

Connecting our communities with a better financial future

Newcastle Building Society Member Update
including Summary Financial Statement 2022



Performance Highlights 2022



£31.7m

(2021: £29.1m)
Profit before tax



£4.2bn

(2021: £3.7bn)
Savings balance



12.5%

(2021: 13.8%)
Common Equity Tier 1



£30.5m

(2021: £28.5m)
Operating profit before
impairments



+58

(2021: +43)
Colleague engagement score



1,450+

(2021: 1,200+)
Colleagues



£1.1bn

(2021: £861m)
Gross residential lending



5,600

(2021: 5,300)
New mortgage customers



95%

(2021: 95%)
Overall customer
satisfaction



900+

(2021: 400+)
Colleague volunteering days



31

(2021: 30)
Branches region-wide



**North East
Business Awards**

Tyneside & Northumberland
company of the year



**What Mortgage
Awards**

Best Regional Building Society
(For sixth consecutive year)



**Financial Adviser
Service Awards**

Four-Star Mortgage Provider



“ When I first assumed the role of Chair, I was fully aware of the unique role that Newcastle Building Society has in serving our region. ”

James Ramsbotham | Chair

When I first assumed the role of Chair, I was fully aware of the unique role that Newcastle Building Society has in serving our region. Now, reflecting on my first full year in position and considering everything we've faced over the course of 2022, it is difficult to overstate the importance of that role.

Both nationally and regionally, 2022 presented the Society with a host of new challenges including the rising cost of living, soaring energy costs and political turbulence. On the back of an incredibly difficult period, the resolve and resilience of the whole organisation has been tested once again.

I'm hugely proud that the Society has responded to these challenges by stepping up to support those across our region and beyond who need help. Seeing colleagues continue to find innovative and imaginative solutions to serve Members and clients demonstrates the special nature of the Society.

Those challenges and economic uncertainty will continue, but the Society remains committed to making a positive impact in its communities and continuing to deliver the unique benefits that come from being part of a Member-owned organisation.

Economic summary

The outbreak of conflict in Ukraine in early 2022 exacerbated existing concerns around the cost of living and price inflation. In addition, economic uncertainty caused by a period of intense political turmoil has increased recessionary pressure.

As is often the case, the impact is felt most acutely by those least able to manage. Rising rates of poverty give an indication of the scope of the challenge, but deepening levels of hardship and a sharp increase in the number of people using food banks paints a gloomy picture of social wellbeing in the UK and the North East.

The Bank of England base rate was already moving upwards at the start of 2022 and nine successive increases meant the rate moved from a historic low of 0.1% in late 2021 to 4.0% in February 2023, rates which we've not seen for more than 14 years. This does bring some good news for savers as savings providers responded by passing on increases, but with inflation peaking at over 11% any relief for savers will feel short-lived.

The housing market had a tumultuous year, first with the continued increase in house prices moving to record levels, followed by a period of substantial change as markets reacted to uncertainty caused by political turmoil in what was already a rising rate environment. First-time buyers and homeowners suddenly faced steep rate changes and a clear cooling of the housing market which, given its nature, will take some time to adjust.

Whilst these are clearly national issues, we know the impact is often greatest in our region.

Strategy, purpose, performance

For the past five years, our Society has made significant progress on delivery of our Purpose: to connect communities with a better financial future.

But it is no coincidence that in a year in which our Society has continued to grow, we have generated significant momentum in delivery of its Purpose.

It proves that the strength of the Society's performance in 2022 is tied to the ever-increasing impact of our Purpose.

Especially in the context of wider economic challenges, helping people to own their own home, to save and plan their finances, is deeply important for individuals and families. And in 2022 there was real progress on commitments to care for our environment and to foster inclusion, diversity and positive change. These are long-term commitments, which mirror and support the Society's long-term growth ambitions.

I'm inspired by the Society's appetite to make an even greater, more sustainable and more meaningful impact on our communities.

The Society also delivered a strong set of results in 2022, performing well in the face of significant uncertainty. Further detail on the financial performance is contained in the Strategic Report of the Annual Report & Accounts.

Regulatory changes

In July 2022, the Financial Conduct Authority published their final rules on a new Consumer Duty which looks to set higher and clearer standards of consumer protection across financial services and requires firms to put their customers' needs first.

The Group is already well placed to deliver on these new requirements but the changes present an opportunity to deliver even better outcomes for Members.

The final rules come into effect from July 2023 and colleagues have been working hard to review our existing products, services, culture and governance. In October, the Board approved the implementation plan and throughout 2023 the Society will be prioritising the areas where we have identified improvements that could be made, in readiness for the July deadline.

Board matters

During the year we conducted an external Board Effectiveness Review, allowing for an independent assessment of the Board. The review was supportive and recognised the achievements of the Board and the Society over the last five years, recommending that we focus even more on our ambitions for the future.

I would like to express thanks to Non-Executive Director Karen Ingham, who is stepping down after almost nine years on the Board. We are extremely grateful for Karen's contribution over such a long period and, on behalf of many, wish her well for the future.

Look forward

It was the Society's laser-like focus on its Purpose which helped weather the storm of Covid-19 and I'm confident that same strategic clarity will help us meet the challenges of 2023 and beyond. Given everything we've been through over the past three years, it's difficult to imagine what we might face in the years ahead, but I know that economic recession and intense pressure on household budgets from all angles will lead to difficult decisions in almost every home in the region.

However, the Society has demonstrated a resilience that provides cause for optimism and which proves how well placed it remains to support Members and colleagues, and to deliver positive change in our communities for the long term.

The Society must harness its unique Purpose and position in the region in order to meet its growth ambitions and the Board remains committed to the investment required to achieve this.

I'd like to recognise the hard work and commitment of colleagues across the Society, who time and again show incredible support for our Purpose and dedication to Members, clients, and each other.

James Ramsbotham | Chair

2 March 2023



“ A strong financial performance has enabled the Group to provide significant support to Members, clients and colleagues during difficult times. I'm proud that we've made such progress in delivery of our Purpose, especially around branch innovation as we seek to keep face-to-face financial services on the high streets of towns across our region and helping to tackle wider issues of employability. ”

Andrew Haigh | Chief Executive

Despite the many challenges emerging in 2022, Newcastle Building Society responded well. I am sure many of us started the year in the hope that after all the trauma and disruption of the Covid-19 pandemic, life might gradually return to something much more familiar as the year progressed. However, conflict in Europe and the rising cost of living made it another extremely difficult year for our communities and it quickly became clear that thoughts of returning to a sense of normality were misplaced. In September, the mood of the entire country was saddened by news of the death of HM Queen Elizabeth II.

Then we saw rapid political change and policy reversal cause uncertainty in financial markets. By the end of the year, the economy continued to be challenged and households across the country were facing a difficult winter with the prospect of even more uncertainty ahead.

Resilience

I'm pleased to report that in such a volatile environment and in the face of so many new challenges, the Society continued to demonstrate its resilience and agility, delivering a robust set of results.

The underlying financial performance remains strong with increased profitability. Group profit before tax was £31.7m for the year ended 31 December 2022, compared to £29.1m for 2021. In addition to positive headlines in our financial performance, we continue to operate with appropriate levels of capital and liquidity.

Furthermore, a strong financial performance has enabled the Group to provide significant support to Members, clients and colleagues during difficult times. I'm proud that we've made such progress in delivery of our Purpose, especially around branch innovation as we seek to keep face-to-face financial services on the high streets of towns across our region and helping to tackle wider issues of employability.

Key highlights include:

- Good value for savers, paying an average interest rate of 1.20% versus the rest of market average rate of 0.66%, equating to around £21m more interest paid to our savers than the market average
- Good value for borrowers, with an average Standard Variable Rate (SVR) for mortgages 0.42% lower than the market average, saving our SVR borrowers over £500,000 in interest payments compared to the market average
- Profit for the year before taxation increased to £31.7m (2021: £29.1m)
- Operating profit before impairments and provisions increased by £2.0m to £30.5m (2021: £28.5m)
- Underlying operating profit of £26.7m (2021: £22.0m)
- Record gross mortgage lending for the year at £1.1bn and record net core residential lending at £586m (£861m gross and £330m net in 2021)
- Opening of a new community branch in Knaresborough, North Yorkshire, a town recently left with no bank on its high street
- Development of a new blueprint for branches in cashless communities by adding a OneBanx multi-bank transaction kiosk pilot in two of our branches

- Partnership with Citizens Advice Gateshead to provide Members struggling with the cost of living with a comprehensive package of support
- Launch of a new employability partnership with armed forces charity Walking With The Wounded
- Increased colleague numbers by nearly 200 during the year, creating new job opportunities for the region
- The official opening of NUCASTLE powered by Newcastle Building Society, a new community hub and home of Newcastle United Foundation
- Celebration of ten years of support for the Sir Bobby Robson Foundation, with a decade of donations totalling over £3m
- Development and launch of a new shared ownership mortgage product to support first time buyers
- Over £94m of funds invested for Members through our advice subsidiary, Newcastle Financial Advisers Limited
- Customer satisfaction score of 95% (2021: 95%) and net promoter score (NPS) of +82 (2021: +82)
- Over £544,000 in community funding through charity partnerships, community grants from the Newcastle Building Society Community Fund at the Community Foundation and colleague fund raising matches

Awards

- **Tyneside and Northumberland Company of the Year - North East Business Awards**
- **Tyneside and Northumberland Apprenticeships, Skills and Training - North East Business Awards**
- **Excellence and Positive Impact - CIPD North East of England HR&D Awards**
- **Best Use of Customer Insight - Engage Awards (highly commended)**
- **Best Regional Building Society (for the 6th consecutive year) - What Mortgage Awards**
- **Mortgage Product Innovation - Mortgage Finance Gazette Awards**
- **Best Building Society for Mortgage Credit Strategy - Lending Awards**
- **Four-star Mortgage Provider - Financial Adviser Service Awards**
- **Best Small Residential Lender - TMA Mortgage Club Awards**

Powered by Purpose

Newcastle Building Society has been focused on making a difference for Members for more than 160 years. Just five years ago, we took that spirit and commitment shown quite literally over decades and expressed it in the words we now recognise as our Purpose statement. With those words, we were propelled forward on our Purpose-led strategic journey. Our Purpose, 'Connecting our communities with a better financial future', guides our decision making, informs our strategic approach and drives our distinct proposition for our Members. The fact we made such progress through delivery of Purpose over the past few years, despite all the challenges of the pandemic, I believe shows the true value of our interpretation of the mutual model and mindset.

In the course of last year, there were many moments which highlight the progress we've made on our Purpose journey:

We've reacted to the needs of our Members and colleagues as they face into a cost of living crisis. This has included real and targeted support to focus on areas of greatest urgency: food poverty, debt, social isolation, employability, homelessness and the environment. This progress highlights the maturity of our Purpose journey, as we move from an organisation which is Purpose-led to one which is genuinely Powered by Purpose.

We're continuing to challenge national assumptions around high streets. In our view, something has simply got to change when it comes to the seemingly incessant decline of financial services provision on our high streets. We know how much customers value and need face-to-face contact in financial services and we see it as our responsibility to explore new ways to deliver that service in a cost effective manner for our customers.

We responded to rises in the Bank of England base rate by increasing our savings rates multiple times and we remained focused on providing imaginative solutions to help people achieve the dream of owning their own home.

We continue to work with partners such as the Prince's Trust, Newcastle United Foundation and Walking With The Wounded to tackle the challenges around employability and opportunity facing young people in our region. This approach has helped us take the first steps towards achieving our ambition to recruit 50% of entry level roles through our skills partnerships by 2025.

In August 2022, we announced that the Society had entered into an exclusivity agreement with Manchester Building Society to explore the possibility of a merger by way of a transfer of Manchester Building Society's engagements to Newcastle Building Society. We have subsequently in February 2023 entered into Heads of Terms with the expectation that subject to resolutions by the Boards of both building societies and regulatory approval, a merger will complete later in the year. Further information is available on the Society's website.

Supporting customers through difficult times

The rising cost of living is creating very real challenges for Members and for people across our region, sometimes for people who may never have expected to find themselves in financial difficulty.

To help provide meaningful, targeted support we launched a partnership with Citizens Advice Gateshead to fund the provision of a dedicated telephone hotline and email service for Members anywhere in the country who are struggling to manage the additional pressures. The 'Helping Hand' service enables quick access to welfare advice experts who are available to discuss financial concerns, provide guidance on options and even authorise emergency financial support in the form of supermarket vouchers. Please see our website (www.newcastle.co.uk) for details on how to access this cost of living support.

It's difficult to imagine a more important time for people to have access to financial services, information and advice. Across each of our branches, through face-to-face appointments, telephone and video calls, we're interacting thousands of times every day with our Members and clients, building meaningful relationships based on trust and warm conversation. This customer focus is reflected in our customer satisfaction scores, which at the end of 2022 equalled the record high of 95% set in 2021.

Our dedicated online customer panel, 'Connected Communities', continues to be a rich source of engagement with our Members. In 2022, Member participation in Connected Communities continued, helping to shape our planning and delivery on a range of topics through thousands of individual comments and pieces of feedback. Members provided valuable insight into our approach to branch innovation, shared their concerns around the cost of living and even came up with the name for our Sustainable Living Hub, which helped us to secure the coveted Engage award for Best Customer Contact Strategy.

Helping people save and plan their finances

In 2022, we welcomed more than 10,000 new Members to the Society through our savings product range.

Successive decisions by the Bank of England during 2022 saw the base rate rise to levels not seen for 14 years. In response, we increased our variable rate savings book multiple times, continuing to provide Members with good and consistent value.

During the period January to December 2022, our average savings book rate of 1.20% was materially higher than the market average of 0.66% (source: CACI) – this equates to around £21m more in interest for our savers.

Our subsidiary, Newcastle Financial Advisers Limited (NFAL), which provides financial advice across our branch locations, experienced another strong year providing over 7,500 customer advice conversations during the year. Demand for accessible, face-to-face meetings in our branches, on our high streets remains strong in 2022. To complement and build on this ongoing activity, we piloted a secure video appointment option.

Customers have demonstrated they value the financial advice service even more during economic uncertainty and their cost of living challenges, helping NFAL achieve VouchedFor "Top Rated Adviser" status and an outstanding customer NPS of +93 (2021: +91).

For further detail on how we continue to help people save and plan their finances, please see the Strategic Report section of the Annual Report and Accounts.

Helping people own their own home

In 2022, we also welcomed over 5,600 new mortgage customers to the Society, helping us to deliver record net core residential lending of £586m (£330m in 2021).

In a rising rate environment and with house prices at record highs, our focus supporting first time buyers and borrowers with lower deposits was vital, especially as the government's Help to Buy scheme came to end.

Our ongoing support for those with a small deposit wanting to buy a home continued through mortgage support schemes, First Homes and Deposit Unlock and was enhanced by the launch of a new shared ownership proposition and enhancements for our Joint Mortgage Sole Proprietor offer, which extends the choice available to those looking to buy their own home.

We continue to offer good value to borrowers and throughout 2022 our Standard Variable Rate (SVR) was 0.42% lower than the market average, saving our average SVR borrowers over £500,000. Further information on how we've helped in this way can be found in the Strategic Report section of the Annual Report and Accounts.

Creating a new blueprint for branches

We listen to our Members and remain committed to delivering the services they need. Since starting our Purpose journey five years ago, some of the most visible impact of our Purpose stems from our investment into our branch network and our commitment to maintaining a physical presence in the towns and cities across our region. We are champions of the high street and believe that face-to-face service has a critical role to play as a driver of social and economic wellbeing in our communities.

We believe that too many banks are closing branches and leaving our high streets and with more and more towns being left with no permanent financial services presence, something has simply got to change. In our view, the challenge facing the financial services industry is not about closing branches, but reimagining them. Over the past five years, we've demonstrated the effectiveness of our community branch model. We now have four full service community branches in our network, in the towns of Knaresborough and Hawes in North Yorkshire, Yarm in Stockton-on-Tees and Wooler in Northumberland, showing what can be achieved in a small, shared space and with innovative application of technology.

Knaresborough opened in 2022 and is our 31st branch, located within the town's library, in partnership with North Yorkshire County Council.

This expression of our Purpose moved to the next level later in 2022 when, working with fintech partner OneBanx, we launched the pilot of a multi-bank kiosk in our Knaresborough and Gosforth branches enabling customers, both personal and small business, of all banks in the open banking network to pay in and withdraw cash.

New thinking like this is required if we are to keep vital access to cash and financial services on our high streets. We have been proud to work with innovative, like-minded partners who share our drive and beliefs, to develop this new approach.

We continue to work with North Tyneside Council to progress plans for another new community branch in Tynemouth library, which is due to open in 2024.

Savings management

Our subsidiary Newcastle Strategic Solutions Limited manages savings accounts on behalf of some of the UK's leading savings providers. A profitable business in its own right, the Solutions' business also brings scale and the capacity to invest in technology to the Group, while operating under the same culture and Purpose principles.

Driven by numerous Bank of England base rate changes and rapidly rising retail savings rates there was a very large surge of activity in the savings market in 2022. Our Solutions' clients reflected what was occurring in the broader market and our activity levels also reached all-time highs, placing a significant demand on the operational teams in the second half of the year.

New records were achieved in the number of new accounts opened, the amount of net balance growth in the year and total balances under administration.

We continued to deliver a major programme of digital investment into Solutions across the year. Ongoing work includes the re-platforming of account opening, funding and account management functionality, developed with a customer-centric focus across both app and web channels. Growth in the business meant growing the team by an additional 120 colleagues during 2022, as we continue to create jobs and offer outstanding career opportunities in the region.

The Solutions' business added a new client to its base in November whilst earlier in the year a major client chose to renew and extend our already long-term relationship. We launched SME Business Savings during the year and continue to see strong interest from others in this particular proposition.

In total, Solutions' clients amassed a total of 20 savings industry awards across the year and we also celebrated the success of our Head of Operations, Patsy Legender, who was named "Woman of the Year" at the Women in Credit Awards.

Building opportunity

Key to the Society's Purpose is our aim to deliver a great place to work, where people are empowered to realise their true potential. We do this by providing meaningful careers and developing talent from a range of different backgrounds.

We want the Society to be a place of work that is inclusive, diverse and helps drive positive change in our communities. Our strategic approach sits against wider regional skills challenges and a lack of opportunity for some to develop their employability.

To overcome those challenges and play our role in enabling social mobility, we need to take a fresh approach. By working collaboratively and imaginatively, we took several big steps in 2022. Recognising the wider need in our region to tackle the skills challenge, we've ensured that part of the grant giving through the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland has been focused to support charities helping to boost employability within our communities. A total of 15 grants were used in this way in 2022.

Working in partnership with Newcastle United Foundation, we've taken an innovative approach to the delivery of a bespoke apprentice recruitment programme. Our first 'Customer Service Week' took place in March 2022, providing apprenticeship candidates with an authentic and active experience, giving a real sense of day-to-day life at the Society and the types of role available. Everyone who completed the week-long programme received a Level 1 qualification and as a direct result, six young people joined the Society in May as full time Customer Service Apprentices.

In March we were delighted to enter into a brand new skills-focused partnership with the military charity Walking With the Wounded. Together we are working to establish meaningful careers opportunities for Armed Forces veterans through a tailored programme of support.

Our ambition is to recruit 50% of entry level roles through our various skills partnerships by 2025, which will only be achieved by expanding and developing our approach and by responding to the ever-changing needs of our communities.

Across the Newcastle Building Society Group, almost 1,500 colleagues work at our head office and branch locations as well as some who are fully remote, an increase of almost 200 over the past 12 months.

As part of our participation in the Women in Finance Charter, in 2020 we set an original target of 40% female representation in senior positions to be achieved by January 2023. We exceeded that target by September 2021 (43%) and as of September 2022 we have 47% female representation in senior management roles across the Group.

We're continuing to deliver a broad package of initiatives across gender, diversity and inclusion, including the establishment of our first colleague-led menopause network, which aims to break some of the taboos around menopause and provide all colleagues with the information, support and understanding they require.

Given the wider economic conditions we all face, we chose to support colleagues with their own cost of living and energy price challenges. This included bringing forward the 2023 pay increase to October for all colleagues below executive level with an initial payment of 3%. A further review is planned in March 2023, one month earlier than the normal annual review date. At the same time, for all colleagues earning £35,000 a year or below, we made a one-off payment of £600, divided into six instalments across the winter months. As a Real Living Wage employer, we were proud to be an early adopter of the new benchmark of £10.90 as the salary entry point for the organisation.

We also strengthened our colleague benefits package, subsidising our head office café so that colleagues can enjoy a well-balanced meal at a low price; introduced a discount marketplace for everyday shopping costs; and launched a new healthcare cash plan that enables colleagues to claim back some of the costs of basic healthcare expenses.

For those who may be facing severe financial hardship or struggling with their own household budget, we worked with Citizens Advice Gateshead to extend the Helping Hand advice helpline to colleagues as well as customers who find themselves in need of support. This is in addition to our existing Employee Assistance programme.

We're committed to supporting colleagues' mental wellbeing. In May, through our partnership with Newcastle United Foundation, we became a business champion of their 'Be A Game Changer' campaign.

Being part of the initiative means we can provide all colleagues with access to their mental health support and resources, strengthening the existing support provided to Group colleagues through regular wellbeing initiatives and an active network of mental health champions. Progress in this space can be measured by a clear increase in our eNPS (employee net promoter score) from +43 in 2021 to +58 in 2022, which places us in the top 10% of our survey provider's financial services client database.

Powering communities

In March 2022 we celebrated a significant milestone at the official opening of 'NUCASTLE powered by Newcastle Building Society', a brand new community hub for sports, education and wellbeing in Newcastle's west end. The building, which is also the new headquarters of the Newcastle United Foundation, will provide future generations with life-changing facilities and is expected to attract more than 100,000 visitors in its first year. We continue to work with the foundation's team to deliver a range of programmes including financial education and workplace skills development, including support for the NU:Futures programme.

Grant giving through the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland continued throughout 2022, with over £215,000 in small grant funding to 76 charities across the North East, North Yorkshire and Cumbria. The fund was focused to help tackle issues around the priorities of employability, food poverty, homelessness, debt management and social isolation, as well as our continuing support for cancer care services.

In 2022 we celebrated 10 years of support from the Society for the Sir Bobby Robson Foundation, which includes over £3m donations since the start of our partnership in 2012. To mark a decade of support, we worked with the foundation and the Newcastle upon Tyne Hospitals NHS Foundation Trust to create a film that shares the story of patients taking part in clinical trials. Their inspiring stories underscore the impact of Sir Bobby's legacy and are why we are proud to be the largest corporate donor to one of the most respected charities in our region.

Although the primary focus of our community support is within our region, sometimes circumstances mean we want to offer help to those in need – wherever they are.

In April we donated £25,000 to the Disaster Emergency Committee (DEC) to help those affected by the conflict in Ukraine. DEC charities and their local partners are on the ground in Ukraine and neighbouring countries, providing food, water, shelter and medical assistance.

Our total community contributions this year, made up of grants, match funding, and our ongoing partnership donations was over £544,000, support which has positively impacted over 71,000 people of all ages in our region and beyond.

It was pleasing that the return to face-to-face working allowed the return of high-impact group volunteering activities. In total, colleagues delivered more than 900 days of support to our communities. We also continue to use the tech for good 'onHand' volunteering app to deliver meaningful support to those in need in our communities.

Summary

I am proud of the way the organisation answered the challenges we faced in 2022. Across the Group, colleagues repeatedly showed their resilience and determination and I believe we've made great progress during difficult times. I'd like to thank all colleagues for their hard work and for consistently demonstrating their outstanding commitment to the Society and delivering our Purpose, and our Members, customers and clients, for their continued and enthusiastic support. Indications suggest that the wider challenges of rising costs and global uncertainty driven by the war in Ukraine will continue through 2023 and beyond. In times like these the Society has a particularly important role to play in supporting our Members and their communities, and in delivering a Purpose that is not only centred on good, consistent financial product value and excellent service, but also extends to delivering mutual value in many other ways, to the wider benefit of the Members we serve and their communities.

After a positive year in 2022, a year in which we built real momentum in our Purpose delivery, despite the challenging circumstances, we are well placed to take the Society forward to be an organisation that is truly powered by our Purpose of 'Connecting our communities with a better financial future'.

Andrew Haigh | Chief Executive

2 March 2023



In partnership with Newcastle United Foundation we launched #KickOutFoodPoverty, encouraging football fans to recreate their favourite football moment, or put their personal stamp on an iconic goal celebration, while raising vital funds for food poverty charities throughout the North East. A team of freestylers helped launch the campaign at Grey's Monument, inspiring youngsters to share their own skills on Instagram using the hashtag #KickOutFoodPoverty.

Photo: Rebaz, Professional Football Freestyler

With our communities facing a host of challenges, the Society continued to focus on the needs of our region and on making a positive impact wherever we could.

The total value of community contributions in 2022, made up of grants, match funding and our ongoing partnership donations was £544,807, reflecting our continuing commitment to the people and places that make up our heartland.

Partnerships sit at the core of this commitment, including our relationship with Newcastle United Foundation, where helping young people across the region to unlock new opportunities and develop their workplace skills and employability remains a key focus. In March 2022 we celebrated the opening of the foundation's new home, NUCASTLE powered by Newcastle Building Society, a state-of-the-art hub combining community space with education and wellness facilities which will serve its community for generations.

Colleagues are central to our work with Newcastle United Foundation, through the delivery of money management workshops, work experience opportunities, mock interviews and career skills sessions. Our bespoke apprentice recruitment programme, delivered in partnership with the foundation, enabled 15 young people to achieve a Level 1 qualification in Customer Service in 2022 and resulted in six young people joining our Society employed on a full-time apprenticeship.

While we continued to nurture our existing partnerships, establishing new connections has also been a priority. The launch of our new branch in Knaresborough Library opened the door to new opportunities to collaborate, including support for Knaresborough charities, Orb Arts and Chain Lane Community Hub, as well as collaboration with Knaresborough Connectors and the Knaresborough Chamber of Trade.

We also announced a new five-year partnership with the military charity, Walking With The Wounded, focusing on the provision of access to employment and long-term career development opportunities. The partnership includes a financial commitment to support the charity's employment programme and create veteran-friendly employment opportunities, tailored to our Society.

Through the distribution of £216,727 in small grants funded from the Newcastle Building Society Community Fund at the Community Foundation Tyne and Wear & Northumberland we continued to address the key themes of debt management, employability and workplace skills, cancer care, homelessness and food poverty. We also introduced two new strands to our grant giving, aiming to help address emerging issues around social isolation and the environment.



Connecting our communities with a better financial future

As a Society, we are committed to helping our Members own their own home, save for the future and to plan their finances. Our Purpose is to 'Connect our communities with a better financial future' and this guides us in everything that we do.

We're always listening to our Members and finding new ways to deliver the products and services they need. Our online discussion forum, Connected Communities, encourages our Members to share their views, provide feedback, connect with each other and help shape the future of our Society.

At the end of 2022, we had over 530 Members on the forum discussing a variety of topics each week and since inception, the community has captured over 1,600 comments from 150 different discussions, and 3,000 poll votes; a huge testament to the value our Members place on being part of our Society.



If you would like to sign up to Connected Communities and join the conversation, please visit our website: www.newcastle.co.uk/connected-communities



To find out more about our current range of savings products, visit your local branch or visit our website: www.newcastle.co.uk/savings

Here to help you save

We continue to offer our Members good value through our savings interest rates helping them to achieve their savings goals, whether that's saving for their children's future or putting money aside for a rainy day.

Across 2022 we increased rates across all of our variable rate products in response to the Bank of England base rate changes and offered a number of best buy fixed rate ISA products to provide value to new and existing Members.

Recently ten lucky savers who achieved their 2022 savings goal with a My Newcastle Saver have won up to £5,000 each in our recent prize draw! The winnings will help take them one step closer to whatever they are saving for.

We have also developed three new savings products which help support small and medium sized businesses in our region.



Supporting you in buying your own home

We are committed to helping people own their own home, whether they are a first time buyer or a home mover.

In recent years, as house prices have grown, it's become increasingly difficult for first time buyers to save the deposit they need. That's one of the reasons why our Society helped to develop and launch the innovative mortgage scheme, Deposit Unlock.

With the news that they were expecting their first child, Amelia Welford and Jordan Sykes had just months to find a family house to buy. Amelia, an NHS midwife, and Jordan, a refuse collector, had already been saving for a deposit for eight months, but hadn't originally planned to purchase a home for a few more years. However, the Deposit Unlock scheme – which requires just a 5% deposit – appealed to them as it took some of the pressure off saving the money they would have needed for a larger deposit. As the house they hoped to purchase was a new build, they would have ordinarily needed a 10% deposit and to save more than £21,000, but through the Deposit Unlock scheme, it was realistic and achievable to save for a 5% deposit and still purchase their dream home.

The Teesside couple began the mortgage application process with us in September 2021, reserving a plot for a new build home in October, before completing in April 2022. Amelia and Jordan are thrilled with their new home and are enjoying the process of turning a new build house into their very own first home.

Providing you with long-term trusted financial advice

The need for financial advice is more important than ever in these continued uncertain times and Newcastle Financial Advisers are committed to supporting new and existing customers in planning for their financial future.

In conjunction with The Openwork Partnership, Newcastle Financial Advisers are celebrating 20 years of providing trusted, affordable and accessible financial advice. Last year they provided over 7,500 financial advice sessions, both face-to-face on the high street and through video channels.

Customers invested £94.2m of funds to help meet their longer-term financial planning and retirement needs, a 34% increase on 2021. Due to this continued growth customer funds under advice are around £550m.

Financial advisers continue to deliver excellent customer

service and have maintained high standards during 2022, with customer satisfaction scores remaining at 96% (measured from 1,500 VouchedFor reviews, the UK's leading review site for Financial Advisers) and a Net Promoter Score of +93*, amongst the highest levels of satisfaction ever received.

*NPS in 2022 for Newcastle Financial Advisers was +93, based on 396 customer responses received through our "Voice of the Customer" platform.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Newcastle Financial Advisers Limited are an appointed representative of The Openwork Partnership, a trading style of Openwork Limited which is authorised and regulated by the Financial Conduct Authority.

Approved by The Openwork Partnership on 28 February 2023.

Annual General Meeting AGM

Notice of AGM

Notice is given that the AGM of Members of Newcastle Building Society will be held on Wednesday, 26 April 2023 at Newcastle Building Society, 1 Cobalt Park Way, Wallsend, NE28 9EJ, at 1.45pm, for the purpose of considering and voting on the following matters (items 1 to 3 being proposed as ordinary resolutions and item 4 relating to the re-election of Directors):

Ordinary resolutions

1. To receive the Annual Report and Accounts
2. To re-appoint Deloitte LLP as auditors
3. To approve the Directors' Remuneration Report

Re-election of Directors

4. i) To re-elect George Adam Bennett
- ii) To re-elect Michele Jean Faulx
- iii) To re-elect Bryce Paul Glover
- iv) To re-elect Andrew Scott Haigh
- v) To re-elect Anne Laverack
(Business name: Anne Shiels)
- vi) To re-elect Stuart Leslie Lynn
- vii) To re-elect Stuart Miller
- viii) To re-elect James David Alexander Ramsbotham
- ix) To re-elect David Alan Samper
- x) To re-elect Michael Roger Thompson

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

By order of the Board

Catherine Bolam

Group Secretary

2 March 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 a proxy to attend and, in the case of a poll, vote on their 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.
3. You may direct your proxy how to vote at the Meeting. Please read the instructions on the voting form or on the online voting website specified below.
4. If any Member wanting to attend the AGM would have difficulties in reaching the Society's head office from central Newcastle, they should let us know by filling in the sign-up form at: www.newcastle.co.uk/agmsignup

How to vote

You can vote online, by post, in person or via online stream.

Online

1. You can vote online at: www.newcastle.co.uk/agm
2. You must vote online by **5pm on Friday 21 April 2023**. £1 will be donated to The Newcastle Building Society Community Fund at the Community Foundation for every vote submitted online.
3. By voting online, you are appointing the Chair (or another representative that you choose, who does not need to be a Member of the Society) to attend and vote in your place. You can also tell them how to vote at the Meeting by following the instructions online.

Freepost

1. Complete, sign and detach the voting form.
2. Post it in the pre-paid envelope provided. No stamp is required. Your form should be received by the independent scrutineers, Civica Election Services, by no later than 5pm on Friday 21 April 2023.
3. By voting by post, you are appointing the Chair (or another representative that you choose, who does not need to be a Member of the Society) to attend and vote in your place. You can also tell them how to vote at the Meeting by following the instructions on the voting form.

Please do not include passbooks or cheques in the pre-paid envelope.

At the AGM

1. You can vote in person at the AGM on **Wednesday 26 April 2023**.
2. Bring your voting form, or other evidence of Membership, to the Meeting.

Please note that the AGM is taking place at the Society's head office at 1 Cobalt Park Way, Wallsend, NE28 9EJ.

Via online stream

1. You can watch and cast your vote online at the AGM on **Wednesday 26 April 2023**.
2. Just go to: <https://attend.cesjoinin.com> on the day of the AGM*, enter the **Meeting ID 30190** and your security codes 1 and 2 shown on your voting form (these are the same codes if you wish to vote by proxy online instead), then press **Join**.
3. *You can log in 30 minutes before the AGM starts.

Agenda

- Registration 1:00pm (1st Floor of the West Wing)
- AGM 1:45pm prompt.
- Refreshments served upon registration and after conclusion of the Meeting.

Explanatory notes to the business of the AGM

The following explanatory notes to the business of the AGM are for information purposes only and do not form part of the Notice of AGM. Please note that the numbering of the items in these explanatory notes is the same as in the Notice of AGM.

1. The Annual Report and Accounts for the year ended 31 December 2022 are required to be received formally by Members at the AGM.
2. As a building society, the Society is required by law at each AGM to appoint the external auditors who are to hold office until the end of the next AGM. The Board is proposing the re-appointment of Deloitte LLP as auditors.
3. The Summary Directors' Remuneration Report included on pages 21 to 24 of the Member Update, including Summary Financial Statement 2022, summarises the Society's approach to pay for the period 1 January 2022 to 31 December 2022. It also sets out the Remuneration Policy and remuneration details for the Executive and Non-Executive Directors of the Society.

A full version of the Directors' Remuneration Report can be found in the Annual Report and Accounts 2022 which will be available at every branch of the Society from **24 March 2023**. This information is also available online at: www.newcastle.co.uk/agm2023

Voting on the Remuneration Report

At the AGM there will be a vote on the Directors' Remuneration Report as it appears in full in the Annual Report and Accounts 2022.

The vote will be on an advisory basis and the Directors' entitlement to remuneration is not conditional on the vote. We will take the views of our Members seriously, as expressed through this vote, and will consider the results carefully to determine what action, if any, is appropriate.

We intend that voting on the Report will continue to take place on an annual basis.

4. In accordance with best practice on corporate governance, all of the Society's Directors are standing for re-election at the AGM, with the exception of Karen Ingham who will be retiring as a Director at the end of the meeting.

The biographical details of all the Directors seeking re-election are set out on pages 17 to 20 of the Member Update including Summary Financial Statement 2022 and also on pages 42 to 45 of the Annual Report and Accounts 2022.

Those details include their skills, experience and qualifications and why their contributions are, and continue to be, important to the Society's long-term sustainable success. The Board confirms that all of the Directors seeking re-election continue to be effective with a strong commitment to the role.

Staying safe online

At Newcastle Building Society, we take security very seriously but there are a few things you can do to help keep your online accounts safe:

- Don't write down your online log-in details;
- Make sure you have up-to-date anti-virus and anti-spyware software installed on your computer;
- Take care when opening email attachments;
- Ensure you always log off properly when you've finished transacting online; and
- We will never ask you to send personal details in an email; do not respond to suspicious emails asking for such information.

Our Directors



James Ramsbotham | Chair

James became Chair of Newcastle Building Society in August 2021. Prior to this, he was Chief Executive of the North East England Chamber of Commerce for 15 years, and Chairman of Darlington Building Society until December 2017.

Previously James was Vice Chairman of North East construction firm, the Esh Group, and before this spent 14 years in corporate banking in Barclays Bank plc, latterly as Marketing Director.

James is Chair of Newcastle Financial Advisers Limited, Newcastle Strategic Solutions Limited, as well as being Chair of the Society's Nominations Committee, and a member of the Group Risk Committee.

He was a soldier for 12 years with the Royal Green Jackets, and benefited from executive education at Harvard (USA), INSEAD (France), and Oxford University, after graduating from Durham University. He maintains his associations with the military as an Honorary Colonel for The Rifles in County Durham and as a Deputy Lieutenant and is a Trustee for The Foundation of Light, The Willan Trust and the Gillian Dickinson Trust.

James was awarded an Honorary Doctorate in Business Administration by Sunderland University in 2016 (where he's also Pro-Chancellor), made an Honorary Fellow of the Association of International Accountants in 2017; and awarded a CBE for services to business and the North East economy in the 2019 New Year's Honours list.

"Fulfilling roles as Trustee for The Foundation of Light (Sunderland AFC), and giving time to Durham Cathedral and Sunderland University, I'm passionate about equity, diversity and inclusion and how we can embed this in the Society's strategy."



Andrew Haigh | Chief Executive

With over 25 years' experience in the mutual sector, Andrew has an extensive track record in transforming and developing businesses. He has held financial services leadership roles as both an Executive and a Non-Executive Director, reinforcing the Board's depth of consumer understanding. His previous experience is drawn from a variety of sectors including financial services, technology, automotive and airline industries.

Andrew became the Society's Chief Executive in May 2015, having joined the Board as Chief Operating Officer in January 2014. A proven Chief Executive, Andrew has particular strength in building effective leadership teams and organisations with healthy, customer-focused cultures, and proudly drives our Society's ongoing commitment to equity, diversity and inclusion.

Andrew is the current President of the North East England Chamber of Commerce and a Board member of the Community Foundation serving Tyne & Wear and Northumberland.

"I'm hugely passionate about the role of mutuals, focused on delivering a balance of meaningful Member value and profitability, enabling long-term positive impact in our communities."



Adam Bennett | Non-Executive Director

Adam joined the Board in April 2019. He is the Senior Independent Director and a member of the Society's Group Risk Committee, the Audit Committee and the Group Technology Governance Committee, upholding the Society's commitments to financial control, integrity and regulation.

During his professional career, he has advised building societies across a range of issues. He brings formidable legal insight and experience of different business models and structures, important given the Group structure, which includes two key subsidiaries, Newcastle Strategic Solutions Limited and Newcastle Financial Advisers Limited.

Adam has advised on rules of building societies, on corporate governance, including compliance with the UK Corporate Governance Code, and on the powers and statutory and fiduciary duties of Directors, all of which contribute to ensuring the Society deals with its Members, colleagues and stakeholders in a responsible, trustworthy and ethical manner.

"Having specialised in advising building societies at a law firm for 36 years, I have a deep knowledge of the mutual sector and my understanding of its associated corporate governance and regulatory requirements contributes to the Board's diverse spectrum of expertise."



Michele Faull | Non-Executive Director

Michele joined the Board in August 2021.

With 15 years working at the most senior levels in finance and risk at two of the largest mutuals, her time as Chief Financial Officer and Group Risk Director positions her well to deliver significant building society knowledge and a wealth of valuable experience to the Society.

She spent nine years as Trustee and Treasurer of the Bow Arts Trust and now serves on the Coventry Cathedral Finance Committee and is Interim Chair and Trustee at The Line Art Walk.

Her wide-ranging career has also incorporated roles with global insurer Aviva; accountants PwC where she was a Partner; and IT services provider, ICL.

Michele is a Non-Executive Director and Chair of the Audit Committee at IQUW Syndicate Management Limited. She is also a member of both the Society's Audit Committee and Group Risk Committee.

"My finance background and business experience coupled with a passion for giving back and helping others achieve fits well with the Society's focus on a sustainable business model which is powered by Purpose."



Bryce Glover | Non-Executive Director

Bryce joined the Board in 2017. He is a highly experienced Director who has operated at Executive Committee and Board level in a number of leading UK financial services businesses.

Adding a genuine breadth of commercial and retail banking expertise, Bryce helps to shape the Group's overall strategy. His extensive industry knowledge and business acumen assist the development of the Group. The majority of Bryce's career has focused on corporate and commercial banking. He was Managing Director of Commercial Banking at Alliance & Leicester/Santander, before joining Nationwide Building Society in 2009 as a Director heading its Commercial Division, where he managed a £22bn commercial lending portfolio and the Society's business savings accounts before heading Corporate Affairs.

He has a deep understanding of the mutual sector, having spent nine years working for the UK's largest building society, the last three as Corporate Affairs Director. Bryce is also Chair of the Society's Group Risk Committee and a member of the Remuneration Committee. Bryce recently co-founded a new UK SME bank which received its full banking licence in 2021.

"My strong credit and risk management background is particularly valuable to informing decisions made in my role as Chair of the Society's Group Risk Committee."



Stuart Lynn | Non-Executive Director

Stuart joined the Group Board in April 2020, having initially joined the Society as a Non-Executive Director of the Newcastle Strategic Solutions business in 2018. As a prominent technology business leader Stuart has a wealth of experience drawn from an extensive career in the technology sector, not least with software giant Sage, where he held a number of senior leadership roles, including Executive Vice President and Chief Technology and Information Officer. He is an advocate of utilising technology that can support the provision and delivery of excellent service that is unequivocally human and personal, which is a key component of the Group's strategy.

As an active member of the North East's thriving digital and tech community, Stuart has previously been Chair of the North East LEP's Digital for Growth steering group; Sunderland University's Technology Faculty Industrial Advisory Board; Vice Chair of Dynamo North East; Board member of the Sphere Thought Leadership network, and mentor to a number of North East business start-ups. As well as serving on the Society and Newcastle Strategic Solutions Boards, Stuart is Chair of the Society's Technology Governance Committee.

"My deep understanding and experience of the potential for digital transformation within businesses to deliver better customer experiences and commercial growth helps to guide digital transformation across the Society and Newcastle Strategic Solutions."



Stuart Miller | Chief Customer Officer

Stuart became Chief Customer Officer in 2017 and has been a member of the Society's Board since 2018. He's a Director of Newcastle Financial Advisers Limited and sits on the Board of the national High Streets Task Force. The Society's commitment to face-to-face financial services and its track-record in innovation align well with the Task Force's programme of work in determining and addressing issues at a national level. As an Associate of the Chartered Institute of Bankers, Stuart also holds the Customer Experience Professionals Association qualification for senior business leaders.

Stuart has over three decades' experience working in the financial services sector, including Virgin Money, where he was responsible for running branches, lounges and the ATM network; RBS International, where he was Head of Mortgages and Head of Customer Experience; and NatWest, where he ran large teams across branches and private banking.

Stuart is responsible for all customer-facing areas and the commercial performance of the Member business including branches, mortgage operations, mortgage advice, product development, marketing, group communications and financial advice.

"I'm acutely aware of the benefits of a physical high street presence and the role that face-to-face financial services plays in delivering long-term relationships with our customers and a wider transformative impact on our communities."



David Samper | Chief Financial Officer

David became a member of the Board in 2018, when he joined the Society as Chief Financial Officer. An accomplished strategic leader with over 20 years' experience as a Chartered Accountant, David has in-depth knowledge of the issues impacting the long-term commercial sustainability of the Society's business model, balance sheet and profitability.

With exceptional understanding of the financial services sector, David has valuable experience in managing financial performance across both large and medium sized financial organisations in the UK and abroad. David's career has also encompassed multiple system migrations, which complements the knowledge and expertise of the growing Solutions business.

David has held senior roles across a number of organisations, including RBS, Ulster Bank, and Sainsbury's Bank. He has led complex acquisitions and driven transformational change, whilst consistently delivering core commercial outperformance. David's previous experience with broader capital markets and shaping organisational strategy in an ever-changing economic and competitive environment is key to ensuring the success of our ambitious Group.

"I try to bring a series of different perspectives to my team and the Board, gained from experience across the UK and internationally. I'm particularly interested in how technology can enable business change, which complements the knowledge and expertise of the growing Solutions business."



Anne Shiels | Non-Executive Director

Anne joined the Board in 2017. Her extensive UK and international Board-level experience working with both FTSE™ 100 and independently owned companies, in both regulated and non-regulated businesses, reinforces the Board's broad range of skills and competencies.

Her experience spans sectors including financial services, retail, telecommunications, manufacturing and consumer. Anne's breadth of knowledge, skills and qualities combine strategic leadership and deep people, culture and organisational transformation expertise with a solid understanding of governance, control and risk.

She has held executive roles at Hallmark Cards, Lloyds Banking Group/HBOS, Safeway and Thus Plc, and is a trusted executive coach and adviser to Boards and Directors in diverse businesses in the UK and the US. She also chairs the Remuneration Committee and is a member of both the Society's Audit Committee and the Nominations Committee. She is also a Director of Newcastle Financial Advisers Limited.

"My track record of leading large people functions and experience in facilitating transformative organisational change brings a broader view for the Board on these matters as the Society develops its people strategies, including our approach to culture, talent, succession and reward."



Mick Thompson | Deputy Chair and Non-Executive Director

Mick joined the Board in January 2019, and brings significant accountancy experience with a deep knowledge of audit to support the Society's governance and audit function.

His diverse skillset and broad range of perspectives derive from vast sector experience that has seen him work in industries including housebuilding, social housing, education, engineering, charities, and financial services.

Mick spent 21 years as a Partner and nine years as Office Senior Partner at KPMG Newcastle. He is a Non-Executive Director of The Clinkard Group Limited, Atlas Cloud Limited and NorthStandard Limited.

Recognising the importance of charitable action and giving back to causes throughout the region, Mick is also a Trustee of Greggs Foundation Charity; Trustee of NUFC Foundation Charity; Trustee of Tyne and Wear Building Preservation Trust, and Regional Treasurer of The Lord's Taverners Charity. He chairs the Society's Audit Committee, as well as being a member of both the Nominations Committee and Remuneration Committee. He also chairs the Newcastle Building Society Pension & Assurance Scheme Board.

"My wide-ranging Board portfolio, particularly in the charity sector, is well aligned to the Society's community focus and contributes to a better understanding of the issues affecting this sector."

A full list of all Directors as at 31st December 2022 is included in the Annual Business Statement in the Annual Report and Accounts 2022.

Karen Ingham remains a Director until the Annual General Meeting, to be held on 27th April 2023, where she will step down at the conclusion of the meeting.

Summary Directors' Remuneration Report

Annual statement from the Chair of the Remuneration Committee

Introduction

I am pleased to share the Directors' Remuneration Report, on behalf of the Remuneration Committee, which details the Group's approach to pay, incentives and benefits for the period 1 January to 31 December 2022. It sets out the Remuneration Policy and remuneration details for the Group's Executive and Non-Executive Directors, how this aligns with our broader business strategy and how it applies the principles of the UK Corporate Governance Code relating to remuneration, the Regulators' Remuneration Code and the disclosure requirements arising under the EU Capital Requirements Directive IV (CRD IV).

Rewarding with Purpose

As a Society, our Purpose continues to be to "Connecting our communities with a better financial future". This guides all of the Society's actions including how we reward our colleagues, leaders and Board members. Paying our people a fair and competitive wage not only contributes to their own financial wellbeing, but also ensures that we can attract and retain the best talent from our region and beyond. We continue to see our catchment area for talent widening, and like many other organisations, we now find ourselves competing for talent in a national market. This has meant that we have had to further review our reward practices to make sure that we remain competitive. Having the right talent in the business enables us to realise our ambitious strategy and objectives, deliver for our Members and ultimately continue our work to benefit and support the communities we are proud to serve. The wider economic and geo-political situation during 2022 and the resulting challenges this has presented to our colleagues in dealing with cost of living pressures, has made us acutely aware of the importance of ensuring our colleagues receive a fair, purposeful total reward package, and the Committee has been mindful of this throughout the year.

We have worked hard in recent years to implement a fair and purposeful reward strategy, ensuring that our people are compensated appropriately with a mix of variable and fixed remuneration. This work along with the significant investment which has accompanied it, has allowed us the flexibility and agility to respond to challenges as they emerged this year.

The Remuneration Committee's purpose is to consider, agree and recommend to the Board an overall Remuneration Policy and approach that promotes this aim, while ensuring that it remains aligned with the long-term interests of the Society's Members and other stakeholders. We constantly strive to maintain the highest standards of governance and fairness in relation to remuneration and continued alignment with our business strategy. Risk appetite and regulatory requirements are also at the forefront of the Committee's consideration.

The Remuneration Committee 2022

2022 has continued to present economic turmoil for the UK which has impacted the Society, its Members and its colleagues. As we continue to operate in the shadow of the Covid-19 pandemic we are still seeing volatile labour markets with an increased demand on certain skills, although there is emerging evidence that this is starting to calm.

Inflation has continued to rise throughout the year, with the war in Ukraine compounding already high energy costs. As a result, we have seen significant wage movement across all sectors, and also observed businesses offering additional support to their employees during this time. The committee considered what would be the most appropriate way to respond to this and how best to support our own colleagues during this time. It accordingly approved a set of measures, both financial and non-financial, for colleagues during the year.

In spite of the challenging conditions which 2022 presented, our colleague net promoter score climbed to an all-time high of +58 which places us in the top 10% of financial services sector within the Workday Peakon's (our external provider) global database.

The Society has renewed its commitment this year to fostering diversity, equity and inclusion at work and the Committee has been continuing its focus on ensuring we are a fair and equitable employer. We continue to closely monitor our Gender Pay Gap and have further increased our female representation at senior management level, building on the excellent progress we made in 2021 where we exceeded our 2023 target two years early. There is, however, still more to do to ensure our colleagues fully reflect the communities we serve. The focus on equitable pay will continue into 2023, with refreshed diversity, equity and inclusion data allowing us to do further analysis on wider reward inclusion.

Report on Directors' remuneration

The total remuneration received by Executive Directors is shown on page 24. The information has been audited and shows remuneration for the years ended 31 December 2021 and 31 December 2022 as required under the Building Societies (Accounts and Related Provisions) Regulations 1998. There is a requirement under Rule 14 of the Society's Rules to have deposits to the value of not less than £1,000 in a Society share account in order to qualify as a Director. This means all Directors are Members of the Society. There are no requirements for a Director to own shares in the Society's subsidiary companies.

Details of other non-Society Board positions held by the Group's Directors are shown in the Annual Business Statement in the Annual Report and Accounts. None of the current Executive Directors retained any remuneration as a result of their non-Society positions.

Chief Executive remuneration

The Chief Executive is the Group's most highly paid colleague and no colleague earns more than any Executive Director.

Mr A Haigh received an 18% pay rise on base salary in March 2022. This increase is an outcome of the independent review of Executive reward, undertaken by the Committee's reward advisors Willis Towers Watson and represents the second of two stages of a reward roadmap adopted by the Committee in respect of Executive remuneration.

Annual Executive Bonus

An Executive Bonus Scheme, which Executive Directors and other Executives participate in, was introduced in 2019 as part of the move towards alignment to market practice. It is paid in three parts, with the first payment of 50% in the year after the bonus is earned and the remainder over two equal payments in the following two years. This allows the Committee to review whether the payment remains appropriate and in line with strategy and purpose, providing the ability to reduce or cancel the payment in cases such as, but not limited to, significant failures in risk management, material errors or the Society's financial underperformance.

The Executive Bonus Scheme is dependent on performance, measured against personal objectives as well as financial and non-financial performance indicators. Should all metrics be met, on-target bonus payments are set at 30% of base salary, with a maximum bonus potential of 50% of base salary for exceptional business and personal performance.

The Executive Bonus Scheme has been paid out in line with the rules of the Executive Bonus scheme. 2022 pay awards for Executive Directors were paid in line with pre-agreed levels as part of the review which was based on Willis Towers Watson advice. As a result there was no discretion applied.

Payments and deferred payments under the Executive Bonus Scheme for performance year 2022 are shown in the table below.

Executive Director bonus table

Executive Director	Bonus deferred from	Bonus payable in 2023	Bonus payable in 2024	Bonus payable in 2025	Total bonus deferred
		£000	£000	£000	£000
Andrew Haigh	2021	40	40	-	40
	2022	107	54	54	108
	Total	147	94	54	148
David Samper	2021	30	30	-	30
	2022	73	37	36	73
	Total	103	67	36	103
Stuart Miller	2021	22	23	-	23
	2022	61	30	30	60
	Total	83	53	30	83
Total		333	214	120	334

Directors' Remuneration Policy

Policy aims and principles

The Group's policy for remunerating Directors is designed to provide fair and competitive remuneration packages that attract, retain and reward Executives, including Executive Directors, to deliver business objectives in support of the Society's strategy, while providing value for Members.

With regard to Executive Directors' annual pay rise, the percentage increases are dependent on performance in the same way that this applies to the Group's wider colleague base.

In designing the Remuneration Policy, the following key principles have been followed:

- The policy is clearly linked to and influenced by the Group's Purpose, Strategic Plan, objectives and values and serves the interests of all key stakeholders.
- Policy, process and practice are consistent with and promote effective risk management in line with the Group's Risk Appetite Statement and detailed policies.
- Basic pay and total remuneration are set at a fair, affordable, reasonable and competitive level to attract and retain the appropriate calibre of people.
- The approach to pay and total remuneration is inclusive and equitable, supporting wider diversity and inclusion aims;
- The approach to pay satisfies all regulatory requirements and good, responsible corporate governance practice.
- Remuneration arrangements are transparent and fair reflecting individual responsibilities and performance.
- Remuneration arrangements are straightforward to understand, communicate and administer.

Director and Executive remuneration in respect of 2022

Significant work has been carried out over recent years to introduce a robust and fair performance and reward framework for colleagues across the Society, in a way that is fair, affordable, reflects market practice and ensures that the organisation offers competitive total reward practices. Colleague reward continues to be competitive, equitable and ethical, ensuring we can attract, retain, motivate and reward the right people with the right skills to deliver our strategy for our Members.

The implementation of our reward strategy referred to earlier, is the culmination of the work we have undertaken over the past few years to ensure that we pay all our people a reasonable and appropriate wage, comparable with industry peers. The work began by re-aligning our grading structure and benchmarking process for colleagues below Executive level in line with external guidance and data, and concluded with a review of our Executive remuneration and Non-Executive fees in line with industry norms. We started this work in 2021 and continued with the second phase of the realignment of Executive compensation in 2022, with further adjustments being made to our Executive pay of between 5% and 18% to bring our remuneration closer in line with peers in the sector and wider marketplace.

This will help ensure we attract and retain the quality of leadership that will be required to implement the strategic goals we have laid out to grow and evolve our business and equip our leaders to successfully take the Society into the future.

Further detail on how we have delivered our Purpose of being a great place to work, where people can realise their potential in 2022, can be found in the Annual Report and Accounts.

Directors' Emoluments (Audited)

Emoluments of the Society's Directors from the Society and its subsidiaries are detailed below:

	Year	Salary or fees	Taxable benefits (Notes 2,3 and 4)	Annual bonus (Note 1)	Pension contributions to defined contribution scheme (Notes 2,3 and 4)	Total contractual benefits
		£000	£000	£000	£000	£000
Executive Directors						
AS Haigh	2022	460	55	215	-	730
	2021	381	48	160	-	589
D Samper	2022	294	38	146	-	478
	2021	243	34	118	-	395
S Miller	2022	244	34	121	-	399
	2021	187	29	90	-	306
Total for Executive Directors	2022	998	127	482	-	1,607
	2021	811	111	368	-	1,290
Non-Executive Directors						
PJ Moorhouse (Retired 23 August 2021)	2022	-	-	-	-	-
	2021	53	-	-	-	53
IW Ward (Retired 27 April 2022)	2022	22	-	-	-	22
	2021	52	-	-	-	52
B Glover	2022	68	-	-	-	68
	2021	47	-	-	-	47
A Laverack (Business name: Anne Shiels)	2022	65	-	-	-	65
	2021	57	-	-	-	57
K Ingham	2022	53	-	-	-	53
	2021	48	-	-	-	48
MR Thompson (Note 5)	2022	86	-	-	-	86
	2021	75	-	-	-	75
GA Bennett	2022	54	-	-	-	54
	2021	48	-	-	-	48
S Lynn	2022	61	-	-	-	61
	2021	46	-	-	-	46
MJ Faull (Appointed 23 August 2021)	2022	48	-	-	-	48
	2021	23	-	-	-	23
JDA Ramsbotham (Appointed 23 August 2021)	2022	110	-	-	-	110
	2021	40	-	-	-	40
Total for Non-Executive Directors	2022	567	-	-	-	567
	2021	489	-	-	-	489
Total for all Directors	2022	1,565	127	482	-	2,174
	2021	1,300	111	368	-	1,779

Notes

- During 2022 the Society's Executive Directors participated in the Group's annual Executive Bonus Scheme. A proportion of the Executive bonus payment is deferred and is payable in future years as shown in the Executive Bonus Payment table overleaf.
- Mr AS Haigh has elected to take his pension contribution amounting to £41,400 (2021: £34,326) as a cash payment. He is liable for his own tax and National Insurance contributions on this payment.
- Mr D Samper has elected to take his pension contribution amounting to £26,438 (2021: £21,878) as a cash payment. He is liable for his own tax and National Insurance contributions on this payment.
- Mr S Miller has elected to take his pension contributions amounting to £21,938 (2021: £16,825) as a cash payment. He is liable for his own tax and National Insurance contributions on this payment.
- Mr M Thompson received £18,000 (2021: £18,000) in relation to chairing the Newcastle Building Society Pension and Assurance Scheme Board.
- No Directors received termination payments in 2022 (2021: None).

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 the Annual Business Statement, all of which will be available to Members and depositors free of charge, on demand, at every branch of the Newcastle Building Society from 24 March 2023. This information is also available online at: www.newcastle.co.uk/agm2023

Summary Directors' Report

The requirements of the Summary Directors' Report for the year ended 31 December 2022 can be found within the Chief Executive's Review. The Directors consider the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Going Concern basis has continued to be adopted in preparing the Annual Report and Accounts.

Approved by the Board of Directors on 2 March 2023

James Ramsbotham, Chair

Mick Thompson, Chair of the Audit Committee

Andrew Haigh, Chief Executive

Group results for the year

	2022	2021
	£m	£m
Net interest receivable	75.4	59.0
Other income and charges	45.4	45.7
Gains less losses on financial instruments and hedge ineffectiveness	(1.1)	(5.2)
Administrative expenses, depreciation and amortisation	(89.2)	(71.0)
Operating profit before impairments and provisions	30.5	28.5
Impairment reversals on loans and advances to customers	1.6	2.8
Impairment charges of tangible and intangible assets	(0.3)	(2.0)
Provisions for liabilities and charges	(0.1)	(0.2)
Profit for the year before taxation	31.7	29.1
Taxation expense	(5.7)	(5.2)
Profit after taxation for the financial year	26.0	23.9

Summary Financial Statement | Continued

Group financial position at the end of the year

	2022 £m	2021 £m
Assets		
Liquid Assets	959.7	956.4
Mortgages	4,258.0	3,792.9
Fair value adjustments for hedged risk	(60.9)	62.1
Other loans	1.5	1.6
Derivative financial instruments	90.4	14.5
Fixed and other assets	63.8	66.9
Total assets	5,312.5	4,894.4
Liabilities		
Shares	4,220.8	3,731.8
Fair value adjustments for hedged risk	0.3	-
Borrowings	752.9	746.7
Derivative financial instruments	52.5	147.6
Other liabilities	20.1	24.2
Subscribed capital	20.0	20.0
Reserves	245.9	224.1
Total liabilities	5,312.5	4,894.4

Summary of key financial ratios

	2022 %	2021 %
Gross capital as a percentage of shares and borrowings	5.3	5.4
Liquid assets as a percentage of shares and borrowings	19.3	21.4
Profit for the year as a percentage of mean total assets	0.51	0.49
Management expenses for the year as a percentage of mean total assets	1.75	1.45

Gross capital as a percentage of shares and borrowings

Gross capital represents reserves, plus subordinated and subscribed capital. The purpose of capital is to provide a buffer against any losses arising from the Society's activities, thereby protecting investors' funds. The gross capital ratio measures the extent to which a society's activities are funded by capital, compared to shares and borrowings. The higher this ratio is, the greater the protection for investors.

Liquid assets as a percentage of shares and borrowings

Liquid assets are assets held by the Society, which are in the form of cash or assets which are readily convertible into cash. The ratio is maintained at a level which the Directors consider appropriate for the activities of the Society.

Profit for the year as a percentage of mean total assets

A building society needs to make a reasonable level of profit each year in order to maintain and strengthen its gross capital ratio. It is similar to a company's return on assets. The Society operates a policy of 'profit sufficiency' and one of the most appropriate measures of profitability is to express profit as a percentage of mean total assets.

Management expenses for the year as a percentage of mean total assets

Management expenses are the costs of running the Society and comprise administrative expenses and depreciation. The lower this ratio is, the greater a society's efficiency. The Directors also look at a number of other efficiency measures which more accurately reflect efficiency in the Society's business.

Independent Auditor's Statement on the Summary Financial Statement to the Members of Newcastle Building Society

We have examined the Summary Financial Statement of Newcastle Building Society and its subsidiaries (the Group) 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 Auditors

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

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Member Update with the full Annual Report and 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 Member Update and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Chairman's Statement, Chief Executive's Review and Summary Directors' Remuneration Report.

Basis of opinion

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

Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the full Annual Report and Accounts, the Annual Business Statement and the Directors' Report of Newcastle 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

Statutory Auditor
Manchester, United Kingdom
2 March 2023

Branch Directory

Alnwick - 28 Bondgate Within, NE66 1TD

Tel: (01665) 603 344

Ashington - 10 Station Road, NE63 9UJ

Tel: (01670) 815 919

Barnard Castle - 25 Market Place, DL12 8NE

Tel: (01833) 600 100

Berwick Upon Tweed - 12 Hide Hill, TD15 1AB

Tel: (01289) 306 417

Bishop Auckland - 15 Newgate Street, DL14 7HG

Tel: (01388) 433 001

Carlisle - 65 English Street, CA3 8JU

Tel: (01228) 524 518

Chester-Le-Street - 42 Front Street, DH3 3BG

Tel: (0191) 388 5266

Consett - 19/21 Middle Street, DH8 5QP

Tel: (01207) 502 636

Cramlington - 34/35 Craster Court, NE23 6UT

Tel: (01670) 735 813

Darlington - 7/8 Horsemarket, DL1 5PW

Tel: (01325) 383 656

Durham - 73/75 Saddler Street, DH1 3NP

Tel: (0191) 384 3182

Gateshead - 12 Ellison Walk, Trinity Square, NE8 1BF

Tel: (0191) 477 2547

Gosforth - 105/107 High Street, NE3 1HA

Tel: (0191) 285 5965

Hartlepool - 133/135 York Road, TS26 9DR

Tel: (01429) 233 014

Hawes - Hawes Community Office, Market Place, DL8 3RA

Tel: (01969) 600 333

Hexham - 1-2 Beaumont Street, NE46 3LZ

Tel: (01434) 605 106

Knaresborough - 40 Market Place, HG5 8AG

Tel: (01423) 648 750

Middlesbrough - 38 Linthorpe Road, TS1 1RD

Tel: (01642) 243 617

Morpeth - 14 Market Place, NE61 1HG

Tel: (01670) 514 702

Newcastle - 136 Northumberland Street, NE1 7DQ

Tel: (0191) 261 4940

North Shields - 76 Bedford Street, NE29 OLD

Tel: (0191) 259 5286

Penrith - 12 Market Square, CA11 7BX

Tel: (01768) 862 888

Ponteland - 23 Broadway, Darras Hall, NE20 9PW

Tel: (01661) 821 828

South Shields - Unit 3-5 Denmark Centre, NE33 2LR

Tel: (0191) 454 0407

Stokesley - 36 High Street, TS9 5DQ

Tel: (01642) 711 742

Sunderland - 14 Waterloo Place, SR1 3HT

Tel: (0191) 565 0464

West Denton - 22 Denton Park Centre, NE5 2RA

Tel: (0191) 267 5038

Whickham - 28 Front Street, NE16 4DT

Tel: (0191) 488 1766

Whitley Bay - 303 Whitley Road, NE26 2HU

Tel: (0191) 252 0642

Wooler - The Cheviot Centre, NE71 6BL

Tel: (01668) 260 360

Yarm Library - 41 The High Street, TS15 9BH

Tel: (01642) 785 985

1 Cobalt Park Way

Wallsend

NE28 9EJ

T 0191 244 2000

www.newcastle.co.uk

