Stop & Think**
   If you receive a call, text or email, STOP and take some time to think – speak to someone else about it, even if you are told not to by the caller. Don't be rushed – a genuine organisation won’t mind waiting.

5. **Don't Assume**
   Don't assume an email, text or phone call is authentic – a caller will be very convincing and probably already know some of your basic information and always be suspicious of unexpected emails or text messages.

6. **Switch Phones**
   The caller may give you a contact number that appears genuine – if you are going to make a call use another phone or ring someone else first, as the criminal could stay on the line.

7. **Never Disclose**
   Don’t disclose where you hold other current or savings accounts – they may contact you again claiming to be from these financial services providers.

8. **Be Intuitive**
   Listen to your instincts – you know if something doesn’t feel right, end the call.

9. **Don’t Panic**
   Stay in control – don’t make a decision you could regret – politely end the call if you don’t feel comfortable with what they are asking you to do.

If you believe you have been the victim of a scam, CONTACT US IMMEDIATELY by calling our Head Office on 0800 220 568, Option 1 – Savings Accounts and then Option 3, to be put through to our Service Hub. Our opening hours are 9.00am – 5.00pm Monday to Friday and 9.00am -12 noon on a Saturday.

* Source: UK Finance
Performance Summary

Financial Strength

Profit After Tax

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<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit After Tax</td>
<td>£3.04m</td>
<td>£2.75m</td>
<td>£1.10m</td>
<td>£3.22m</td>
<td>£3.12m</td>
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Gross Capital as a % of Shares and Borrowings

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<thead>
<tr>
<th>Year</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>%</td>
<td>8.10%</td>
<td>8.76%</td>
<td>9.18%</td>
<td>8.44%</td>
<td>8.10%</td>
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Business Performance

Retail Share and Deposit Balances

<table>
<thead>
<tr>
<th>Year</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>£804.40m</td>
<td>£818.94m</td>
<td>£806.88m</td>
<td>£815.49m</td>
<td>£915.49m</td>
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Mortgage Balances

<table>
<thead>
<tr>
<th>Year</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Balance</td>
<td>£686.48m</td>
<td>£687.76m</td>
<td>£696.29m</td>
<td>£763.68m</td>
<td>£824.41m</td>
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Notice of Annual General Meeting

Notice is given that the 153rd Annual General Meeting (AGM) of the members of the Furness Building Society will be held on Tuesday 23 April 2019 at Abbey House Hotel, Abbey Road, Barrow-in-Furness, LA13 0PA at 6:00pm for the following purposes:

1. To receive Chairman’s opening remarks.
2. To receive the Auditor’s Report for the year ended 31 December 2018.
4. To consider, and if thought fit, pass an Ordinary Resolution to approve the Directors’ Remuneration Report for the year ended 31 December 2018.
5. To consider, and if thought fit, pass an Ordinary Resolution to re-appoint KPMG LLP as auditor.
6. To consider, and if thought fit, to elect or re-elect the following as a Director:
   (a) To elect ANDREW PAUL HAYWOOD as a Director
   (b) To elect GRAHAM MICHAEL BERVILLE as a Director
   (c) To re-elect CHRISTOPHER MICHAEL HARRISON as a Director
   (d) To re-elect PHILLIP ALEXANDER MCLELLAND as a Director
   (e) To re-elect NICHOLAS JOHN GOWER as a Director
   (f) To re-elect SUSAN JANE HERON as a Director
   (g) To re-elect MATTHEW JON DOBSON as a Director
   (h) To re-elect KIM LOUISE REBECCHI as a Director

By Order of the Board
PAMELA ADELE MAWSON
Secretary
30 January 2019

Voting Conditions
1. These Notes form part of the Notice of Meeting.
2. You may either vote in person at the Meeting, or you may use the voting form to appoint a representative to attend and vote for you as you direct. You may appoint the Chairman of the Meeting or anyone else as your representative, they do not have to be a member of the Society. Your representative may vote for you at the Meeting on a written poll but not on a show of hands.
3. The voting date is the 20 April 2019 if you are using the voting form or voting online, or 23 April 2019 if you vote in person at the meeting.
4. You are entitled to vote if you are at least 18 years old on 23 April 2019 and you are the first named account holder in our records. You must also either:
   a) have had at least £100 in your share account on 31 December 2018, and continue to have a share account with the Society at all times between 31 December 2018 and the voting date.
   b) have owed the Society not less than £100 on your mortgage loan(s) on 31 December 2018 and on the voting date.
5. No matter how many share or mortgage accounts you have, in any capacity, you are only entitled to vote once on each resolution. If you vote online and subsequently change your mind you are able to vote again using the same proxy number and your last vote will be counted. If you submit a postal vote and submit an on-line vote then the last vote received by the scrutineer will be counted.
6. Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you have appointed a representative, please ensure that they bring an appropriate form of identification to the Meeting.
7. If you appoint a representative to vote on your behalf and your representative does not attend the Meeting, your vote will not be counted.
8. Please remember to sign the declaration on the voting form as only signed forms will be valid.
9. A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for and against the resolution.
Directors you are voting for

Andrew Paul Haywood
Non Executive Director

Andy was appointed to the Board in April 2018 as a Non-Executive Director and stands for election at the 2019 AGM. Andy is a member of the Board Risk and Remuneration Committees.

Andy has an MBA through The Open University and possesses in depth experience across Retail and Commercial Banking. Andy has proven skills and experience in technology and business change, digital channels, operations and business transformation.

Andy has held Executive roles with N Brown PLC as Chief Operating Officer and was responsible for technology at The Cooperative Group and Boots.

Graham Michael Berville
Non Executive Director

Graham was appointed to the Board in October 2018 as a Non-Executive Director and stands for election at the 2019 AGM.

Graham is an experienced Director, having worked in executive and non-executive roles across a broad range of regulated financial services companies for over 30 years. He has a sound understanding of governance, risk and conduct requirements.

Graham has a BSc (Hons) degree in Physiology & Biochemistry from the University of Southampton. He is currently Chair of the With Profits Committee at LV=, a Trustee at Nest Corporation, Chair of Keycare Insurance and Chair of Yorkshire Cancer Research.

Graham is a strong supporter of the Mutual sector having worked with six different Mutual financial services firms during his career.

Christopher Michael Harrison
Chief Executive

Chris joined the Society in April 2017 as Chief Executive and has made a positive impact in many areas of the business.

Chris is Chairman of the Executive and Assets & Liabilities Committees and also attends the Nomination and Remuneration Committees.

His previous roles include President and CEO of Assurant Solutions Europe and CEO of LSG Lifestyle Services Group.

He believes strongly in mutuality which underpins the Society’s community values and positive social contribution the Society can make.
**Phillip Alexander McLelland**  
Chairman of the Board Risk Committee

Phillip was appointed to the Board in November 2016 as a Non-Executive Director and was elected at the 2017 AGM.

Phillip is Chair of the Board Risk Committee and a member of the Remuneration and Audit Committees and also attends the Assets & Liabilities Committee.

Phillip has a BSc (Hons) degree in Economics from Loughborough University and is a member of the Chartered Institute of Management Accountants. He has held a number of Directorships and senior finance roles including Finance Director at UK Asset Resolution and Provident Financial and is currently the Finance Managing Director at the British Business Bank plc. He has proven commercial, finance and treasury skills and considerable experience.

Phillip appreciates the value and relevance of mutuality in today’s environment. He has worked in the mutual sector for many years and firmly believes Furness Building Society’s focus on its members will ensure it continues to be successful in the future.

**Nicholas John Gower**  
Chairman of the Audit Committee

Nic was appointed to the Board in May 2014 as a Non-Executive Director.

He was elected as Chairman of the Audit Committee following the 2016 AGM and is also a member of the Society’s Board Risk Committee.

Nic was appointed Senior Independent Director and Whistleblowing Champion in April 2018.

Nic is a Fellow of the Institute of Chartered Accountants and has a BSc (Hons) degree in Chemistry from the University of Manchester. He spent most of his career as a partner with PriceWaterhouseCoopers LLP, specialising in audit and risk management.

Nic is also a Director of the Manchester University NHS Foundation Trust and a Director of Seashell Trust, which is a charity working for the benefit of children and young adults with complex learning disabilities. Nic is also a Governor at the Royal School Manchester.

**Susan Jane Heron**  
Marketing and Sales Director

Sue was appointed to the Board in 2008 as Group Secretary before a promotion to Executive Director in June 2015 to the role of Marketing and Sales Director.

Sue is a member of the Executive and Assets & Liabilities Committees and a Director of the Society’s subsidiary companies.

Sue holds a Diploma in Financial Services and has held a variety of positions within the Society during her career, within the Branch Network, making a success of the Furness Direct distribution channel followed by a number of years as Head of Risk and Compliance.

Sue began her career with Furness Building Society in 1995 at Lancaster Branch before moving to Head Office and has seen first-hand the role the Society plays in the communities of the Branch and Agency networks and the commitment of the Board to remain independent and mutual. Sue is keen to ensure the role of the Branches and Agencies in their local communities remains a key focus.
Matthew Jon Dobson
Finance Director
Matthew was appointed to the Board in January 2017 as Finance Director and was elected at the 2017 AGM.

Matthew is a member of the Executive and Assets & Liabilities Committees. Matthew also attends Audit Committee and Board Risk Committee.

Matthew is a qualified accountant and has gained over 15 years banking experience in senior roles across both treasury and finance functions. His previous positions have included Managing Director roles at Barclays and before joining the Society he was Head of Debt Capital Markets at Williams and Glyn.

Matthew grew up in Furness Building Society’s heartland and is proud to work for a Society which is focussed on providing benefits to both customers and local communities.

Kim Louise Rebecchi
Chairman of the Remuneration Committee
Kim was appointed to the Board in March 2016 as a Non-Executive Director and was elected at the 2017 AGM.

Kim is the Society’s Vice Chairman and Chairs the Remuneration Committee and is a member of the Nomination Committee.

Kim is a Fellow of the Chartered Institute of Bankers and she holds a post graduate Diploma in Financial Services. She worked at the Leeds Building Society for 28 years, most recently as the Sales and Marketing Director as an Executive member of the Board.

Kim is also a Director for Redmayne Bentley Stockbrokers LLP, Business and Enterprise Finance Ltd and Cynergy Bank Ltd.

Kim joined the mutual sector over 30 years ago and is a strong supporter of mutuality and the benefits which can be offered to members and local communities.
SUMMARY FINANCIAL STATEMENT

Summary Directors’ Report

This Financial Statement is a summary of the information in the audited Annual Accounts, the Directors’ Report and Annual Business Statement, all of which will be available to members and depositors free of charge, on demand, at every office of Furness Building Society from 25 March 2019. The Board is pleased to present the 153rd Directors’ Report for the year ended 31 December 2018.

Business Objectives and Activities

The Society exists for the benefit of its current and future members, to meet their needs for savings and mortgages. The Society is committed to remaining independent and mutual for this purpose.

The Society operates within a legal framework with statutory limits set by the Building Societies Act 1986 to ensure a focus on its prime objectives of deposit taking and mortgage lending. Within this framework the Board operates a simple business model, operating solely within the UK with a robust risk management framework. In order to ensure the business model remains sustainable, capital generation is required to support growth.

The Society’s focus in 2019, as articulated in the Corporate Plan, will be:

- to continue to help customers buy their own residential properties by providing high quality mortgage products, primarily through the intermediary distribution channel but also through our branch network, principally funded through retail savings
- to achieve sustainable and profitable growth during the Corporate Plan period with effective use of capital
- to continue to drive organisational efficiency
- to continue to build a customer focussed culture that meets changing market and regulatory requirements
- To invest in enhancing e-commerce capability.

Business Review
The 2018 Chairman’s Report includes a section headed Business Performance which provides a review of the business during 2018. In addition, the following matters are considered by the Board:

- Capital/Reserves and Profits
- The Board considers that the maintenance of adequate capital (reserves) is of paramount importance to protect the Society’s members from any unexpected adverse situations. When assessing the adequacy of its capital, the Board considers the material risks to which the Society is exposed and the need for capital to be available to support and grow the business.

- The Group’s level of capital remains in excess of the minimum required by our Regulators and the Society is strongly capitalised with a common equity tier 1 ratio of 19.77% at 31 December 2018.

- The Group’s Pillar 3 disclosures, which set out the Society’s total capital requirements and risk management policies and objectives, can be found on the Society’s website www.furnessbs.co.uk. This information is updated annually after the Society’s Annual General Meeting.

- The Society generated lower profit before tax in 2018 £3.7m (£4.1m: 2017). Note reported profits for 2017 included an in-year net interest income credit adjustment of £1.2m noted above, the adjusted 2017 net interest margin was £14.5m (1.69% as a percentage of total mean assets).

- Other Operating Income and Charges, Fees and Commissions
- The Group attracts both operating and fee and commission costs and income as part of its normal course of business. The net expense across these categories in 2018 is £0.4m and includes commissions paid to our agency network, fees paid to charities in relation to affinity accounts, past service charges relating to our defined benefit pension scheme and insurance income from products provided to our members via partnership arrangements.

- Arrears and Provisions
- On occasions, borrowers experience difficulties which impact on their ability to meet their mortgage obligations. The Society identifies borrowers whose mortgage accounts have gone into arrears and makes contact to ascertain the reason for the arrears and to establish what course of action can be taken to bring the accounts up to date. Despite the Society’s best efforts to help borrowers in such circumstances, occasionally properties have to be taken into possession and sold, sometimes at a loss to the Society.
At the end of the year there were 6 cases (9: 2017) where repayments were twelve months or more in arrears. The total amount of arrears on these cases was £93k (£71k: 2017). Balances on accounts twelve months or more in arrears totalled £408k (£324k: 2017). At 31 December 2018 the Group’s total provisions represented 0.13% of total mortgage assets (0.15%: 2017).

The Group continues to follow a prudent Lending policy and following the Board’s assessment of the Society’s credit risks and the economic environment, the Group holds impairment allowances of £1.1m (£1.1m: 2017). In common with all lenders, future changes in house prices, unemployment levels and other economic factors may give rise to the need for additional or reduced provisions.

In certain circumstances the Society uses appropriate forbearance measures to assist borrowers who are experiencing financial difficulty. Such measures to reduce the borrowers’ financial pressures include, amongst others, agreeing a temporary transfer to interest only payments or requests to amend terms of the mortgage. The Society expects borrowers to resume normal payments once they are able. Where the Society expects a loss, a provision is made in accordance with the Society’s policy.

During 2018, the Society undertook forbearance measures on 91 (181: 2017) mortgage accounts that had balances totalling £4.9m (£3.9m: 2017) as at 31 December 2018. 30 of these cases were new during 2018 (66: 2017) with total balances of £2.2m as at 31 December 2018 (£3.5m: 2017).

As at 31 December 2018, the Society was still undertaking forbearance measures on 52 (61: 2017) accounts with arrears totalling £1.149k (£1.04k: 2017) and balances totalling £3.5m (£3.3m: 2017) of the accounts still under forbearance as at 31 December 2018, individual provisions totalling £407k (£421k: 2017) were made in relation to 13 (13: 2017) accounts that had arrears totalling £25k (£19k: 2017) and balances totalling £2.1m (£1.7m: 2017). The Society held no properties in possession as at 31 December 2018 (5: 2017).

**Risk Management**

The Society has a formal risk management framework including a detailed Board Statement of Risk Appetite overseen by the Board Risk Committee, to address its objective of managing the risk associated with current and future activities of the Group.

The Society invested in strengthening its risk management capabilities during 2018 with the appointment of Keith Bevan to the role of Chief Risk Officer and a focus on building skills in credit risk, operational risk and prudential risk management. We will continue to improve our risk management resources during 2019.

The Group faces a variety of risks, which fall into the following categories:

- **Credit Risk**

  This is the risk that borrowers or counterparties to whom the Society has lent money may default on their obligation to repay the Society. The Society manages the risk associated with mortgage borrowers by means of a prudent Lending policy that includes both a thorough assessment of the creditworthiness of the borrower and the value of the proposed security. Mortgages are monitored closely on an on-going basis with timely action being taken for those mortgages that fall into arrears. The Credit Risk Committee meets regularly to consider the risks associated with this lending and reviews large and potential default accounts.

  In the case of liquid asset investments, the credit risk associated with lending to financial institutions is addressed by the Society’s Assets and Liabilities Committee (ALCO) which ensures that investments are restricted principally to cash held with the Bank of England, UK Government issued debt instruments, liquid regulatory compliant AAA rated debt securities and operational call accounts with large UK based banks clearing banks with investment grade credit ratings.

- **Liquidity and Funding Risk**

  The nature of the Society’s business involves ‘maturity transformation’ whereby the Society borrows for relatively short terms and lends on mortgages for much longer periods. This mismatch creates liquidity risk whereby the Society could be unable to meet its financial obligations as they fall due.

  Funding risk is the inability to access funding markets or to do so at excessive cost. In order to minimise funding risk the Society ensures there is no over reliance on a single source of funds.

  The purpose of the Society’s Internal Liquidity Adequacy Assessment Process (ILAAP) is to ensure that these commitments can be met in a timely manner under both normal and stress conditions and that the Group maintains the confidence of its existing and potential investors and suppliers. On a day-to-day basis the Group’s liquidity position is managed by the Treasury function which is responsible for the liquid asset portfolio and contingency arrangements. Liquidity and funding risk is monitored by the ALCO which meets on a frequent basis and receives a variety of management information reports which enable it to monitor the amount and composition of the liquid asset portfolio and ensure Group compliance with the regulations covering liquidity as well as the Board Risk Appetite Statement of the Group.

- **Market Risk**

  Market risk relates to the potential for loss on the sale of a financial instrument as a result of a change in the price of that instrument.

  The Society does not take speculative positions on future interest rate movements when investing the Society’s surplus funds. The Society
does not actively trade financial investments, other than for regulatory liquidity testing, and principally aims to hold any investments to maturity.

• **Treasury Risk Management and Interest Rate Risk**
  This refers to the risks associated with the Society’s Treasury management activity. This activity covers both the investment of the Society’s surplus funds and interest rate hedging of fixed rate mortgage and savings products through the use of either derivative transactions or other assets and liabilities with similar maturity profiles. The Society operates a conservative Treasury policy supported by a number of risk appetite limits which the ALCO monitors to ensure that the interest rate risk to which the Group is exposed, on both sides of the balance sheet, is adequately controlled.

• **Operational Risk**
  This relates to the risk of financial loss as a direct result of failed systems and procedures and includes items such as defective title or money transmission errors. The operational risks faced by the Group, are assessed on a regular basis and an appropriate system of control exists to mitigate these risks. In addition, the Society regularly considers succession planning to mitigate the key personnel risk.

  The Society has a number of operational risks to manage on an on-going basis and during 2018 the restructure of the Operational business areas and projects to improve efficiency and operational resilience have been closely monitored by the Risk function. In 2019, we will move our Head Office in Barrow to a new location which presents a number of new operational risks and opportunities which will be carefully considered and managed throughout the project. The Society has contracted external specialists to manage the various stages of the Head Office move in order to mitigate the execution risk.

• **Conduct Risk**
  Conduct risk is defined as the risk that the Society’s behaviours fail to deliver good and acceptable customer outcomes.

  In recent years the financial services industry as a whole has accrued reputational damage due to the level of redress which has been necessary to compensate customers for conduct failings and therefore conduct risk and culture are a particular focus for the Financial Conduct Authority.

  The Board has primary responsibility for ensuring that the manner in which the Society conducts dealings with its customers is fair and in their interests. Not only does the ethos of ‘Always with your interest at heart’ embed this culture throughout the Society, the Management Risk Committee considers matters that could potentially impact our fair treatment of customers.

• **Regulatory Risk**
  This is the risk that the volume, prescription, complexity and costs of regulatory issues may impact upon the Group’s business model and ability to compete or that the Society is not compliant with relevant regulations which govern our business.

  The Society monitors all regulatory developments and industry practices and following assessment of the impact and requirements for the Society ensures appropriate Management action is taken for the Society to remain compliant.

• **Capital Risk**
  Capital risk refers to a situation where an event(s) occurs that reduces the Society’s capital to an unacceptable or unsustainable level. The Society regularly tests various scenarios to ensure it retains sufficient capital to manage foreseeable and possible events.

  The Society’s Internal Capital Adequacy Assessment Process (ICAAP) is the Society’s evaluation of its capital position and requirements and sets out the approaches to manage capital risk across the planning horizon including the evaluation and monitoring of risk appetite limits.

• **Pension Risk**
  The Society operates a defined benefit pension scheme that provides benefits based upon final pensionable pay. This scheme was closed to new entrants in September 2000 and closed to future accrual with effect from 1 January 2017. The scheme deficit on an accounting basis was £4.3m at 31 December 2018 (£4.3m: 2017). The Scheme liability remains a significant potential risk to the Group. However, the action taken to close the Scheme to future accrual has limited the risk of a further increase to the existing liabilities.

  Note that the Society concluded work with the Trustees during 2018 on the latest triennial valuation review and has increased annual pension cash contributions to £0.97m in order to support the reduction of the pension deficit.

• **Financial Services Compensation Scheme Risk**
  In common with all regulated UK deposit takers, the Society has a liability to the Financial Services Compensation Scheme (FSCS) which continues to be an uncertain cost. The failure of other firms covered by the Scheme could also add to the existing liability. A credit of £23k (£5k charge: 2017) has been recognised in the Society’s 2018 financial statements relating to the FSCS levy, as payments made during 2018 were below the amount provided for at 31 December 2017.

• **Strategic Risk**
  This is the risk that circumstances prevent the Society from achieving its long-term strategic objectives. Inability to deliver a long-term strategy threatens the future of the business. Strategic risk can arise from staff making poor decisions, inadequate capacity or capability to manage change, or from a failure to respond to changes in the business environment.

  The main uncertainties affecting the Society relate to the current economic environment which has a direct impact on saving members’ sentiment regarding saving and on borrowers’ ability to meet their mortgage commitments. During 2018 the housing market has been slow in part caused by the uncertainty created by the political negotiations surrounding Brexit. At this stage this uncertainty is impacting volumes of transactions and reduction of prices in some areas of the country. As noted above the Society has not noticed any significant change in arrears over the period. The Society has undertaken stress tests and scenario analyses during the year, including both severe capital stress testing as part of
our 2018 ICAAP and negative Brexit scenario modelling of our 2019 plan, assessing downside risks to profit, capital and liquidity. As a result we are confident that the Group has sufficient resources to withstand the economic and business challenges that a negative Brexit scenario could bring about. The strategy is reviewed at least annually to ensure it remains appropriate, deliverable and sustainable and seeks external assistance when required to validate decisions. The ongoing management of strategic risk is supported by the business performance and risk reporting data provided to the Board and Risk Committees.

During 2018, the Society conducted a fundamental review of the strategy and we expect to conclude and begin implementation of our revised strategy in 2019.

Going Concern
The Directors have reviewed the latest Corporate Plan forecast profitability, liquidity and capital projections, the impact of severe capital stress scenarios detailed within the 2018 ICAAP and downside risks to the 2019 plan under a negative Brexit scenario and are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Long-Term Viability
The Directors have considered the prospects of the Society over a longer period than the twelve months required by the going concern provision. Three years represents the Society’s Corporate Plan period.

The Directors’ assessment is based on the 2019-2021 Corporate Plan which forecasts a consistent profit performance and a strong capital and liquidity position for the Society over the period. This assessment is further supported by the latest ICAAP and ILAAP and Recovery and Resolution Plan (RRP) updates – and under the most recent ICAAP severe stress scenarios the Society continues to maintain a capital surplus to regulatory requirements.

Based on the forecast and stress testing scenario information available the Board have a reasonable expectation that the Society will be able to operate and meet its liabilities for the medium term.

People
The Society recognises that talent and dedicated staff are key to the future success of the Society and in order to ensure the Society’s long-term success, the Board continues to invest in key skill areas to recruit and retain high calibre staff and strengthen the Management capability and capacity.

In addition to investing in the Senior Management team, we have also recruited in most other areas of the business to improve our capability for the future, including IT, Treasury, Project Management, Digital Marketing, Risk Management, Business Development and Operations.

It is vital that the Society employs and develops people with the right skills and motivation to take the Society forward and we create the right environment to allow our staff to succeed in what they do.

We have invested in cultural transformation, changing our operating structure, and driving continuous improvement to respond to our customers’ needs and the competitive environment. We have also invested in our infrastructure which will provide our staff with a modern working environment and technology to promote the high performance culture we are developing.

The Board is committed to this investment in people to provide the solid foundations the Society needs to build on and secure a successful future for the Society and its members.

Events since the Year-End / Future Events
The Directors do not consider that any event since the year-end has had a material effect on the position of the Group.

Donations
During the year, the Society made various donations to a variety of good causes, of which £9k (£9k: 2017) was donated purely for charitable purposes. This sum was in addition to affinity account payments totalling £217k (£270k: 2017) and other donation and sponsorship payments totalling £10k (£13k: 2017) to charities and other local community organisations.

Organisations that received donations are detailed on the Society’s website. The Society allows employees time to support charitable efforts during the year and a number of employees were assisted in this way during 2018.

Supplier Payment Policy
The Group’s policy is to discharge supplier invoices within the agreed payment terms when they fully conform with the terms and conditions of the purchase. The average time to settle invoices over the year was 20 days (20 days: 2017).

Directors
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors who served during the year are listed on page 26 of the Annual Report & Accounts, within the Corporate Governance Report. None of the Directors had an interest in shares or debentures of any associated body of the Society at any time during the financial year.

Disclosure of Information to Auditor
Each of the persons who is a Director at the date of approval of this report confirms that:

• so far as the Director is aware, there is no relevant audit information of which the Group’s Auditor is unaware; and
• the Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information; and
• to establish that the Group’s Auditor is aware of that information.

Re-appointment of KPMG
The External Auditor, KPMG LLP, has assisted in this way during 2018. The Society allows employees time to support charitable efforts during the year and a number of employees were assisted in this way during 2018.

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### Group Results for the Year

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest receivable</td>
<td>15,699</td>
<td>15,719</td>
</tr>
<tr>
<td>Other income and charges</td>
<td>(424)</td>
<td>33</td>
</tr>
<tr>
<td>Fair value gain</td>
<td>115</td>
<td>60</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(11,624)</td>
<td>(11,860)</td>
</tr>
<tr>
<td>Operating profit before provisions and taxation</td>
<td>3,766</td>
<td>3,952</td>
</tr>
<tr>
<td>Impairment (charge)/credit</td>
<td>(33)</td>
<td>282</td>
</tr>
<tr>
<td>Operating profit before FSCS levy</td>
<td>3,733</td>
<td>4,234</td>
</tr>
<tr>
<td>Provisions for liabilities</td>
<td>4</td>
<td>(120)</td>
</tr>
<tr>
<td>Profit on ordinary activities before tax</td>
<td>3,737</td>
<td>4,114</td>
</tr>
<tr>
<td>Taxation</td>
<td>(614)</td>
<td>(898)</td>
</tr>
<tr>
<td>Profit for the financial year (PAT)</td>
<td>3,123</td>
<td>3,216</td>
</tr>
</tbody>
</table>

### Group Financial Positions at the Year End 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid assets</td>
<td>166,976</td>
<td>129,769</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>1,237</td>
<td>682</td>
</tr>
<tr>
<td>Mortgages</td>
<td>824,409</td>
<td>763,681</td>
</tr>
<tr>
<td>Fixed and other assets</td>
<td>4,073</td>
<td>4,617</td>
</tr>
<tr>
<td>Total assets</td>
<td>996,695</td>
<td>898,749</td>
</tr>
<tr>
<td>Shares</td>
<td>735,412</td>
<td>682,654</td>
</tr>
<tr>
<td>Borrowings</td>
<td>180,074</td>
<td>136,281</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>339</td>
<td>934</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,476</td>
<td>2,872</td>
</tr>
<tr>
<td>Net pension liabilities</td>
<td>4,262</td>
<td>4,314</td>
</tr>
<tr>
<td>Subordinated liabilities</td>
<td>4,986</td>
<td>4,986</td>
</tr>
<tr>
<td>Reserves</td>
<td>69,146</td>
<td>66,708</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>996,695</td>
<td>898,749</td>
</tr>
</tbody>
</table>

Approved by the Board of Directors on 14 March 2019 and signed on its behalf by

**Chairman**

C S Millar

**Vice Chairman**

K L Rebecchi

**Chief Executive**

C M Harrison
Summary of Key Financial Ratios

<table>
<thead>
<tr>
<th>Summary of Key Financial Ratios 2018</th>
<th>2018 %</th>
<th>2017 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross capital as a percentage of shares and borrowings¹</td>
<td>8.10</td>
<td>8.76</td>
</tr>
<tr>
<td>Liquid assets as a percentage of shares and borrowings²</td>
<td>18.24</td>
<td>15.85</td>
</tr>
<tr>
<td>Profit for the year as a percentage of mean total assets³</td>
<td>0.33</td>
<td>0.38</td>
</tr>
<tr>
<td>Management expenses as a percentage of mean total assets⁴</td>
<td>1.23</td>
<td>1.38</td>
</tr>
<tr>
<td>Profit after tax (£m)</td>
<td>3.12</td>
<td>3.22</td>
</tr>
<tr>
<td>Retail share and deposit balances (£m)</td>
<td>915.49</td>
<td>818.94</td>
</tr>
<tr>
<td>Mortgage balances (£m)</td>
<td>824.41</td>
<td>763.68</td>
</tr>
</tbody>
</table>

Notes

1. The gross capital ratio measures the proportion that capital bears to shares and borrowings. Gross capital constitutes the reserves and subordinated liabilities shown in the Statement of Financial Position and includes the profits accumulated since the Society’s formation in 1865. Capital reserves are financial resources owned by members and are liabilities which are not repayable. Capital provides a financial cushion against possible adverse market conditions in the future and therefore protects members and investors.

2. The liquid assets ratio measures the proportion of the Group’s shares and borrowings which are held in the form of cash, short term deposits and securities which can be readily converted into cash. Liquid assets are maintained at a level which enables the Group to meet requests from investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business.

3. This ratio measures the proportion which profit after taxation for the year bears to the average balance of total assets during the year. The ratio is similar to a company’s return on assets. The Group needs to make a reasonable profit each year in order to maintain its capital ratios at a suitable level to protect investors.

4. The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses (which include depreciation and amortisation) bear to the average balance of total assets during the year.
Independent auditor’s statement to the members and depositors of Furness Building Society

Opinion
We have examined the summary financial statement of Furness Building Society ("the Society") for the year ended 31 December 2018 set out on pages 13 to 18.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full financial statements, the Annual Business Statement and Directors’ Report of the Society for the year ended 31 December 2018 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for opinion
Our examination of the summary financial statement consisted primarily of:

• Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors’ Report of the Society for the year ended 31 December 2018, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors’ Report of the Society for that year;

• Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and

• Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors’ Report of the Society for the year ended 31 December 2018.

We also read the other information contained in the Members’ Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society’s full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors’ Report.

Directors’ responsibilities
The Directors are responsible for preparing the summary financial statement within the Members’ Review, in accordance with applicable United Kingdom law.

Auditor’s responsibilities
Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Members’ 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.

The purpose of our work and to whom we owe our responsibilities
This auditor’s statement is made solely to the Society’s members, as a body, and to the Society’s depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society’s members and depositors those matters we are required to state to them in such a statement 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 and the Society’s depositors as a body, for our work, for this statement, or for the opinions we have formed.

David Allen
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Leeds
LS1 4DA
14 March 2019
The purpose of this report is to provide information about the Group’s policies on remuneration and how those policies have been implemented. The Remuneration Committee comprises solely of Non-Executive Directors as its key responsibility is to determine overall Remuneration policy and set specific levels for Executives.

Summary of the Society’s Remuneration Policy
The aim of the Remuneration policy is to offer remuneration packages which will attract, retain and motivate performing individuals, but not to pay more than necessary to attract appropriate candidates. At all times, the Board must balance our members’ interests by spending money wisely, against developing the Society by attracting and retaining the talent it needs.

The key principles of the Remuneration policy are to:
- align to the Corporate Plan objectives for the growth and security of the Society
- provide a clear link to effective risk management consistent with the Society’s risk appetite
- set total remuneration at a competitive level which rewards good performance
- meet the regulatory standards and good corporate governance practices.

Executive Director Remuneration
Executive remuneration consists of basic salary, variable bonus, pension contributions and other benefits. The Committee reviews these annually on recommendation from the Chief Executive. Summaries of the 2018 Executive remuneration packages are shown on page 21.

Non-Executive Director Fees
Non-Executive Directors do not have service contracts and are paid a fixed fee. There is an additional payment for the Society Chairman, Vice Chairman and Committee Chairmen. Travel expenses are reimbursed for all travel on Society business.

To attract Non-Executive Directors with the necessary skills and experience, the level of fees is benchmarked against those paid by building societies of a similar size and complexity. We also consider the time commitment required from Non-Executive Directors to be able to adequately discharge their responsibilities in a regulated business environment.

Directors’ Remuneration Report Vote
Although building societies are not required to hold an advisory vote on the Directors’ Remuneration Report, the Board considers this to be best practice and an appropriate resolution will be put to members at this year’s Annual General Meeting. In 2018, 91.28% (92.11%: 2017) of members, who voted, did so in favour of the Society’s Directors’ Remuneration Report.
### Directors’ Remuneration

#### Executive Directors

<table>
<thead>
<tr>
<th>2018</th>
<th>Salary</th>
<th>Bonus</th>
<th>Taxable</th>
<th>Sub Total</th>
<th>Increase in Accrued Pension</th>
<th>Increase in Accrued Pension cash lump sum</th>
<th>Defined Contribution Scheme</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>C M Harrison&lt;sup&gt;1&lt;/sup&gt;</td>
<td>204,600</td>
<td>69,564</td>
<td>17,661</td>
<td>291,825</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>291,825</td>
</tr>
<tr>
<td>M J Dobson&lt;sup&gt;2&lt;/sup&gt;</td>
<td>161,825</td>
<td>53,406</td>
<td>10,867</td>
<td>226,098</td>
<td>0</td>
<td>0</td>
<td>10,000</td>
<td>236,098</td>
</tr>
<tr>
<td>S J Heron</td>
<td>100,000</td>
<td>34,000</td>
<td>8,540</td>
<td>142,540</td>
<td>470</td>
<td>2,123</td>
<td>12,000</td>
<td>157,133</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>466,425</strong></td>
<td><strong>156,970</strong></td>
<td><strong>37,068</strong></td>
<td><strong>660,463</strong></td>
<td><strong>470</strong></td>
<td><strong>2,123</strong></td>
<td><strong>22,000</strong></td>
<td><strong>685,056</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>Salary</th>
<th>Bonus</th>
<th>Taxable</th>
<th>Sub Total</th>
<th>Increase in Accrued Pension</th>
<th>Increase in Accrued Pension cash lump sum</th>
<th>Defined Contribution Scheme</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>C M Harrison&lt;sup&gt;1&lt;/sup&gt;</td>
<td>149,231</td>
<td>44,769</td>
<td>15,222</td>
<td>209,222</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>209,222</td>
</tr>
<tr>
<td>M J Dobson&lt;sup&gt;2&lt;/sup&gt;</td>
<td>145,319</td>
<td>43,596</td>
<td>9,062</td>
<td>197,977</td>
<td>0</td>
<td>0</td>
<td>8,958</td>
<td>206,935</td>
</tr>
<tr>
<td>S L Pryer&lt;sup&gt;3&lt;/sup&gt;</td>
<td>18,749</td>
<td>0</td>
<td>1,608</td>
<td>20,357</td>
<td>0</td>
<td>0</td>
<td>2,250</td>
<td>22,607</td>
</tr>
<tr>
<td>S J Heron</td>
<td>90,000</td>
<td>27,000</td>
<td>5,513</td>
<td>122,513</td>
<td>226</td>
<td>1,021</td>
<td>10,800</td>
<td>134,560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>403,299</strong></td>
<td><strong>115,365</strong></td>
<td><strong>31,405</strong></td>
<td><strong>550,069</strong></td>
<td><strong>226</strong></td>
<td><strong>1,021</strong></td>
<td><strong>22,008</strong></td>
<td><strong>573,324</strong></td>
</tr>
</tbody>
</table>

Note: 50% of the bonus amounts is an LTIP and payment of that element of the bonus is deferred for three years.

#### Non-Executive Directors

<table>
<thead>
<tr>
<th>2018</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>C S Millar</td>
<td>48,422</td>
<td>45,572</td>
</tr>
<tr>
<td>K S Kearney&lt;sup&gt;4&lt;/sup&gt;</td>
<td>6,963</td>
<td>30,273</td>
</tr>
<tr>
<td>A J Haigh&lt;sup&gt;5&lt;/sup&gt;</td>
<td>10,323</td>
<td>30,833</td>
</tr>
<tr>
<td>N J Gower</td>
<td>30,191</td>
<td>29,873</td>
</tr>
<tr>
<td>K L Rebecchi</td>
<td>32,637</td>
<td>25,136</td>
</tr>
<tr>
<td>P A McLelland</td>
<td>29,493</td>
<td>25,172</td>
</tr>
<tr>
<td>A P Haywood&lt;sup&gt;6&lt;/sup&gt;</td>
<td>18,715</td>
<td>0</td>
</tr>
<tr>
<td>G M Berville&lt;sup&gt;7&lt;/sup&gt;</td>
<td>4,257</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>181,001</strong></td>
<td><strong>186,859</strong></td>
</tr>
</tbody>
</table>

2018 Non-Executive Directors’ fees include travel expenses paid.

1. Appointed 06.04.2017
2. Appointed 30.01.2017
3. Resigned 28.02.2017
4. Resigned 30.03.2018
5. Resigned 24.04.2018
6. Appointed 24.04.2018
7. Appointed 31.10.2018

**K L Rebecchi**
Chairman of the Remuneration Committee
14 March 2019
## Summary of Executive Remuneration 2018

<table>
<thead>
<tr>
<th>Element</th>
<th>Link to Strategy</th>
<th>Operation</th>
<th>Performance Measures</th>
<th>Minimum and Maximum Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Salary</td>
<td>Reflects level of accountability. Provides ability to attract and retain individuals through competitive but affordable rates of pay.</td>
<td>Once set, future increases are linked to personal performance and peer group benchmarking.</td>
<td>Personal performance against the role profile and the delivery of personal objectives.</td>
<td>Individuals developing in a role may be paid below market rate until they are fully performing. Adjustments may be made if a role changes significantly or moves out of line with the market.</td>
</tr>
</tbody>
</table>
| Bonus                 | Linked to the delivery of annual business plan targets including strategic objectives and personal objectives. | Challenging, but achievable objectives are aligned with the Corporate Plan. The Chief Risk Officer provides assurance that the scheme design does not incentivise inappropriate behaviours. | Corporate measures for 2018 are:  
  - profit  
  - mortgage asset growth  
  - average mortgage margin.  
  
  Personal objectives are set by the Chief Executive and agreed by the Remuneration Committee. | There is no pay out if less than 90% of target is met. The pay-out for on-target performance is of 20% of basic salary. The maximum payment is 40% for over-performance. Payment of 50% of the award is deferred for three years. Deferred bonus payments may be withdrawn in the following circumstances:  
  - employee misbehaviour or material error  
  - poor performance leading to regulatory consequences  
  - failure to manage credit risks causing the Society to become unprofitable. |
| Pension               | Provides market competitive remuneration. | Pension contributions are on membership of the Society’s Defined Contribution Scheme. Cash equivalent may be offered if requested. | Not applicable. Matched contributions up to 10% of basic salary. | |
| Benefits              | To align Executive total remuneration broadly with the market. | The principle benefits are:  
  - life assurance  
  - private medical insurance  
  - company car allowance  
  - 6 months’ notice period  
  - other benefits eg relocation assistance may be provided based on individual circumstances. | Not applicable. | |

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22 Summary Statement of Accounts 2018
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Like us  furnessbuildingsociety

---

**Branch Offices**

**Barrow-in-Furness**
51/55 Duke Street, LA14 1RT
Tel: 01229 824560

**Dalton**
84 Market Street, LA15 8DJ
Tel: 01229 466865

**Grange**
9 Lowther Gardens, LA11 7EX
Tel: 015395 33745

**Lancaster**
2 Lancaster Gate, LA1 1NB
Tel: 01524 66221

**Kendal**
2-4 Stricklandgate, LA9 4ND
Tel: 01539 729020

**Millom**
6 Market Square, LA18 4HZ
Tel: 01229 773671

**Poulton-le-Fylde**
9 Queens Square, FY6 7BW
Tel: 01253 892212

**Preston**
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