

Summary Financial Statement 2021

Including Notice of Annual General Meeting and Changes to the Memorandum & Rules



Always with your interest at heart

Furness 
BUILDING SOCIETY

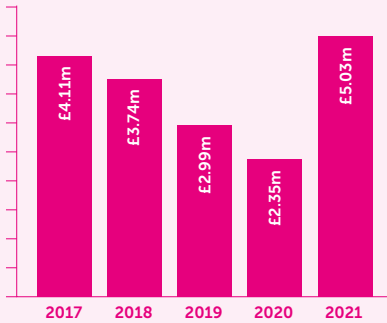
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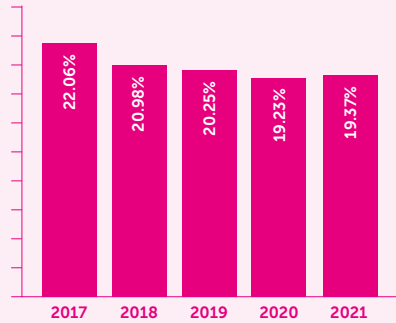
Performance Summary

Financial Strength

Profit before tax

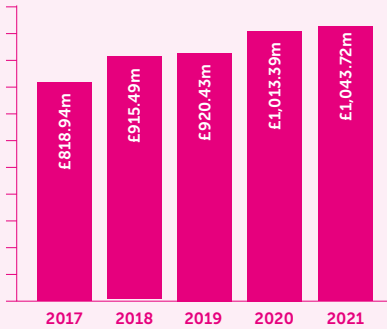


Total Capital Ratio

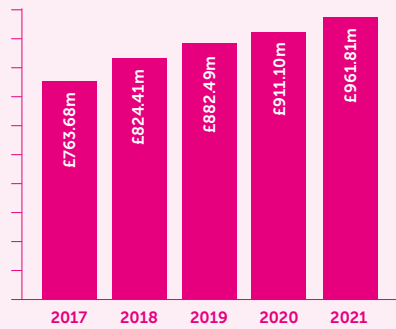


Business Summary

Retail Share and Deposit Balances



Mortgage Balances



Notice of Annual General Meeting 2022

Notice is given that the 156th Annual General Meeting (AGM) of the members of the Furness Building Society will be held on **Tuesday, 19 April 2022 at 4.00pm** at Furness Building Society, Emlyn Hughes House, Abbey Road, Barrow in Furness LA14 5PQ for the following purposes:

1. To receive Chairman's opening remarks.
2. To receive the Auditor's Report for the year ended 31 December 2021.
3. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2021.
4. To consider, and if thought fit, pass an Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 December 2021.
5. To consider, and if thought fit, pass an Ordinary Resolution to re-appoint Mazars LLP as Auditor.
6. To consider, and if thought fit, pass a Special Resolution to approve changes to the Society's Memorandum.
7. To consider, and if thought fit, pass a Special Resolution to approve changes to the Society's Rules
8. To consider, and if thought fit, to re-elect the following as a Director:
 - (a) Re-elect Graham Michael Berville as a Director
 - (b) Re-elect Christopher Michael Harrison as a Director
 - (c) Re-elect Kim Louise Rebecchi as a Director
 - (d) Re-elect Nicholas John Gower as a Director
 - (e) Re-elect Phillip Alexander McLelland as a Director
 - (f) Re-elect Andrew Paul Haywood as a Director
 - (g) Re-elect Peter David Rogerson as a Director
 - (h) Re-elect Conrad O'Donnell as a Director

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 your 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 final voting date is:
 - a) 3.00pm on Thursday, 14 April 2022 if you are posting your voting form at a branch
 - b) Saturday, 16 April 2022 if you are posting the voting form using the prepaid envelope or voting online, or
 - c) Tuesday, 19 April 2022 if you vote in person at the Meeting.
4. You are entitled to vote if you are at least 18 years old on 19 April 2022 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 2021, and continue to have a share account with the Society at all times between 31 December 2021 and the voting date.
 - b) have owed the Society not less than £100 on your mortgage loan(s) on 31 December 2021 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.

Team Biographies

Board of Directors and other officers



Graham Berville

Responsible for leading the Board of Directors, Graham has over 30 years' experience in the financial sector, including work with six mutual financial services companies. His sound understanding of governance, risk and conduct requirements has been instrumental in steering us through another highly unusual year.

Key roles:

Chairman
Chairman of the Nomination Committee

Wider commitments:

Chair of Keycare Limited
Chair of Yorkshire Cancer Research
Chair of Keycare Assistance Limited (Eire)



Chris Harrison

Chris joined us in 2017 and his strong vision and determination to instill a high performance culture have had a hugely positive impact on our transformation into a modern and competitive building society. He's committed to maintaining our strong community values and social responsibility and shaping a sustainable future for our members. Previous roles include President and CEO of Assurant Solutions Europe.

Key roles:

Chief Executive
Member of the Nomination Committee
Chairman of the Executive Committee
Member of the Assets and Liability Committee



Kim Rebecchi

Kim brings 30 years' experience in the mutual sector to our Board and is committed to instilling the benefits of mutuality to our members and local communities. Kim held a position at Leeds Building Society for 28 years, most recently as an executive member of the Board. Her in-depth knowledge of the sector and marketplace plays a critical role in supporting and guiding the Chairman and is valued greatly by the Management team.

Key roles:

Vice Chairman
Chairman of the Remuneration Committee
Member of the Nomination Committee
Member of the Audit Committee

Wider commitments:

Director of Redmayne Bentley Stockbrokers LLP
Director of Cynergy Bank Limited



Nic Gower

Nic has enjoyed a long and successful career, with the majority spent as a partner at PriceWaterhouseCoopers LLP, specialising in audit and risk management. As our longest-serving Board member, his experience and insight continues to be highly valued by all Directors.

Key roles:

Senior Independent Director
Chairman of the Audit Committee
Whistleblowing Champion
Member of the Board Risk Committee
Member of the Nomination Committee

Wider commitments:

Director of Manchester University
NHS Foundation Trust



Phillip McLelland

Phillip brings to the table experience from a number of directorship and senior finance roles including that of Finance Director at UK Asset Resolution, Provident Financial and the British Business Bank. He firmly believes in our 'member first' model and his proven commercial, finance and treasury expertise is helping guide us towards a successful future.

Key roles:

Chairman of the Board Risk Committee
Member of the Audit Committee
Member of the Remuneration Committee

Wider commitments:

Finance Director of Calisen



Andy Haywood

Andy has held numerous executive positions in the retail and commercial banking sectors throughout his career, including as Chief Operating Officer at N Brown plc and roles at The Cooperative Group and Boots. His skills and experience in complex areas of technology and change management play a vital role in protecting members and safeguarding our future.

Key roles:

Member of the Board Risk Committee
Member of the Remuneration Committee
Climate Change Champion

Wider commitments:

Chief Information Officer for
Yorkshire Water



Peter Rogerson

Peter has worked in the financial industry for more than 30 years, including holding senior roles at Virgin Money and Alliance & Leicester. His extensive strategic, commercial and management experience is an asset to the Board, along with his passionate belief that everyone has the right to own their own home.

Key roles:

Member of the Board Risk Committee
Member of the Remuneration Committee

Wider commitments:

Trustee of Newcastle West End Food Bank
Charity
Director of Redcar and Cleveland
Voluntary Development Agency Housing
Community Interest Company
Director of Whitworth West Management
Company Limited



Conrad O'Donnell

Conrad is a qualified chartered accountant with over 20 years' experience in the financial sector, notably holding senior positions in Morgan Stanley, Deutsche Bank and BNY Mellon. His financial management skills support our continued and long-term sustainability.

Key roles:

Finance Director
 Member of the Board Risk Committee
 Member of the Executive Committee
 Chairman of the Assets and Liability Committee



Elaine O'Dwyer

Elaine joined us in January 2021 as Chief Risk Officer following an extensive career in the financial services industry including Tesco Bank, HBOS, MBNA and Santander. Elaine's experience spans across products, both secured/unsecured, customer lifecycle and has significant knowledge in Credit Risk. She is committed to reducing the carbon footprint of the Society.

Key roles:

Chief Risk Officer
 Member of the Executive Committee
 Member of the Assets and Liability Committee



Pam Mawson

Pam joined Furness in 1988 and holds extensive knowledge of our business, having held several managerial positions prior to her appointment as Group Secretary in 2015 and Chief Compliance Officer in 2017. Pam is passionate about working for a regionally-based building society whose customer interests are central to the culture of our organisation.

Key roles:

Group Secretary
 Chief Compliance Officer
 Member of the Executive Committee
 Member of the Assets and Liabilities Committee

Summary of Memorandum and Rules Changes

What are we proposing to change?

The Society's Memorandum and Rules are its main constitutional document and set out the principles and basis on which the Society is governed including the requirements for and how members' meetings are held.

Under Resolution 7, we are proposing to update the Rules:

- to allow members' meetings to be held electronically and/or in more than one physical location;
- to clarify the procedures for adjourned meetings;
- to clarify the quorum requirements for meetings;
- to improve the requirements regarding giving notice of meetings in the event of disruption to postal services;
- to clarify the procedures for reappointment of directors at Annual General Meetings;
- to reflect the requirements of the Mental Health (Discrimination) Act 2013;
- to refer to the Mental Health (Care and Treatment) (Scotland) Act 2004 instead of the Mental Health (Scotland) Act 1984; and
- to reflect the change of location of the Society's principal office.

In addition, under Resolution 6, we are proposing to update the Memorandum:

- to reflect the change of location of the Society's principal office; and
- to broaden the defined term "dispose (or disposing)" so as to also refer to "disposed".

There are also some re-numbering and minor typographical changes to make to the Memorandum and Rules.

If approved, the changes to the Society's Memorandum and Rules will take effect from 1 September 2022.

Why are we proposing to change the Rules on how members' meetings are held?

Over the last two years, the Covid-19 pandemic and subsequent strict lockdown restrictions made the holding of Annual General Meetings challenging. The last minute closure of

meeting venues, rules around social distancing and movement restrictions meant that participation was severely limited. There is a clear member benefit in updating the Rules of the Society to allow member meetings to be held electronically or at more than one venue (or by a combination of both physical attendance and using an electronic platform), so that all members who wish to do so can fully participate in the meeting whilst helping to make sure that we keep our members and employees safe. We're proposing to update the Rules to allow the Board to arrange for members to attend a meeting at one or more venues and/or using an electronic platform if the Board decides it would be safe and appropriate.

Why are we proposing Rules relating to adjourned meetings?

The Covid-19 disruptions last year also focused our attention on the procedures in the event meetings are disrupted and need to be adjourned. We are proposing Rules to clarify the procedure. This includes the notice requirements to inform members of the time, venue and date of the new meeting.

Why are we proposing to change the Rules regarding quorum at meetings?

We are proposing to clarify the Rules regarding quorum at adjourned meetings by stating that there must be at least two members present at the meeting.

Why are we proposing to change the Rules regarding the reappointment of directors?

We are proposing to amend the Rules on the reappointment of directors to reflect the Society's practice of putting all directors forward for reappointment at each Annual General Meeting. This approach to director reappointment is best practice and in line with the recommendation set out in the UK Corporate Governance Code.

Why are we proposing to change the Rules regarding the removal of directors?

We are proposing to amend the Rules regarding the removal of directors:

- to reflect the requirements of the Mental Health (Discrimination) Act 2013; and
- to refer to the provisions of the Mental Health (Care and Treatment) (Scotland) Act 2004, which largely replaced the provisions of the Mental Health (Scotland) Act 1984.

Why are we proposing to change the Rules regarding disruption to the postal service?

We are proposing to strengthen the Rules regarding when notice is deemed to have been given to members in the event of disruption to the postal service. Measures include ensuring notice is published on the Society's website, in addition to either prominently displaying the notice at the Society's head office and branches or publishing the notice in two leading newspapers.

Why are we proposing to change the details of the location of the principal office?

We will change the location of our principal office to Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria LA14 5PQ at the same time as the changes to the Memorandum and Rules take effect in September 2022. Accordingly, changes to the Memorandum and Rules regarding the principal office reflect the planned change of location.

Why are we proposing to broaden the defined term "dispose (or disposing)" in the Memorandum?

In the Memorandum, a definition is set out for the term "dispose (or disposing)". As "disposed" is also used in the Memorandum, we are proposing to refer to the term "disposed" in the defined term "dispose (or disposing)" for the sake of clarity.

Proposed Changes to Memorandum and Rules

Where relevant, the proposed new wording is set out in italics and underlined, with any deleted wording being crossed through.

In addition to the changes set out below, we are proposing to make a number of minor typographical and clarificatory changes to the Memorandum and Rules, including to reflect numbering changes arising as a result of changes described below. Full details of these minor changes, together with all other changes described in this document, can be seen in the marked-up version of our Memorandum and Rules available at www.furnessbs.co.uk.

Proposed Rule Changes

To allow meetings to be held electronically and/or at more than one physical location

To add new definitions in alphabetical order in the Interpretation section (Rule 1(a)) as follows:

"Electronic Platform" means such electronic and/or telecommunications facilities as may be approved by the Board from time to time that enable Members to attend and participate simultaneously in a general meeting without attending a physical meeting place;

"Secondary Meeting Place" means a secondary physical meeting place (or more than one such place) for a general meeting at which Members may attend and participate in the general meeting simultaneously via an audiovisual link to the principal physical meeting place, as an alternative to attending the principal physical meeting place;

Insert a new Rule 32 as follows:

32 Means of Participation in Meetings

(1) The Board may make arrangements for Members to attend and participate in Annual General Meetings and/or special general meetings by –

(a) attendance at a physical meeting place,

(b) simultaneous attendance and participation at a Secondary Meeting Place, and/or

(c) using an Electronic Platform.

(2) An Annual General Meeting and/or a special general meeting may be held –

(a) solely as a physical meeting,

(b) subject to the Statutes, by offering Members the option to attend and participate at a physical meeting place (which may include a Secondary Meeting Place) or by using an Electronic Platform, or

(c) subject to the Statutes, solely as an electronic meeting accessible by using an Electronic Platform.

(3) A Member is present at an Annual General Meeting or special general meeting for the purposes of these Rules if –

(a) being an Individual, he attends in person,

(b) being a body corporate, a Corporate Representative attends in that capacity in person, or

(c) a person appointed as his or its proxy or attorney (or any person specified in paragraph (7) of Rule 38) attends in person,

including in each case, where permitted by the Board in accordance with these Rules, attendance at any Secondary Meeting Place or by using an Electronic Platform.

- (4) Where the Board decides that Members may attend and participate in an Annual General Meeting or a special general meeting by using an Electronic Platform, the notice of meeting given under Rule 33 shall set out details of the Electronic Platform for the meeting (and any access arrangements for such Electronic Platform shall be communicated to Members, either in the notice or otherwise).*
- (5) Details of any physical meeting place, Secondary Meeting Place and/or Electronic Platform that shall be stated in a notice of meeting given under Rule 33 shall constitute the place of such meeting.*
- (6) Arrangements shall be made for any documents which are required to be made available for inspection by Members at an Annual General Meeting or a special general meeting to be available for inspection at any Secondary Meeting Place (in addition to the principal physical meeting place) and by any Members who attend and participate in the meeting by using an Electronic Platform.*
- (7) Any persons wishing to attend an Annual General Meeting or a special general meeting (whether at any principal physical meeting place or any Secondary Meeting Place, or by using an Electronic Platform) shall be required to comply with any identification procedures and security arrangements as the Board shall reasonably specify from time to time.*

To amend existing Rule 32(9) (now Rule 33(9)) as follows:

(9) Neither -

- (a) (9) ~~The~~the accidental omission to give, send or deliver a notice of meeting to any Person entitled to receive it, or nor*
- (b) the non-receipt of a notice of meeting by, any Person entitled to receive notice it, nor*
- (c) subject to compliance by the Society with applicable laws, the inability of any Person entitled to attend a general meeting to attend any physical meeting place (including any Secondary Meeting Place) and/or participate in the business of the meeting by using an Electronic Platform (whether as a result of any technical difficulties in relation to such Electronic Platform or otherwise).*

shall not invalidate the proceedings at that meeting.

To clarify the procedures for reappointment of directors at Annual General Meetings

To amend the first two paragraphs of existing Rule 13(8) as follows:

- (8) Elections of Directors shall be conducted either on a poll taken at the Annual General Meeting or, if the Board so determines, by postal ballot or electronic ballot (conducted in accordance with Rule ~~39~~41) of the Members conducted during that part of the Financial Year which precedes the date of the Annual General Meeting. If an election is conducted by postal ballot or electronic ballot the following provisions of this Rule shall apply to the ballot by making any necessary consequential amendments.

Where Directors are to be elected at the Annual General Meeting, a form for the appointment of a proxy shall be sent to each person entitled to notice of the meeting. Subject to paragraph 10(c) below, the vacancies shall be filled by those candidates obtaining the most votes in their favour. The Persons entitled to vote in an election of Directors are those Members who, on the voting date, are entitled to vote on an Ordinary Resolution.

To amend existing Rule 25(1) as follows:

- (1) In the case of any vacancy not occasioned by the retirement of any Director by rotation ~~pursuant to Rule 26(1)~~, the Board may at any time, and from time to time, appoint an Individual as a Director to fill such vacancy.

To amend Rule 26(1) as follows:

26. Retirement by Rotation at each Annual General Meeting

- (1) In addition to any Director retiring under Rule 24(1)(j) or 25(4) and any Director choosing to retire and stand for re-election, ~~the all~~ other Directors who have not been elected or re-elected at either of the last two Annual General Meetings shall retire from office at the Annual General Meeting in each year.

To change the reference to the Mental Health (Scotland) Act 1984 to the Mental Health (Care and Treatment) (Scotland) Act 2004

To amend existing Rule 24(1)(g)(i) as follows:

- (i) he is admitted to hospital in pursuance of an application for admission for treatment under the provisions of the Mental Health Act 1983 or he is admitted to hospital under the provisions of the Mental Health *(Care and Treatment)* (Scotland) Act ~~1984~~2003 or the provisions of the Mental Health (Northern Ireland) Order 1986, or

To bring the Rules in line with the Mental Health (Discrimination) Act 2013

To amend existing Rule 24(g)(ii) by deleting the existing text and inserting:

a registered medical practitioner who is treating that person gives a written opinion to the Society stating that he has become physically or mentally incapable of acting as a Director and may remain so for more than three months.

To clarify the Rules relating to quorum at meetings

To amend existing Rule 34(1) (now Rule 35(1)) as follows:

- (1) No business shall be considered at any Annual General Meeting or special general meeting unless a quorum is present at the time when the meeting proceeds to business and, subject to Rule 35(3) below in the case of an adjourned meeting, a quorum shall be constituted for all purposes as follows –
- (a) except where sub-paragraph (b) below applies, by 10 Members present and entitled to vote on a show of hands under Rule 36(5)(3)(5),
- (b) in the case of a special general meeting requisitioned under Rule 31(3), by 100 Members present and entitled to vote on a show of hands under Rule 36(5)(3)(5).

To amend existing Rule 34(3) (now Rule 35(3)) as follows:

- (3) ~~The Members present at~~ At an adjourned meeting, two Members present and entitled to vote on a show of hands under paragraph (1) above ~~to be included in the quorum for the meeting~~ Rule 38(5) shall constitute a sufficient quorum.

To amend existing Rule 35 (now Rule 36) by deleting Rule 35(2) and Rule 35(3), renumbering Rule 35(4) as Rule 36(2) and making the following amendments:

- (4) ~~a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting but otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.~~ (2)-(5) Subject to the Statutes and these Rules every question submitted to an Annual General Meeting or special general meeting shall be decided by a simple majority and such votes shall be taken in the first instance by a show of hands unless, before the show of hands, a poll is validly demanded under Rule 36(3).

To amend existing Rule 35(10) (now Rule 36(7)) as follows:

- ~~(7)~~ (10) If a poll is duly demanded in accordance with paragraph (6), it shall be taken at the meeting at which it is demanded or, if the Chairman so decides, at an adjourned meeting and in either case (subject to Rules 13(8), (9) and (10) in the case of an election of Directors and to Rule 41(6)(3)(6) in the case of a contested appointment of auditors) in such manner, subject to paragraph (12) below, as the Chairman directs and the result of the poll, shall, notwithstanding ~~paragraph (3) of this Rule 37(2)~~, be deemed to be the resolution of the meeting or adjourned meeting at which the poll was taken. The Chairman may, in the event of a poll, appoint the scrutineers (who need not be Members) and may adjourn the meeting or adjourned meeting to some hour, date and place fixed by him for the purpose of declaring the result of the poll.

To clarify the procedures for adjourned meetings

To insert a new Rule 37 as follows:

- (1) The Chairman of the meeting may, notwithstanding the presence of a quorum (and shall, if so directed by a resolution of the meeting), adjourn the meeting from time to time and from place to place but, except as provided in Rule 36(7), no business shall be transacted at any adjourned meetings other than the business left unfinished or not reached at the meeting from which the adjournment took place.
- (2) Every adjourned meeting shall be deemed a continuation of the original meeting but any resolution passed at an adjourned meeting shall for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on an earlier date.
- (3) When a meeting is adjourned for 30 days or more, a notice specifying the hour, date and place of the adjourned meeting shall be given to Members as provided in Rule 33(3). The notice shall also state that -
- (a) a Member entitled to attend and vote may appoint one proxy to attend and, on a poll, vote at the meeting instead of him, and
- (b) the proxy need not be a Member of the Society,
- (c) the Member may direct the proxy how to vote at the meeting.
- Where a meeting is adjourned for less than 30 days, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at such an adjourned meeting.

(4) The appointment of a proxy in accordance with Rule 39 shall, unless provided otherwise in the instrument appointing such proxy, be valid for any adjournment of the meeting. Nothing in this paragraph (4) shall prevent a Member from submitting a new instrument appointing a proxy in relation to the adjourned meeting, which shall take precedence over any earlier instrument, or from attending the adjourned meeting in person if the Member wishes to do so.

(5) The adjournment of a meeting shall not affect the validity of the business that was concluded at the meeting from which the adjournment took place, prior to the adjournment of such meeting.

To amend the Rules regarding announcement of the result of postal or electronic ballots

To amend existing Rule 39(10) (now Rule 41(10)) as follows:

- (10) The Board shall announce the result of the postal or electronic ballot by –
- (a) an advertisement in at least one national daily newspaper a notice published on the Society's website, and

To amend the Rules regarding disruption to postal services

To amend existing Rule 46(4) (now Rule 48(4)) as follows:

- (4) If by reason of the suspension or curtailment of postal services the Society is unable to give notice by post in hard copy form of a meeting, then such notice shall be deemed to have been given to all Members entitled to receive such notice in hard copy form if it the Society complies with paragraph 35 of Schedule 2 to the Building Societies Act 1986 and the notice is published on the Society's website and is advertised either:
- (a) by a notice displayed in a prominent position at the Society's Principal Office and at all branch offices, or
- (b) in at least two leading daily newspapers widely circulated in the United Kingdom.

Such notice shall be deemed to have been duly served on all Members entitled to receive notice of such meeting at noon on the day earlier of the date on which the notice is first displayed at all branch offices in accordance with paragraph (a) and the date on which the second of such newspaper advertisements appears. In any such case the Society shall:

- (a) make such in accordance with paragraph (b) (as the case may be). The notice shall continue to be available on an appropriate website of the Society from the date of such advertisement's website until the conclusion of the meeting;

and(b) the Society shall send confirmatory copies of the notice to those Members entitled to receive notice of the meeting by post in hard copy form if, at least seven days before the meeting, the posting of notices to addresses throughout the United Kingdom again becomes practicable.

To reflect the change of location of the Society's principal office

To amend existing Rule 3(1) as follows:

- (2) The address of the Principal Office is 51-55- Duke Street Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria, LA14 1RT5PQ.

Re-numbering and minor typographical changes to the Rules

As a result of inserting a new Rule 32 and new Rule 37 as above, all subsequent Rule numbers (and any Rules which reference Rule 32 and Rule 37 or subsequent Rules, including any relevant references to Rule numbers in the Interpretation section of the Rules) will be amended and updated to reflect revised Rule numbers.

Full details of these changes, together with other minor typographical and clarificatory changes we propose to make to the Memorandum & Rules, can be seen in the marked up version of our Memorandum & Rules available at www.furnessbs.co.uk.

Proposed Memorandum Changes

To reflect the change of location of the Society's principal office

To amend existing paragraph 2 as follows:

2. The Principal Office of the Society is 51-55- Duke Street Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria, LA14 1RT5PQ.

To update the definition of "disposed (or disposing)"

To amend the definition of "disposed (or disposing)" as follows:

7. Dispose (or disposing) or disposed

Minor typographical changes to the Memorandum

Full details of these changes, together with other minor typographical and clarificatory changes we propose to make to the Memorandum & Rules, can be seen in the marked up version of our Memorandum & Rules available at www.furnessbs.co.uk.

Summary Directors' Report

The Summary Financial Statement is a summary of the information 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, and on the website from 18 March 2022. The Board is pleased to present the 156th Directors' Report for the year ended 31 December 2021.

Strategic Review

The Chief Executive's Strategic Report (pages 9 to 13 of the 2021 Annual Report & Accounts) provides more detailed information of the Society's performance for the year and factors impacting the results.

The key performance indicators are detailed below for ease of reference and for further information please refer to the CEO's Strategic report.

Key Performance Indicators		2021	2020
Balance Sheet	Assets	£1,131m	£1,101m
	Loans to members	£962m	£911m
	Retail shares and deposits	£1,044m	£1,013m
Operating Performance	Management expenses (% of mean assets)	1.20%	1.18%
	Interest Margin (% of mean assets)	1.56%	1.49%
	Mortgage arrears (>2months)	£3.5m	£5.7m
	Profit after tax	£4.0m	£1.9m
Financial strength	Regulatory capital	£77.8m	£72.2m
	Total capital ratio	19.4%	19.2%
	Liquid assets (% of shares and borrowings)	15.5%	18.2%

Our Annual Report & Accounts are prepared under Financial Reporting Standards (FRS) 102 and applies the measurement and recognition provisions of IAS39.

Business Review

As we've steered our business through the challenging circumstances of the past year, our financial focus has been to prioritise long-term prosperity over short-term costs or benefits.

Overview on income statement	2021 £000	2020 £000
Net interest income	17,390	15,693
Other income and charges	690	(611)
Management expenses	(13,346)	(12,428)
Impairment charges	294	(305)
Profit before tax	5,028	2,349
Taxation	(1,045)	(423)
Profit after tax	3,983	1,926

Net Interest Margin

The Society's interest margin increased during the year from 1.49% to 1.56%. Management actions including management of existing mortgage and savings rates and new product pricing, as well as optimising our liquidity through additional lending, has contributed to the increase in margin. This has allowed continued investment in the business improving sustainability in the long term.

Other Income and Charges

This comprises fees and charges not accounted for within net interest margin such as agency commission, which has reduced materially following agency closures in 2020, and fair value gains on swaps in 2021, which has been driven by increasing yield curves. We use swaps solely for risk management purposes to hedge exposure to interest rate changes on our portfolio of fixed rate mortgage and savings products.

Management Expenses

The Society's management expenses include staff costs and all other operating costs necessary for the business to function including any overheads, depreciation and amortisation.

Our Board and Executive recognise the need to balance cost control with investment in the business and the high calibre people required to run the business effectively for its members in order to continue providing excellent products and services.

Management expenses were 1.20% of mean assets in 2021 (1.18%:2020). Over the course of 2021, the Society incurred additional direct costs year on year relating to investment in our people including performance related pay and bonus schemes, recruitment of additional resources and succession planning.

Impairment Charges

Loan loss provisions reduced in the year due to increases in HPI, updates to modelling assumptions and reduced credit risk as customers on payment deferrals return to monthly repayments

The Society had c.1,200 mortgages with a payment deferral applied for a period of between 1 and 6 months during 2020 and 2021. The vast majority of these customers were able to recommence payments following the deferral period; however a small number required further assistance.

Arrears Management

The number of mortgages in arrears (over 2 months) reduced from 60 to 34 in 2021. Total arrears outstanding at the year-end was £135k, with an aggregate balance of £3.5m (£5.7m:2020).

The Society's arrears figures remain comparable to its peer group which was the position in 2020 also. We show forbearance where appropriate, and at 31 December 2021, there were 30 (44:2020) cases on which forbearance was being applied.

Profit

The Society's profit after tax increased from £1.9m (2020) to £4.0m in 2021. Increased profit in the year was driven by interest earned on higher mortgage balances, a reduction in credit loss provision and an increase in the fair values of derivatives.

Capital

The preservation of capital will enable us to protect our members and sustain the future of the business. Our core equity tier (CET1) ratio remains strong at 19.2% and substantially higher than the minimum required by our Regulator.

Our capital strength continues to support the demands associated with the development and investment in the business which will support our future success. This financial strength also protects the Society against its principal risks and safeguards members' funds.

The minimum level of capital required to be held is set by the Prudential Regulatory Authority (PRA) and we ensure capital is maintained at the appropriate level for the normal business needs as well as significant stresses in the market.

At 31 December 2021, our gross capital (as a % of Shares and borrowings) was 8.0% (7.5%:2020). This is due to an increase in retail share balances during the year.

Assets

Mortgage assets increased by £51m and total assets increased by 2.7% to £1.1bn. This was achieved partly through utilising the excess liquidity gained at the end of 2020 through an increase in savings balances. Savings balances continued to increase throughout the year as spending decreased during the lockdowns and restrictions imposed on travel and other movements over the course of 2021.

Liquidity

The Society's liquid assets comprise cash and other assets that are easily converted to cash, which are shown in the statement of financial position. We ensure liquidity is optimised and of appropriate quality to meet our financial obligations as they fall due, under both normal and stressed scenarios. The increase in retail balances in 2020 led to higher liquidity levels, however the Society was able to use much of this liquidity to fund additional lending in 2021.

At 31 December 2021, our liquid asset ratio was 15.5% of Share & Deposit Liabilities (SDL) (18.2%:2020).

A key regulatory measure of liquidity is the Liquidity Coverage Ratio (LCR) which was 197% as at 31 December 2021, considerably above the regulatory requirement.

Going Concern and Long-term Viability

We've considered the potential economic ramifications of the market and geopolitical uncertainty on our current and future obligations and the Society's prospects over the Corporate Plan period of three years to 2024.

We expect uncertain conditions to continue and house price volatility. Affordability levels are expected to face pressure which could impact the business both in terms of arrears and forbearance levels and the volume of new mortgage applications received.

The latest profitability, liquidity and capital forecasts in the Plan have been reviewed and we're satisfied that our severe stress scenarios are survivable. We continue to forecast long-term viability with moderate growth and continued capital surplus.

The capital adequacy position was considered in the ICAAP stress scenarios, and reverse stress testing scenarios.

The Board considers the Society to be well positioned for the future, with sufficient levels of capital and liquidity to withstand stress events.

We do therefore, continue to prepare our financial statements on a going concern basis.

Post Year-end Events

The outlook for the UK economy remains highly uncertain. In addition to the ongoing coronavirus crisis and changes to the House Price Index (HPI), we've also considered the impact of the rising inflation and interest rate environment.

We've paid due regard to the events following our year-end, and don't consider that any have had a material effect on our current financial position.

Supplier Payment Policy

Our policy continues to be to discharge supplier invoices within the agreed payment terms. We know how important this is in the current economic climate. Average settlement time in 2021 was 30 days (30 days:2020).

Donations

During the year, we made various donations to charity totaling £8k (£5k:2020). This is in addition to Community Account payments of £120k (£198k:2020). Our Community Accounts supports clubs and charities, with an annual donation being made to each by the Society based on the balances of all the savings accounts related to the affinity group.

We also allow our people time to support charitable causes and a number of employees were assisted in this way in 2021.

No political gifts or donations were made during the year (NIL:2020).

Directors

Our directors are responsible for the maintenance and integrity of the corporate and financial information. UK legislation governing the preparation and dissemination of the Annual Report & Accounts may differ from that in other jurisdictions.

We're required by the Building Societies Act 1986 to prepare annual accounts for each financial year that provide a true and fair view of the income and expenditure of the Society and provide details of the Directors' remuneration. The Directors' responsibilities in respect of the preparation of the Annual Report & Accounts and Annual Business statement include:

- Ensuring suitable accounting policies are used in consistent manner
- Ensuring key accounting judgements are reasonable
- Ensuring compliance with UK GAAP
- Preparing the accounts on a going concern basis (unless it would be inappropriate to do so)

Directors who served during 2021 are listed on pages 5 to 7. None of the directors had an interest in the shares or debentures of any associated body of the Society at any time during the financial year.

Section 172 of the Companies Act 2006 sets out the duties of any company director. This does not apply to our directors here at Furness as we are a building society. However, the UK Corporate Governance Code expects Board members to set out how Section 172 matters are considered in its decision making.

Our Board confirms it has acted in good faith and in a way that would be most likely to promote the success of the Society and the best interests of its members.

Disclosure of Information to the Auditor

At the date of approval of this report, each of our directors confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Group's auditor is unaware.
- All steps necessary have been taken in order to be aware of any relevant audit information and establish that the Group's auditor is aware of that information.

Appointment of the Auditor

Mazars LLP have been appointed as the Society's external auditors for the financial year 2021.

Pillar 3 Disclosures

As required, we have set out further details of our risk management framework, including our risk exposures and assessment processes, in our Pillar 3 document which is available on our website.

Risk Review

Managing & mitigating risk

The Society operates in a business environment that contains a broad range of financial and non-financial risks. We have a formal risk management framework, including a detailed Board Statement of Risk Appetite.

The Board is responsible for the effective management of risks within its appetite and it delegates oversight of the implementation of the risk management framework, including policies to the Board Risk Committee. Key risk and performance indicators are monitored by the Board on a regular basis.

Our three lines of defence model ensures clear separation between the ownership and management of risk and controls (first line), oversight, support and advice (second line) and internal audit assurance (third line).

The Society takes risks seriously, the information below highlights the key risks to the Society in 2021:

Strategic Risk

These are the risks resulting from our strategic decisions which have the potential to impact the Society as a whole, our Corporate Plan and forecast results or performance over the planning period.

A crystallisation of strategic risk could affect the overall strength of the Society or impact the business model, or affect the Society's reputation.

The Board regularly discusses strategic issues and challenges the Corporate Plan proposed by Executives. It ensures strong levels of capital and liquidity are maintained to provide resilience against external factors which may cause stresses to the business.

Credit Risk

Credit risk is the risk that borrowers or counterparties to whom the Society has lent money may default on their obligation to repay the Society.

We expect the economic impact of the Covid-19 pandemic, and higher inflation and cost of living, to cause more hardship for some of our members in the future. Whilst we will offer support to these customers, we acknowledge that some may not be able to repay their mortgage. The Society holds security on customer mortgages in the form of property and land. A reduction in HPI impacts the value of these and may increase the loss in the event of default. Furthermore property and land also becomes harder to sell during an economic downturn and therefore increases the discount on the sale price of the property (forced sale discount), further increasing the Society's risk.

To protect the Society, we regularly stress test our mortgage book and assess the level of provisioning. We have developed a credit risk model to identify the appropriate level of stress we should apply. The 2021 provision decreased due to increases in HPI, updates to modelling assumptions within the credit loss model and a decrease in credit risk as customers who were on payment deferrals return to normal monthly repayments.

We'll continue to manage the risk that our borrowers may default on repayments through prudent lending criteria comprising detailed credit history assessments as well as robust property valuations should default occur. Fluctuations in the HPI impact the credit risk inherent in our mortgage book. In 2021 HPI increased by 10.2% on the previous year.

Mortgage payments are monitored closely and swift action is taken to help any members who fall into arrears.

Our Credit Risk Committee meets regularly to consider all the risks associated with lending and reviews large and potential default accounts and the impact they have on our financial position.

Counterparty credit risk is controlled through adherence to the Board approved Treasury and Financial Risk Management policy and limits.

Liquidity and Funding Risk

Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, resulting in the inability to support normal business functions and activity. There is also a risk of breaching regulatory requirements.

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. The mismatch also creates liquidity risk.

Funding risk is the inability to access funding markets or to do so at excessive cost. We manage this risk by ensuring we have no over-reliance on a single source of funding.

The Board-approved Internal Liquidity Adequacy Assessment (ILAAP) sets out the framework of risk management for the liquidity risks under both normal and stress conditions.

Liquidity and funding is monitored by the Assets and Liabilities Committee (ALCO) on a regular basis.

Basis Risk

Basis risk is the risk of divergence between several bases, such as SONIA and the Bank of England Base Rate. The Society manages its basis risk exposure mainly by setting limits against the relative exposures and carefully monitoring the positions.

Margin Risk

Margin risk is the risk of erosion between the interest rates charged to our mortgage borrowers and the interest rates paid to our savings account holders. Whilst the interest rate environment remains, as it has for some time, at historically low levels, in an exceptionally competitive market, margin decline is a significant risk which requires robust management.

The Board sets margin objectives within the Corporate Plan, and the Executive and Pricing Committees and ALCO monitor the position closely.

Operational Risk (including Covid-19 pandemic impact)

Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events, and can arise across the whole business, with higher likelihood as we go through transformational change or other large projects.

One of the consequences of the unprecedented events of the pandemic has been the adoption of remote working - on a scale we'd never previously envisaged. Like many UK businesses, we were required to implement a remote working model, comprising some new temporary and longer-term processes, at pace. Examples of these include the development of new telephone and online services.

Meanwhile in branch, our staffing levels have been affected by team members needing to self-isolate to minimise the spread of coronavirus. We were able to maintain a branch service, albeit with reduced operating hours, throughout our network despite these challenges.

The deployment of new procedures and new IT equipment enabled us to maintain critical services for our members. However, the remote working model introduced additional operational risk including cyber risks and health and safety risks. We will continue to monitor these closely over the course of 2022.

We have robust systems and controls in place to mitigate operational risks and we have numerous software and other infrastructure protection in place to support operational resilience and mitigate against the risk of disruption from events such as cyber or data loss.

Process Risk

Process risk is the risk of loss as a result of staff not adhering to procedures/processes due to error/mistake, lack of training or unclear documents.

The Society has set up a number of systems, controls and processes to ensure that any mistakes are identified and corrected to prevent a significant loss to the Society.

Throughout 2021 awareness of Process Risk continued to increase as external concerns were highlighted in specific areas like Self Build customers. Staff are required to contact customers to remind them of their obligations should they wish to change the build due to material shortages for example. More focus is going into this area whilst the price of raw materials remains high, increasing the likelihood of alterations occurring to compensate.

Legal and Regulatory Risk

This is the risk of fines, public censure limitations on business or restitution costs arising from failure to understand, correctly interpret or comply with regulatory requirements. Regulatory changes are monitored and reported monthly to the Executive and Risk Committees.

Conduct Risk

Conduct risk is the risk of developing systems, behaviour and attitudes within the business which may cause customer detriment and do not deliver fair customer outcomes. A poor culture could also cause a risk of creating an environment in which staff behaviour is not open and honest which can result in reputational loss.

The ongoing Covid-19 pandemic heightened conduct risks through challenging trading and operating conditions and increased customer vulnerability. We have addressed these risks by focusing on treating our customers fairly, including those in financial difficulty, increasing governance with more regular management meetings and MI, improving our operational resilience and increasing our fraud prevention monitoring.

Our commitment to treating our customers fairly is demonstrated through our Conduct Risk policy and monitored through our conduct risk management information which is regularly reviewed by the Executive and Risk Committees.

Cyber Security Risk

A significant population of the Society staff continue to work remotely under a hybrid model with colleagues working from home and various branch locations. The underlying infrastructure is supporting this successfully. However, in an ever changing IT world a significant area of focus in 2022 will be the continued investment in cyber security to ensure our customers have confidence in the security of their data. In previous years the Society has invested in a number of toolsets to constantly react to emerging challenges in both IT server and networking environments. In 2022 the IT function will continue to fine tune these areas.

Pension Liabilities

The Group operates a Defined Benefit (DB) Pension Scheme which uses assumptions, based on current economic environments, for the valuation of the Scheme's assets and liabilities. There is a risk the Group may see a deterioration to capital or funds if actual experience differs from assumptions employed as a result of changes to market and economic conditions. A deterioration in the Scheme's liabilities would require an increase to cash contributions which could erode CET1 resources.

This Scheme provides pension benefits for a small number of pensioners and staff. It was closed to new entrants in 2000 and closed to future accrual in January 2017 - in common with many other schemes of this nature.

Following a competitive tender process, we completed a transfer of the trusteeship and governance of the DB Pension Scheme to Entrust Pension Limited. The new arrangements completed in March 2021 and now provide the full time professional expertise required for the complex management of the Scheme.

As a result of Strategic actions agreed with the Society to reduce the Scheme risk in 2021, the pension deficit reduced from £5.7m to £0.9m in 2021. This has a positive impact on the Society's balance sheet and we will continue to make the additional contributions agreed with the Trustees to reduce the deficit further.

Market Environment Risk

We expect that 2022 could be a challenging marketplace for both mortgages and savings and may put additional pressure on our ability to manage our net interest margin. We're also ensuring we're prepared for the prospect of further changes to the Bank of England base rate.

Climate Change Risk

We are aware of the potential long-term and structural risks that accompany the risks of climate change. As part of our standard underwriting process, we carefully consider the information we receive regarding the flood risk of properties. We also closely monitor any minimum standards for properties that are let (eg minimum Energy Performance Certificates) as part of our reviews for buy-to-let and Holiday Let properties. We'll continue to closely monitor any emerging trends in information as well as the regulatory requirements relating to property.

We completed a detailed review of our mortgage portfolio to identify any potential issues from climate risk and developed a climate risk framework. In 2021 we improved the data relating to the EPC ratings and flood data on the mortgage portfolio and will continue to develop and monitor our risk assessments.

Our People and Members

Recruiting and retaining high calibre people to help drive our business forward is critical to our long-term success.

At the very heart of our business is a close knit team of talented individuals who contribute to our performance and ensure the service we provide to our members is of the highest quality. It is important we continue to foster a nurturing and motivational environment that allows our people to succeed in their roles. We're continuing to invest in our cultural transformation which in turn is supporting our transition into a high performing financial institution.

The pandemic has required us to work in new and very different ways while delivering the same consistently good levels of customer service. We've all felt the absence of in-person interaction but our agile IT platforms have enabled us to remain working closely together, albeit more remotely than we ever have before. Nevertheless, we look forward to a return to a more normal working pattern which enables closer collaboration.

We have continued to lend throughout the pandemic and are delighted to have helped more people in our heartland become home owners. We were particularly pleased to provide more mortgages in 2021 to help first time buyers in our local areas to get on the housing ladder.

Community groups and charities that have been adversely affected by the pandemic have also been identified and in 2021, we awarded £8k in charitable donations which included supporting Barrow Foodbank and running our Furness Community Awards Scheme. This is in addition to more than £120k in Community Account payments, which includes £81k to St Mary's Hospice in Ulverston to help provide free invaluable care and comfort to people with advancing illness.

Ensuring we remain a safe, secure and accessible Building Society for our members is a top priority for us. We are proud that our Branches have remained open to support our members and local communities during the pandemic. We are continuing to invest in new services, savings and mortgage solutions as well as our office and branch infrastructure, to provide our members with a Building Society for the future that truly reflects the modern requirements of our evolving savings and spending habits.

The Year Ahead

For over 155 years we've remained an independent and mutual building society, committed to our vision of meeting the needs of our members. As we embark upon a new year, we remain unwavering in this purpose.

The past two years have presented challenges of a type and scale we haven't witnessed before. We've had to adapt quickly and adjust frequently but we've demonstrated a solid performance for our members.

Thanks to the direction and support from our Board, the strength of our leadership team and the resilience of our entire workforce, we are focused on ensuring a firm future for our people and members with investment in our digitisation and distribution network.

- We'll continue to help members own their own homes through quality mortgage products and our bespoke approach to lending through intermediary channels.
- We'll develop and deliver quality savings solutions and seek to provide a fair return on savings deposits, developing our savings proposition so that it remains relevant for current and future members.
- We'll invest in continued improvements to our IT infrastructure, digitisation and through the development of new channels of communication, internal and external.
- We'll strive to achieve sustainable and profitable growth as part of our revised Corporate Plan.
- We'll invest in our distribution network for the benefit of our people and members.

We are pleased to confirm that we are safe, secure and well positioned to support our members, as well as future generations of savers and homebuyers, just as we always have.

**Approved by the Board of Directors on
15 March 2022**

Summary Financial Statements

Summary Statements

Group Results for Year	2021 £000	2020 £000
Net interest income	17,390	15,693
Other income and charges	19	(496)
Fair value gain/(loss)	662	(112)
Administrative expenses	(13,346)	(12,428)
Operating profit before provisions and tax	4,725	2,657
Impairment credit/(charge)	294	(305)
Operating profit before provisions	5,019	2,352
Provisions for liabilities	9	(3)
Profit on ordinary activities before tax	5,028	2,349
Taxation	(1,045)	(423)
Profit for the financial year	3,983	1,926

Group Financial Position at the Year-End 2021	2021 £000	2020 £000
Assets		
Liquid assets	161,747	184,817
Derivative financial instruments	2,437	273
Mortgages	961,814	911,103
Fixed and other assets	4,770	4,492
Total assets	1,130,768	1,100,685
Liabilities		
Shares	886,918	849,463
Borrowings	156,802	163,928
Derivative financial instruments	186	3,294
Other liabilities	2,941	2,312
Net pension liabilities	876	5,684
Subordinated liabilities	4,998	4,993
Reserves	78,047	71,011
Total liabilities	1,130,768	1,100,685

Approved by the Board of Directors on 15 March 2022 and signed on its behalf by:
G M Berville, Chairman | K L Rebecchi, Vice-Chairman | C M Harrison, Chief Executive

Summary of Key Financial Ratios

Summary of Key Financial Ratios 2021	2021 %	2020 %
Gross capital as a percentage of shares and borrowings ¹	7.96	7.50
Liquid assets as a percentage of shares and borrowings ²	15.50	18.24
Profit for the year as a percentage of mean total assets ³	0.36	0.18
Management expenses as a percentage of mean total assets ⁴	1.20	1.18
Profit after tax (£m)	3.98	1.93
Retail share and deposit balances (£m)	1,043.72	1,013.39
Mortgage balances (£m)	961.81	911.10

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

Independent Auditor's statement to the Members and Depositors of Furness Building Society

We have examined the Summary Financial Statement of Furness Building Society set out on pages 24 to 25.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the 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.

Basis of opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts 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 2021;

- 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 information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021.

We also read the other information contained in the [name of document containing summary financial statement] 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.

Opinion on summary financial statement

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Furness Building Society for the year ended [date] and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Use of the statement

This statement is made solely to the society's members and depositors as a body in accordance with section 76(5) of the Building Societies Act 1986. Our audit 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 and depositors as a body for our audit work, for this statement, or for the opinions we have formed.

Mazars LLP
Statutory Auditor

One St Peter's Square
Manchester
M2 3DE

15 March 2022

Directors' Remuneration Report

Our Remuneration Policy Attracting, retaining and remunerating talent

Attracting, retaining and motivating talented individuals whose performance contributes to the success and stability of our business is critical. However, we also recognise our responsibility to protect members' interests by spending money wisely and not paying more than necessary to attract and retain appropriate candidates.

The aim of our Remuneration policy is to ensure our approach is suitably balanced. Its key principles are to:



Align to our Corporate Plan objectives for our overall growth and security.



Set total remuneration at a competitive level which rewards strong performance.



Provide a clear link to effective risk management consistent with risk appetite.



Meet regulatory standards and good corporate governance.

Executive and Non-Executive remuneration

Executive remuneration consists of basic salary, variable bonus, pension contributions and other benefits. The Remuneration Committee reviews this annually on recommendation of the Chief Executive - and in the case of the Chief Executive, on recommendation of the Chairman. Summaries of the 2021 remuneration elements and packages are shown on pages 30 to 31.

Non-Executive Directors are paid a fixed fee and there is an additional payment for the Chairman, Vice Chairman and Committee Chairs. The level is benchmarked against those paid by building societies of a similar size and complexity. The time commitment required in order to deliver their responsibilities within a regulated business environment is also considered. No bonus or variable pay is paid to the Non-Executive Directors.

Executive and Senior Leadership Bonus Scheme for 2021

Serving as an incentive to the achievement of corporate goals, our Senior Managers' Bonus Scheme includes key components including 'financial measures' and 'building future capability'.

The business has performed strongly against its 2021 financial and non-financial business objectives.

An annual bonus was awarded to executive and senior management based on performance against specific targets and discretion used by the Remuneration Committee.

The specific measures contained in the bonus structure are:

- Mortgage Asset Growth
- Profit
- Margin (NII)
- Management Expenses
- Continually developing our risk and control environment and framework
- Increasing our people engagement
- Enhance our customer & broker service culture
- Enhancing our organisation infrastructure
- Key strategic projects

During 2020 there was no executive or senior management bonus paid as financial objectives were not met due to the unusual trading and operating conditions caused by the Covid-19 outbreak. However, a financial reward was made, outside the bonus schemes, to all colleagues (including the leadership team) in recognition of their hard work throughout the year.

Consulting our Members

We consider it best practice to hold an advisory vote on the recommendations contained within the Directors' Remuneration Report, although we are not required to do so. An appropriate resolution of this year's report will therefore be put to members at our Annual General Meeting.

In 2021, 9% of members voted and of those 91% did so in favour of the Directors' Remuneration Report.

Summary of Executive Remuneration 2021

Element	Link to Strategy	Operation	Performance Measures	Minimum and Maximum Payable
Basic Salary	<p>Reflects level of accountability.</p> <p>Provides ability to attract and retain individuals through competitive but affordable rates of pay.</p>	<p>Once set, future increases are linked to personal performance and peer group benchmarking.</p>	<p>Personal performance against the role profile and the delivery of personal objectives.</p>	<p>Individuals developing in a role may be paid below market rate until they are fully performing.</p> <p>Adjustments may be made if a role changes significantly or moves out of line with the market.</p>
Bonus	<p>Linked to the delivery of annual business plan targets including shared strategic objectives.</p>	<p>Challenging, but achievable objectives are aligned with the Corporate Plan.</p> <p>The Chief Risk Officer provides assurance that the scheme design does not incentivise inappropriate behaviours.</p>	<p>Corporate measures for 2021 are:</p> <ul style="list-style-type: none"> • Profit • Mortgage Asset Growth • Average Mortgage Margin • Expenses & Cost Management • Risk & Control • Culture, Customer, Broker & People • Shared Strategic Objectives. <p>Personal objectives are set by the Chief Executive and reviewed by the Remuneration Committee.</p>	<p>The bonus amount varies between 0% and 40% depending on performance against a number of specific measures, agreed by the Remuneration Committee. Payment of 50% of the award is deferred for three years. Deferred bonus payments may be withdrawn or adjusted in the following circumstances:</p> <p>a) Employee has tendered their resignation/ or given notice and/or has taken a long term career break.</p> <p>b) participated in or was responsible for conduct which resulted in significant losses or regulatory consequences for the Society or relevant business unit or there is reasonable evidence of fraud, serious dishonesty or other wrongdoing on the part of the Bonus Recipient which would have resulted in the bonus not being paid had the Society known about it at the time the relevant award was declared; or</p> <p>c) failed to meet appropriate standards of fitness and propriety; Or where the Society has:</p> <p>d) suffered a material failure of risk management; or been required to restate its accounts to a material extent, a long term career break.</p>
Pension	<p>Provides market competitive remuneration.</p>	<p>Pension contributions are on membership of the Society's Defined Benefit Contribution Scheme.</p> <p>Cash equivalent may be offered if requested.</p>	<p>Not applicable.</p>	<p>Matched contributions up to 10% of basic salary.</p>
Benefits	<p>To align Executive total remuneration broadly with the market.</p>	<p>The principle benefits are:</p> <ul style="list-style-type: none"> • life assurance • private medical insurance • company car allowance • 6 months' notice period • other benefits eg relocation assistance may be provided based on individual circumstances. 	<p>Not applicable.</p>	<p>Not applicable.</p>

Executive Directors Fees

2021	Salary	Discretionary Staff Award / Bonus / Ex Gratia	Taxable Benefits	Sub Total	Defined Contribution Scheme	Total
	£	£	£	£	£	£
C M Harrison	223,212	80,357	17,646	321,215	-	321,215
C O'Donnell	162,045	58,336	9,804	230,185	16,204	246,389
S J Heron ¹	108,362	134,446	9,877	252,685	30,836	283,521
Total	493,619	273,139	37,327	804,085	47,040	851,125

¹ Sue Heron retired from the Society on 31 December 2021 and in relation to this received compensation of £115,000.

2020						
C M Harrison	219,914	1,000	17,643	238,557	-	238,557
C O'Donnell	159,650	1,000	8,102	168,752	15,965	184,717
S J Heron	106,760	1,000	9,875	117,635	10,676	128,311
Total	486,324	3,000	35,620	524,944	26,641	551,585

In 2020 Executives were awarded a discretionary staff award of £1,000 each. There was no executive or senior management bonus paid for the year's performance due to the unusual trading and operating conditions.

Non-Executive Directors Fees

Name	2021	2020
	£	£
G M Berville	48,575	49,364
N J Gower	32,267	31,834
K L Rebecchi	34,082	33,620
P A McLelland	32,086	32,136
A P Haywood	26,942	26,683
P D Rogerson	26,627	27,109
Total	200,579	200,746

K L Rebecchi

Chairman of the Remuneration Committee
15 March 2022

Non-Executive Directors' fees include taxable travel expenses paid.

Pop into a branch

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