

YOUR
SOCIETY

2021



Review of the Year



Summary Financial
Statement 2021



Meet your
Directors



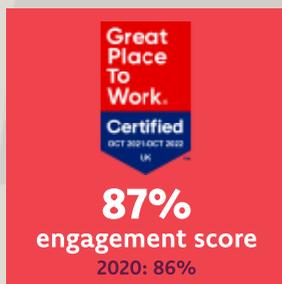
Notice of Annual
General Meeting

Building your future

 **Principality**
Building Society
Cymdeithas Adeiladu

Where home matters
[principality.co.uk](https://www.principality.co.uk)

2021 highlights



The above measures, apart from statutory 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

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Chief Executive's
Review of the Year



Review of the Year

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of Directors



Meet your Board of Directors

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Notice of Annual
General Meeting

Chair's Review of the Year

In presenting this Annual Report to you, our Members, I feel very proud to be the Chair of this Society which has 160-plus years of great heritage. I strongly support our Board's consistent focus on putting Members' interests first, on supporting our award-winning colleagues to make the Principality a great place for Members' savings and mortgages, and on ensuring we make a positive impact in our communities. Notwithstanding the ongoing challenges of the global pandemic, 2021 was a busy, productive and successful year for the Society, and you will read more about that in the Report.

This year we said goodbye to our former Chair, Laurie Adams, and thanked him for his immense service to Members, and welcomed Jonathan Baum to our Board. Jonathan's credit risk expertise and wider experience of financial services and data analytics will be a real asset as we continue to keep the Society safe and secure, whilst refreshing our strategy to face the challenges ahead.

I have focused a lot of my time in 2021 on meeting customers, colleagues, brokers, business partners, our regulators and sector leaders – and to bringing those external stakeholder voices into the Board discussions. As we look to the future, I'm delighted to be shaping Principality's plans for the next decade to ensure it delivers the same qualities of value and outstanding customer service in a rapidly evolving financial services market.



Pictured: Sally Jones-Evans, Chair

As a Board, we have been working hard helping to reframe the future of the Society, and our exciting strategic ambitions to have impact beyond our scale will become apparent in 2022. Society as a whole has different expectations of what it wants from businesses today, and although we have had a clear and responsible social purpose from our inception, we are rising to the challenge to refresh this and make it even more prominent and central to all our decision making.

Already we have communicated plans to be carbon net zero in our operations by 2030, and have begun training our colleagues on carbon literacy so they can be the driving force behind making your building society one that is more environmentally friendly and efficient. We are developing some

exciting ways in which we can have deep and sustained social impact in our communities, whilst remaining committed to delivering and even extending our existing programmes to provide financial education to thousands of children in Wales. We are refreshing the way in which Members can participate in shaping the Society through our Member Forum which already has 1,740 active participants.

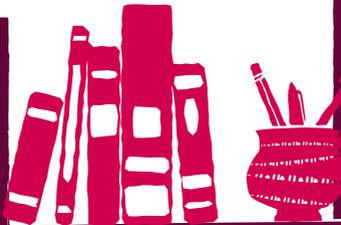
It's been such a pleasure to see Principality named as one of the best places to work in the UK again, as our people really are at the heart of our very special culture. I want to thank our amazing colleagues on behalf of you all for their incredible commitment, enthusiasm, and determination to provide exceptional service despite another very tough year for us all.

And of course I want to thank you our loyal Members for the fantastic support you have shown us this year. I am proud of what we all do to run this Society on your behalf, to keep it safe and secure, and to invest to make it relevant in the future. I do hope you enjoy reading more about this.



Sally Jones-Evans
Chair
21st February 2022

Pictured: Principality colleagues helped raise money for charity partners and community projects in 2021



*Pictured:
Fiver Challenge 2021
competition winners*



Chief Executive's Review of the Year

2021 has been another challenging year for our colleagues, our leaders, our customers and our communities. Starting the year in national lockdown, I have been struck by how our colleagues have maintained their focus and commitment to make Principality an attractive and welcoming Society. A Society that looks after our Members' savings and mortgage needs, and I am proud of the progress we have made in 2021.

A trusted business

Our colleagues are passionate about doing the right thing for our Members and supporting our local communities. This is reflected in our Net Promoter Score of more than 80, with 8 out of 10 Members saying they would recommend us to family or friends based on their level of satisfaction with Principality (2020: 79.8). These high satisfaction and service levels were recognised by the What Mortgage award for Best Building Society Customer Service.

We want to ensure we continue to be a responsible, sustainable and future-focused business. That means although we will continue to invest in technology to benefit how your Society is run, we will also be investing more so we can help more first time buyers to get a home, help more people to live in carbon neutral homes, ensure our Members have a choice in how we run their building society, and create a much fairer society to live in for customers, colleagues and communities.



Pictured: Julie-Ann Haines, Chief Executive Officer

Thriving Communities

It has been a very difficult period for the High Street, but as competitors continue to close their branches, I am proud that we have the largest high street brand presence of any financial services company (excluding the Post Office) in Wales and the borders. Your Board and I remain committed to maintaining our 70 branches and agencies until at least 2025, and are delighted that our colleagues can support communities which have faced high street bank closures with friendly helpful access to cash, transactions and our services. We've invested £2.65m in our branches over the last four years, and are set to increase that investment in 2022.

As a major business in Wales, we want our towns to thrive, and financial service organisations have a role to play in ensuring towns and communities prosper.

We remain committed to having a Head Office in Cardiff but recognise that the needs of colleagues have changed significantly.

During 2021, our 800 Head Office colleagues have continued to work from home as per the Welsh Government guidance. It has allowed us to start work on creating a much more flexible and adaptable place to work. In the meantime, we are making a significant investment in our Head Office in Cardiff, which will be fully refurbished by the time we welcome back colleagues who wish to return to the office in 2022.

This commitment to our High Street and a Head Office does not deflect us from our focus on developing technology to respond to the demand from Members and customers to interact over the phone, video, and digitally, to enable them to manage their financial affairs.

... at the heart of a diverse and inclusive society

One of our greatest strengths is our people and we strive to create a friendly, open and inclusive culture. It was wonderful to be acknowledged as the 8th best place to work in the UK by Great Place to Work®. Since the beginning of the pandemic, it has been a key focus for us to ensure colleagues feel supported as they adapt to new ways of working. This includes placing a real emphasis on promoting health and wellbeing in what has been a difficult period, and increasing flexible working arrangements to help colleagues achieve a good work-life balance. The Board have agreed to a five year strategy to improve the diversity of our Society and ensure that we continue to build a more inclusive culture.

Better Homes

Our efforts to help first time buyers with attractive propositions saw the number of applications rise with 2,954 people able to get on to the property ladder despite a much more challenging housing market caused by increased demand. This included First Home

Steps Online which will support first time buyers in their savings journey, as well as offering a range of mortgages aimed at newly qualified professionals.

Mortgage customers were given continued support with payment holidays, and we made sure the needs of our Members were met during uncertain times for everyone.

Secure Futures

In 2020, we increased our provisions for potential future loan losses because of the economic uncertainty caused by the pandemic. Over the last year the economic outlook has gradually improved and is more optimistic for 2022. The housing market exceeded expectations during 2021 and employment is more stable than expected after furlough ended, which has resulted in a reduction in our overall level of provisioning. We have achieved an underlying profit before tax of £54.4m (2020: £24.1m) and statutory profit before tax of £64.0m (2020: £19.9m).

At the same time we have maintained our focus on an investment programme which will enable us to offer current and future Members increased flexibility in managing their savings and mortgage needs. This year we have been busy implementing a new mortgage system that will benefit brokers and customers alike by improving the speed of our application process and meet more of our customer needs through offering a wider range of products. It was a combination of bedding in our new system and market conditions which resulted in a small reduction in our mortgage book of £142.4m (2020: growth of £182.2m). Our capital and liquidity levels remain strong, well in excess of regulatory requirements, and well able to withstand any challenging economic and market conditions.

For mutual benefit, helping to build a fairer society

As a mutual organisation, we're owned by our Members, not shareholders. We're led by Member voices, respond to their needs

and reinvest our profits for the benefit of our customers, colleagues, communities and wider society.

As a purpose-led business, we will continue to work hard to help our communities deal with the many challenges they face. In spring this year we were delighted to announce that our colleagues and the business have helped to raise £1m for the various charities we have supported during the past seven years. Our partnership with Teenage Cancer Trust Cymru and Alzheimer's Society came to an end in December, but we were delighted to help raise over £367,000 for them during our three year partnership.

We are so proud to have continued supporting a number of incredible financial education charities in 2021, all of which we have worked with for a number of years. With the London Institute of Banking & Finance (LIBF) a £35,000 financial education fund (enabling over 25 secondary schools to access GCSE equivalent qualifications) was set up and this has helped more than 500 schoolchildren. Since 2020, we have supported 2,000 young people in Wales with financial education qualifications from the LIBF and announced we will invest £100,000 to continue this support.

With Young Enterprise we proudly sponsored the Fiver Challenge across Wales for the second consecutive year. It was great to see over 3,000 primary school pupils set up their own businesses with a £5 investment. This featured lots of learning, a big environmental focus and some great profits too.

In North Wales, we have continued to work with the Xplore (STEM) charity in Wrexham, donating £15,000 towards numeracy-based workshops for kids. We also launched Dylan's Saving Squad, an online financial education resource hub. This is for teachers to help children learn about the importance of saving with interactive games they can do with their families and at school.

Our path to becoming a more sustainable organisation

We have spent time focusing on how we make sure we build on our mutual ethos in a way that has more relevance with the needs of our current and future Members. For example, we are focusing on our sustainability as an organisation, and have set an ambitious target to be carbon net zero in our operations by 2030. As well as off-setting our carbon footprint over the past few years by planting trees with the Woodland Trust, our award-winning Commercial team introduced a green loan fund to support developers who are building carbon neutral homes across Wales. We're also partnering with Sero, a Welsh based fintech, to identify how we can support our Members who want to improve the sustainability of their homes.

Outlook

The economic environment looks to be more optimistic next year and beyond, although the impact of the coronavirus pandemic will shape both the wider environment and our Society for years to come. Our focus remains on helping Members to get a home and stay in a home for longer, to become a much more purpose-led and sustainable business, and to honour our commitment to developing and growing our business in a safe and secure way. Our Members' expectations of us are changing. So we will continue to adapt, invest and improve so that we remain relevant for the long-term and ready to face future challenges.



Julie-Ann Haines

Chief Executive Officer

21st February 2022

Supporting our Members, Colleagues and Communities

Community work

Throughout 2021, we have continued to support and help our local communities. Although the external environment challenges and uncertainties have remained, by working closely with our partners we have been able to maintain our activities in local communities.

Our approach has focused on helping people get a home, health and wellbeing, and financial education (for both primary and secondary school pupils). These themes have been in place since 2016, and were probably more relevant than ever this past year given the global pandemic and social challenges.

Health and Wellbeing

Our official charity partners since 2019 have been Teenage Cancer Trust and Alzheimer's Society. Our fundraising for Teenage Cancer Trust is going towards two new Community Nurse posts, and with Alzheimer's Society it funded the Dementia Connect Service across Wales. The first Community Nurse will be in post very soon and covers five NHS Health Boards across South and South East Wales, whilst the Dementia Connect Service provides telephone based support to those with dementia, their carers and families.

In 2021, we raised over £58,000 and since the partnership started we have fundraised a total of over £367,000. During 2021, we also went past the significant £1m mark for seven different charity partners since 2014.

We also help a number of other charities each year as part of our Colleague Networks and in 2021 we donated over £4,000 - with recipients including the Size of Wales environmental charity as part of Go Green Day 2021.

Financial education

- In 2021, we have continued to provide opportunities for young people and children to learn about money.
- In 2021, we have continued to provide online learning resources with our Dylan's Den App for children being downloaded over 24,000 times and the launch of a Teachers Hub with learning resources.

- We are so proud to have continued supporting a number of Financial Education charities in 2021. With the LIBF a £35,000 Financial Education Fund was set up and this has helped over 500 pupils.
- Partnering with Young Enterprise we proudly sponsored the Fiver Challenge across Wales for the second consecutive year, which allowed over 3,000 children to set up their own businesses with £5 of investment.
- In North Wales we have continued to work with the Xplore (STEM) charity in Wrexham, donating £15,000 towards numeracy-based workshops for children.

Members

We pride ourselves on listening to our Members so colleagues can understand how to meet their needs and expectations. As part of our commitment to this, in 2021, we evolved our previous Member Forum, to create Member Pulse. This online panel allows us to talk to a diverse Member base, on a frequent basis. The panel now has 1,740 Members, contributing to over 15 discussions, ranging from the future of branches to our social impact strategy – all of which is helping us shape the future strategies of the organisation.

Our thanks goes to all of the Members on our panel for their time and invaluable insight, helping us to shape our Society.

Principality also engages with its Members at the Annual General Meeting where Members have the opportunity to vote and put questions to the Board. Our AGM in 2021 was made available online for our Members to meet Government social distancing guidance.

Sponsorship

Due to the COVID-19 pandemic, the events we would normally sponsor, such as the Royal Welsh and Eisteddfod, were sadly cancelled. However, we were really pleased to be a key sponsor and back in person at the Royal Welsh Winter Fair in November 2021.

We were thrilled to welcome back crowds to Principality Stadium again in 2021, where we saw rugby fans reunite for the Autumn Series.

We were finally able to welcome some of our Community Clubs into the Stadium following the difficult times they experienced during the floods of early 2020.

Our people strategy: helping our colleagues to prosper at every stage of their working life

We want Principality to be a fulfilling, collaborative and inclusive place to work as well as an attractive prospect for future colleagues. We're committed to supporting our colleagues to prosper at every stage of their working lives and believe if our colleagues prosper, they will strive to support our Members and our business in the same positive way.

Our people strategy aims to deliver continuous improvements in colleague engagement and satisfaction and is based on the following three elements:

- We will be an employer of choice, continuing to attract and retain talented and passionate people.
- We will inspire a strong customer focused and inclusive culture, investing in our colleagues and building their capability as we transform our Society.
- We will empower our colleagues to live our values, helping them to prosper at every stage of their working lives.

We take pride in creating the right culture

At Principality, we seek to promote a high performing organisational culture, encouraging our colleagues to live and demonstrate our values.

The five values that underpin our culture are:

- Being courageous
- Doing the right thing
- Making it straightforward
- Delivering with passion
- Taking ownership

We are dedicated to providing an environment in which our values are recognised and celebrated, where colleagues take pride in how they interact with each other and our Members, and where everyone, regardless of background or experience, feels they belong and can contribute. To continue to build a successful Society, we encourage our colleagues to value and respect each other and our values are a simple mechanism to drive the right culture for our organisation.

Our values are prominent throughout the Society and are recognised through quarterly and annual recognition celebrations. With the on-going challenges in terms of large scale events, all our celebrations were held virtually this year.

Diversity and Inclusion: respecting our colleagues as individuals and building an organisation where everyone belongs

Having a diverse workforce that is representative of the communities we serve is crucial to our ongoing success, and we are committed to attracting and retaining colleagues from a diverse spectrum of society. An inclusive workplace where everyone feels they belong and where they can be their authentic selves, is at the core of our inclusion strategy.

Our colleague networks play an important role in supporting this and they have grown organically and now include environment champions, mental health advocates, carers, LGBTQ+ and friends and REACH (Race, Ethnicity and Cultural Heritage). Alongside these networks, our colleague forum with elected representatives from across the business, is now entering its third year and continues to build on its role of representing

the views of colleagues to senior leaders and the Board. In 2021, the networks were key to the Society embracing and celebrating events and initiatives such as Pride, World Mental Health Day, National Inclusion Week and Black History Month.

We know that developing and building on diversity and inclusion needs to be done, not only in our business but across the financial services sector. We are building our external networks across the UK to support our ambitions and share best practice with others. Part of this included our contribution to the Building Society Association's (BSA) response to the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Bank of England's discussion paper on the approach to diversity and inclusion within the financial services sector.

We need to ensure that our approach to career progression also supports our ambition to address under-representation at Senior Leadership levels. With this in mind we are starting to track demographic data with regards to secondments and talent programmes. We continue to be a signatory to HM Treasury's Women in Finance Charter and have set targets for our gender balance in our senior management and Board populations. This year, 30% of our senior positions are filled by women against a target of 33% and we are also proud to have our first female Chair in our history.

Over the past year, we have again worked closely with Stonewall to support all colleagues in feeling comfortable, safe and able to be themselves at work. This included delivering LGBTQ+ Allies training to our senior leadership team, and delivering Trans Allies training to our Board and Executive team.

We encourage expertise: investing in our talent to realise potential

We are passionate about developing our colleagues and have a strong learning culture, which has a clear focus around supporting colleagues to prosper at every stage of their working lives.

Throughout the business, we have a clear pathway for learning and development at all stages of a colleague's career. Recognising that no two colleagues will approach their development in the same way, our learning offering is accessible in a number of formats and colleagues are able to select from an extensive programme of training, to support their role and personal development.

As well as formal courses, we have a varied programme of informal 'lunch and learns' where colleagues are invited to hear from internal and external speakers, to boost their skills and knowledge on subjects as varied as climate change and sustainability, financial crime, mental health, diversity, pensions and nature. In a remote learning world these have proved extremely popular and have attracted a number of guest speakers.

Making it easier to do a great job: listening to our colleagues

At Principality, we are proud to have a highly engaged workforce and regularly reach out to colleagues, to ensure we drive forward and enhance what we do to ensure we meet their expectations and grow our culture.

Colleague surveys are an important enabler to hearing our colleague voice, and for the last five years we have taken part in the annual Great Place to Work® survey, which gives all colleagues the opportunity to share their views on working life at the Society. Great Place to Work® is run by an independent third party and the responses gathered are used to define scores in key outcomes including Engagement, Trust and Wellbeing.

We listen and respond to what our colleagues tell us they enjoy about working in our organisation and address feedback around what we can improve.

In April we were delighted to find out that we had risen in the ranks in the Great Place to Work® Awards and placed eighth position in the Super Large Workplaces category.

We also hold regular 'Pulse' surveys throughout the year to keep in touch with views and sentiment. The results of all colleague surveys are reviewed in detail and actions developed in response and delivered at both a team and Society wide level. We have introduced a number of initiatives in a direct response to feedback, including manager training for all people managers, a mentoring scheme and the introduction of colleague specific savings and mortgage products.

Wellbeing

We have a long-established wellbeing approach to promote mental, physical and financial health amongst our colleagues and a wide ranging wellbeing-focused offering. This includes interventions such as free eye tests and flu vaccinations, an optional private medical care benefit, investment in the workplace, mental health advocates, a round the clock Employee Assistance offering for colleagues and their immediate families, and a bespoke wellbeing hub on our internal intranet site.

Since the start of the pandemic, we introduced a range of initiatives to supplement our existing offering, including a weekly corporate fitness programme when gyms were closed, virtual Christmas and summer choirs and informal virtual coffee morning discussions on subjects such as menopause and men's mental health. As well as these, for non-customer facing colleagues, we also introduced a wellbeing hour to ensure they are able to take a break in their working day and

monthly ‘rejuvenate days’ where no formal meetings are to take place.

Rewarding our colleagues fairly

Our people approach means that we treat reward in a fair and consistent manner for all. We are committed to paying the Living Wage and all colleagues are able to participate in our variable pay award scheme. This is linked to a combination of the Society’s successes, meeting individual business objectives and our customer experience metrics. We recognise that delivering as a business takes a strong team and our variable pay award scheme has been developed to recognise our combined contribution.

Managing and reducing environmental impacts

At Principality, we fully understand that society as a whole is facing a significant challenge in responding to the risks posed by climate change, and we are committed to playing our part. In 2021 we created the new role of Sustainability Manager to help us understand our current impact on the environment, and to develop a plan of action. The Board also agreed two key targets; the first is to achieve ‘net zero’ status in our business operations by 2030 and the second is that, until we reach that point, we’ll offset our emissions so that we’re carbon neutral from 2022. We partnered with a specialist third party, ClimatePartner, to support us with this work.

We recognise that every colleague has a role to play in minimising our carbon emissions and we believe this starts with education. As a result, our colleague-led Environmental Network designed a carbon awareness training programme, which they will deliver to all of our colleagues, across both the branch network and our Head Office, to ensure they understand how their actions impact the planet, and to help empower them to take action.

Energy efficient working environments

Work commenced in 2021 as we invested in the sustainability and redesign of our Head Office, Principality House to make the lighting, heating, cooling, ventilation and power systems more energy efficient through better use of technology.

This year, we also upgraded the lighting in 21 branches by replacing all units with LED technology. Having switched to renewable electricity for all branches and Head Office some years ago, in October 2021 we also switched to green gas.

The number of road miles travelled has been measured for the last three years and the table below shows that this has decreased significantly over the last two years, primarily as a result of the pandemic.

Year	Road miles travelled
2019	179,839
2020	36,234
2021	25,779

A proportion of our current leased vehicle fleet runs on diesel fuel, so in 2021 we updated our Company Car policy, so that as each lease expires replacement vehicles will run either on petrol with a maximum of CO2 50g/Km or be supported by hybrid or fully electric technology.

Reducing waste and recycling effectively

Managing waste effectively is an important area of focus for us. Waste generated at Head Office and across the branch network is separated into general waste, mixed-use recycling, food waste and non-recyclable waste which is then passed to a third party for conversion to energy where possible. Our confidential paper waste is also collected by a specialist third party and recycled.

Energy-efficient technology

We regularly review our technology usage to identify where we can reduce energy consumption. Desktop PCs and laptops continue to be replaced with more energy efficient equipment when required, and old equipment is recycled or donated to local charities. We utilise video conferencing technology which is used by colleagues and customers alike to ensure a personal level of service and reduce non-essential travel.

Environmental Champions network

The Environmental Champions network is a group of almost 50 colleagues from the business, who work together to reduce the impact the Society, its colleagues and Members have on the environment.

In addition to designing and delivering a mandatory carbon awareness training programme, the network highlights key initiatives, holds awareness events and shares general tips and advice with colleagues for sustainable living. Initiatives delivered in 2021 included providing information about COP26, Earth Day, making sustainable food choices, and how to have a sustainable Christmas.

Environment priorities for 2022

- We will be working with our partners to analyse and understand our carbon footprint in detail, including our scope 3 emissions and will use this to develop a roadmap to achieve our ambition to become net zero in our operations by 2030.
- The carbon awareness training programme will continue to run throughout 2022, supported by other activity from the Environmental Network. This will ensure that all our colleagues are provided with a range of information that will help them to live more sustainable lives both at home and at work.
- We will continue to take steps to

understand our customers' needs in helping them to understand and manage the risks arising from climate change, particularly our mortgage customers, and we will use this feedback to inform the development of future products and services.

- 2022 should see the completion of the Principality House upgrade and re-design so we hope to welcome our colleagues back to a more carbon efficient and sustainable workplace, which will encourage flexible working and support their wellbeing.

For the year ended 31st December 2021

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 principality.co.uk by 8th April 2022.

Summary Directors' Report

The Summary Directors' Report comprises the 2021 highlights, Chair's Review of the Year and the Chief Executive's Review of the Year.

Approved by the Board of Directors on 21st February 2022 and signed on its behalf by:

Sally Jones-Evans
Chair



Julie-Ann Haines
Chief Executive Officer



Tom Denman
Chief Financial Officer



Consolidated income statement

	2021 £m	2020 £m
Net interest income	129.2	108.6
Other income and charges	12.5	(1.4)
Operating expenses	(93.1)	(79.9)
Impairment provisions	15.4	(9.1)
Other provisions	-	1.7
Profit for the year before taxation	64.0	19.9
Taxation	(15.2)	(4.0)
Profit for the year	48.8	15.9

Reconciliation of statutory profit to underlying profit

	2021 £m	2020 £m
Statutory profit before taxation	64.0	19.9
Adjusted for:		
(Gains)/Losses from derivatives and hedge accounting	(9.6)	4.1
Additional pension charge for GMP equalisation	-	0.1
Underlying profit	54.4	24.1

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

	2021 £m	2020 £m
Assets:		
Liquid assets	1,887.9	1,807.9
Loans and advances to customers	8,883.3	9,204.9
Fixed and other assets	136.7	108.1
Total assets	10,907.9	11,120.9
Liabilities:		
Shares	7,943.7	8,187.5
Borrowings	2,262.3	2,200.1
Other liabilities	55.6	136.0
Retirement benefit obligations	-	2.7
Reserves	646.3	594.6
Total equity and liabilities	10,907.9	11,120.9

Summary of key financial ratios

At 31st December:	2021 %	2020 %
Common Equity Tier 1 capital ratio	33.99	27.10
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.		
Liquid assets as a percentage of shares and borrowings	18.5	17.4
This ratio measures our ability to meet requests for savings withdrawals, to make new mortgage loans to borrowers and to fund general business activities.		
Profit for the year as a percentage of total assets	0.44	0.14
This ratio measures the profit made in the year relative to the average amount of assets held.		
Management expenses as a percentage of mean total assets	0.84	0.73
Management expenses are the cost of running the Society. This ratio measures how efficient we are being, with a lower number indicating greater efficiency.		
Gross Capital as a percentage of shares and borrowings	6.3	5.7
The ratio measures how much capital we have to protect our Members and other creditors against unforeseen eventualities.		

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

We have examined the Summary Financial Statement of Principality Building Society for the year ended 31st December 2021 which comprises results for the year, financial position at the end of the year and summary of key financial ratios together with the Chair's Review of the Year.

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 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 involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts, Annual Business Statement and Directors' Report. Our report on the Group' and Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

Opinion

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Principality Building Society for the year ended 31st December 2021 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of our report

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



Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
21st February 2022

Report of the Remuneration Committee

for the year ended 31st December 2021

The Remuneration Committee

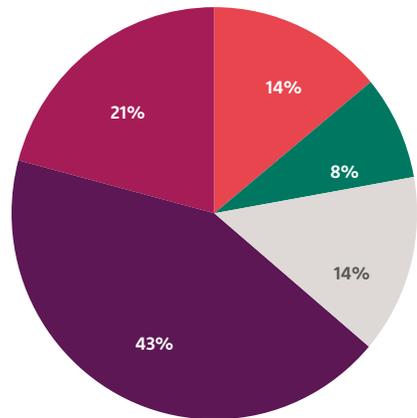
During 2021 changes were made to the membership of the Remuneration Committee. Following the appointment of Sally Jones-Evans into the role of Chair of the Board of Directors, Claire Hafner was appointed as Chair of the Remuneration Committee with effect from 1st August 2021. In line with normal practice, Sally remained a committee member and Debra Williams also joined the Committee from August. As at 31st December 2021, committee membership comprised:

- Claire Hafner – Chair of the Remuneration Committee and Non-Executive Director
- Sally Jones-Evans – Chair of the Board of Directors
- Nigel Annett – Non-Executive Director
- Debra Williams – Non-Executive Director

A significant proportion of the Committee’s time throughout 2021 has been dedicated to:

- Considering the future of reward and ensuring that the Society’s variable pay approach is incentivising for Executives, senior leaders and all colleagues, as well as responsive to regulatory requirements and reflective of the Society’s purpose, giving due regard to diversity and inclusion.
- Setting appropriate pay levels for the Executive-level appointments of Chief Customer Officer and Chief Governance Officer, as well as for Senior Leaders and Material Risk Takers.

- Ensuring fair and competitive provision of benefits for Executives and the wider workforce.
- Overseeing the Society’s response to the publication of Capital Requirements Directive V, ensuring the Society has met obligations on extending malus and clawback provisions and reviewing its status as a ‘small firm’ with regard to the Capital Requirements Regulation.



Proportion of time spent by the Remuneration Committee

- Oversight of Remuneration Across the Society
- Procedural Issues
- Regulatory Reporting
- Performance Award Metrics and Outcomes
- Pay Strategy and Approach

Performance in 2021

Performance during the year has been strong from a profit and loss perspective with record levels of profit and underlying profit recorded. High profit levels have been driven by material provision releases due to rising house prices and an improved economic outlook. There has also been significant fair value gain on our interest rate swaps, largely due to rising swap prices which have been impacted by market expectations of future rate rises.

Challenging market conditions and the implementation of our new mortgage origination technology, MSO has resulted in a small reduction in the balance sheet position with reductions in both the savings and mortgage balances. Balancing the needs of our savers whilst remaining competitive in the mortgage market is a constant focus and the savings rates we offer to our members are directly impacted by the interest we earn on mortgages. Despite this, we still maintained our position as one of the most competitive savings providers on the high street and nine out of ten mortgages continue to be funded by savers.

We remain committed to supporting our members and this is reflected in our industry leading Net Promoter Score, which at the mid-year point was at an industry high of 80.8. As a reflection of this we were recently recognised as the Best Building Society – Customer Service by What Mortgage! for the fourth year in a row. As an award voted for by consumers who are asked to rate each UK building society, it's particularly special and is testament to the hard work and commitment of our colleagues.

To ensure that we help people prosper in their homes at every stage of life, we remain committed to building scale, strength and resilience for the future. In doing this we continue our focus on sustainability and the further development of our Diversity and Inclusion strategy to enable positive impact on customers, colleagues and Members.

Remuneration policy

Our Members tell us that the Society's people are special; 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.

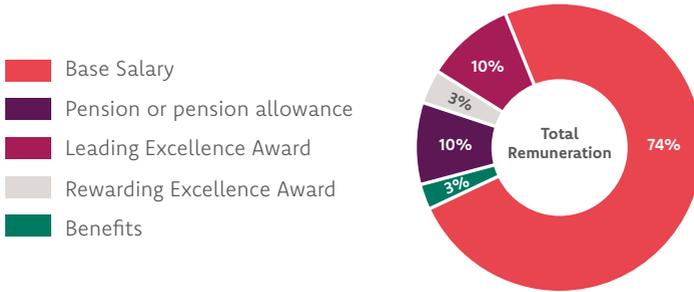
The remuneration policy aims to:

- 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.

The Remuneration Committee is satisfied that the remuneration policy operated as intended throughout 2021.

How this policy is applied

The table below provides a summary of the different elements of remuneration for Executive Directors for 2021:



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 private medical insurance, critical illness cover and life assurance, plus legacy car allowance arrangements in some cases that have been phased out for new appointments.
Pension or pension allowance	To provide longer-term savings to fund retirement. Pension contribution of 8% of base salary or equivalent cash allowance, or in some cases legacy contributions of 15% that will change to 8% for new appointments.
Rewarding Excellence Award (REA)	Designed to share the benefits of teamwork, financial discipline and customer service with all colleagues. Providing a maximum award 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 from January 2019. The LEA is an annual variable pay award with deferral, which has been designed to make targets set more meaningful and effective, enabling the Society to reward, attract and retain our most senior leaders. Provides a maximum award of 38% of base salary, illustration assumes on target LEA award of 19%.

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

Each of the elements outlined overleaf 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.

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.

As detailed below, the performance period for the 2018 Long Term Incentive Plan (LTIP) ended on 31 December 2020, with the last payments made in March 2021. For 2021, variable pay for Executive Directors comprised of the Rewarding Excellence Award (REA) and Leading Excellence Award (LEA).

Variable pay awards for 2021

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% of basic salary for each measure, making a total maximum award of 12% of basic salary. The total award for 2021 is 8.72%.

Leading Excellence Award (LEA)

The LEA is an annual incentive scheme for Executives and Senior Leaders, with an element of deferred payment, designed to make setting meaningful targets more effective and therefore enabling the Society to reward, attract and retain our most Senior Leaders over the medium term.



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 (Ipsos Mori NPS), People (Great Place to Work) and a Shared Strategic Business Objective.
- 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.

The total award for 2021 is 27.23% for Executives and 12.90% for Senior Leaders. 60% of the award is payable in March 2022, with the remaining 40% deferred as follows:

Senior Leaders

2020	2021	2022	2023
Scheme Year	60% award payment	40% award payment	
	Scheme Year	60% award payment	40% award payment

Executives

2020	2021	2022	2023	2024	2025
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

Previous Long-Term Incentive Plan

The LEA replaced the LTIP in 2019 following a full review undertaken by the Remuneration Committee during 2018. A transition period between the two schemes ended in 2020, with the final payment under the LTIP made in 2021, as reported in the 2020 Annual Report.

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 2021
- What the Executive Directors earned for 2021's performance compared to 2020
- CEO pay ratio
- Chair and Non-Executive Director fees in 2021

Salary increases applied to Executive Directors in 2021

It was agreed as part of the pay settlement negotiations in 2020, that Executives and members of the Senior Leadership Team would not receive a base pay increase in the 2021 salary review, except in cases where a market-level adjustment was appropriate. Tom Denman and Iain Mansfield received market level adjustments as shown below. In addition, Iain Mansfield has received a pay increase as of September 2021 to reflect the addition of the Commercial division to his responsibilities. This increase is reflected in the table below.

What Executive Directors earned for 2021's performance

The following table provides the audited information showing a single total figure of remuneration for the 2021 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 and 5}	Total
Individual		£000	£000	£000	£000	£000
Chief Executive Officer / Chief Customer Officer Julie-Ann Haines ⁶	2021	350	4	28	126	508
	2020	268	10	32	94	404
Chief Risk Officer / Interim Chief Executive Officer Michael Jones ⁷	2021	259	13	39	n/a	311
	2020	307	13	46	n/a	366
Chief Financial Officer Tom Denman	2021	225	12	34	81	352
	2020	224	12	34	78	348
Chief Operating Officer Iain Mansfield	2021	212	12	32	75	332
	2020	204	12	31	72	319

¹The review date for salary is 1st February 2022.

²Benefits comprise a car allowance, life assurance, critical illness insurance and private medical insurance.

³A cash allowance of equal value (15% of salary, or 8% of salary for new appointees) may be taken in lieu of pension.

⁴Variable pay is the total of both the Rewarding Excellence Award and the Leading Excellence Award. In 2020 it also included the 2018 Long Term Incentive Scheme as part of the transitional arrangements. The performance period of the LTIP was three years and the 2018 LTIP operated for the performance period 1st January 2018 to 31st December 2020.

⁵The Chief Risk Officer (and Interim Chief Executive Officer) and Chief Internal Auditor do not participate in the variable pay scheme.

⁶Julie-Ann Haines was appointed Chief Executive Officer in September 2020. Her 2020 salary was split between her earnings as Chief Customer Officer and Chief Executive Officer.

⁷R Michael Jones was appointed interim Chief Executive Officer in 2020 before Julie-Ann Haines' appointment. His 2020 salary reflects this additional responsibility in 2020.

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 and 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's pay is 14 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):

Year	Method	25 th percentile	Median	75 th percentile
2021	Option A	20:1	14:1	10:1
2020	Option A	18:1	12:1	9:1

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 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.

Chair and Non-Executive Directors' fees for 2021

The Society aims to remunerate Non-Executive Directors with fees set at a level that will allow it to attract and retain the required calibre of independent directors. In 2021 the Society commissioned PwC to undertake a review of these fees compared to the external market, and this review indicated that:

- The base fee the Society pays Non-Executive Directors was below market rate for an institution of its size
- The fee for chairing the Remuneration Committee was similarly below market rate
- The Society was unusual in paying Non-Executive Directors fees for committee membership

In light of this, the Society made adjustments to the fees of Non-Executive Directors, increasing the base fee and removing payment for attending a committee. Incumbent Non-Executive Directors moved to this new structure, effective April 2021, with the exception of Claire Hafner, who remained on the previous structure until regulatory approval of her appointment to Remuneration Committee chair was received in August. The fee for this office was brought in line with the market rate at the same time.

Fees paid to the Chair and the Non-Executive Directors during the year under both structures were as follows:

Non-Executive Directors	Fees	
	2021 £000	2020 £000
Sally Jones-Evans (Chair of Board of Directors) ¹	103	63
Nigel Annett (Chair of Technology Committee)	63	63
Derek Howell (Chair of Audit Committee & Senior Independent Director)	73	72
David Rigney (Chair of Board Risk Committee)	68	69
Claire Hafner (Chair of Remuneration Committee) ²	63	56
Debra Evans-Williams	51	49
Jonathan Baum (from 1st July 2021)	27	-
Laurence Adams (former Chair of Board of Directors, up to 23rd April 2021)	38	121
Total	486	493

¹Sally Jones-Evans' 2021 fee increase relates to her appointment as Chair of Board of Directors.

²Claire Hafner's 2021 fee increase relates to her appointment as Chair of the Remuneration Committee.

Looking ahead to 2022

Base salary

The Committee undertake a review of the Executive Directors' base salaries on 1st February of each financial year, taking into account factors such as individual and business performance, market conditions, and the level of salary increase applied to other colleagues across the Society. For 2022, it was agreed that Executive Directors would be treated the same way as the wider workforce, in terms of salary benchmarking and have the same performance related increases applied to them. This has resulted in a 3% increase to salaries, as shown below.

Following this review the Executive Directors' salaries will be:

Julie-Ann Haines	£360,500
Michael Jones	£266,396
Tom Denman	£231,750
Iain Mansfield	£231,750

Benefits

No changes have been made to the benefits in kind provided to Executive Directors for 2022. Executive Directors are entitled to receive the following benefits:

- Private medical insurance
- Critical illness cover
- Life assurance
- Some Executive Directors are entitled to legacy car allowance (this has been phased out for new appointments since 2020)

Pension

Newly appointed Executives or Executive Directors are entitled to receive a pension contribution that is in line with that of the workforce, currently 8% of base salary. In 2022, in line with current market practice and to further align with our fair pay agenda across the Society, Principality is reviewing pension benefits for the existing Executive Directors who receive a pension contribution of 15% of base salary.

Variable pay

Both the Rewarding Excellence Award (REA) and the Leading Excellence Award (LEA) will continue to operate from 1st January 2022. The committee agreed changes to the structure of the REA for 2022, increasing the number of performance measures from two to three and making adjustments to the weighting of each measure. A summary is set out below:

	Rewarding Excellence Award	Leading Excellence Award
Performance period	1st January 2022 to 31st December 2022	1st January 2022 to 31st December 2022
Participants	All colleagues at Principality, except leaders of control functions	Executives and Senior Leaders, with the exception of leaders of control functions
Administrator	Remuneration Committee	Remuneration Committee
Initial gateway requirements	Capital and liquidity conditions and the absence of any material regulatory breaches and achievement of threshold profit before tax	Capital and liquidity conditions and the absence of any material regulatory breaches and achievement of threshold return on assets
Performance measures	Profit before tax – 40% Service Net Promoter Score – 40% Strategic key performance indicator – 20%	Return on assets – 25% Net Promoter Score – 25% Colleague engagement – 25% Shared strategic business objectives – 25%
Potential payments	Nil for threshold performance 6% of salary for meeting challenging target performance 12% of salary for attaining highly stretching targets.	Executives Nil for threshold performance 19% of salary for meeting challenging target performance 38% of salary for attaining highly stretching targets

Variable pay continued

	Rewarding Excellence Award	Leading Excellence Award
Potential payments continued		Senior Leaders Nil for threshold performance 9% of salary for meeting challenging performance targets 18% of salary for attaining highly stretching targets
Payment date	Subject to Audit and Remuneration Committee approval, payment will be made in March 2023. There will be no partial deferral of payment.	Subject to Audit and Remuneration Committee approval, 60% of the award will be paid to eligible participants in March 2023. Following this, Executives will receive a deferred payment of 20% in March 2024 and a final deferred payment of 20% in March 2025. Senior Leaders will receive a final deferred payment of 40% March 2024.
Clawback (demanding repayment)	The Remuneration Committee can apply clawback to an Executive Director's award, and that of other Senior Leaders and Material Risk Takers, if it is discovered that the award should not have been paid, for example, in the event of a material misstatement of the Group annual results or in the event of a serious regulatory breach.	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 annual results or in the event of a serious regulatory breach.

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 Officer 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 2021 Director's Remuneration Report received 19,750 votes in favour (90.68%) and 2,031 votes against (9.32%).

Approval

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



Claire Hafner
Chair of the Remuneration Committee
21st February 2022

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



Sally Jones-Evans

Chair, Non-Executive Director

GNC RC

Joined the Board in February 2015, elected Chair in April 2021

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 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

I sit on the Boards of Hafren Dyfrydwy Ltd (a subsidiary of Severn Trent PLC) and Delio Ltd, a fast growing Welsh fintech business. I have a special interest in tackling poverty and injustice and serve as a Trustee Director of Tearfund, a humanitarian and overseas development charity.



Nigel Annett

Non-Executive Director

TC RC 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, Community Foundation Wales. 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.



Claire Hafner

**Non-Executive
Director**



Joined the Board
in April 2018

Skills and experience

I am a qualified accountant (ACA) and have a 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.



Derek Howell

**Non-Executive
Director**



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 continued to act as a consultant for PwC solely in connection with the ongoing administration of Lehman Brothers until December 2021.

Contribution to the Society's long-term sustainable success

As Senior Independent Director, I act as a sounding board for the Chair, serve as an intermediary for other Directors, and am responsible for leading the annual review of the Chair'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

A trustee of both the National Botanic Garden of Wales and Artes Mundi and a member of the Financial Resources Committee of the St John Ambulance Wales.



David Rigney

**Non-Executive
Director**



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 Ltd and Senior Independent Director of Elexon Limited.



**Debra
Evans-Williams**

**Non-Executive
Director**



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

Non-Executive Director of Co-Op Insurance, Non-Executive Director of the Milford Haven Port Authority and Trustee of the Alacrity Foundation. I am also a proud ambassador for Tŷ Hafan.



Jonathan Baum

**Non-Executive
Director**

AC BRC GNC

Joined the Board
in July 2021

Skills and experience

I have 30 years of experience in domestic and international banking within globally renowned organisations including Lloyds Banking Group, Barclays Bank PLC and GE Capital. I was a Non-Executive Director for both TransUnion UK and Vanquis Bank.

Contribution to the Society's long-term sustainable success

My experience across retail, business, wealth and asset finance sectors and in risk leadership roles enables me to have oversight of current and emerging risks that will ensure that the Society continues to be successful and sustainable for its Members.

Other roles

Director of Baum Advisory Ltd.



Julie-Ann Haines

**Chief Executive
Officer (CEO)**

Joined the Board
in May 2016

Skills and experience

I was appointed Chief Executive Officer in 2020, prior to that I had been the Society's Customer Director since 2012. Before 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

I am passionate about the Society, ensuring we build on our mutual ethos and values, rooted in our communities, its fantastic customer experience and in meeting your needs. My role is to lead the Executive team to ensure we continue to deliver the Society's strategy for the long-term interests of our Members and ensure that the organisation runs smoothly day-to-day, supporting colleagues and building an inclusive and engaging culture.

Other roles

Member of the UK Finance Mid-Tier Strategic Advisory Committee.
Member of the International Advisory Board of Cardiff Business School.



Tom Denman

**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.



Michael Jones

Chief Risk Officer (CRO)

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 and undertook those duties until September 2020, at which point I moved back to my substantive role as CRO. 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

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.

Other roles

Member of the UK Finance Mortgages Product & Service Board.



Iain Mansfield

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. 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. I also have responsibility for Commercial Lending and Nemo and in addition, I am also the Executive Sponsor of HTP – our multi year transformation programme.

Notice of 2022 Annual General Meeting

Notice is hereby given that the one hundred and sixty-second Annual General Meeting of Principality Building Society will be held at 11am on Monday 25th April 2022 at The Parkgate Hotel, Westgate Street, Cardiff, CF10 1DA and online at attend.cesjoinin.com/login in accordance with the information set out at item 7 of the Notes to this Notice of AGM, for the purposes set out below.

Ordinary Resolutions

1. To receive the Directors' Report, the Annual Business Statement, the Annual Report and Accounts and the Auditors' Report for the financial year ended 31st December 2021.
2. To approve the Directors' Remuneration Report for the year ended 31st December 2021, as set out in the Annual Accounts.
3. To re-appoint Deloitte LLP as Auditors until the conclusion of the next AGM.
4. Election and Re-election of Directors:
 - a) To elect Jonathan Baum
 - b) To re-elect Nigel Annett
 - c) To re-elect Thomas Denman
 - d) To re-elect Debra Evans-Williams
 - e) To re-elect Claire Hafner
 - f) To re-elect Julie-Ann Haines
 - g) To re-elect Derek Howell
 - h) To re-elect Michael Jones
 - i) To re-elect Sally Jones-Evans
 - j) To re-elect Iain Mansfield

The Board recommends that you vote 'For' each of the ordinary resolutions and 'For' the election or re-election of each of the Directors.

By Order of the Board.



Tony Smith
Chief Governance Officer
 21st February 2022

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 Chair 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 to join in demanding a poll. You may appoint a proxy by post or online using the Society's secure independent voting site with further details to be found in the voting guide.
- 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, 25th April 2022, if voting in person, and 5pm on Friday 22nd April 2022 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.

Shareholding Members

- a. **To qualify as a Shareholding Member, you must –**
 - i) if you are an individual, be at least 18 years old on 25th April 2022; and
 - ii) have held shares* to the value of not less than £100 in the Society on 31st December 2021; and
 - iii) not have ceased to hold a share* or shares* in the Society at any time between 31st December 2021 and 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 25th April 2022, and
 - ii) have owed the Society not less than £100 in respect of a mortgage debt on 31st December 2021, 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) For the 2022 AGM, the Society is for the first time enabling members to attend, participate in, and vote at the meeting electronically, should they wish to do so. Details as to how to access and use the electronic voting platform can be found on the relevant page of the Society's voting guide. As in previous years, it will also be possible to vote by post or online ahead of the meeting.
(* A reference to 'share' or 'shares' is a reference to a share account opened or a share issued by the Society in accordance with the Rules of the Society.)

Registration at the Annual General Meeting will open from 10am at The Parkgate Hotel, Westgate Street, Cardiff, CF10 1DA and online at: attend.cesjoinin.com/login.



ONLINE

principality.co.uk

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



VISIT

To find your nearest branch visit principality.co.uk/branch.

To minimise the spread of COVID-19, local measures may be in place to protect both our staff and Members, please see branch display information.



CALL US

0330 333 4000*

(Open Mon–Fri 9am–5pm
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 House, The Friary, Cardiff. CF10 3FA.

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