

Summary Financial Statement 2022

Building your future

2022 highlights

First Time Buyers helped

2021: 2,954



Net Promoter Score

2021: 80.5



Common Equity Tier 1 ratio

26.5%

2021: 34%



Great Place To Work.

Certified
OCT 2021-OCT 2022
UK

86%

engagement score

2021: 87%

49.3 million



Statutory profit before tax

2021: 64m

Mortgages funded by savers

92.3%

2021: 89.4%



£19m

committed to the Green Commercial Development Fund



28,000

children supported via financial education initiatives

2021: 3,900



£0.7m

donated to charity

2021: £0.6m



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

- 4** Chair's Review of the Year
- 6** Chief Executive's Review of the Year
- 8** Supporting our Members, Colleagues and Communities
- 10** Summary Financial Statement
- 25** Meet your Board of Directors
- 30** Notice of Annual General Meeting

Chair's Review of the Year

To all our Members and customers, welcome to our annual report and accounts for 2022. In these tough economic times, our role as a mutual building society is to positively support our customers, colleagues, communities and society. I'm pleased to say that once again we have helped thousands of people find a home and have looked after our savers with competitive interest rates, so you can save for a more secure future.

The Board has developed and set a strategy for the next decade with three key areas of focus: Better Homes, Secure Futures and Fairer Society. These are the foundations upon which our success has been built this year and they will drive us to deliver even more positive impact and reach in the future. You can read more about these from page 7.

Our results are not just measured in financial performance, but also in the ways we make a positive impact on society and this feels especially important at the present time. You will hear about the great ways we have had an impact on financial education, our charitable support, plus how we have helped our Members who depend upon using cash and visiting us in person, by keeping open our branches as we see other financial providers around the country close theirs.

I want to thank our amazing colleagues on behalf of you all for their passion, enthusiasm, and dedication to provide award-winning customer service despite another challenging year. Recognition should also go to Julie-Ann and her Executive leadership team who have



Pictured: Sally Jones-Evans, Chair

steadied the organisation through turbulent economic conditions, and led by example as we took the first steps to bring this new strategy, focused on our social impact and purpose, alive for our Members and communities.

Board changes

This year we said goodbye to Nigel Annett and David Rigney as Non-Executive Directors (NEDs) after nine and seven years respectively, and to Tom Denman, our former Chief Financial Officer (CFO) who moved on to pastures new. We wish them all well in the future and thank them for their hard work on your behalf.

Joining the Board as a NED is Ian Greenstreet, who has wide ranging experience in financial services with particular expertise in risk and financial matters, as well as digital transformation experience. Iain Mansfield, our former Chief Operating Officer (COO)

who was already an Executive Director on the Board was appointed into the CFO role.

We have also broken new ground by creating two Non-Executive Board associate roles as part of our desire to give greater development opportunities to individuals who want to gain experience for future Board positions and provide a pipeline of talent for future substantive board roles. Natalie Jakomis and Sandra Skeete are the first ever Board associates in Principality's history and bring to us their current deep expertise in data science and the housing sector respectively.

All these appointments are made with a vision to make your Society a modern, effective business now and for future generations, with a diversity of knowledge, skills, business, life and leadership experience, and thinking styles around the Board.

Thank you

Before you read on, I want to thank you, our loyal Members, for the fantastic support you have shown us yet again 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 in the following pages.



Sally Jones-Evans

Chair

17 February 2023

Chief Executive's Review of the Year

Framing the future of your business

From the first moments I took over as Chief Executive Officer (CEO) at Principality, I could see an urgent need to focus on being much more ambitious, clear about what we were going to stand for and do a better job of helping more people across the UK to own their own home and be financially resilient.

There are a number of issues that are staring us in the face as Members and communities feel the pressure of the cost of living crisis. Right now, many businesses have been thrust into the perhaps unfamiliar position of having to act in the interests of society, but as a mutual building society, it is something that comes naturally to us.

Our commitment to keep our branches open until at least the end of 2025 is a prime example of this. We have the biggest branch presence of any financial services provider on the high streets of Wales, whilst continuing to develop our technology to become easier to do business with, be quicker and more efficient.

You can read about all the excellent work we have done to make a positive impact on society on page 8, which explains our wholehearted plans to commit to this as a mutual for many years to come. It is what we were set up to do more than 160 years ago and our purpose is stronger than ever before in these difficult times.

There is a growing expectation that firms make long-term commitments to sustainable finance, and build environmental, social and governance considerations more



Pictured: Julie-Ann Haines, Chief Executive Officer

comprehensively into their structure. We have a lot to do, but are already taking positive steps. You can find out what we have done this year on page 8.

Performance highlights

As a building society owned by you, our Members, we are not under pressure to meet the short-term needs of shareholders. Our aim is to focus on the long-term and invest to support the future growth of the Society.

Our financial performance was strong in 2022, with underlying profits of £43.5m (2021 - £54.4m, see page 11) and profits before tax of £49.3m (2021 - £64.0m). Our mortgage book grew by £208.5m in 2022 (2021: reduction of £142.4m), which exceeded our goal at the start of the year, despite the pressures of rising house prices on top of high inflation. So, you can be assured we have a strong balance sheet and capital to reinvest in the business for your benefit, to help us create better homes, help Members to financially secure their futures through savings, as well

as trying to create a fairer society by having a positive impact on our communities.

You can find more information and explanation of our performance from page 10 and how this has benefited you as a Member.

Over the past 18 months, we have reframed our strategy for the next 10 years and our focus is around three strategic pillars; Better Homes, Secure Futures and Fairer Society and the Board has agreed that we will continue to increase investment so we can have a bigger impact.

Better Homes highlights

As inflation has increased this year, we have worked hard to balance the differing needs of our mortgage and savings customers, passing on just 1.25% of the Bank of England's 3.25% base rate rises to our variable rate and discount mortgage Members.

Our key achievements included:

- 75,902 homeowners supported (2021- 76,262)
- 4,587 first time buyers helped to buy a home (2021 - 2,954)
- 213 new homes built as a result of our commercial lending funding relationship (2021 - 160)
- £19m committed to providing loans to Green Commercial Development Fund (2021 - scheme launched)

Secure Futures highlights

Most of our Members who save with us have benefited from at least six rate increases, ensuring we are offering competitive returns for our savers as interest rates rise.

In 2022 we helped:

- Almost 400,000 savers with improved rates
- Supported over 28,000 (2021 – 3,900) young people via our financial education programmes to help them understand the importance of financial planning

- On average our savings rate paid to Members has increased more than the market, with an average savings rate of 1.03% (CACI) compared to the market of 0.56% (Source: CACI's CSDDB, Stock, Weighted Average Interest Rate for December 2021 – November 2022).

Fairer Society highlights

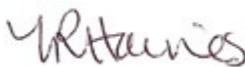
As a consequence of our work on strategy and the challenges our communities and colleagues are facing, our key achievements are:

- £0.7m (2021: £0.6m) distributed for positive social impact activity across our communities via donations to charity groups and financial education for young people
- Living Wage Employer accredited – meaning we pay colleagues the minimum real Living Wage, helping us to retain our award winning teams
- Commitment to keeping our branches open at least until the end of 2025

Outlook

With unfavourable economic conditions expected to last until at least 2024, I want to reassure you that our business is strong and able to endure these difficult times. Now more than ever, we need to be courageous in our decision making. The challenges facing our Members, communities and colleagues in the face of the cost of living crisis mean we need to strive to achieve more.

I am so excited about the opportunities that lay before us and how we can start to make an even bigger difference. We are here for our Members, colleagues and communities and I thank you on behalf of your Executive team for your loyalty and support.



Julie-Ann Haines
Chief Executive Officer
17 February 2023



Supporting our Members, Colleagues and Communities

Communities

Principality has an ambition to set aside up to 3% of its profit before tax for projects with social purpose.

This includes:

- The launch of our Future Generations Fund which saw us donate £125,000, split between 25 charities who are helping younger people across Wales
- 28,000 young people supported via our financial education, careers partnerships and activities
- £100,000 donated to the London Institute of Banking and Finance qualification has helped over 50 schools and learning centres across Wales and England
- 2,700 students gained recognised financial education qualifications
- £163,000 fundraised or donated to our charity partners Tŷ Hafan and Hope House Tŷ Gobaith

Members and sponsorship

We currently have almost 1,500 Members on our Member Pulse panel and their feedback has led to:

- Children accounts' review and consultation on 'new' products
- How we can best support them during the cost of living crisis

Through our partnership with the Welsh Rugby Union (WRU) and sponsorship of Principality Stadium, supporting community rugby

has been a key priority for us in 2022. We celebrated the incredible efforts of Clubhouse Champions across Wales by creating The Unofficial Squad during this year's Guinness Six Nations; shone a spotlight on grassroots rugby with Nigel Owens at Road to Principality; and celebrated the important role that rugby clubhouses play in communities during this year's Autumn Nations Series through a series of murals, expertly painted on clubhouse walls.

There was something for everyone at Principality Stadium this year and we're delighted to have been able to give away more than 1,000 tickets to Members to experience these fantastic events.

Colleagues

Living Wage Employer

Principality prides itself as a mutual, Member-owned building society, in having a positive impact on society, and this includes looking after the health and wellbeing of our colleagues who do so much to improve the communities in which they live and work. They continue to go above and beyond to provide excellent customer service for our Members, in order to help build a financially resilient society of savers and to help people buy and stay in their homes. In 2022, we reaffirmed our commitment to paying the real Living Wage to our colleagues by becoming an accredited employer by the Living Wage Foundation. In response to the cost of living crisis, we sought to provide our colleagues with a meaningful rise against the current high inflation environment, focused on providing greater support to our lower paid colleagues.

Diversity and Inclusion

At Principality, having a diverse workforce that is representative of society is crucial to our success and we work hard to promote an inclusive culture where everyone feels they belong and can be their authentic selves. In 2022, we're proud to have signed the Race at Work Charter and we celebrate the richness of different cultural heritages. We have a variety of flourishing colleague network groups, devoted to a range of areas of interest, all of which have been created by colleagues to provide an open and honest forum for discussion as well as a place to share advice and guidance and offer support to one another.

Colleague Engagement

Colleague engagement remains high, and we achieved 9th place in the Super Large category of the Great Place to Work™ Best Workplaces for 2022. We were delighted to also be ranked first place in the Super Large Organisation List in the 2022 UK's Best Workplaces™ for Women. We remain committed to enhancing our colleagues' voice across the Society, utilising our Colleague Forum to understand the key drivers for our workforce. We have also partnered with a new, proactive engagement platform for the coming year to enable us to gain greater understanding of the key metrics around colleague engagement.

Environmental Sustainability

We calculated our 2021 carbon footprint using the data that was available at the time and for the first time we offset our operational

emissions to become a carbon neutral organisation. This involved buying carbon credits. We did the same again for our 2022 operational emissions and intend to do the same each year until we reach net zero.

In 2022, we worked with ClimatePartner to understand how we can improve our data capture and accuracy to ensure that our emissions figures are as accurate as possible and we'll be working on their recommendations in 2023. We're using this data to help refine our plans to achieve net zero carbon emissions, to feed into our wider social impact strategy, and to give us a better understanding of where we need to focus our resources.

What's next?

We recognise that to make a material reduction in our carbon footprint and achieve our net zero ambitions we're going to need to make big changes to our systems and processes. Realistically, some of these things may take years to implement before we start seeing the benefits.

One example is the need to update our systems so that we can capture customer communication preferences and then act on them. This should help us reduce the amount of paper we send and we'll be making 'paperless by design' a key principle, requiring sustainability to be considered as part of all internal business cases. We're also working on embedding sustainability into the procurement process and our value chain to ensure that our suppliers are as committed to reducing their emissions as we are.



Summary Financial Statement

For the year ended

31 December 2022

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 online at principality.co.uk by 7 April 2023.

Summary Directors' Report

The Summary Directors' Report comprises the 2022 highlights, Chair's Review of the Year and the Chief Executive's Review of the Year.

Approved by the Board of Directors on 17 February 2023 and signed on its behalf by:

Sally Jones-Evans
Chair



Julie-Ann Haines
Chief Executive Officer



Iain Mansfield
Chief Financial Officer



Consolidated income statement

	2022 £m	2021 £m
Net interest income	153.9	129.2
Other income and charges	10.6	12.5
Operating expenses	(100.2)	(93.1)
Impairment provision (charge)/release	(14.8)	15.4
Other provisions	(0.2)	-
Profit for the year before taxation	49.3	64.0
Taxation	(11.6)	(15.2)
Profit for the year	37.7	48.8

Reconciliation of statutory profit to underlying profit

	2022 £m	2021 £m
Statutory profit before tax	49.3	64.0
Adjusted for:		
Gains from derivatives and hedge accounting	(5.8)	(9.6)
Underlying profit	43.5	54.4

The purpose of the underlying profit measures, 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

	2022 £m	2021 £m
Assets:		
Liquid assets	2,004.2	1,887.9
Loans and advances to customers	8,795.0	8,883.3
Fixed and other assets	458.1	136.7
Total assets	11,257.3	10,907.9
Liabilities:		
Shares	8,113.6	7,943.7
Borrowings	2,361.2	2,262.3
Other liabilities	102.8	55.6
Retirement benefit obligations	0.9	-
Reserves	678.8	646.3
Total equity and liabilities	11,257.3	10,907.9

Summary of key financial ratios

As at 31 December:	2022 %	2021 %
<p>Common Equity Tier 1 capital ratio</p> <p>This 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.</p>	26.5	34.0
<p>Liquid assets as a percentage of shares and borrowings</p> <p>This ratio measures our ability to meet requests for savings withdrawals, to make new mortgage loans to borrowers and to fund general business activities.</p>	20.5	18.5
<p>Profit for the year as a percentage of total assets</p> <p>This ratio measures the profit made in the year relative to the average amount of assets held.</p>	0.34	0.44
<p>Management expenses as a percentage of mean total assets</p> <p>Management expenses are the cost of running the Society. This ratio measures how efficient we are being, with a lower number indicating greater efficiency.</p>	0.90	0.84
<p>Gross Capital as a percentage of shares and borrowings</p> <p>This ratio measures how much capital we have to protect our Members and other creditors against unforeseen eventualities.</p>	6.9	6.3



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 31 December 2022 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Summary Directors' Report.

Respective responsibilities of directors and auditor

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

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

We also read the other information contained in the Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

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 on Summary Financial Statement

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 31 December 2022 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

Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

17 February 2023

Directors' Remuneration Report and Remuneration Policy

Annual Statement from the Chair of the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to share a summary of the Director's Remuneration Report for the year ended 31 December 2022. You can find the full report which will be available online at principality.co.uk/about-us/your-principality/financial-reports from 7 April 2023.

Policy on remuneration of Executive Directors

The following table sets out the key elements of remuneration for Executive Directors.

Element	Base Salary
Link to strategy	To attract and retain Executives who have appropriate capabilities, skills, and experience to deliver the purpose and strategy of the organisation.
Operation	<p>The Committee undertakes a review of the Executive Directors' base salaries 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.</p> <p>The base salary of newly appointed Executives is positioned based on market conditions, skills and experience, and salary relative to other Executives.</p>
Maximum potential value	<p>There is no formal cap set on salaries.</p> <p>Increases are typically in line with the rest of the workforce.</p> <p>Other increases may be implemented in cases such as new responsibilities, development and progress in role.</p>
Performance conditions and assessment	N/A although individual performance is considered when planning base pay increases.

Element	Variable pay – Rewarding Excellence Award (REA)
Link to strategy	<p>To support attraction, motivation, engagement, and retention of our colleagues.</p> <p>Performance conditions are chosen to demonstrate a strong commitment to our customers, whilst recognising the importance of meeting our profit targets to keep our business safe.</p> <p>Targets are reviewed and set each year by the Remuneration Committee, taking into account a number of factors which may include the Society's strategy, short term priorities, and the market environment.</p>
Operation	<p>All colleagues at the Society are eligible, except leaders of control functions.</p> <p>There are initial gateway requirements for the award, which consist of capital and liquidity conditions, financial targets, individual performance and the absence of any material regulatory breaches. Each year a number of key business measures are identified and threshold, target and stretch performance is approved by the Remuneration Committee.</p> <p>The Remuneration Committee can apply malus and clawback to an award made to an Executive, Senior Leader and Material Risk Taker (MRT) if it is discovered that the award should not be paid. Malus and clawback are outlined in our variable pay scheme rules.</p> <p>Subject to approval, payment will be made in March following the financial year end. There will be no partial deferral of payment.</p> <p>Colleagues who join the scheme part way through the scheme year will be entitled to receive a pro-rated award based on full months worked.</p>
Maximum potential value	<p>Potential payments for Executive Directors:</p> <p>Nil for threshold performance.</p> <p>6% of salary for achieving target.</p> <p>12% of salary for attaining highly stretching targets.</p>
Performance conditions and assessment	<p>Each year at mid-year and end of year the variable pay scheme measures are assessed by the Remuneration Committee to evaluate the scheme gateways and performance of the measures in relation to variable pay and calculate payment.</p>

Element	Variable pay – Leading Excellence Award (LEA)
Link to strategy	<p>Focus on strategic and enterprise wide measures which look at longer term performance and leadership of the Society. Drives the shared ownership of objectives.</p> <p>Performance conditions are chosen to focus on strategic and enterprise wide measures which look at longer term performance and leadership of the Society.</p> <p>Targets are reviewed and set each year by the Remuneration Committee, taking into account a number of factors, which may include the Society’s strategy, short term priorities, and the market environment.</p>
Operation	<p>The LEA is an annual incentive scheme for Executives and Senior Leaders (except the Chief Risk Officer and Chief Internal Auditor), with an element of deferred payment.</p> <p>There are initial gateway requirements for the award, which consist of capital and liquidity conditions, financial targets, individual performance and the absence of any material regulatory breaches.</p> <p>Each year a number of key business measures are identified and threshold, target and stretch performance is approved by the Remuneration Committee.</p> <p>The Remuneration Committee can apply malus and clawback to an award made to an Executive if it is discovered that the award should not be paid. Malus and clawback are outlined in our variable pay scheme rules.</p> <p>Subject to approval, a proportion of the award is paid in the March following the scheme year and annually thereafter as detailed in the deferral table in the Remuneration Report.</p> <p>Colleagues who join the scheme part way through the scheme year will be entitled to receive a pro-rated award based on full months worked.</p>
Maximum potential value	<p>Potential payments for Executive Directors:</p> <ul style="list-style-type: none"> • Nil for threshold performance • 19% of salary for achieving target • 38% of salary for attaining highly stretching targets <p>Potential payments for Senior Leaders:</p> <ul style="list-style-type: none"> • Nil for threshold performance • 9% of salary for achieving target • 18% of salary for attaining highly stretching targets
Performance conditions and assessment	<p>Each year at mid-year and end of year the variable pay scheme measures are assessed by the Remuneration Committee to evaluate the scheme gateways and performance of the measures in relation to variable pay and calculate payment.</p>

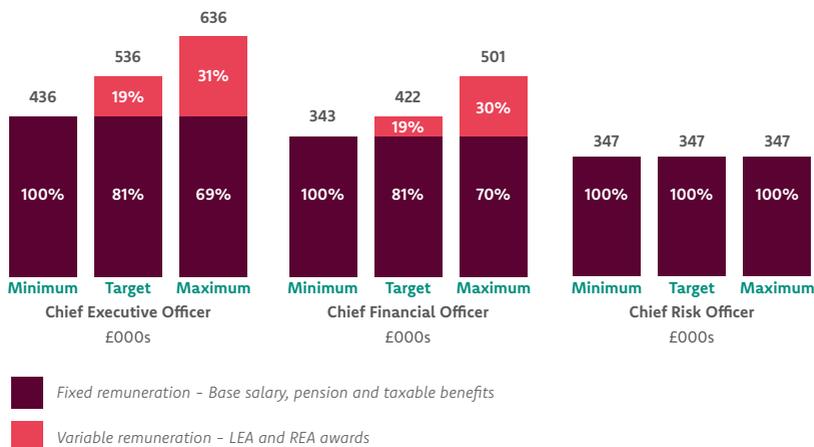
Element	Pension
Link to strategy	To attract and retain Executives who have appropriate capabilities, skills, and experience to deliver the purpose and strategy of the organisation.
Operation	<p>The Society operates a single defined contribution pension scheme and all colleagues have the opportunity to participate.</p> <p>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.</p> <p>There is one Executive with a legacy arrangement, who is entitled to receive a pension contribution of 15% of base salary.</p>
Maximum potential value	Pension contribution of 8% of base salary or equivalent cash allowance.
Performance conditions and assessment	N/A

Element	Benefits
Link to strategy	To attract and retain Executives who have appropriate capabilities, skills, and experience to deliver the purpose and strategy of the organisation.
Operation	<ul style="list-style-type: none"> Includes family private medical insurance, critical illness cover, life assurance and annual health checks New appointments are entitled to the above benefits Some Executive Directors are entitled to legacy car allowance (this has been phased out for new appointments since 2020)
Maximum potential value	There is no maximum level, however, the overall value is determined by the nature of the benefit offering which is subject to change each year.
Performance conditions and assessment	<p>Executive Directors are entitled to fully funded family medical insurance.</p> <p>All other colleagues are entitled to personal private medical insurance after one year of service. Health checks are only available to Executives.</p>

Performance scenario illustrations

The below graph shows the remuneration that each of the Executive Directors could earn for 2023 in line with our Remuneration Policy as a minimum, at target and as a maximum. These are calculated using Executive Director salaries as at February 2023.

Fixed remuneration figures include salary, pension and taxable benefits. The variable remuneration percentages are shown as a proportion of total fixed remuneration. Actual variable pay is calculated using base salary.



Policy on remuneration of Non-Executive Directors

The table below sets out the sole element of Non-Executive Directors’ remuneration and how it operates.

Element	Fees
Link to strategy	There are set fees for all Non-Executive Directors with additional fees for chairing any Committees to reflect the additional level of responsibility.
Operation and deferral	<ul style="list-style-type: none"> Each Non-Executive Director receives a basic fee which is standard for all Non-Executive Directors, apart from the Chair, who receives a higher fee to reflect the additional level of responsibility An additional Directors’ fee is then paid to the Non-Executive Directors who act as Chairs of the various Committees
Maximum potential value	There is no ‘maximum’ fee opportunity.

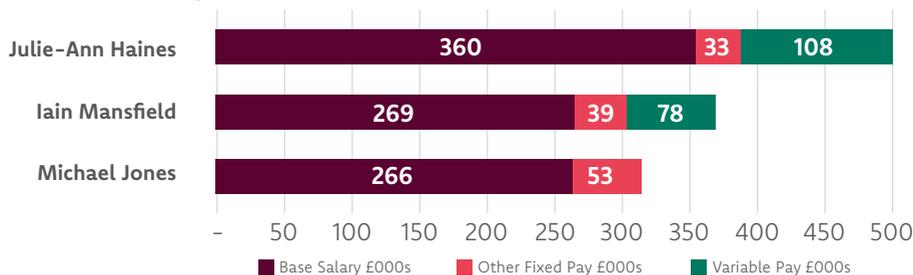
The elements detailed opposite are the only elements of remuneration paid to Non-Executive Directors. Non-Executive Directors are not eligible to participate in any form of variable remuneration scheme and do not receive pensions or other benefits. Travel and subsistence expenses are reimbursed.

The policy when setting fees for the appointment of new Non-Executive Directors is to apply the same policy which applies to current Non-Executive Directors.

Executive Directors' Remuneration

The below graph provides a summary of the single total figure of remuneration for Executive Directors for the 2022 financial year. See the single total figure of remuneration table and notes below for further information.

Iain Mansfield was appointed Chief Financial Officer in July 2022. His 2022 salary was split between his earnings as Chief Operating Officer and Chief Financial Officer. When appointed into the Chief Financial Officer role, Iain's legacy benefit arrangements (pension and car allowance) were removed and incorporated into his new salary to align his package with our Remuneration Policy for new appointments. Iain's variable remuneration is calculated pro-rata for the time spent in each role.



Single total figure of remuneration of Executive Directors

The following table provides the audited information showing a single total figure of remuneration for the 2022 financial year for each of the Executive Directors and a comparison to the prior year.

Iain Mansfield was appointed Chief Financial Officer in July 2022 and therefore his 2022 salary was split between his earnings as Chief Operating Officer, where his salary was £232,000 and Chief Financial Officer, where his salary increased to £300,000. Iain's new salary reflects the consolidation of his legacy benefits, an increase to pay to reflect his new role and current market conditions. Additionally, an amount of back pay was paid to Iain in early 2022 to reflect a change to his salary in 2021.

Michael Jones' salary was reviewed in 2022 in light of Iain's appointment to Chief Financial Officer and an increase in pay to £290,000 was applied to reflect his role and current market conditions. This increase will appear as a back dated payment in the 2023 accounts and is therefore not reflected in this report. No change was made to Michael's benefits in the context of his future retirement in 2023.

Tom Denman left the role of Chief Financial Officer in July 2022 and did not receive any variable payments for 2022. Eligibility for any deferred elements of remuneration also ceased in line with the loss of office policy detailed earlier in this report.

Benefits comprise of life assurance, critical illness insurance and private medical insurance. Michael Jones, Iain Mansfield and Tom Denman's taxable benefits also include legacy car allowance and pension

contributions. Following his appointment to Chief Financial Officer, Iain Mansfield's legacy benefits were removed as part of his change of role.

Audited Information

Individual	Year	Base Salary £000 3% inc. for 2022	Taxable Benefits £000	Annual Variable Pay (REA & LEA) £000	Pension £000	Total Remuneration £000	Total Fixed Remuneration £000
Chief Executive Officer Julie-Ann Haines	2022	360	4	108	29	501	393
	2021	350	4	126	28	508	382
Chief Risk Officer Michael Jones	2022	266	13	N/A	40	319	319
	2021	259	13	N/A	39	311	311
Chief Financial Officer/ Chief Operating Officer Iain Mansfield	2022	269	8	78	31	386	308
	2021	212	12	76	32	332	256
Chief Financial Officer Tom Denman	2022	116	7	-	17	140	140
	2021	225	12	81	34	352	271

Variable Remuneration Outcomes

Variable remuneration for Executive Directors consists of both the Rewarding Excellence Award (REA) and the Leading Excellence Award (LEA). The outcomes of both schemes for 2022 are detailed in the sections opposite.

Rewarding Excellence Award

All eligible colleagues, including Executive Directors, will receive an REA award for 2022 of 10.26%.

Performance measure	Weighting	Performance target	Award achievable at target	Performance result	Performance relative to target
Financial Performance Profit Before Tax	40%	£36m	2.4%	£49.3m	Exceeded stretch Maximum outturn achieved at 4.8%
Customer Service Maze Net Promoter Score	40%	81.0	2.4%	81.55	Exceeded target Outturn achieved 3.06%
Key Strategic Measure Net Retail Mortgage Growth ¹	20%	£72m	1.2%	£209m	Exceeded stretch Maximum outturn achieved at 2.4%

¹ Net retail mortgage growth is a new measure for 2022. The definition of the measure is the annual growth in retail mortgage lending, including effective interest rate, interest in transit and loan provisions.

Leading Excellence Award

The LEA is only awarded to Executives and Senior Leaders. As outlined in the Chair's Statement the total LEA award for 2022 is 19.63% for Executives and 9.30% for Senior Leaders.

The below table shows the award for Executives and Senior Leaders.

Performance measure	Weighting	Performance target	Award achievable at target	Performance result	Performance relative to target
Financial Performance Return on Assets	25%	0.26%	4.75%	0.33%	Exceeded stretch Maximum outturn achieved Exec: 9.50% SL: 4.50%
Customer Service Ipsos Mori Net Promoter Score	25%	Top 20%ile	4.75%	71%ile	Threshold not met No outturn
Colleague Engagement Great Place to Work Engagement Index	25%	85%	4.75%	86%	Exceeded target Outturn achieved Exec: 6.33% SL: 3.00%
Shared Strategic Business Objective¹	25%	Achievement is assessed against delivery of a combination of 'What' and 'How' measures	4.75%	Following assessment of 'What' and 'How' measures it was established these were achieved at 80% of target	Threshold exceeded Outturn achieved Exec: 3.80% SL: 1.80%

¹ For 2022 the Shared Strategic Business Objectives are centred on driving our strategy forward. The objectives are a combination of 'What' and 'How' measures, which include supporting the Framing our Future journey, strategic KPIs and development of, as well as performance against, leadership behaviours.

The impact of deferral

60% of the award for 2022 performance is payable in March 2022, with the remaining 40% deferred. The table below shows the percentage of the LEA, which will be paid to Executives in each year and any payments yet to be made.

Variable pay receivable	2022 (Payments made in 2022)	2023	2024	2025
2022 performance period	-	60%	20%	20%
2021 performance period	60%	20%	20%	-
2020 performance period	20%	20%	-	-

To receive each proportion of their award an individual must be employed on the corresponding payment date or be considered for payment. All other individuals will not be entitled to receive that proportion of the award or any proportion due thereafter.

Remuneration of the Chief Executive Officer over time

The table below shows the total remuneration of the Chief Executive Officer for the current and prior year.

Total remuneration includes base salary, pension, taxable benefits and variable pay awards under both the REA and LEA.

Year ended	Chief Executive Officer	Total Remuneration £000	Actual variable pay received as a percentage of maximum opportunity
2022	Julie-Ann Haines	501	60%
2021	Julie-Ann Haines	508	72%

The Chief Executive Officer pay ratio provides a snapshot of the overall pay differential that exists between the Chief Executive Officer (the highest paid person within the organisation), against the total remuneration of the median employee and those who sit at the 25th and 75th percentiles. This means that when all colleagues' pay is listed from highest to lowest, the median is the middle value in that list, and the percentiles represent the lower and upper quartile position.

The table below shows that the Chief Executive Officer's pay is 14 times that of the median colleague pay and has remained consistent with 2021.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	19:1	14:1	10:1
2021	20:1	14:1	10:1

The total remuneration and salary values for the 25th, median and 75th percentile employees for 2022 are:

	25th percentile	Median	75th percentile
Total remuneration	£28,650	£39,066	£56,011
Salary remuneration	£24,519	£33,599	£48,600

Notes to the Chief Executive Officer pay ratio:

- Employee data includes full time equivalent total remuneration for all UK employees as at 31 December 2022, following the November 2022 pay review
- To take into account the timing of the November 2022 pay review for colleagues, the CEO salary used for the purposes of the CEO pay ratio calculations is the February 2023 salary to ensure that the timing of these two pay reviews does not have a misleading impact on our CEO pay ratio in this report
- For each employee, remuneration was calculated based on all components of pay including base salary, variable pay, benefits, and pension payments
- Our approach has not changed since the prior year. We recognise that this approach is not entirely in line with the defined methodology, but we believe this approach gives a meaningful comparison that meets the spirit of the CEO pay ratio reporting regulations, and so we have continued to use the same methodology on the grounds of consistency and simplicity

Our approach to reward ensures that remuneration (including base pay, variable pay and benefits) at Principality is transparent, fair, free from discrimination and aligned to the external market.

Non-Executive Directors' Remuneration

The following table provides the audited information showing a single total figure of remuneration for the 2022 financial year for each of the Non-Executive Directors and compares this figure to the prior year. Fees contain a base fee element and an additional element for chairing a Committee to reflect the additional level of responsibility. In 2021 a fee review took place, which resulted in a within year change to the fee structure. In 2022 there was no increase to Non-Executive Director fees. Any changes between 2021 and 2022 are due to the transition from the previous fee structure and any changes to committee membership during the year. Additionally, whilst they are not Non-Executive Directors, our Non-Executive Board Associates receive annual fees of £30,000 for their contribution.

Audited information Non-Executive Directors	Fees	
	2022 £000	2021 £000
Sally Jones-Evans – Chair of the Board of Directors	121	103
Nigel Annett CBE – Chair of Technology Committee (until October 2022)	49	63
Derek Howell – Chair of Audit Committee and Senior Independent Director	73	73
David Rigney – Chair of Board Risk Committee (until March 2022)	17	68
Claire Hafner – Chair of Remuneration Committee	65	63
Debra Evans-Williams	53	51
Jonathan Baum – Chair of Board Risk Committee (from April 2022)	61	27
Laurence Adams – former Chair of the Board of Directors (until April 2021)	-	38
Total	439	486

Annual percentage change in remuneration of Directors and employees

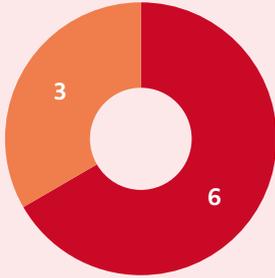
The following table shows the percentage change in remuneration of each of the Directors from 2021 to 2022 compared with the average for all other employees. Data for all employees has been calculated on a full-time equivalent basis and reflects all employees (excluding Directors) as at 31 December 2022.

Non-Executive Director fees did not increase from 2021 to 2022, though individual Non-Executive Directors may have received a change to their fees due to role changes during the year. The change in average salary for colleagues occurred in 2022 due to two pay reviews (February and November), investment in our new minimum salary levels to support cost of living and market competitiveness for our lowest paid colleagues, the introduction of salary progression schemes in our large operational teams such as Retail and Customer Services and recruitment activity. This has then flowed through to benefits and pension provision, and variable pay calculations. Additionally, the performance of the REA scheme was stronger in 2022 than in 2021.

	% Change in remuneration between 2021 and 2022		
	Salary/Fees	Benefits and Pension	Variable Pay
Executive Directors			REA and LEA
Julie-Ann Haines	3%	3%	-14%
Michael Jones	7%	4%	N/A
Iain Mansfield	23%	-24%	3%
Non-Executive Directors			
All Non-Executive Directors	0%	N/A	N/A
All employees			REA only
Change in average salary	16%	17%	36%

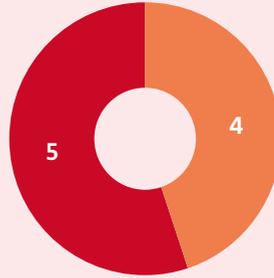
Board of Directors

Board composition



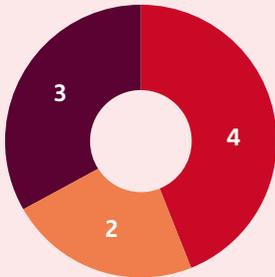
- Non-Executive Directors
- Executive Directors

Gender diversity



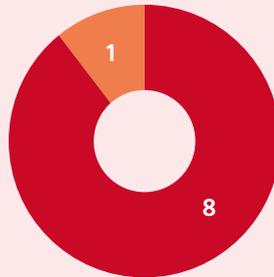
- Male
- Female

Tenure



- 0-3 years
- 3-6 years
- 6-9 years

Ethnicity Diversity



- White British
- White and Black African

Committee Key: (In bold for Chair)

A Audit	G Governance and Nominations
NRC NED Remuneration	R Risk
	RC Remuneration



Sally Jones-Evans
Chair, Non-Executive Director

G **RC** **NRC**

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 this 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 Dyfrdwy 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, the humanitarian and overseas development charity.



Julie-Ann Haines
Chief Executive Officer (CEO)

NRC

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 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, providing 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. Trustee of the Wales Millennium Centre.



Derek Howell
**Senior Independent
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 the National Botanic Garden of Wales, Community Foundation Wales and Artes Mundi Prize Limited.



Jonathan Baum
**Independent Non-
Executive Director**



Joined the Board
in July 2021

Skills and experience

I have 30 years’ 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 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

Advisory Role – Baum Advisory Ltd. Non-Executive Director of Lendable Ltd.



Claire Hafner
Independent Non-Executive Director



Joined the Board
in April 2018

Skills and experience

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

Contribution to the Society’s long-term sustainable success

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

Other roles

Non-Executive Director of Glendrake 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. I am a member of the Society’s Colleague Forum.



Ian Greenstreet
Independent Non-Executive Director



Joined the Board
in November 2022

Skills and experience

I am a qualified accountant (ACA) and investment banker with over 35 years’ financial services experience (banks, insurance companies and fintech organisations). I am an experienced risk professional and worked as Chief Risk Officer at ABN Amro UK before undertaking several Board roles. I also co-founded and developed a successful disruptive fintech FX firm.

Contribution to the Society’s long-term sustainable success

My experience will enable me to help 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

CEO and Founder, Infinity Capital Partners Ltd, Board Director of United Bank of Africa, Director at Natwest Trustee and Depository Services Limited.



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

Independent Member – Pobl Group Audit and Risk Committee.



Iain Mansfield
Chief Financial
Officer (CFO)

Joined the Board
in December 2019

Skills and experience

I was appointed Chief Financial Officer in July 2022. My remit extends across Commercial, Nemo, Architecture, Strategy, Corporate Property and Estates. I joined the Society in January 2015, initially as Finance Director for Nemo (Principality’s second-charge loans subsidiary) before becoming Nemo’s Managing Director. Prior to my current role, I was appointed Chief Operating Officer in October 2017 and joined the Board in December 2019. I am a Chartered Accountant, with more than 20 years’ experience, across retail banking, as well as start-up and private equity owned financial services businesses in the UK.

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.



Notice of 2022 Annual General Meeting

This year we'll be holding our Annual General Meeting (AGM) at 2pm on Friday 21 April 2023 at Principality House, The Friary, Cardiff, CF10 3FA and online.

You don't need to attend the physical meeting to join in, you can participate fully (including being able to vote and ask questions) by joining online. We will also live stream our AGM in our Wrexham, Hereford, Cwmbran, Llanelli, Swansea and Merthyr Tydfil branches. At these branches, you will be able to vote online using your own device. Full address details can be found on principality.co.uk/branch-finder. Joining details can be found in our AGM event leaflet.

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 31 December 2022.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2022, as set out in the Annual Report and Accounts.
3. To re-appoint Deloitte LLP as Auditors until the conclusion of the next AGM.

Election and Re-election of Directors:

4. To elect Ian Greenstreet
5. To re-elect Jonathan Baum
6. To re-elect Debra Evans-Williams
7. To re-elect Claire Hafner
8. To re-elect Julie-Ann Haines
9. To re-elect Michael Jones
10. To re-elect Sally Jones-Evans
11. 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
17 February 2023

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 (whether at the physical venue or online) is the date of the Meeting, Friday 21 April 2023, if voting in person, and 5pm on Tuesday 18 April 2023 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 21 April 2023; and
 - ii) have held shares* to the value of not less than £100 in the Society on 31 December 2022; and
 - iii) not have ceased to hold a share* or shares* in the Society at any time between 31 December 2022 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 21 April 2023, and
 - ii) have owed the Society not less than £100 in respect of a mortgage debt on 31 December 2022, 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) The Society is 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.

Registration at the Annual General Meeting will open from 1pm at Principality House, The Friary, Cardiff, CF10 3FA and online at attend.cesjoinin.com/login.



ONLINE

Visit us at [principality.co.uk](https://www.principality.co.uk)
or on our social channels
[Twitter](#) [Facebook](#) [Instagram](#) [TikTok](#) [@principalitybs](#)
for the latest updates,
including our opening hours.



VISIT

Visit [principality.co.uk/branch](https://www.principality.co.uk/branch)
to find your nearest branch
and for our service updates.



CONTACT

If you would like to get in touch
call us on **0330 333 4000**• or email
us at enquiries@principality.co.uk



MEMBER PULSE

Have your say by joining
our online community at
[principalitypulse.co.uk](https://www.principalitypulse.co.uk)

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.

SFS 03/23-1