

YOUR
SOCIETY

2019

Welcome



Review of the Year

Summary Financial
Statement 2019

Meet your
Directors

Notice of Annual
General Meeting

Building your future

 **Principality**
Building Society
Cymdeithas Adeiladu

Where home matters
www.principality.co.uk

Key highlights of 2019

Supported over
4,900



first-time buyers onto
the housing ladder

Members' savings
balances of over



(2018: £6.9bn)

Raised
£156,000
for our
two new
charity
partnerships

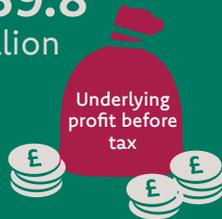


Net retail mortgage
growth of



(2018: £718.7m)

£39.8
million



(2018: £43.8m)

Customer
service net
promoter
score of



(2018: 78.6%)

Employee engagement
score of

77%



(2018: 76%)

Strong capital
ratios with a
Common
Equity Tier 1
ratio of

26.20%



(2018: 27.06%)

Profit before tax

£39.6
million



(2018: £40.7m)

The above measures, apart from Profit Before Tax, are Alternative Performance Measures (APMs). Further information on these APMs can be found in the Annual Report and Accounts, with definitions included within the glossary.

Welcome

06

Chief Executive's
Review of the Year



Review of the Year and Summary Financial Statement 2019

Chairman's Review of the Year	3
Chief Executive's Review of the Year	6
Supporting our Members and Communities	9
Summary Financial Statement	12
Independent Auditors' Statement	16
Report of the Remuneration Committee	17

28

Meet your Board
of Directors



Meet your Directors

28

Notice of Annual General Meeting

33

33

Notice of Annual
General Meeting



Chairman's Review of the Year

Performance

2019 has been an eventful year for the UK with Brexit uncertainty dominating the political and economic landscape. The December general election result has now removed much of that uncertainty as we prepare to leave the EU. I am pleased to report we posted a strong set of results in 2019, continuing to provide a secure home for Members' savings and helping them get the home they want. Our assets have increased to more than £10bn for the first time and we have recorded another solid year of profit which has further strengthened our capital to invest in the long-term future of the Society. The Board and I are proud that we helped over 4,900 first-time buyers on to the property ladder in the past year.

A particular focus this year has been improving our technology. We have made steady progress in the technological changes required to give Principality the ability to continue to grow and attract a new generation of Members and customers. Our technology will not change the core of who we are or what we do – but already the changes made have helped us provide a faster, more efficient mortgage service to brokers and Members. In time, we will be able to offer more savings products for Members who prefer to access them online. That will not deter us from maintaining our branch presence on the high streets across Wales and the Borders.



Pictured: Laurence Philip Adams, Chairman

Risk

The nature and pace of technological change represents a risk to the continued resilience of the financial services sector. Our ability to maintain and further develop operational resilience and operational risk management capabilities is vital to ensure we can continue to provide Members with a secure, stable and competitive service.

The Board and Board Risk Committee maintain regular oversight of programme delivery and the ongoing effectiveness of business level operational risk management capability and associated controls.

We are also aware of the potential long-term risks which climate change represents to our business model and to the wider economy.

Our stress testing framework includes the assessment of financial risks emanating from climate change and takes into account current relevant risks in addition to those which may plausibly arise in the future. We will take a strategic approach to managing the financial risks arising from climate change based on the outcome of assessments undertaken.

Supporting our communities and Members

Our work in financial education has once again been outstanding as we have helped educate more than 11,000 young people about managing their finances. A recent survey of the members of the Welsh Youth Parliament highlighted that schools should teach more life skills to help young people before they leave.

Our colleagues from all over our branch network have done so much to educate more than 2,000 primary school children in the past year and we will continue to intensify our efforts to equip our young people with important life skills.

The Board is also immensely proud of the work our colleagues have put in over the year to help vulnerable groups of people across Wales. Our colleagues have received some very high profile national awards, such as the Mortgage Finance Gazette Best Regional Building Society, for providing great customer service to our Members, as well as for supporting our communities.

Our colleagues have also raised £156,000 for our two charity partners, Alzheimer's Society Cymru and Teenage Cancer Trust Cymru, during the first year of our three-year partnership. We are always pleased as a Board to see colleagues making a difference to people who need our help the most.

Pictured: Prestatyn school using Principality's board game, Sheep and Ladders, as a financial education tool



Pictured: Principality colleague chatting to a Member at last year's AGM



Governance

Principality is a member owned organisation. We particularly welcome therefore, feedback from all of our Members whether it is via our branches, by telephone, email, letter, member forum meetings, or at the AGM. We are very focused on making sure we have insight into key aspects of our business with the highest standards of governance that reflect the interests of all stakeholders.

There have been some changes to the Board this year. We say goodbye to Steve Hughes who resigned as Chief Executive Officer in December to take up a job opportunity elsewhere. Our Chief Risk Officer, Mike Jones, was unanimously appointed by the Board as Interim Chief Executive Officer in his place. Mike has more than 40 years' experience in financial services and has been with Principality for more than 20 years. He has also been a Board member for the past six years.

While I am sorry to see Steve Hughes leave, I am also grateful for all that he has contributed to our organisation. In particular, he leaves a strong Executive team in place who will continue the excellent work of the last few years.

We are always looking to strengthen our capabilities as a Board to deal with the challenges ahead and, with that in mind, we welcomed Dr Debra Evans-Williams as a Non-Executive Director in the summer. Debra has more than 16 years' experience at board level, and will be advising the Society as we continue our digital transformation. Her knowledge and wealth of fintech experience will be of great value as we seek to improve the products and services we offer to our Members.

I am delighted that our Chief Operating Officer Iain Mansfield has also joined our Board. We strongly believe in growing and developing our colleagues at all levels. Iain is a valuable member of our Executive team with great experience across the business, most notably his leadership in delivering

technology and change related aspects of the Society's business. His work will help to provide better customer service for our Members in the long-term.

Thank you

On behalf of the Board, I want to thank our wonderful colleagues for their continued contribution to another successful year. I am fortunate as the Chair to meet so many of our committed, professional and enthusiastic people and I know from these meetings that the Society is in excellent hands. Our Society would not be successful without our dedicated colleagues in our branches, agencies and head office who have a tremendous connection with their communities.

Finally, we would not be successful without the support of you, our loyal Members. I would like to thank each of you for continuing to choose Principality.



Laurence Philip Adams

Chairman

5th February 2020

Chief Executive's Review of the Year

Principality Building Society has delivered a strong performance in 2019. We have maintained our growth strategy despite a tough marketplace, and at the same time have invested in upgrading services for our Members. Once again we have helped people across Wales and the Borders to prosper.

Performance

I am very proud of our performance and the excellent service we continue to deliver to our Members.

Our net retail mortgage lending was £499m in the year (2018: £719m), helping to take our total assets to above £10bn for the first time in our history at £10.7bn (2018: £9.7bn). This is a fantastic achievement and is testament to our colleagues' hard work over many years.

To support the growth in our lending we attracted an extra £596m in savings. Our competitive products have maintained our position as one of the best on the high street. We delivered an average rate to savers of 1.18% compared to the market average of 0.74%¹ over the same period. We also raised wholesale funding with two residential mortgage-backed security issuances.

Balancing the needs of savers whilst remaining competitive in the mortgage market is a constant focus. The savings rates we can offer to Members depend upon the interest we earn on mortgages. Economic and political uncertainty has resulted in reduced activity in the housing market.



Pictured: R. Michael Jones, Interim CEO

Alongside intense competition in the market, it has led to downward pressure on margins.

As a building society owned by our Members, we are not under pressure to meet the short-term needs of shareholders. Our aim is not to maximise profit but to focus on the long-term future of the Society. Underlying profit before tax was in line with our expectations at £39.8m (£43.8m in 2018). Statutory profit before tax was £39.6m (2018: £40.7m).

¹ Source: CACI's CSDB, weighted UK average interest rates for fixed and variable rate stock, January – October 2019 (latest data available).



Pictured: Staff member delivering financial education to primary school pupils



Pictured: Principality Commercial finances a coastal housing development in Pembrokeshire

Our strong capital base, supported by our low risk business model, allows us to take a long-term view when investing in the business. We are a safe and secure home for our Members' savings. This is crucial to our ongoing success, and we will continue to build scale, to provide strength and protection for the future.

Our Commercial team has once again made an outstanding contribution to our communities. This has included making £50m available in loans to help smaller housing developers build homes across Wales. They also provided £75m for housing associations to support the creation of affordable homes. Their efforts have helped to support the Welsh Housing Agenda.

Changes for the future

We have an ambitious growth strategy with a clear focus on transforming our mortgage and savings business. We are partway through improvements that will help provide current and future Members with flexible ways to manage their needs. Our strong performance and profitability supports this significant investment in our technology, branches and our people.

We have made our mortgage journey simpler for brokers, customers and colleagues. It means faster offer times and a much better service experience. Our plans to deliver a new savings platform are well advanced and will improve our online service.

This is a challenging but exciting period in Principality's history. Our focus is to secure the future of the business for our next generation of savers and borrowers.

We remain committed to the high street. As bank branches on the high street in Wales continue to close, our presence is strong with 70 branches and agencies across Wales and the Borders. We continue to invest in our branches while others are shutting theirs.

Members, communities and colleagues

As a purpose led business, we will continue to work hard to help our communities deal with the many challenges they face. We will support them in developing the confidence and knowledge to become a nation of savers.

A key focus of our efforts is to educate young people across Wales by giving them the financial skills to prepare them for adult life. In the past year we have provided financial education to 11,000 children.

We have invested £110,000, partnering with secondary schools in West Wales and Cardiff. It has helped thousands of school children to earn the equivalent of a GCSE in financial education. Our work saw us receive the Business in the Community Cymru Volunteering Impact award. We also created savings products such as Learner EARNER to encourage savings habits amongst families.

It was wonderful to once again be named as one of the best places to work in the UK by Great Place to Work®. Our colleagues continue to help us stand out and are renowned for their warmth, empathy and personal approach. In 2019, the Society's Net Promoter Score² which measures the likelihood of customers and brokers to recommend Principality to other people, improved to 81.5% (2018: 78.6%).

In 2019, we received independent recognition for our customer service. Which? named us as a Recommended Provider for Mortgages, for the second year running.

We are delighted to be working with two new charity partners, Teenage Cancer Trust Cymru and Alzheimer's Society Cymru. Our partnership with these two outstanding charities got off to a great start. Our colleagues raised £156,000 for these causes last year.

Pictured: The season of giving - Principality donates hundreds of presents to our charity partners



Outlook

Looking ahead, we expect the economic environment to remain challenging. Fierce competition in the mortgage market is continuing to squeeze interest margins. Nevertheless, we are in a strong position to withstand any economic downturn, while ensuring we protect our Members' interests.

Our financial performance in recent years has provided us with the opportunity to build strong foundations for future growth and our investment programme will transform the technology supporting our core mortgage and savings operations. While this will impact short-term profitability, we have the strength and resilience to continue to grow the Society's business in a safe and secure way. Our plans will help us attract a new generation of customers, while providing a level of service that matches the expectations of you, our loyal Members.

R. Michael Jones
Interim Chief Executive Officer
5th February 2020

² We continually survey our customers and brokers who have had a recent interaction with our colleagues across Retail, Connect, Regulated Sales and Customer Services. In 2019, we received over 18,000 completed surveys, in which we ask our customers and brokers to rate on a scale of zero to ten how likely they are to recommend us to their friends and family, and from this we are able to create a Net Promoter Score, which is a measure of their satisfaction and relationship with Principality.

The Net Promoter Score is calculated by taking the proportion of respondents classed as Detractors (those rating 0 to 6) from the proportion of respondents classed as Promoters (those rating 9 or 10). In 2019, there were 84.8% of respondents who were classed as Promoters with just 3.3% of respondents being classed as Detractors.

Supporting our Members and Communities

Community work

As a Society we pride ourselves on the great work of our colleagues in the communities we serve. The focus of our community activity remains on the three key pillars of financial education, helping people get and stay in a home for longer and health and wellbeing. This activity also reflects our values, particularly 'doing the right thing' and 'delivering with passion'.

Our colleagues have been busy raising money for our two new charity partners, Teenage Cancer Trust Cymru and Alzheimer's Society Cymru.

This is the first year of a three year partnership with these brilliant charities and highlights include £156,000 raised during 2019, split evenly between each charity, and helped by the Home Advantage Bond which generated £50,000 based on the five wins by Wales during the Guinness Six Nations 2019.

£156,000 raised and split evenly between Teenage Cancer Trust Cymru and Alzheimer's Society Cymru which includes

£50,000 generated by the Home Advantage Bond based on five wins by Wales during the Guinness Six Nations 2019



Financial education

We have continued to grow our financial education (Fin-Ed) activity across Wales, with Business Class secondary school partnerships (working with Careers Wales), workshops in primary schools, support of Talk Money Week, Fin-Ed qualification sponsorships with the London Institute of Banking and Finance (LIBF) and a number of collaborative projects including Savings Challenge events (with GCSE pupils coming up with new product ideas) and a Savings School pilot with Techniquist in North Wales.

Highlights include:

3 of our Business Class Schools are Young Money Financial Education Centres

3 of our Business Class Schools are, or are working towards becoming, Young Money Financial Education Centres of Excellence.

We helped over **11,000** pupils

2019 was a record breaking year of pupil engagement – we helped over 11,000 pupils learn more about money and develop their careers based skills.

1,104 pupils have gained Fin-Ed qualifications

We have been working with our Business Class partner schools for a number of years and for the period between 2017 and 2019, 1,104 pupils have gained recognised Fin-Ed qualifications, 921 of which are equivalent to a GCSE (Level 2 Certificate in Financial Capability and Careers Development), and 589 at A* or A grades.

£110,000 of funding to help pupils

We have also launched Fin-Ed qualification projects across Carmarthenshire and Cardiff – providing £110,000 of funding to help pupils across 14 schools.

Over **150** took part in our Savings Challenge events

Over 150 pupils across 5 schools took part in our Savings Challenge events – with winning groups from each school due to take part in a final at the Principality Stadium in early 2020. This has helped bring the world of work and financial services a little closer to pupils.

Volunteering

- The vast majority of our colleague volunteering takes place in schools as part of our commitment to Fin-Ed. In 2019, we invested 1,000 hours of volunteering into local schools and community projects.
- We always look forward to Talk Money Week each year and again in 2019 colleagues swapped their branches for the classroom, delivering workshops in primary schools. Over 2,000 pupils were helped during Talk Money Week in 2019.
- We also helped develop some green spaces for the community, going back to the Orchard at Llandough Hospital and the garden at St John's Day Centre in Swansea.
- We were very proud to be recognised at the BITC Wales Responsible Business Awards 2019 with a Volunteering Impact Award, Mortgage Finance Gazette Awards 2019 for CSR and for the second straight year Principality was named as a finalist in the Financial Innovation Awards 2019 for Financial Inclusion.

Sponsorship

Principality's wider sponsorships continued to add value to the health and wellbeing within our communities. Highlights include:



Our partnership with the Welsh Rugby Union remains strong, with the Society's sponsorship of the Principality Stadium benefitting the local economy and grassroots rugby across Wales.

Close to 1,000

We gave away close to 1,000 tickets to Principality Stadium events through our Member Rewards competitions.



Principality Youth Leagues are helping to raise the profile of the game within local communities.

40

40 consecutive years of sponsorship of the National Eisteddfod event which celebrates Welsh culture.

25

More than 25 years sponsoring the Royal Welsh Show.

Members

We pride ourselves on listening to our Members so colleagues can understand how to meet their needs and expectations. Members tell us that they value the friendliness and helpfulness of our colleagues.

We engage with Members in a number of ways:

- Principality's senior leadership team holds regular Talkback events all over Wales and the Borders.
- At the Annual General Meeting, Members have the opportunity to vote and put questions to the Board.

We also have a Member Forum, made up of volunteer Members who act as a collective voice for all Principality Members. The Forum meets on a quarterly basis to share their views and to tell us what they think of our products and initiatives, and to help us make the right decisions for all our Members. The Forum has had significant and valuable input into the continuing strategy of the Society, and any interested Member may apply to join.

The background of the slide is a repeating pattern of various teapots and teacups. The teapots are in shades of teal and green, with different patterns like polka dots, stripes, and floral designs. One teapot in the middle row has the word 'MUM' written on its front. The teacups are also in shades of teal and green, with patterns like stripes and polka dots. The overall aesthetic is a classic, elegant tea set.

Summary Financial Statement

For the year ended 31st December 2019

This Summary Financial Statement is a summary of 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 Principality Building Society and on the internet at www.principality.co.uk by 15th April 2020.

Summary Directors' Report

The Summary Directors' Report comprises the 2019 highlights on page 1, Chairman's review of the year on pages 3 to 5 and the Chief Executive's review of the year on pages 6 to 8.

Approved by the Board of Directors on 5th February 2020 and signed on its behalf by:

Laurence Philip Adams
Chairman



R Michael Jones
Interim Chief Executive Officer



Tom Denman
Chief Financial Officer



Consolidated income statement

	2019 £m	2018 £m
Net interest income	111.4	119.6
Other income and charges	4.2	3.2
Operating expenses	(80.1)	(81.5)
Impairment provisions	4.1	(0.6)
Profit for the year before taxation	39.6	40.7
Taxation	(7.6)	(7.8)
Profit for the year	32.0	32.9

Reconciliation of statutory profit to underlying profit

	2019 £m	2018 £m
Statutory profit before taxation	39.6	40.7
Adjusted for:		
Losses from derivatives and hedge accounting	0.2	2.4
Additional pension charge for GMP equalisation	-	0.7
Underlying profit	39.8	43.8

The purpose of the underlying profit measure is to reflect management's view of the group's underlying performance, presented to aid comparability across reporting periods by adjusting for items which affect statutory measures but are deemed to be either non-recurring or uncontrollable in nature. This aligns to measures used by management to monitor the performance of the business and inform decisions regarding variable remuneration.

Consolidated balance sheet

	2019 £m	2018 £m
Assets:		
Liquid assets	1,569.6	1,112.5
Loans and advances to customers	9,033.1	8,498.7
Fixed and other assets	93.1	76.2
Total assets	10,695.8	9,687.4
Liabilities:		
Shares	7,588.5	6,989.8
Borrowings	2,378.1	2,019.4
Other liabilities	84.6	60.0
Retirement benefit obligations	-	3.9
Subscribed capital	61.2	63.6
Reserves	583.4	550.7
Total equity and liabilities	10,695.8	9,687.4

Summary of key financial ratios

At 31st December:	2019 %	2018 %
Common Equity Tier 1 capital ratio The ratio represents the relationship between the strongest form of capital (primarily accumulated profits that have built up over time) and assets, weighted by the level of risk they carry. Its purpose is to ensure that we are able to absorb unexpected losses.	26.20	27.06
Liquid assets as a percentage of shares and borrowings This ratio measures our ability to meet requests for savings withdrawals, to make new mortgage loans to borrowers and to fund general business activities.	15.75	12.35
Profit for the year as a percentage of mean total assets This ratio measures the profit made in the year relative to the average amount of assets held.	0.31	0.35
Management expenses as a percentage of mean total assets Management expenses are the cost of running the Society. This ratio measures how efficient we are being, with a lower number indicating greater efficiency.	0.79	0.86
Gross Capital as a percentage of shares and borrowings The ratio measures how much capital we have to protect our Members and other creditors against unforeseen eventualities.	6.46	6.82

Independent Auditors' Statement to the Members and Depositors of Principality Building Society

We have examined the summary financial statement for the year ended 31st December 2019, which comprises the summary Income Statement and Balance Sheet together with the summary Directors' Report.

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

Respective responsibilities of Directors and auditors

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 full financial statements, Annual Business Statement and Directors' Report and its conformity with the

relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

We conducted our work in accordance with Bulletin 2008/3 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board. Our report on the group and Society's full financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion, the summary financial statement is consistent with the full financial statements, the Annual Business Statement and Directors' Report of Principality Building Society for the year ended 31st December 2019 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.



Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
5th February 2020

Report of the Remuneration Committee

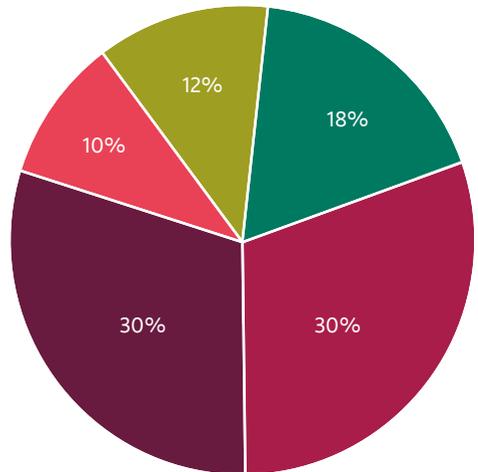
for the year ended 31st December 2019

Membership of the Remuneration Committee during 2019 remained consistent and comprised:

- Sally Jones-Evans – Chair of the Committee and Non-Executive Director
- Laurence Adams – Chairman of the Board
- Nigel Annett – Non-Executive Director
- Claire Hafner – Non-Executive Director

A significant proportion of the Committee’s time throughout 2019 has been dedicated to pay strategy and approach, including:

- A strong focus on the fair pay agenda for all colleagues, with the introduction of a new pay and grading framework and flexible benefits platform.
- Introduction of the newly designed variable pay scheme for executives and senior leaders, the Leading Excellence Award.
- Realignment of basic salary for two Executive Directors, following a thorough external benchmarking exercise, including a review of the CEO basic salary.



Proportion of time spent by the Remuneration Committee

- Oversight of remuneration across the Society
- Pay Strategy and approach
- Performance Award Outcomes
- Procedural issues
- Regulatory Reporting

Performance in 2019

The Society's performance has been positive despite a challenging, competitive and uncertain external environment. Savings and new lending have continued to grow successfully and profitability is good. As the long-term strength and safety of the Society are paramount to our strategy, initial risk gateways set are set for our variable pay schemes, which have been exceeded for 2019.

Customer and Member feedback continues to be very positive, resulting in encouraging Net Promoter Scores and external awards. This is coupled with steady progress being made in relation to our investment programme across our Society's IT platforms, which will allow us to remain competitive and relevant in the market.

Remuneration policy

We believe that our people are the Society's greatest asset; we strive to be an employer of choice so that we can continue to attract and retain talented and passionate people. Therefore, the remuneration policy is deliberately designed to:

- Ensure that the business is run safely and successfully for our Members.
- Support the delivery of "Brilliant People", the central pillar of the overall business strategy.
- Recognise the principles of the Remuneration Code and Corporate Governance Code.

The remuneration policy aims to:

- Attract, motivate, reward and retain high quality people who can ensure that Principality continues to deliver value to Members and to be profitable in a competitive and often uncertain marketplace. This is done by positioning all aspects of pay and benefits, both in terms of total amount and structure (i.e. the balance of fixed and variable pay), at around market levels for similar roles

within the UK mutual building society sector, as well as more broadly where this is appropriate.

- Promote the right behaviours that align with the Society's position on risk, as well as its culture as a Member owned mutual building society.
- Encourage sound conduct and risk management practices by setting capital and liquidity hurdles to be met before any variable pay award can be made and, for the executive team and senior leadership team, deferring an element of variable pay.
- Incentivise performance and share success by having a competitive variable pay scheme which rewards all colleagues for the achievement of challenging objectives, where performance is judged against a minimum of two critical measures, including a financial measure and a customer measure.

During the year, the Committee continued to use PwC to provide independent advice on executive remuneration, and benchmarking information. PwC are also appointed to provide the Society with advice on taxation matters.

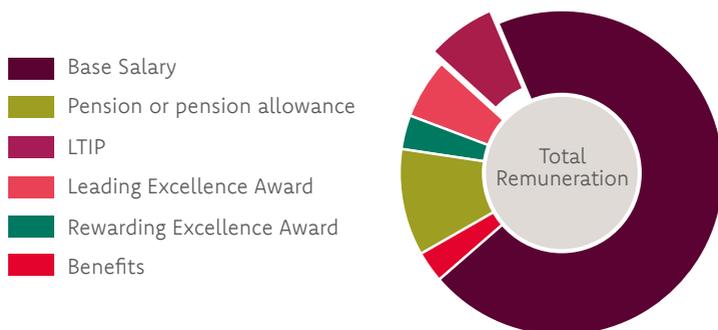
The Remuneration Committee is satisfied that the remuneration policy operated as intended throughout 2019.

How this policy is applied

The table below provides a summary of the different elements of remuneration for Executive Directors for 2019:

Component	Purpose
Base Salary	To attract and retain experienced executives of calibre through the payment of competitive rates. Base salaries are reviewed annually (or more frequently if required).
Benefits	To ensure the Society is acting as a responsible employer and to assist in the performance of the job. Includes car allowance, family private medical insurance, critical illness cover and life assurance.
Pension or pension allowance	To provide longer-term savings to fund retirement. Pension contribution of 15% of base salary or equivalent cash allowance.
Rewarding Excellence Award (REA)	Designed to share the benefits of teamwork, financial discipline and customer service with all colleagues. Providing a maximum award payment of 12% of base salary, with annual targets based on risk gateways, profit before tax and customer service measures.
Leading Excellence Award (LEA)	The LEA replaced the Long-Term Incentive Plan from January 2019. The LEA is an annual variable pay award with deferral, which has been designed to make setting meaningful targets more effective, enabling the Society to reward, attract and retain our most senior leaders.
Long-Term Incentive Plan (LTIP)	The LTIP has been replaced moving forward by the LEA, however transitional arrangements mean that legacy LTIP awards will be paid in 2019 and 2020.

Note: The Chief Risk Officer and Chief Internal Auditor do not participate in any variable pay scheme.



Each of the elements outlined above are deliberately designed to align with our remuneration policy and the characteristics set out in the Corporate Governance Code in respect of clarity, simplicity, risk, predictability, proportionality and alignment to culture. Reports received by the Committee during 2019 incorporated this approach and included an annual review of the structure of reward which provided evidence of how various aspects of reward at the Society align to the Corporate Governance Code.

While the Corporate Governance Code's focus is primarily on executive remuneration, as the structure of reward at the Society is primarily designed for the workforce as a whole, we can be confident that the characteristics apply Society-wide and not just to the Executive Team.

Variable pay awards for 2019

Rewarding Excellence Award (REA)

The REA is designed to share the benefits of teamwork, financial discipline and customer service with all colleagues across the Society. The two measures of Profit before Tax (PBT) and the Customer Service Net Promoter Score (Maze NPS) are equally weighted at 50% each, once the initial risk gateways are met, to provide a maximum award of 6% for each measure, making a total maximum award of 12% of individual's basic salary.

In 2019, the Maze NPS score exceeded the stretch target resulting in the maximum award of 6% for this element of the REA. The PBT result was slightly lower than the on target position leading to an award of 2.3% for this measure.

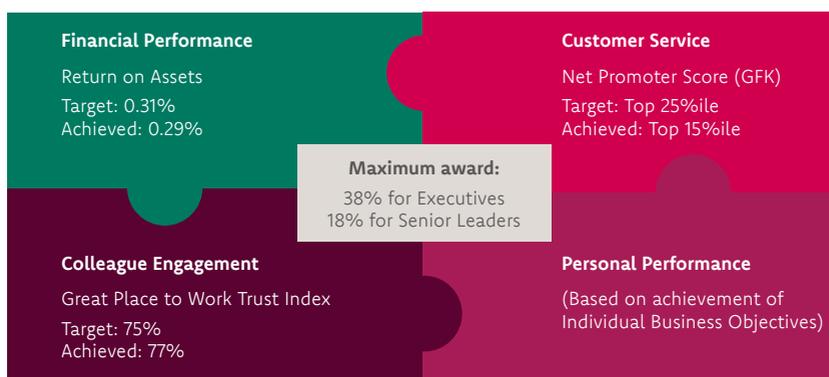
Our hardworking colleagues were rewarded with an award of 8.3% of their salary to thank them for their considerable contribution to this success.

Leading Excellence Award (LEA)

The LEA was introduced in 2019 to replace the previous LTIP. It is an annual incentive scheme with an element of deferred payment for Executives and Senior Leaders, designed to make setting meaningful targets more effective and therefore enabling the Society to reward, attract and retain our most senior leaders.

The key features of the LEA are:

- 1) That it recognises and rewards our Executives and Senior Leaders for their contribution to the long-term goals of the Society.
- 2) Subject to capital and liquidity gateways, the level of award is determined by performance against four metrics: Financial (Return on Assets), Customer (GFK NPS), People (Great Place to Work) and Personal Performance.
- 3) Performance against these four metrics will determine a percentage factor. For Executives, the range will be 0% to 38% of individual salary, with the on-target award (OTA) being 19% of salary. For Senior Leaders, the range will be 0% to 18% of individual salary, with the OTA being 9% of salary.



Based on the 2019 results for each of the four equally weighted measures, the maximum award for Executives is 18.52%, with the maximum award for Senior Leaders at 11.02%. 60% of the award is payable in February 2020, with the remaining 40% deferred as follows:

Senior Leaders

2019	2020	2021	2022	2023
Scheme year	60% award payment	40% award payment		
	Scheme year	60% award payment	40% award payment	
		Scheme year	60% award payment	40% award payment

Executives

2019	2020	2021	2022	2023	2024
Scheme year	60% award payment	20% award payment	20% award payment		
	Scheme year	60% award payment	20% award payment	20% award payment	
		Scheme year	60% award payment	20% award payment	20% award payment

Long-Term Incentive Plan (LTIP)

The LEA replaced the LTIP in 2019 following a full review undertaken by the Remuneration Committee during 2018. The LEA was introduced to address some of the challenges of the LTIP, including the difficulty in setting meaningful targets for a three-year period amongst so much economic uncertainty.

As the LTIP was designed as a three-year plan, there will be a transitional phase where previous LTIP awards will run-off alongside the LEA. The table opposite illustrates how the 2017 LTIP ended on 31st December 2019 and the 2018 LTIP will come to a close on 31st December 2020, marking the final payment of this plan.

2017	2018	2019	2020	2021	2022	2023	2024
	2017 LTIP		Payment in 2020				
	2018 LTIP			Payment in 2021			
		2019 LEA	60% payment in 2020	20% Executives 40% Senior Leaders	20% Executives		
			2020 LEA	60% payment in 2021	20% Executives 40% Senior Leaders	20% Executives	
				2021 LEA	60% payment in 2022	20% Executives 40% Senior Leaders	20% Executives

The award made under the 2017 LTIP, paid in February 2020, is based upon the results of the challenging targets set by the Board for two key measures: a financial measure and a customer measure. The award of 25.66% was based on the following performance against targets:

Measure	Proportion of award	Targets			Result	Award level
		Threshold	On target	Stretch		
Return on Assets	50%	0.327%	0.342%	0.361%	0.372%	14%
Net Promoter Score	50%	60 th percentile	Top 25 th percentile	Top 10 th percentile	Top 15 th percentile	11.66%
Total Award						25.66%

Annual report on remuneration

The business complies where appropriate with the Corporate Governance Code and aims to make the remuneration policy as transparent, clear and simple as possible. When designing aspects of remuneration, the Committee considers the appropriateness for a Member owned organisation and alignment to our culture, whilst the quantum is carefully positioned to be proportionate to the challenges, encourage the right behaviours and discourage excessive risk taking.

We therefore set out in this section the following information:

- Salary increases applied to Executive Directors in 2019
- What the Executive Directors earned for 2019's performance compared to 2018
- CEO pay ratio
- Chairman and Non-Executive Director fees in 2019

Salary increases applied to Executive Directors in 2019

In February 2019, the Remuneration Committee awarded an increase to the base salary of each Executive Director of 2%, in line with the annual salary review approach taken for the rest of the workforce.

In September 2019, the Remuneration Committee agreed an out of cycle increase to the basic salary of the then Chief Executive Officer and the Chief Financial Officer, following a robust and thorough external benchmarking exercise, supported by our external advisors at PwC. The increases of 10% and 11% respectively recognise the experience the then CEO and CFO have now gained in their roles and appropriately reflect market conditions.

What Executive Directors earned for 2019's performance

The following table provides the audited information showing a single total figure of remuneration for the 2019 financial year for each of the Executive Directors and compares this figure to the prior year.

Audited Information	Year	Salary and Fees ¹	Benefits ²	Pensions ³	Annual variable pay ^{4 & 5}	Total
Individual		£000	£000	£000	£000	£000
Chief Executive Officer Stephen Hughes ⁶ (to 2/12/19)	2019	305	14	46	-	365
	2018	316	15	47	116	494
Interim Chief Executive Officer/Chief Risk Officer R Michael Jones	2019	258	13	39	n/a	310
	2018	249	13	37	n/a	299
Chief Financial Officer Tom Denman	2019	205	12	31	107	355
	2018	193	12	29	71	305
Chief Customer Officer Julie-Ann Haines	2019	229	12	34	119	394
	2018	224	12	34	83	353

1. The review date for salary is 1st February 2019. 2. Benefits comprise a car allowance, life assurance, critical illness insurance and private medical insurance. 3. A cash allowance of equal value (15% of salary) may be taken in lieu of pension.

4. Variable pay is the total of both the Rewarding Excellence Award and the Leading Excellence Award, plus payment from the 2017 Long-Term Incentive Plan (LTIP) as part of the transitional arrangements. The normal performance period of the LTIP is three years and the 2017 LTIP operated for the performance period 1st January 2017 to 31st December 2019. Awards under the variable pay schemes are non-pensionable. 5. The Chief Risk Officer (and Interim Chief Executive Officer) and Chief Internal Auditor do not participate in the variable pay scheme. 6. Following Stephen Hughes' departure as Chief Executive Officer on 2nd December 2019, the figures reflect payment up to and including 2nd December 2019.

Additional footnotes

- Under terms of his departure agreement, Graeme Yorston is entitled to receive the final deferred element of the 2017 LTIP which was pro-rated by reference to service, resulting in a payment of £7k.
- Iain Mansfield was appointed to the Board on 31st December 2019, therefore disclosure of his remuneration will begin from 2020.

Departure arrangements for Stephen Hughes

Following his resignation as Chief Executive Officer on 2nd December 2019, Stephen Hughes will be on a period of gardening leave until 20th April 2020, during which he will continue to receive contractual pay and benefits. As colleagues under notice of resignation are ineligible for variable pay, there is no variable pay award for any current or legacy schemes.

CEO pay ratio

From 1st January 2019, organisations with over 250 employees are required to disclose the CEO pay ratio in their annual report, in a move to promote transparency and encourage good governance. The CEO pay ratio provides a snapshot of the overall pay gap that exists between the CEO (typically the highest paid person within the organisation) and the average employee in the same organisation. It is calculated using the single total figure of remuneration which includes total salary, variable pay, pension and taxable benefits.

The Society has chosen to publish the CEO pay ratio using the recommended and preferred approach (option A), which shows that the CEO pay is 12 times that of the median colleague pay. This means that when all colleagues' pay is listed from highest to lowest, the median is the middle value in that list.

The CEO base pay and total remuneration has been calculated to reflect the change in CEO during the financial year and includes the proportion of time that Stephen Hughes and R Michael Jones each spent in the role throughout 2019. As neither colleague received a variable pay award in 2019, a nominal pay ratio based on the expected outcome had there been no change in CEO throughout the year and the variable pay award had been paid, is also outlined to provide context:

Year	Method	25 th percentile	Median	75 th percentile
2019	Option A	17:1	12:1	9:1
2019 - Nominal	Option A	24:1	17:1	12:1

Our fair pay agenda outlines our commitment to ensuring that reward (including base pay, variable pay and benefits) at Principality is transparent, fair, free from discrimination and aligned to the external market.

In 2018 an in-depth pay and grading review was undertaken, the results of which were introduced to all colleagues in January 2019, providing a future-proofed method of maintaining a direct link between the position of our pay and benefits and the relevant comparators within the financial services sector. This approach is consistently applied to all colleagues across the Society, regardless of position, and was communicated to all our colleagues prior to implementation. We are therefore content that the CEO pay ratio is consistent with the Society's wider policies on pay, reward and progression.

Chairman and Non-Executive Directors' fees for 2019

Non-Executive Directors are paid a basic fee for participation on the Society Board and additional fees payable for providing services on Board Committees and/or for their membership of subsidiary company Boards. The fees paid to the Non-Executive Directors are set at a level which allows the Society to attract and retain the required calibre of Independent Directors.

Fees paid to the Chairman and the Non-Executive Directors were as follows:

Non-Executive Directors	Fees	
	2019 £000	2018 £000
Laurence Philip Adams	119	117
Nigel Annett CBE (Chair of Technology Committee)	63	62
Derek Howell (Chair of Audit Committee & Senior Independent Director)	71	70
Sally Jones-Evans (Chair of Remuneration Committee)	63	62
David Rigney (Chair of Board Risk Committee)	68	62
Claire Hafner ¹	53	39
Debra Evans-Williams ²	15	-
Natalie Elphicke OBE ³	-	31
Total	452	443

¹Claire Hafner joined the Board on 1st April 2018.

²Debra Evans-Williams joined the Board on 3rd September 2019.

³Natalie Elphicke stepped down from the Board on 20th July 2018.

Looking ahead to 2020

Base salary

The Committee reviews the Executive Directors' base salaries on 1st February of each financial year, taking into account factors such as individual and corporate performance, an assessment of market conditions, and the salary increases applicable to other colleagues. For 2020, they have been awarded a 1.85% increase, which is the same approach taken for other colleagues.

Following this review, the Executive Directors' 2020 salaries are:

- R Michael Jones £304,727 (Base salary on appointment as Interim CEO)
 £258,637 (Base salary on return to CRO role)
- Julie-Ann Haines £233,122
- Tom Denman £224,408
- Iain Mansfield £204,719

Benefits

No changes have been made to the benefits in kind provided to the Executive Directors.

Pension

Executive Directors receive a pension contribution of 15% of base salary, which may be taken as a cash allowance. This provision remains unchanged for existing Executive Directors as it forms part of the contractual entitlements already in place. Any newly appointed Executives or Executive Directors will be entitled to receive a pension contribution that is in line with that of the workforce, currently 8% of base salary, to align with the intent of the Corporate Governance Code.

Variable pay

Both the REA and the LEA will continue to operate from 1st January 2020. A summary is set out below:

	Rewarding Excellence Award	Leading Excellence Award
Performance period	1st January 2020 to 31st December 2020.	1st January 2020 to 31st December 2020.
Participants	All employees with the exception of leaders of control functions.	Executives and Senior Leaders, with the exception of leaders of control functions.
Administrator	Remuneration Committee	Remuneration Committee
Initial gateway condition	Capital and liquidity conditions and the absence of any material regulatory breaches.	Capital and liquidity conditions and the absence of any material regulatory breaches.
Performance measures	Group Profit before Tax – 50% Customer Service Net Promoter Score – 50%	Return on Assets – 25% Net Promoter Score (GFK) – 25% Colleague Engagement – 25% Shared Strategic Business Objective – 25%
Potential payments	<ul style="list-style-type: none"> • Nil for threshold performance. • 6% of salary for meeting challenging target performance. • 12% of salary for attaining highly stretching targets. 	<p>Executives</p> <ul style="list-style-type: none"> • Nil for threshold performance. • 19% of salary for meeting challenging target performance. • 38% of salary for attaining highly stretching targets. <p>Senior Leaders</p> <ul style="list-style-type: none"> • Nil for threshold performance. • 9% of salary for meeting challenging performance targets. • 18% of salary for attaining highly stretching targets.

Variable pay continued

	Rewarding Excellence Award	Leading Excellence Award
Payment date	<p>Subject to Audit and Remuneration Committee approval, payment will be made in February 2021.</p> <p>There will be no partial deferral of payment.</p>	<p>Subject to Audit and Remuneration Committee approval, 60% of the award will be paid to eligible participants in February 2021.</p> <p>Following this, Executives will receive a deferred payment of 20% in February 2022 and a final deferred payment of 20% in February 2023.</p> <p>Senior Leaders will receive a final deferred payment of 40% in February 2022.</p>
Clawback (demanding repayment)	<p>The Remuneration Committee can apply clawback to an award to an Executive or Senior Leader if it is discovered that the award should not have been paid, for example, in the event of a material misstatement of the group's annual results or in the event of a serious regulatory breach.</p>	<p>The Remuneration Committee can apply clawback to an award to an Executive or Senior Leader if it is discovered that the award should not have been paid, in the event of a material misstatement of the group's annual results or in the event of a serious regulatory breach.</p>

The Committee has absolute discretion to adjust the awards under both schemes if necessary including withholding vested awards under “malus” arrangements or recovering monies paid under clawback.

No variable pay awards at the Society are pensionable.

Directors' service contracts

The Chief Executive has a service contract that can be terminated by either party on one year's notice or by the payment by the Society of an amount equivalent to one year's remuneration. The other Executives have service contracts that can be terminated by the Society on one year's notice or by the payment by the Society of an amount equivalent to one year's remuneration, and by the Executive giving six months' notice.

Statement of Member voting

The Society is committed to open and honest dialogue with our Members and take an active interest in voting outcomes. The 2018 Director's Remuneration Report received 23,449 votes in favour (91.35%) and 2,220 votes against (8.65%).

Approval

This report is approved by the Remuneration Committee and signed on its behalf by:



Sally Jones-Evans
Chair of the Remuneration Committee
 5th February 2020

Board of Directors

Committee Key: (In bold for Chair)

AC Audit Committee

RC Remuneration Committee

GNC Governance and
Nominations Committee

BRC Board Risk Committee

TC Technology Committee



**Laurence Philip
Adams MA**

**Chairman,
Non-Executive
Director**

GNC **RC**

Joined the Board in
August 2013, elected
Chairman in April 2014

Skills and experience

I am a qualified solicitor with more than 25 years' experience in the banking industry, which helps advise and guide the Society through the increasingly demanding and complex regulatory environment in which it now operates. Previously, I have been involved as a Non-Executive Director helping to rescue the troubled Northern Rock PLC in 2007 where I headed the Risk Committee.

Contribution to the Society's long-term sustainable success

I am responsible for leading the work of the Board, ensuring the Board operates effectively in setting the strategy, overseeing the performance and setting the risk appetites of the Society. I am also responsible for ensuring robust succession plans are in place, that the Society maintains the highest standards of corporate governance and that we have an open and transparent culture.

Other roles

Director of Outside Insight Ltd and Non-Executive Director of London Clearing House Limited, part of the London Stock Exchange.



**Nigel Charles Annett
CBE, MSc, MA
[Hons], DSc Econ**

**Non-Executive
Director**

TC **BRC** **GNC**

Joined the Board in
October 2013

Skills and experience

I previously worked in investment banking, but after ten years joined the Board of Welsh Water, initially as Planning Director. I was one of the founding Directors of Glas Cymru, the not-for-profit company that took over the ownership of Welsh Water in 2001, and Managing Director of Welsh Water until 2014. I believe strongly that mutual business models can do a great deal of good for the people and the communities that they serve.

Contribution to the Society's long-term sustainable success

I am responsible for ensuring effective oversight of the Society's ongoing transformation programme so that we continue to transform and modernise to benefit both current and future generations of Members.

Other roles

Board member of the Canal and River Trust and a Trustee of the Community Foundation in Wales.



Sally Jones-Evans
FCIB, MBA, MSc

**Non-Executive
Director**

RC **GNC**

AC **TC**

Joined the Board in
February 2015

Skills and experience

I spent 30 years in retail banking and general insurance during which I gained wide ranging experience in leading people through change, mainly in areas directly serving customers. I believe that helps me to support the Executive Leadership team to shape the Society's ongoing change agenda.

Contribution to the Society's long-term sustainable success

I am responsible for ensuring that the Society's remuneration and reward strategy, policy and procedures support the strategy approved by the Board reflecting the best interests of Members. This enables the Society to attract and retain the best people to ensure the Society is run safely and successfully.

Other roles

I sit on the Boards of Hafren Dyfrdwy Ltd (a subsidiary of Severn Trent PLC) and Saga Services Ltd, the insurance broking arm of Saga Group PLC. I also serve as a Trustee of Tearfund, the humanitarian and overseas development charity and as a Non-Executive Director on the Board of the Department for International Development.



**David James
Rigney ACMA,
MBA, MA**

**Non-Executive
Director**

BRC **GNC**

AC **TC**

Joined the Board in
March 2015

Skills and experience

I am a Chartered Management Accountant and during my career have performed a broad range of roles across multiple sectors including a Board Director at Nationwide Building Society. I believe this experience leaves me well placed to contribute to the Society's ongoing change programme and to contribute to the Society's continuing success.

Contribution to the Society's long-term sustainable success

I am responsible for making sure the Society actively manages the principal risks that arise from its activities, alongside ensuring awareness of the current and emerging risk environments which helps protect the Society so it can continue to be successful and sustainable for its Members.

Other roles

Non-Executive Director at LINK Scheme Holdings Limited, and Senior Independent Director of Exelon Limited.



Derek Anthony Howell BSc [Hons], FCA

Non-Executive Director

AC BRC GNC

Joined the Board in April 2014

Skills and experience

I hold a degree in mathematics and qualified as a Chartered Accountant with Price Waterhouse – subsequently Pricewaterhouse Coopers (PwC) where I initially worked in audit and eventually specialised in corporate recovery and insolvency work, becoming a partner in 1988. Following my retirement from the partnership, I continue to act as a consultant for PwC solely in connection with the ongoing administration of Lehman Brothers.

Contribution to the Society's long-term sustainable success

As Senior Independent Director, I act as a sounding board for the Chairman, serve as an intermediary for other Directors, and am responsible for leading the annual review of the Chairman's performance. As the Board appointed Whistleblowing Champion, I am also available to Members if they have concerns which they have not been able to resolve through the normal channels, or for which such contact is inappropriate.

I am responsible for helping the Board fulfil its oversight responsibilities in respect of matters relating to the integrity of financial and narrative statements; systems of risk management and internal control.

Other roles

Treasurer of St John Cymru Wales and a Trustee of both the National Botanic Garden of Wales and Artes Mundi.



Debra Evans-Williams

Non-Executive Director

GNC TC

Joined the Board in September 2019

Skills and experience

During my career, I have held a range of Executive and Non-Executive Director positions and have also worked in a consultancy role with companies in the UK, Europe and the US. My previous experience includes five years spent at the Britannia Building Society, as well as senior roles at Tesco Compare and Confused.com.

Contribution to the Society's long-term sustainable success

My experience in the fintech-e-commerce arenas will enable me to make a positive contribution to the Society's ongoing digital transformation which will support the continued delivery of stand-out experience for our Members.

Other roles

Chair of Local Democracy and Boundary Commission for Wales, Non-Executive Chair of Careers Wales, Non-Executive Director of the Milford Haven Port Authority and Trustee of the Alacrity Foundation. I am also a proud ambassador for Tŷ Hafan.



Claire Hafner
ACA, MA

**Non-Executive
Director**

AC RC GNC

Joined the Board in
April 2018

Skills and experience

I am a qualified accountant (ACA) and have an MA in Languages and Economics. I trained and qualified at Ernst & Young in the Financial Services audit department followed by a further three years in corporate tax. During my career, I have performed a broad range of roles across multiple sectors including a term of six years as a Non-Executive Director of the West Bromwich Building Society.

Contribution to the Society's long-term sustainable success

My experience across the different sectors of financial services, payments, professional services, multimedia and telecoms enables me to contribute to the Society's change programme and to the Society's continuing success.

Other roles

I sit as a member of the Society's Colleague Forum and it is my role to ensure that the voice of colleagues is heard directly in the Boardroom alongside that of Members.



**Tom Denman BSc
(Econ) [Hons],
ACA**

**Chief Financial
Officer (CFO)**

Joined the Board in
August 2017

Skills and experience

I am a qualified Chartered Accountant and bring over 20 years' experience in finance to my role. Prior to joining the Society, I held a number of finance roles across a range of industries including commercial property, infrastructure and the legal profession along with five years with PwC in Cardiff and Sydney. I was appointed Deputy Finance Director in March 2016 with responsibility for all of finance, treasury operations, procurement and legal services, and was subsequently appointed CFO in June 2017.

Contribution to the Society's long-term sustainable success

My role is to ensure we plan and manage the Society's capital, liquidity and funding in the long-term interests of our Members and the sustainability of the Society.



**Iain Mansfield,
LLB [Hons], FCA**

**Chief Operating
Officer (COO)**

Joined the Board in
December 2019*

Skills and experience

I initially joined Principality's subsidiary business, Nemo Personal Finance, as Finance Director in January 2015. In October 2017, I was appointed Chief Operating Officer for the Society, in addition to retaining overall responsibility for Nemo. I am a qualified Chartered Accountant and, prior to joining Principality, built 15 years' experience in senior leadership roles across large banks, start-up businesses and private equity backed retail financial services businesses.

Contribution to the Society's long-term sustainable success

My role is to ensure we provide excellent service to our customers, maintain and transform our technology and deliver change effectively and efficiently while maintaining appropriate operational resilience to run our business in the interests of our Members and the sustainability of the Society.

*Board appointment subject to regulatory approval.



Julie-Ann Haines
MSc, BA [Hons]

**Chief Customer
Officer (CCO)**

Joined the Board in
May 2016

Skills and experience

I have been the Society's Customer Director since 2012. Prior to joining Principality, I had almost 20 years' experience leading retail businesses. I was a senior manager in sales, marketing and technology for companies such as Sainsbury's and HBOS. Working closely with customers has always been a critical part of what I do.

Contribution to the Society's long-term sustainable success

In my role as CCO, I am responsible for strategy, marketing, distribution and leading the Society's transformation programme as Executive Business Sponsor. I have been a Board member since May 2016, and am proud to be the first female Executive Director in the Society's history. I negotiated our decade-long partnership with the Welsh Rugby Union, which led to the naming rights of Principality Stadium.

Other roles

Chair of UK Finance Cymru and a Board Member of FinTech Wales, a new organisation to champion fintech and financial services in Wales.



**Robert Michael
Jones BA [Hons]**
MBA, ACIB

**Interim Chief
Executive Officer
(CEO)**

Joined the Board in
February 2013

Skills and experience

Having worked for the Society since 1997, I was appointed Head of Group Risk in 2005 and promoted to the role of Director of Group Risk (now Chief Risk Officer - CRO) in 2009. In December 2019, I was appointed Interim Chief Executive Officer (CEO) by the Board. I have spent over 40 years working in Financial Services, starting my career at Midland Bank and subsequently at HSBC, undertaking a number of managerial roles in both the retail and corporate banking divisions. I hold a degree in Economics, an MBA from Henley Management College, and I am an Associate Member of the Chartered Institute of Bankers.

Contribution to the Society's long-term sustainable success

In my role as Interim CEO, I am responsible for leading the Executive team to ensure we continue to deliver the Society's strategy for the long-term interests of our Members in addition to maintaining the smooth running of the Society's day-to-day operations.

As CRO, together with the CFO, I am responsible for ensuring the Society maintains a strong capital base which will enable it to continue to grow and compete successfully over the long-term. I also have responsibility for the Society's second line of defence to ensure risk management is embedded throughout and aligns to the Society's risk appetite, purpose and objectives.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and sixtieth Annual General Meeting of the Members of Principality Building Society will be held at 11.00am on Wednesday 29th April 2020 in Principality House, The Friary, Cardiff, CF10 3FA for the following purposes:

1. To receive the Auditors' Report.
2. To receive the Annual Report and Accounts.
3. To re-appoint Deloitte LLP as auditors.
4. Election of Directors:
 - a) To re-elect Laurence Philip Adams
 - b) To re-elect Nigel Charles Annett
 - c) To re-elect Thomas Denman
 - d) To elect Debra Elizabeth Evans-Williams
 - e) To re-elect Claire Andree Hafner
 - f) To re-elect Julie-Ann Haines
 - g) To re-elect Derek Anthony Howell
 - h) To re-elect Robert Michael Jones
 - i) To re-elect Sally Jones-Evans
 - j) To elect Iain Alexander Mansfield
 - k) To re-elect David James Rigney
5. To approve the Report on Directors' Remuneration as set out in the Annual Accounts.

By Order of the Board.



Michael Borrill
Group Secretary
27th February 2020

Please read the notes opposite.

Notes

1. These Notes form part of the Notice of Meeting.
 2. Under the Society's Rules, a Member entitled to attend the Meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and your proxy does not have to be a Member of the Society. Your proxy may vote for you at the Meeting but only on a poll. Your proxy may not speak on your behalf at the Meeting except to demand or join in demanding a poll.
 3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy voting form.
 4. The voting date is the date of the Meeting, 29th April 2020, if voting in person and 24th April 2020 if voting by proxy.
 5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as either a Shareholding Member or a Borrowing Member.
 - ii) have owed the Society not less than £100 in respect of a mortgage debt on 31st December 2019, and
 - iii) owe the Society not less than £100 in respect of a mortgage debt on the voting date.
 - b. Where a mortgage debt is owed jointly by two or more persons, only the first named in the records of the Society in respect of that mortgage can have any voting rights.
6. In addition, **you can vote only once** as a Member, irrespective of:
 - a. the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and
 - b. whether you qualify to vote as both a Shareholding Member and a Borrowing Member.
 7. Members attending the Meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you are appointing a proxy, other than the Chairman of the Meeting, to attend the Meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the Meeting.

Shareholding Members

- a. To qualify as a Shareholding Member, you must:
 - i) if you are an individual, be at least 18 years old on 29th April 2020 (voting date), and
 - ii) have held shares* to the value of not less than £100 in the Society on 31st December 2019, and
 - iii) not have ceased to hold a share* or shares* in the Society at any time between 31st December 2019 and the voting date, and
 - iv) hold a share* or shares* in the Society on the voting date
- b. Where the shares* are held jointly by two or more persons, only the first named in the records of the Society in respect of those shares* can have any voting rights.

Borrowing Members

- a. To qualify as a Borrowing Member, you must:
 - i) be at least 18 years old on 29th April 2020 (voting date), and

(* A reference to 'share' or 'shares' is a reference to a share savings account or share savings accounts with the Society.)

If you appoint a proxy to vote on your behalf and your proxy does not attend the Meeting, your vote will not be counted.

Copies of the Directors' Report, Annual Accounts and Annual Business Statement may be obtained from any of the Society's branch offices from 15th April 2020.

Registration at the Annual General Meeting will commence from 10am at Principality House, The Friary, Cardiff, CF10 3FA.



ONLINE

www.principality.co.uk



[@principalityBS](https://www.instagram.com/principalityBS)



Principality Building Society



VISIT

www.principality.co.uk/branch

To find your nearest branch



CALL US

0330 333 4000*

(Open Mon–Fri 8am–8pm
Sat 9am–1pm)

Building your future

- To help us maintain our service and security standards, telephone calls may be monitored and recorded.

Principality Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, reference number 155998. Principality Building Society, Principality Buildings, Queen Street, Cardiff, CF10 1UA.

SFS 03/20-1

 **Principality**
Building Society
Cymdeithas Adeiladu

Where home matters
www.principality.co.uk