

Summary Financial Statement 2014



**PRINCIPALITY
BUILDING SOCIETY**

SUMMARY DIRECTORS' REPORT

Principality Building Society
Summary Financial Statement for the
year ended 31 December 2014

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 from 9 April 2015.

Approved by the Board of Directors on 10 February 2015 and signed on its behalf by:



Laurence Philip Adams
Chairman

A handwritten signature in black ink that reads "C. P. Adams".



Graeme H. Yorston
Group Chief Executive

A handwritten signature in black ink that reads "G. Yorston".



Stephen Hughes
Group Finance Director

A handwritten signature in black ink that reads "S. Hughes".

CHAIRMAN'S REVIEW OF THE YEAR

Strategy and performance

Principality has had another successful year. Our on-going commitment to providing a safe home for savers and attractive mortgage products for borrowers has helped produce another set of strong financial results. Our principal strategy is to focus on the core Society, through growing our retail mortgage lending and enhancing our overall proposition for Members. To make our strategy a reality, we strive to provide our Members with first class service where we put a fair outcome for our Members at the centre of everything we do. Our assets grew by 2.9% to £7.3bn and we expanded our presence in the high street with the opening of another agency in Chepstow. We remain the largest building society in Wales and the 6th largest building society in the UK.

The on-going low interest rate environment looks set to persist for the foreseeable future which we know is a challenge for all savers. We are paying competitive rates and have been consistently above the market average. As well as our financial performance, we are also supporting our communities in more ways than ever before. The Member, Colleague and Community section in the full

Annual Report and Accounts gives further detail about the excellent work that we have been doing this year in the communities in which we live and work.

**SIXTH
LARGEST
SOCIETY
IN THE
UK**

Board of Directors and key appointments

There have been a number of changes to the Board in the last 12 months, not least the departure of Dyfrig John, the Society's former Chairman. Dyfrig has many distinguished years' experience in financial services both in the UK and abroad and I would like to thank him for the strong contribution and leadership that he demonstrated during the recent tumultuous economic times.

In addition, we said goodbye to Langley Davies, non-executive director, and Guy Thomas (formerly Group Finance Director, and latterly the Group's Chief Operating Officer and the Chief Executive of our subsidiary, Nemo Personal Finance Limited) who stepped down from the Board. Langley spent nine years as a Non-Executive Director in the Group and Guy retired after serving 11 years on the Board. Again, I extend my thanks to them for the very significant contribution that each of them has made to the success of the Society over many years.

I am pleased to say that we have made some key appointments to maintain the strength of your Board and the executive management team.

Derek Howell joined the Board in April and will stand for election for the first time in 2015. Derek, a qualified accountant and former partner at PwC, has extensive experience in the sector.

In addition to this, the executive management team has been bolstered by the appointment of Alan Jarman to the role of Group Chief Operating Officer and Chief Executive Officer of Nemo Personal Finance Limited. Alan has many years' experience in the retail banking sector, most recently at HSBC, where he held a number of very senior roles both in the UK and abroad.





Members, community and heritage

At Principality, our Members are truly at the heart of everything that we do. Our network of branches and agencies consolidates our position as a leading brand on the high street across Wales and the borders, allowing us to meet our Members' needs face-to-face as well as in our contact centre and online. Listening to, and acting on, feedback from Members allows us to ensure that we remain able to deliver the products and services that our Members want and need. During 2014, as well as our Annual General Meeting, we held three Member Forum events and three Member Talkback events, which allow our Members to meet with our directors and key people in our business. Listening to our Members allows us to put plans in place to ensure that we will continue to meet demands in a world of rapidly advancing technology. This, and developing products that meet our Members' needs, are areas that we will continue to invest in for the future.

Our staff work extremely hard to ensure that our business is making a difference in local communities and to the economy of Wales, and I am delighted that during 2014 their efforts were recognised with the Society

winning five prestigious awards and being highly commended or runner up in a further four awards. While 2014 has seen many other large financial institutions start to focus on the community, at Principality we pride ourselves on having been active in our communities for many years. We continued to build on those strong community roots in 2014 through initiatives such as community days at schools, national parks and food banks as well as support for local sports teams and choirs, to name but a few.

In 2014 we also celebrated the 10th anniversary of support for the Principality Premiership as well as our continued support for other events and groups around Wales and the borders. We also won the Long-term Support award at the Arts and Business Cymru Awards in recognition of our 35 year sponsorship of the National Eisteddfod, a key event in the Welsh national calendar.

Our Charity of the Year in 2014 was MS Society Cymru and through a wide range of activities I am delighted to say that our staff have raised more than £86,000. I would like to thank all of our staff and Members who have





**OVER
1600 HOURS
OF STAFF
VOLUNTEERING
WORKING ON LOCAL
COMMUNITY
PROJECTS**

participated in and supported these events which have raised such a fantastic amount to help support people with Multiple Sclerosis throughout Wales.

2015 Outlook

In election year in the UK, with continuing uncertainty in

the global economic outlook and falling oil prices, 2015 will no doubt create more economic challenges. I believe however, that Principality will be well placed to address these challenges thanks to our strong capital and liquidity management. We are mindful of the impact that a rise in the

Bank of England Bank Rate will have on our savers and borrowers and will continue to do what we can to ensure that we remain competitive and provide the high standards of service that we have always done. In the Group Chief Executive's Review and within the Annual Report and Accounts we will elaborate further on the Society's strategy.

As Chairman, my priority is to ensure that our Members' interests remain at the forefront of our minds and decision making. We hope to continue to grow the Society, so that we can help more people to enjoy the benefits of mutuality, to enhance our products and services and in doing so continue to make a significant contribution to the people and economy of Wales in 2015 and in the future.

Laurence Philip Adams
Chairman
10 February 2015



The Morriston under 9s rugby team received their kit from their local Principality branch

GROUP CHIEF EXECUTIVE'S REVIEW OF THE YEAR

It has been another successful 12 months for the Principality Group with steady growth, firmly positioning ourselves to meet the targets laid out in our five year growth strategy that was announced in 2012.

In 2014, we have built on our core principles of providing a safe home for our customers' savings and helping people to buy their homes, whilst continuing to deliver strong customer service. This has resulted in the Society being named the most recommended savings provider in Wales* for the second year running.

This year we have also grown our assets to £7.3bn (2013: £7.1bn) and our net retail mortgage balances to £4.8bn (2013: £4.5bn), whilst boosting our high street presence by opening our 71st outlet.

We have continued to develop the business to ensure that it is in a strong position to grow sustainably, whilst ensuring that our business model is steady and looking after our Members' needs.

In 2014, Principality was also given a major vote of confidence by credit rating agency Moody's Investors Service, by being upgraded and awarded a positive outlook. This signifies the agency's

opinion on the credit quality of the Society, and demonstrates its confidence that the Society remains safe and secure for our owners, our Members.

We have also recorded a record profit before tax on continuing operations for the year in 2014 of £53.5m (2013: £28.2m), which will help us to keep the business secure as demand for capital increases from regulators both in the UK and Europe. As a mutual building society we have to balance the needs of our savers and borrowers as well as deliver profit for the business. Increased profit is currently the only way that the Society is able to create more capital to invest in the long-term and provide essential protection for the Society and our Members in the future. The profit for the year includes a one off credit of £10.1m in relation to our pension scheme and £10.5m in relation to the sale of Peter Alan which is discussed in detail in the full Annual Report and Accounts.



Group businesses

Our Group businesses continue to be an important part of our strategy and this year has seen a positive year for both of our other businesses as they face new market challenges and regulation.

This year we made the decision to sell our estate agency Peter Alan and outsource our surveying business to leading estate agency and property services provider the Connells Group for consideration of £16.4m. This decision was not taken lightly but we felt that it was the right decision for the Group and Peter Alan, which will be able to prosper under an owner that is a specialist in the estate agency field. It also reduced complexities, allowing the Society's

BALANCE SHEET
ASSETS AT
£7.3bn

management to focus on the delivery of the strategy for the core building society, and delivered significant value for Members.

Our secured lender Nemo Personal Finance Limited continues to perform strongly from a financial perspective, seeing healthy profits for another year, despite a decrease to £13.9m (2013: £16.4m). This has been as a result of the increased competition in the market and as a result of work to strengthen the Nemo Personal Finance Limited balance sheet but we are confident that it will continue to maintain a successful business with a strong presence in the second charge market.

Last year I expressed a view that a corner had been turned with regard to the commercial market and after some challenging years in this sector it was encouraging that Principality Commercial, our commercial arm, has returned to profit in 2014. Coupled with more than £100m of new lending in the last 12 months, this has been its most successful year since the downturn. The Society's Board recently reviewed the medium term plan for the division and believes it has a credible part to play in our future, not least given the value it delivers to the local economy in terms of development projects. A number of exciting schemes have been supported through the year in our core territory. Saundersfoot, Langland Bay, Merthyr Tydfil and Cardiff are just some of the locations where we have helped developers to build much-needed homes for the people of Wales.

The last 12 months has been a story of strong growth for the Society, keeping our strategy firmly on track and always keeping the Member at the heart of the business to ensure long-term benefits for them and the communities in which we live and work.

*Source: GfK NOP Financial Research Survey (FRS), 12 months ending December 2014, NPS measure of 2,357 Welsh savings account customers. Competitor list includes the following: Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Nationwide, NS&I, Santander, TSB.

KEY PERFORMANCE HIGHLIGHTS

- Most recommended savings provider in Wales*
- Grown assets to £7.3bn (2013: £7.1bn)
- Net retail mortgage balances £4.8bn (2013: £4.5bn)
- Net interest margin 1.87% (2013: 1.68%)
- Opened our 71st outlet in Wales and the borders
- Upgraded and awarded a positive outlook by Moody's Investors Service
- Grown profits before tax on continuing operations to £53.5m (2013: £28.2m)

Helping people into homes

The last 12 months has also seen the biggest change in the mortgage market since 2004, with the introduction of the Mortgage Market Review. The changes require customers to demonstrate in much more detail than before their ability to afford the mortgage, and face-to-face and telephone sales must now be on an advised basis. As a responsible lender we have, for some time, been acting in accordance with a number of the changes, but there is no doubt that the changes resulted in increased complexity for our business. The pace of change is certainly here to stay and regulation looks set to impact our business for many years to come so we must not be complacent. But, the Society successfully implemented the recent changes to ensure our mortgage business continues to prosper.



MOODY'S UPGRADE

This year we have helped more than 2,300 first-time buyers get onto the property ladder. We realise that people's circumstances are constantly changing and that to ensure their financial security from time to time they will need to change products and look at other options. This is something that we are committed to helping with and we will continue to look at our product offering to ensure we can meet our customers' ever-changing demands.

Delivering value to our loyal Members

Competition in the mortgage market has meant that interest rates for borrowers have been forced downwards and as a direct result of this savings rates have also been reducing. This parallel shift in rates is important to lenders to maintain profitability and the security of the business.

We do recognise the plight of savers in an environment of continuing low interest rates and we have implemented a number of initiatives to help alleviate this, but we cannot operate in isolation or against market

trends as we need to ensure the safety of our mortgage business as well as our savings business. Our savers are fundamental to Principality with 91.4% of the money we lend coming from them.

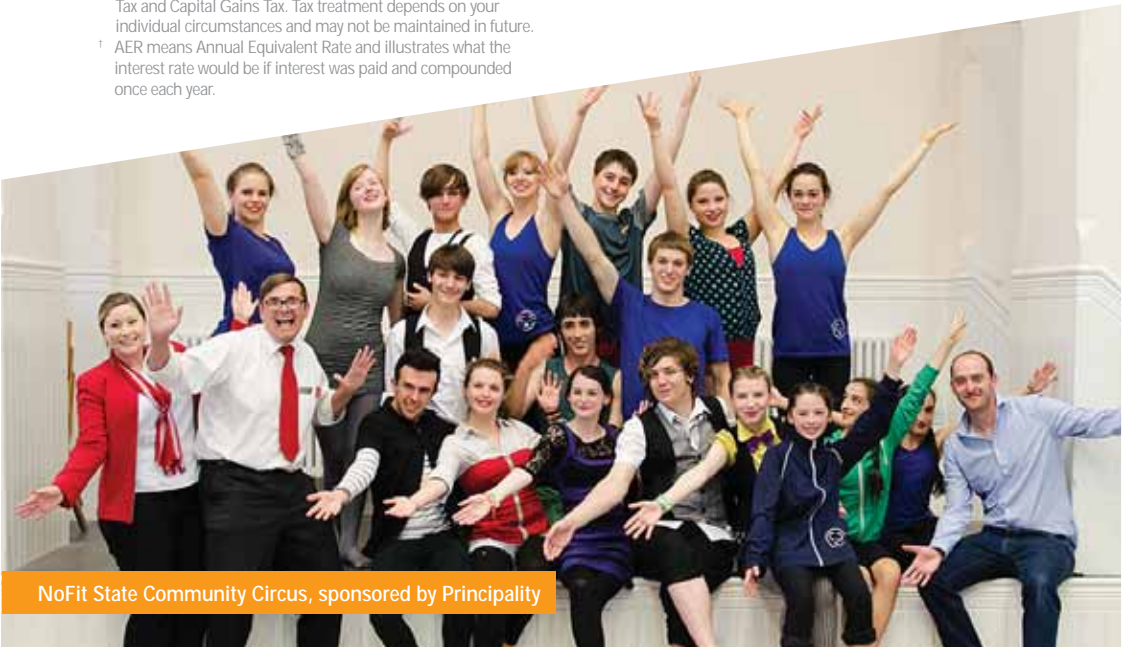
WHAT WE HAVE DONE TO HELP SAVERS

- £218m growth in Welsh savings balances in 2014
- Average savings rate paid to Welsh Members 1.63% vs. a market average of 1.37%**
- Members holding a Promise Saver benefited from a rate of up to 2.00% AER[†], one of the best rates on the high street for this type of product
- In 2014, Members holding a Promise ISA benefited from a tax-free* rate of up to 2.30% AER[†]
- In 2014 we had 465 Best Buy Table mentions for savings and mortgages

** Source: CACI Current Account and Savings Market Database (CSDB).

* Tax-free means the interest you earn is exempt from UK Income Tax and Capital Gains Tax. Tax treatment depends on your individual circumstances and may not be maintained in future.

[†] AER means Annual Equivalent Rate and illustrates what the interest rate would be if interest was paid and compounded once each year.



NoFit State Community Circus, sponsored by Principality



In 2014, we have continued to invest in the high street, celebrating the 50th anniversaries of our Shrewsbury and Hereford branches as well as opening our 18th agency (71st outlet) in Chepstow, whilst other organisations are pulling away from the high streets. We are not immune to the decline in branch transactions, which is being seen throughout the industry, but we recognise the benefit of branches and agencies coupled with continued investment in all channels of the business so that customers can deal with us in whichever way they wish. However, we are extremely aware that substantial further investment will need to be made in our business to remain relevant and meet the needs of future generations.

We have also retained our position as the most recommended savings provider in Wales* this year, highlighting our impressive service levels throughout our branches and contact centre. This is something of which we are particularly proud, along with our community work in Wales and the borders. As a business, Principality has always donated time and money to enhance its local communities, to play our part in ensuring they can thrive. This year we have enhanced that commitment, donating over 1,600 hours of staff volunteering and investing over £40,000 into our local communities through sponsorship. This commitment has not gone unnoticed and we have won a range of community awards this year including the Corporate Social Responsibility and Community Services – Large Lenders awards at the Mortgage Finance Gazette Award 2015, in recognition of this work.

*Source: GfK NOP Financial Research Survey (FRS), 12 months ending December 2014, NPS measure of 2,357 Welsh savings account customers. Competitor list includes the following: Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Nationwide, NS&I, Santander, TSB.

Preparing for the future

The UK economy is showing increasing signs of a sustainable recovery but the wider market in Europe and beyond is still showing levels of uncertainty. That said, I expect continued growth in the UK and increased employment. Wages have started to rise more rapidly than prices and interest rates have now been at 0.5% for more than five years, allowing the economy time to grow.

After a number of difficult years savers will be hoping that 2015 signals the return to better interest rates. But latest indications show that with inflation dropping it is unlikely that the Governor of the Bank of England will increase rates until at least the third quarter of 2015, maybe even 2016.

Whilst a change in bank rates and new entrants in the market should increase competition, unfortunately for savers I don't think that savings rates will grow as fast as they might hope. The relationship between the bank base rate and savings rates is broken and the difference between the two rates needs to be managed by lenders to ensure they are also able to offer competitive mortgage rates and continue to hold enough capital to keep their businesses secure. The gap regrettably is not sustainable and when

rates rise it is unlikely that these increases in rates will be passed on in full by financial institutions. In fact, we have seen a number of financial institutions lower their savings rates in 2014 as a result of this differential being eroded and it is something that we are also not immune to if we want to keep the Society secure.

For us at Principality we hope that 2015 will see further opportunity for us to grow and demonstrate the value of our mutual model, whilst continuing to be prudent to ensure the safety of our Members' money.

More than 150 years ago we were established to help people buy their own home and to safeguard their hard earned savings. Today, this remains our core focus and our financial stability, our determination to meet our future growth strategy and our customer focus will ensure that we are able to support our customers for many years to come.

Graeme H. Yorston
Group Chief Executive
10 February 2015



Staff from Principality help transform the gardens at Bryn Celynog Comprehensive School, Beddau

INDEPENDENT AUDITORS' STATEMENT

to the Members and Depositors of
Principality Building Society on the
Summary Financial Statement for
the year ended 31 December 2014

Pursuant to Section 76 of the Building Societies Act 1986, we have examined the Summary Financial Statement for the year ended 31 December 2014 which comprises the summary Income Statement, Statement of Comprehensive Income 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 Annual Accounts, Annual Business Statement and Directors' Report and its compliance 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 issued by the Auditing Practices Board. Our report on the Society's Annual Accounts describes the basis of our audit opinion on those financial statements.

Opinion

In our opinion the Summary Financial Statement is consistent with the Annual Accounts, the Annual Business Statement and Directors' Report of Principality Building Society for the year ended 31 December 2014 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.



Deloitte LLP
Chartered Accountants and Registered
Auditors
Cardiff, United Kingdom
10 February 2015

GROUP SUMMARY

FINANCIAL STATEMENT

for the year ended 31 December 2014

Income statement

	2014 £m	2013 Restated* £m
Continuing operations:		
Net interest receivable	133.8	116.4
Other income and charges	6.6	12.0
Administrative expenses	(64.7)	(65.3)
Impairment provisions	(13.5)	(22.4)
Provisions for other liabilities and charges	(8.7)	(12.5)
Operating profit	53.5	28.2
Other gains	-	-
Profit for the year before taxation from continuing operations	53.5	28.2
Taxation	(11.7)	(6.2)
Profit for the year from continuing operations	41.8	22.0
Profit for the year from discontinued operations	10.5	0.2
Profit for the year	52.3	22.2

Statement of other comprehensive income

	2014 £m	2013 Restated* £m
Profit for the year	52.3	22.2
Items that will not be reclassified subsequently to profit and loss:		
Actuarial loss on retirement benefit obligations	(1.6)	(4.3)
Income tax	0.4	0.4
Items that may be reclassified subsequently to profit and loss:		
Gain/(loss) on available-for-sale assets	7.1	(8.2)
Income tax	(1.5)	1.8
Total comprehensive income	56.7	11.9

*Restated to reflect the reclassification of discontinued operations.

Balance sheet

	2014 £m	2013 £m
Assets		
Liquid assets	1,037.4	1,042.1
Mortgages	6,139.9	5,904.6
Fixed and other assets	87.7	111.4
Total assets	7,265.0	7,058.1
Liabilities & Equity		
Shares	5,613.0	5,562.6
Borrowings	1,001.7	902.8
Other liabilities	67.9	58.4
Retirement benefit obligations	6.9	17.1
Subscribed capital	71.9	70.2
Subordinated liabilities	92.3	92.3
Reserves	411.3	354.7
Total liabilities & equity	7,265.0	7,058.1

SUMMARY OF KEY FINANCIAL RATIOS

at 31 December 2014

	2014 %	2013 %
Common Equity Tier 1 capital ratio	18.2	16.9
Solvency ratio	22.5	20.2
Leverage ratio	5.0	4.6
Liquid assets as a percentage of shares and borrowings	15.7	16.1
Profit for the year as percentage of total assets	0.72	0.31
Management expenses as a percentage of mean total assets	0.90	0.95

REPORT OF THE REMUNERATION COMMITTEE

for the year ended
31 December 2014

On behalf of the Board, I am pleased to present the Remuneration Committee's 2014 Report which sets out our Remuneration Policy and provides for our Members details of the basic salary, variable pay and benefits earned by directors in the year to 31 December 2014.

Our Remuneration Policy aims to align executive remuneration with the delivery of the Board's strategy, which is to deliver the best outcomes for our Members and ensure that the business is run safely and successfully.

We keep our Remuneration Policy under review so that it continues to support what

we aim to achieve for the Society and our Members. In recent years, the Committee has made a number of important changes to the application of our Policy by, for instance, strengthening the importance of achieving fair outcomes for Members and customers in the calculation of variable pay and by reducing significantly the maximum variable pay award that could be achieved.

The Committee continues to believe that a carefully controlled performance related variable pay policy is in the interests of the Society and Members. Not only does it reward the achievement of stretching targets set by the Board each year allowing remuneration to be aligned with results but it also means that costs can be reduced if for any reason financial performance deteriorates. At the same time, the Committee is alert to the risks arising from excessive variable pay awards and it is partly for this reason that the Committee has set the potential for variable remuneration at a level below that of our peer group of major building societies and very significantly lower than other major financial institutions.



Principality staff help clean Cefn Sidan beach



Our executive leadership team has delivered another strong performance this year. Sound management and the benefits of strategies put in place in previous years have meant that the Society has a secure financial position which is key to ensuring that our Members' savings are safe and our products and services are competitive and provide real value. The Committee believes that having appropriate remuneration policies in place, as summarised in this 2014 Report, has contributed to this satisfactory result.

2014 key decisions and annual variable awards

The Remuneration Committee consists of non-executive directors only and has delegated authority from the Board to review and approve the Society's Remuneration Policy, approve remuneration of the executive directors and (in consultation with the Group Chief Executive) senior management. It also oversees the remuneration of all other staff who have a material role with respect to the Society's risk profile, approves all variable pay schemes together with relevant targets, and reviews proposals on the remuneration of

the non-executive directors, including the Chairman for recommendation to and approval by the Board.

In 2014, the Remuneration Committee decided that the basic salary of executive directors (with the exception of the Group Chief Executive and Group Risk Director) should increase by 2.25%. This increase was equal to the average pay increase awarded to all other colleagues in the Group.

Graeme Yorston was appointed as Group Chief Executive for the Society in September 2012 and his basic salary was not reviewed in 2013. The Remuneration Committee commissioned a report from remuneration consultants, New Bridge Street, and, based on their recommendation, agreed to increase the Group Chief Executive's basic salary by 8% to £335,000, from 1 January 2014, with no further review until February 2016. This means that over the three year period, 2012 to 2015, the average annual increase in basic salary for the Group Chief Executive is 2.7%.



overall capital, liquidity and risk position being met.

In February 2014 we reviewed the remuneration of Michael Jones, Group Risk Director, in the light of his greatly increased responsibilities. Having reviewed remuneration levels for this key role across the sector, the Remuneration Committee agreed to increase his basic salary by 24% to £230,000. Importantly, given his special responsibilities, the Group Risk Director does not participate in any variable pay scheme.

Turning to variable pay, the maximum annual variable pay award for all executive directors (other than the Group Risk Director) for the year ended 31 December 2014 was 40% of base salary, with 20% of base salary payable for achieving “on target” performance which would represent a very satisfactory result for the Society and Members. Variable pay is based on two key financial measures and two key customer satisfaction measures and is subject to personal objectives being achieved as well as critical financial metrics for the Society's

The executive variable pay awards have been calculated on the basis of profit before tax excluding the exceptional items which have arisen from the sale of Peter Alan and the change made to the closed defined benefit pension scheme. The Committee has approved a variable pay award of 29.5% of basic salary in respect of 2014, of which half is deferred for one year except for Graeme Yorston and Guy Thomas. The Committee agreed that Guy Thomas, who retired on 31 October 2014, should receive a pro rata payment for the 10 months he was in post in 2014. In line with the Remuneration Code, 40% of the award for Graeme Yorston and Guy Thomas will be paid in 2015 with the balance of 60% of the variable pay award being paid in equal instalments over the following three years. Any deferred remuneration may be reduced or forfeited if for any reason the basis on which it was calculated proves to have been incorrect, or for any other reason at the discretion of the Remuneration Committee. The Committee applied this discretion in 2014 and we will

continue to ensure that all deferred pay is only payable when confirmed by the Group's performance in subsequent years.

Further details regarding basic salary and variable pay awards for the executive directors are set out in the Remuneration section of the Annual Report and Accounts.

Dyfrig John retired as Chairman following the 2014 Annual General Meeting and was succeeded by Laurence Adams who was appointed following a thorough selection process. As part of this process, the level of fee for this role was benchmarked against the same role for our peer group of major building societies and the Board agreed to increase the annual fee by 18% to £110,000. (Notwithstanding this increase the fee payable to our Chairman continues to be the lowest in our peer group).

Looking ahead

The Committee's approach to executive and senior management remuneration for 2015 will remain broadly unchanged from 2014. However, we will keep under review our overall remuneration policy particularly in the light of regulatory requirements and other changes being implemented in the wider financial services sector more generally. That said, we will always seek to ensure that our remuneration policy produces for the business a framework for reward that is as straightforward and simple as possible, is competitive and in particular places most importance on sound risk management.



The basic salaries for executive directors (excluding the Group Chief Executive) will be determined in February 2015 at the same time as all other colleagues. The maximum potential variable pay award for executive directors, which was reduced from 100% to 40% of basic salary in 2013, will remain unchanged at 40% with 20% of basic salary being the award for achieving the challenging targets set for the business by the Board. The Committee is satisfied that the targets set for 2015 will drive significant sustained improvement in the performance of the Group.

Principality is committed to best practice in corporate governance and as such we provide full details of our directors' remuneration and ask our Members to approve our Remuneration Report through an advisory vote at the Annual General Meeting. Our 2014 Report includes the key

disclosure requirements of the UK Corporate Governance Code and follows the best practice that applies to our sector as well as complying with regulatory requirements including in particular the Financial Conduct Authority's Remuneration Code.

On behalf of the Remuneration Committee of the Board I am happy to recommend our 2014 Report to Members for approval at our Annual General Meeting.

Nigel Annett
Chair of the Remuneration Committee

Further information on remuneration is available in the full Annual Report and Accounts, which is available in branches and online at www.principality.co.uk



Students from Llantwit Major Comprehensive School present their ideas at a Dragons' Den Event run by Principality

ESTABLISHED 1860

Regulated by the Financial
Conduct Authority and the
Prudential Regulation Authority
Member of the Building Societies
Association

DIRECTORS

Laurence Adams - Chairman
Graeme H. Yorston
Gordon MacLean
Joanne Kenrick
Menna Richards
Natalie Elphicke
R. Michael Jones
Stephen Hughes
Nigel Annett
Derek Anthony Howell (appointed 1 April 2014)
Dyfrig John (resigned 17 April 2014)
Langley Davies (resigned 24 October 2014)
W. Guy Thomas (retired 31 October 2014)

SENIOR MANAGEMENT TEAM

David Cunningham-Jones
Peter Hughes
Susan Lane
Elaine Morris
Julie-Ann Haines
Alan Jarman

SUBSIDIARY COMPANY

Nemo Personal Finance Limited
Chief Executive:
Alan Jarman

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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.