

## Branch and Financial Advice Centre Directory

Alnwick - 28 Bondgate Within, NE66 1TD. Tel: (01665) 603 344  
Ashington - 10 Station Road, NE63 9UJ. Tel: (01670) 815 919  
Berwick Upon Tweed - 12 Hide Hill, TD15 1AB. Tel: (01289) 306 417  
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  
Hexham - 3 Beaumont Street, NE46 3LZ. Tel: (01434) 605 106  
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  
Newcastle - Portland House, New Bridge Street, NE1 8AL. Tel: (0191) 232 0505  
North Shields - 76 Bedford Street, NE29 0LD. 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 - 67 Fowler Street, NE33 1NS. Tel: (0191) 454 0407  
Stokesley - 19 High Street, TS9 5AD. 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 - 78/84 Park View, NE26 2TH. Tel: (0191) 252 0642  
Yarm Library - 41 The High Street, TS15 9BH. Tel: (01642) 785 955

## Agency

Allen Sykes, 17 Galgate, Barnard Castle, DL12 8EQ. Tel: (01833) 690 474

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Principal Office: Portland House, New Bridge Street, Newcastle upon Tyne, NE1 8AL

# Connecting communities in the North East with a better Financial Future.

Newcastle Building Society  
Member update including Summary  
Financial Statement 2018

Cover photo: Spanish City, part of the rejuvenation of Whitley Bay in North Tyneside; one of many great locations in the North East region.



## Award Wins

We received a number of industry awards and for the second year in a row, we were voted by the public as What Mortgage's Best Regional Building Society. We also won Best Self-Build Lender by Build It.



## Branch launches

We successfully launched our Durham, Gosforth and Carlisle branches which is part of our multi-million pound branch refurbishment, where we have committed to refurbishing or relocating every branch in our Network.

## First BIG grant

Building Improvement Grants (BIG) were launched by the Newcastle Building Society Community Fund, with £49,110 awarded to Springfield Community Association as the first recipient. A further £170,000 of small grants to local charities were made by the Community Fund in 2018.



## Dementia Friends

Our Dementia Friend champion, Sheila Hodgson has now trained over 1,500 Dementia Friends including colleagues, members of the public and local businesses through 100 Dementia awareness sessions.

## The Prince's Trust

We announced a four year partnership with The Prince's Trust to help develop young North East talent, involving mentoring and collaboration from Society colleagues. The Newcastle Building Society Community Fund also committed to donating over £100,000 to The Prince's Trust TEAM programme over the period.



## Member Events update

We hosted two successful Member Events at Preston Park in Yarm and Alnwick Castle, both were well attended with valuable feedback from Members gained.

## Apprenticeships

Following a successful first apprentice intake in 2017, this year we have seen a 50% growth in our apprenticeship intake and welcomed a further 9 apprentices to the Society.



## LISA

The Society introduced our Newcastle Cash Lifetime ISA (LISA), paying a best-buy rate of 1.10%. LISA enables Members to save for a deposit for their first home or for later life. The LISA also attracts a 25% UK Government bonus.

## Durham Teapot

Following the relocation of our Durham branch, we entrusted the care of the iconic teapot at the front of the branch building to the City of Durham Trust. With the help of a professional conservator, they re-gilded and refurbished it back to its golden glory.



## Charitable giving

Throughout 2018 we continued our commitment to the Sir Bobby Robson Foundation, with a further £97,000 donated. Our total charitable giving, including donations to The Newcastle Building Society Community Fund was nearly £800,000, that's 6% of our profits in the year.

## New Chief Financial Officer

At the end of 2018 we welcomed David Samper to the Society who joined as Chief Financial Officer. David has more than 20 years' experience as a chartered accountant and brings first class financial management expertise to the Society.



## Boardroom Challenge

This year, Rainbird Primary school were announced as our seventh annual winner of the Boardroom Challenge. They received a donation to host a festival of fundraising for the Children's Heart Unit Foundation (CHUF).

# Chairman's Statement



2018 has seen good progress for the Society. We have focused on our Purpose - Connecting Communities in the North East with a Better Financial Future – which has driven performance, shaped change and challenged us to be even better for the benefit of our members, customers and our communities.

Phil Moorhouse  
Chairman

Brexit uncertainty has undoubtedly had an impact on housing market confidence, with an increasing number of potential home buyers citing concerns about future falls in house prices as a barrier to purchase. A no less influential issue continuing to affect the market remains that of affordability. In some regions property prices present considerable challenges to getting onto the housing ladder and as such owning a home remains out of reach for some.

Mortgage market growth remains weak, although home re-mortgaging continues to be an area of growth.

Households have benefited from relatively strong wage growth but consumer spending is weaker and households have been borrowing less. Savers may take some comfort from the fact that fixed savings rates have been generally rising since the start of the year, although they remain relatively low. Bank base rates continue at historically low levels.

Looking forward, the rate of inflation is predicted to remain low and forecasts for growth in the UK economy remain modest, but positive.

Despite the headwinds of Brexit, increasing competition in the mortgage market, and ongoing regulatory developments, a wholehearted commitment across our Society to delivering our Purpose has driven another year of robust growth and strong performance, alongside an increase in our membership.

There are a few areas I would like to highlight of which I am particularly proud.

## Our commitment to our customers

Our multi-million pound branch improvement and refurbishment programme, which is well underway, reaffirms our commitment to being on your high street and continuing to offer a convenient, friendly face-to-face branch service.

This year we aim to complete the transformation to a network of modern, digitally enabled, people first branches we can be proud of that sit right at the heart of our communities.

Our commitment to remaining on the high street against a backdrop of continuing announcements of branch closures by banks and other financial institutions has prompted many new customers in towns and cities across the North East to join us.

Building lasting authentic relationships through our branch network is supported by our subsidiary, Newcastle Financial Advisers Limited, which has been providing accessible financial advice on the high street for the past 16 years. This service is valued highly by customers across the North East, with our in-branch Pension Clinics also proving very popular.

Meeting up with our Members is a pleasure and 2018 saw numerous opportunities to spend time and enjoy some valuable conversations. Our pre Annual General Meeting Member Events took place at Alnwick Castle in Northumberland and Preston Park in Stockton, followed by our Annual General Meeting at St James Park in Newcastle.

Every year, a growing number of Members are taking the time to come along to meet and hear about the Society's progress.

It is incredibly heartening to know that you are personally invested in your Society and in what we are trying to achieve, with, and for communities across the North East.

Our financial performance is inextricably linked with our strategic Purpose and in 2018 we delivered our highest growth in income in recent years, with increasing operating profits year on year, strong capital ratios and liquidity. Further details are set out in the Chief Executive's Review.

Our aim is to maintain a strong balance sheet and sustainable future for the Society, which in turn contributes to and enables our ambitions to create a regional building society that delivers significant benefits across the North East.

## Subsidiary company growth and success

Our award winning subsidiary, Newcastle Strategic Solutions Limited, which provides fully integrated savings technology and services platforms for a range of UK financial institutions, challenger banks and global household brand names, retained its market leading position, despite an increasingly competitive marketplace. Alongside our technology solutions subsidiary, Newcastle Systems Management Limited, it is creating numerous job opportunities and is already a significant employer in the region. We continue to invest in systems and processes to meet threats to data and IT services.

## Our communities

Helping our communities make positive changes is a core pillar of our Purpose.

In 2018 our colleagues were out and about as part of our volunteering programme, sharing their skills, making connections and supporting others in a range of situations. From food banks to farms for children and families living with autism – it is really uplifting to see the difference our colleagues have been making across the North East.

Volunteering is just one feature of our community engagement. Our commitment to the High Street, the support offered to local charities by the Newcastle Building Society Community Fund at the Community Foundation, our ongoing partnership with Dementia Friends and The Prince's Trust and our financial education programme all help in making a positive difference to communities here in the region.

## Our board

During 2018 we continued to strengthen our Board, with the arrival of David Samper who took up the reins as our Chief Financial Officer in December from Sainsbury's Bank, with responsibility for our Finance, Treasury and Legal departments. We also welcomed Mick Thompson in January 2019 who joined us as a Non-Executive Director and member of our Audit Committee having been a Senior Partner at KPMG for nine years. Details of David and Mick are included in the 'Our Directors' page of this report. Finally, Adam Bennett will be joining the Board following this year's Annual General Meeting and will be a member of the Group Risk Committee.

Richard Bottomley left the Board after four years' service as Chairman of the Audit Committee. David Buffham, the Society's Deputy Chairman and Senior Independent Director, will be standing down in the first half of 2019 after nine years' service. We would like to thank both for their contributions over the years, and to wish them all the best.

We were pleased to welcome Stuart Lynn as a Non-Executive Director of our subsidiaries Newcastle Systems Management Limited and Newcastle Strategic Solutions Limited. Stuart brings a wealth of experience as a business leader in technology, from his time in the National Health Service and The Sage Group PLC.

## Summary

As the North East's largest building society we are committed to delivering our Purpose for the benefit of our region.

I am confident that with our strong Purpose and strategy we will continue to meet the challenges of 2019 and beyond, and will further realise the potential of a dynamic, regionally focused building society such as ours.

I would like to say a big thank you to our colleagues and to our customers who continue to support us in this ambition.

Phil Moorhouse  
Chairman  
26 February 2019

## 2018 Performance Highlights



£183m invested by new savers



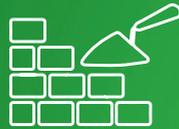
14,518 new savers across the UK



98% overall customer satisfaction



Gross residential lending £520m



285 self-build mortgages



1,169 first-time buyers



1,102 employees



63 charities awarded community fund grants totalling £178,902



4,590 volunteering hours donated by colleagues



24 industry awards



£13.3m profit before tax



Common Equity Tier 1 Capital 15.7%

## Chief Executive's Review



I am very pleased to report that 2018 was a year of continued positive progress for the Society, with growth in residential lending, more new savers resulting in an increase in Members and increased levels of financial advice business.

Andrew Haigh  
Chief Executive

This progress is underpinned with a robust financial performance, including increased operating profit, strong capital and liquidity ratios and very low levels of arrears.

At the heart of Newcastle Building Society lies our Purpose, which states that we 'connect communities in the North East with a better financial future' and leads us to put our customers and the communities we serve foremost in our plans and ambitions for the future.

In what proved to be a very busy and productive year for the Society, we achieved a number of positive outcomes in delivering our Purpose and making a genuine difference for the communities we serve. Just some of the highlights from the year include:

- The launch of our new branch concept for Durham, Gosforth and Carlisle branches as part of our multi-million pound branch refurbishment programme;
- Our continued support for the Newcastle Building Society Community Fund at the Community Foundation, which has enabled the launch of Building Improvement Grants, designed to help maintain and improve community buildings in the region, with the first £50,000 grant awarded to Springfield Community Association;
- The Newcastle Building Society Community Fund was also pleased to announce a four-year partnership, committing donations of more than

£100,000 to The Prince's Trust, supporting programmes which seek to invest in young talent and improve employability in the region. The Prince's Trust also provides significant leadership development opportunities for colleagues across the Society;

- Our ongoing commitment to Dementia Friends, which has to date involved over 1,500 colleagues, customers and staff from the local high street in receiving awareness training from the Society's Dementia Friend champion; and
- By no means least welcoming new colleagues to the Society in particular those who have joined us as part of our early talent community.

### Building authentic and lasting customer relationships

We were pleased to see our customer satisfaction score improve from 96% to 98% in 2018.

Helping people own their homes is a key pillar of our Purpose and is at the heart of our building society. Our gross lending for 2018 exceeded £520m, slightly reduced from £535m in 2017, in a fiercely competitive market. Our prime net lending was over £160m leading to an overall increase in our residential mortgage book. Despite the broader UK economic challenges, we supported over 1,100 first time buyers in their quest to own their own home.



**Andrew Haigh alongside Alex Oliver BEM and his daughter Kara-Mai, opening the new Durham branch of Newcastle Building Society.**

Our Self-Employed mortgage volumes have doubled and we have also introduced 'Help to Buy' and 'Buy to Let' mortgages for this growing self-employed market reflecting the continuing change in employment trends.

Once again it was great to be recognised in a number of industry awards. For the second year in a row we have been awarded 'What Mortgage's' Best Regional Building Society. We were also named Best Self Build Lender by 'Build IT' and we were also recognised by the Legal and General Mortgage Club Awards as best smaller lender for 2018. When combined with service quality awards received by clients of our Newcastle Strategic Solutions Limited subsidiary, we were involved in winning 24 industry awards in 2018.

As well as helping customers own their home, we also believe that it is important that we encourage people to save and help them plan their finances.

Despite the backdrop of extensive bank branch closures across our region, our commitment to being present in the towns and cities across the North East remains firm. We recognise the power of communities and the role of the high street as a focus for community life. That is why we are improving the branch experience we provide to our customers, as part of a wider investment programme, delivering modern, bright and open spaces, with private meeting areas, friendly and knowledgeable colleagues, and a financial adviser in every branch.

Our latest new branch format was launched in 2018 in Durham, Gosforth and Carlisle and we continue with our programme to update all of our branch network by the end of 2019.

Our savings accounts offer some of the best buy savings rates on the high street and during 2018 we were featured in national press best buy tables.

We added to our savings portfolio a new regular saver product and a one or two year fixed rate bond. We also increased the rate on the current issue of The Newcastle Community Saver easy access account.

In the second half of the year we introduced our Newcastle Cash Lifetime ISA, which enables customers to save for a deposit for their first home or for their retirement, attracting a 25% UK Government bonus on amounts saved each tax year.

Our growing range of savings accounts has been well received and I am delighted that as a result, 2018 saw an increase in the number of Members of the Society. We have offered our new Members a warm welcome to Newcastle Building Society, committing that we will remain on the high street now and in the future.

Our financial advice subsidiary, Newcastle Financial Advisers Limited, gives customers financial advice regardless of how much they have to invest. Newcastle Financial Advisers Limited has a significant and growing level of funds under management for people in the region.

Our Pension Clinics were very successful, offering free 30 minute chats with a financial adviser to help people get answers to their pension questions and see what they may need to do next.

Newcastle Financial Advisers Limited increased income and profits in 2018 and scores highly for customer satisfaction.

## Helping our colleagues realise their potential

Our colleagues are the driving force of our Society and in return we aim to be a great place for them to work, where they can realise their potential. It is also important to us as a significant employer, that where appropriate, we continue to grow the employment opportunities we offer across the region, so we were pleased to add 68 new jobs in 2018.

Our Human Resources team are central to how we work to develop the region's talent and potential and it was great to see their work recognised by the North East HR&D CIPD Awards in June when they won the award for Excellence in Resourcing & Talent Management.

We have made a significant investment in our new leadership programmes for senior managers, and continue to build our early talent programme as we build our contribution to nurturing regional talent which can come from all walks of life and irrespective of background and personal circumstances.

Our early talent programme has been running for a number of years for graduate recruitment and undergraduate placement, but has been further developed to include apprenticeships. Our growing apprenticeship opportunities are across a range of business areas, with all apprenticeships attracting a Living Wage salary (paying above the Government recommended wage), a structured learning programme with both a nationally recognised qualification and a career at the end. Our partnership with The Prince's Trust also plays a key role in our developing talent and supporting employability in the region.

An important part of our customer offering is the provision of face-to-face financial advice. We understand that this service is highly valued by our customers and we are one of the few financial services companies still offering financial advice on the high street.

Fundamental to this is our financial adviser colleagues and our commitment to growing the financial adviser talent of the future. Our bespoke training programme between Openwork and Newcastle Financial Advisers Limited provides opportunities for growth and development and colleague applications are invited from across the business. The programme leads to a professional status and a role as a qualified financial adviser. We are delighted that two more graduates from the programme have recently taken up full time financial adviser positions in the branch network after completing their professional training.

In 2018 we improved employer pension contributions for more than half our colleagues to help them build a bigger pension pot, and following a review of pay and grading, more than a third of our colleagues have enjoyed a salary uplift over and above the cost of living increase also provided. We are proud to be a Real Living Wage employer, which goes further than the Government's national minimum wage.

## Connecting with our communities

Our branches continue to play a key role in their local communities. Where possible, we are introducing community spaces into our refurbished branches which are available to community groups and have already been used in a host of different ways. We have also tried to be sympathetic to local tradition when we have restored older buildings – for example the restoration work on the iconic Durham Teapot that sits above our Durham branch, undertaken by the City of Durham Trust and the stained glass windows and chandeliers in our new location in Carlisle have both preserved features which are valued by local residents. We consider it a privilege to support those in our towns and cities who are actively working to improve the potential, history and culture of our region.

We donated £797,000 or 6% of our pre-tax profits to charity during 2018. We have continued to build the Newcastle Building Society Community Fund at the Community Foundation, through donations made by the Society in proportion to balances held in our Community Saver accounts and our colleague fundraising activities.

The Community Fund is building a legacy for future Members, with increasing capacity to make grants which support local charities and community groups. Our grant programme is expanding year on year and now includes larger grants of up to £50,000 to support community building improvements. In addition a total of £179,000 was awarded in 63 smaller grants during 2018.

We have a long-standing relationship with the Sir Bobby Robson Foundation. The Newcastle Building Society Community Fund at the Community Foundation is continuing that relationship with an ongoing and significant level of funding support for at least the next five years. The combined contributions of the Society and The Newcastle Building Society Community Fund have just passed the £2.8m mark in cumulative donations to this worthy cause, which funds leading cancer research, diagnosis and treatment for people across our region.

Andrew Haigh with Alan Shearer at the opening of a revolutionary new cancer treatment and research project funded by the Sir Bobby Robson Foundation, at the Northern Centre for Cancer Care, Freeman Hospital in Newcastle.



There are around 35,000 people living with dementia in the North East, a statistic that is expected to increase. We have committed to ensuring that every colleague will become a Dementia Friend and have also been offering Dementia Friends sessions to customers in our branches, and extended an open invitation for others on the high street to join us. I am proud that we have over 1,500 Dementia Friends who received training and learnt about improving the lives of those living with dementia in our region.

Our colleagues have continued to embrace our volunteering programme in 2018, more than doubling their volunteering contribution this year with 55% of colleagues volunteering. They have spent over 4,750 hours in the community supporting 137 groups and local charities.

### Helping our clients and partners succeed

Newcastle Strategic Solutions Limited and Newcastle Systems Management Limited, two of the Society's subsidiaries received ISO 27001 Certification for their Information Security Management System. Meeting this international standard benchmark evidences our ongoing investment in having the right controls to respond to the threats to data and IT service provision. We were also pleased to renew our Cyber Essentials Plus accreditation during the year.

Newcastle Strategic Solutions continues to be the UK's leading provider of outsourced savings management services and were delighted to see strong growth in scale of savings balances under administration throughout 2018 and a number of clients win industry awards for the quality of service provided to their customers.

### Financial performance

It is only possible for the Society to thrive and continue to serve the region if our underlying business model is sustainable in the long term and our financial performance is robust. Profitability is one of the key financial performance measures.

Profit before tax improved to £13.3m for the year ended 31 December 2018 compared to £13.1m for 2017. Our 2017 profit before tax was positively impacted by a one-off credit of over £2m relating to the purchase of our Cobalt office and it is pleasing to report that in 2018 we saw that one-off credit replaced by an overall improvement in Operating Profit before provisions and exceptional items, which increased by £2.6m to £14.7m.

Overall growth in income of £6.6m, was offset by an increase in costs of £3.9m associated with the significant ongoing investment into the business, including our branch refurbishment programme and pay and grading project. The cost to income ratio improved from 79% to 77%. Net interest margin improved from 0.79% to 0.92% reflecting increased income.

Mortgage impairment charges have increased, from £0.2m to £1.5m, the majority of which reflects a small number of legacy non-performing commercial loans.

Provisions for liabilities and charges decreased by £1.1m from £1.0m debit to £0.1m credit. The credit relates to the reduction in the provisions required for the Financial Services Compensation Scheme levy and consumer redress.

The Group's capital ratios remain robust with Common Equity Tier 1 ratio improving from 15.3% to 15.7% and Tier 1 capital ratio reducing slightly from 16.6% to 16.3%. The Group's overall capital ratio (Solvency ratio) also reduced to 17.7% compared to 18.9% at the end of 2017. Both reductions were as a result of a planned repayment of one of the Group's Permanent Interest Bearing Shares during 2018. The leverage ratio (on a transitional basis) was 5.4%.

Despite the weak growth in the mortgage market during 2018 and strong competition, as noted above, our gross residential mortgage lending was £520m and net residential lending was £160m. The percentage of mortgage loans in arrears of 3 months or more, across our whole mortgage portfolio based on the number of loans, reduced again from 0.34% to 0.30%; lower than the industry average. Possession cases also continued at very low levels reflecting the excellent credit quality of the Society's residential lending.

The Group's liquidity, excluding encumbered assets, ended the year as 14.6%, compared to 17.0% in 2017. This had been actively managed down over the second half of the year to improve efficiency but remains well within in our planned operating guidelines and above our minimum operating requirements.

The Society's liquidity coverage ratio was 179% against a regulatory minimum required level of 100%. This significant headroom reflects the quality of the Society's liquidity with the majority of it invested in AAA/AA rated assets, in the UK.

### Summary

2018 has been a significant year of change and progress for Newcastle Building Society. We have seen our highest growth in income compared to recent years with increasing profitability year on year and our Member base has started to grow again. We have seen good levels of lending and are particular pleased to be able to support new homeowners in taking their first steps onto the property ladder.

Our connection to our communities is even more evident and embedded in the day to day operations of the Society. Our contributions to the Newcastle Building Society Community Fund at the Community Foundation are both enabling a positive impact to be made immediately through community grants and building a legacy for future generations as the fund continues to grow.

Finally, our Newcastle Strategic Solutions Limited and Newcastle Systems Management Limited subsidiaries continue to offer market leading services and make a positive contribution to our financial performance.

Whilst economic uncertainties continue from Brexit and other global issues, we passionately believe in our Purpose of

### “Connecting Communities in the North East with a better Financial Future.”

and continue to invest in our business, colleagues and communities to build a strong regional brand that is recognised for making a genuine difference for the communities we serve.

We have no doubt that the year ahead will bring many unique challenges but we believe we are well placed to address them and continue in our long term aspiration to live out our Purpose and make a genuine, positive contribution in supporting our Members by helping them save, plan their finances and own their home, and in our support for their communities across the region.

A handwritten signature in black ink, appearing to read 'A. Haigh'.

Andrew Haigh  
Chief Executive  
26 February 2019



Supporting our communities is core to what we do. From colleague fundraising and enabling grants to local projects and charities, to volunteering for causes across the North East.

In 2018 total charitable giving was £797,000 that's equivalent to 6% of our pre-tax profit. Support from the Newcastle Building Society Community Fund increased with £178,902 given in the form of 63 community grants. Here are some of the local causes that have been supported over the year.

Building on the success of community grants, the Newcastle Building Society Community Fund introduced Building Improvement Grants in 2018. This grant programme provides larger amounts of up to £50,000 for community groups or charities in the region who need to make improvements to their community buildings. This might include: construction, expansion, renovation or replacement of an existing facility or facilities.

Members can nominate local community groups, causes and charities across the North East for grants of up to £3,000.

If you would like to nominate a cause local to you and to our branch network, please see our website: [newcastle.co.uk/community](http://newcastle.co.uk/community) or visit your local branch for more information.



## Bay Foodbank

Nominated by Ian GT Miller, The Bay Foodbank received a grant of £3,000 which has enabled them to provide food for breakfast and lunch clubs at a local school. The Bay Foodbank is based in North Shields and was founded in February 2012 with the aim to provide emergency food provision to individuals or families experiencing a financial crisis.



## Brandon Boxing

Brandon Boxing Club was established in 2013 by Alex Oliver BEM. The aim of the club is to provide support and encouragement to people in the East-Durham area. The club received a grant of £795 to purchase new boxing equipment. Alex of Brandon Boxing, who is well known in his local community for working with young people and helping to keep them off the streets helped us open our Durham branch at the beginning of 2018.

## Silver Fox Motorcyclists

Silver Fox Motorcyclists group, based in Berwick used a grant of £1,125 to offer first aid training to approximately 25 group members. The group take part in a motorbike ride of up to 200 miles every week. The importance of riders having some first aid knowledge was brought to light in 2017 after one of the group was involved in a head on collision during a ride. While the rider was recovering in hospital, an introductory course was organised for members.



## Colleague Fund Raising

Colleague raised money by holding various themed "FunD Days" throughout 2018. Ranging from fitness to summer to Halloween themes colleagues had fun and also raised over £20,000 for the Newcastle Building Society Community Fund, Macmillan Cancer Support and Children in Need.

## Changing Lives

Changing Lives supports over 17,500 vulnerable people a year, changing their lives for the better. A national charity which began and is based in the North East, the charity received a grant of £1,645 to help revamp their community kitchen at Ridley Villas. The renovation enables families to cook, eat together and share stories. The charity provides opportunities for people to come together to tackle isolation.



## Building Improvement Grants

Springfield Community Association was our first Building Improvement Grant recipient and received a grant of £49,110. They are a volunteer led charity based in Forest Hall, established using money raised by the local community. Springfield will be using the grant to transform their community space through a number of refurbishments. The grant will help provide a brand-new accessible community facility with many social and economic benefits for existing and new service-users and partners.



## Our Early Talent and their journey

Our early talent programme is designed to help people realise their potential, by providing opportunities through work experience, business objectives and personal development goals. Our programme supports bright, ambitious and brave new talent to help us build a great future, by helping to shape careers and nurture talent. We offer a wide range of opportunities designed to give our new colleagues the skills and experience to develop their abilities.

## Apprenticeships

In 2018, nine apprentices joined us to undertake a 12-18 month training and development programme. We know that by investing in apprentices we are growing our next generation of talent.

An apprenticeship offers a supported tailored development programme and rewards apprentices with a real living wage. We have a number of apprentices within various departments around the Society.

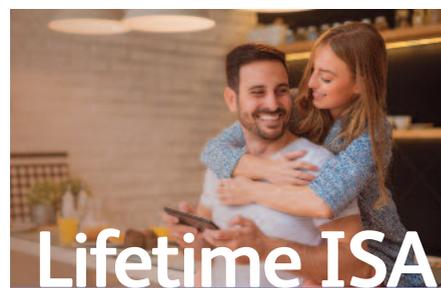
## Graduate Programme

Our graduate programme is designed to grow our future leaders. Over 18 months, graduates are expected to challenge our thinking and bring forward new creative ideas on how we can improve the way we work within the Society. In 2018 we were pleased to welcome three graduates to the Society.



## Undergraduate Placements

As a great way to kick start careers, we offer undergraduate placements, where students can gain 12 months of real business experience as part of their University course, providing them with a real insight into their chosen business area. In 2018 we were pleased to welcome seven students into a number of business areas of the Society.



## Lifetime ISA

### Saving smart for your first home or retirement

Not many banks and building societies offer a cash Lifetime ISA, and we joined with the best buy rate of 1.1%, which incorporates a 25% Government bonus - helping our Members either save for their first home deposit or helping them save for later life. We are only the third provider of the Cash Lifetime ISA and only the second to provide nationally (via online channels).



## Regular Saver

We firmly believe that getting into the savings habit and saving little and often is a key foundation for good financial health. We were pleased to introduce our new regular saver accounts alongside our mascot Poppy the Pound. We offer three Regular Saver accounts for savers from the ages 0-10, 11-15 and 16+

## North East Exclusive Mortgages

As the North East's largest building society, it's important to us that we help borrowers in our region to own their own home. Throughout 2018 we offered a range of exclusive North East products which represented just under a quarter of our completed business. The majority of the customers we helped were First-Time Buyers.

## Helping First-Time Buyers

Helping Members buy their first home is something we continuously support and in 2018 we helped 1,169 customers own their first home. We expanded our product range in 2018 for both First-Time Buyers and Help to Buy customers providing more choice and flexibility.





**Stuart Dodson**  
Managing Director -  
Newcastle Financial  
Advisers Limited



## Ask Newcastle Financial Advisers

Newcastle Building Society established Newcastle Financial Advisers over 16 years ago, to provide Members with access to financial advice. Trusted financial advice is something everyone deserves and as many banks are withdrawing from the high street or no longer offer this service it's getting harder for people to plan their finances with the help of a trained professional. Our financial advisers are in each of the Society's 27 branches and we're here to stay.

This year we launched 'Ask Newcastle Financial Advisers' in branch and online to raise awareness of the service and advice we offer across the region. We hosted 156 Pension Clinics across the region, which are free 30 minute chats with a financial adviser for people to ask questions about their pension and see what they may need to do next. These are proving to be a real success, and we will continue to host these as a way of helping people engage with their finances.



## What you say about us!

We would like to say thank you for the responses to our customer satisfaction survey.

We appreciate getting feedback as it is really important for us to ensure we are offering you the service you need. We are pleased to announce that 93% of our customers value our service with comments on how professional, approachable and knowledgeable our advisers are.

"There was no pressure. All the options were detailed and the adviser took time to explain the pros and cons of each option. I was left to take time to mull it all over and if I wanted to proceed with any option I could go back at any time. I was really happy with the service."

It was also encouraging to see that 77% of customers who responded would recommend our service. This is a tribute to the service we provide and that our customers trust us and would recommend us to their friends and family.



**Ken Hines**  
Seminar & Community  
Specialist



## BIG talks in your community

Taking place across our heartland area throughout the year, our BIG talks are relaxed and informal events that help you stay up to date on financial information that's relevant to you.

Not sure how to invest, or how to make plans for passing on your estate the way you want? Confused about what you should be doing with your pension? Our BIG talks explain things in a way that's easy to understand.

Meet Ken. He delivers all our BIG talks. With years of experience as a financial adviser in the North East, Ken has more than a few financial tales to tell! His relaxed style puts everyone at ease and he provides financial information that's useful for every stage of life.

**Why not come along?** Bring a partner, relative, or friend and we'll provide a light buffet and a cup of tea or coffee!



## If you're interested, come along, here is a list of our upcoming dates and venues:

**Thursday 9th May 2019**  
Baumont Hotel, Beaumont Street, Hexham

**Wednesday 15th May 2019**  
Linden Hall Hotel, Longhorsley, Morpeth

**Tuesday 21 May 2019**  
Consett AFC, Delves Lane, Co. Durham

**Thursday 13th June 2019**  
Judges Country House Hotel, Kirklington

**Tuesday 18th June 2019**  
Emirates Riverside, Chester-le-Street, Co. Durham

**Wednesday 26th June 2019**  
The Town Hall, Marygate, Berwick Upon Tweed

**Wednesday 3rd July 2019**  
Cairndale Hotel, English Street, Carlisle

**Wednesday 10th July 2019**  
White Swan Hotel, Bondgate Within, Alnwick

**Thursday 8th August 2019**  
The Golden Fleece Hotel, Thirsk, York

To book your place, or see a full list of dates, please visit: [www.newcastle.co.uk/events/](http://www.newcastle.co.uk/events/)

Alternatively, you can ask in your local branch when your next BIG talk seminar is scheduled and they can reserve your place for you.

We look forward to seeing you there!

## Growing our own talent – Our Academy

We continue to invest and grow our own talent through our Academy, a professional training programme which leads to qualified financial adviser status. We welcomed an additional recruit to our ranks in 2018, with more to come in 2019. Our aim is to create the financial advisers of the future and make sure they have the skills and values to provide expert advice to our customers.

If you're looking for financial advice or have some questions to ask us, contact our Support Team on: 0345 600 4330 to make an appointment with your local financial adviser.

## Notice of AGM

Notice is given that the AGM of Members of Newcastle Building Society will be held on Wednesday 24 April 2019 in the Bambergh Suite, St James' Park, Newcastle United Football Club, Newcastle upon Tyne, NE1 4ST at 1.45pm prompt, for the following purposes:

### Ordinary Resolutions

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

### Election and Re-election of Directors

5. i) To re-elect David John Buffham
- ii) To re-elect Patrick Ferguson
- iii) To re-elect Bryce Paul Glover
- iv) To re-elect Andrew Scott Haigh
- v) To re-elect Karen Ingham
- vi) To re-elect Anne Laverack (Business name: Anne Shiels)
- vii) To re-elect Stuart Miller
- viii) To re-elect Philip James Moorhouse
- ix) To re-elect John Morris
- x) To elect David Alan Samper
- xi) To elect Michael Roger Thompson
- xii) To re-elect Ian William Ward

By order of the Board



**Ian Good**  
Group Secretary  
26 February 2019

## 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 vote on their behalf.  
  
You may appoint the Chairman of the Meeting or anyone else as your proxy and your proxy does not have to be a Member of the Society.  
  
Your proxy may vote for you at the Meeting but only on a poll.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the Voting Form.

## How to Vote

### Online

1. You can vote online at [www.newcastle.co.uk/agm](http://www.newcastle.co.uk/agm)
2. You must vote online by **5pm on Wednesday 17 April 2019**. 30p will be donated to The Newcastle Building Society Community Fund at the Community Foundation for every vote submitted 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 no later than **5pm on Wednesday 17 April 2019**.

**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 24 April 2019**.
2. Bring your Voting Form, or other evidence of membership, to the Meeting.

### Agenda:

- Registration 1:00pm.
- AGM 1:45pm prompt.
- Refreshments served upon registration and after conclusion of the Meeting.

## AGM Business

1. The Annual Report and Accounts for the year ended 31 December 2018 are required to be received formally by Members at the AGM.
2. It is a requirement that the auditors are appointed by the Members each year. The Board is proposing the re-appointment of PricewaterhouseCoopers LLP as auditors.
- 3/4. The Directors' Remuneration Report included on pages 22 to 24 summarises the Society's approach to pay for the period 1 January to 31 December 2018. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Society. The summary is split into three main sections:-
  - i) Statement by the Chairman of the Remuneration Committee;
  - ii) Report on Remuneration; and
  - iii) Directors' Remuneration Policy.

A full version can be found in the 2018 Annual Report and Accounts.

### Voting on the Report and Policy

At the AGM there will be separate votes on the Report (sections (i) and (ii) above) and Policy (section (iii) above), which will both be on an advisory basis. We will take the views of our Members seriously, as expressed through the advisory votes, and will consider the results carefully to determine what action, if any, is appropriate.

The Directors' Remuneration Policy was approved by Members at the 2018 AGM. For 2019 and future years (until changed) a bonus scheme will apply for Executive Directors. Further details are set out in the Policy on pages 22 to 24.

5. In accordance with best practice on corporate governance, all of the Society's Directors are standing for either election or re-election at the AGM.

The biographical details of all the Directors are set out on pages 20 and 21, those details include their skills, experience and qualifications. The Board confirms that all the Directors seeking election or re-election continue to be effective with a strong commitment to the role.

**The Board recommends that you vote in favour of all the resolutions and for the election or re-election of the Directors.**

## 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

## 1. Andrew Haigh

Chief Executive

Andrew became the Society's Chief Executive in May 2015 having joined the Board as Chief Operating Officer in January 2014. He has a track record in transforming and developing businesses, with more than 30 years' business experience and over 20 years in the mutual sector.

## 2. Phil Moorhouse

Chairman

Phil, the Society's Chairman since April 2013, is an experienced accountant and a Fellow of the Chartered Association of Certified Accountants. He brings 38 years of business experience to the Society's Board and his expertise was recognised when he was awarded 'North East Non-Executive of the Year 2015' at the North East Business Executive of the Year Awards.

## 3. David Samper

Chief Financial Officer

David joined the Society in 2018 as Chief Financial Officer. An accomplished strategic leader with over 20 years' experience as a chartered accountant, David has held senior roles across a number of multinational organisations in the UK and abroad.



## 4. Patrick Ferguson

Strategy, Planning and Risk Director

Patrick joined the Society's Board in February 2014. Before this he was the Society's Group Risk Executive for almost four years. He has extensive experience in risk management, including conduct risk and regulatory compliance, in addition to financial reporting, planning, and budgeting. He has 19 years' experience in the building society sector.

## 5. Stuart Miller

Customer Director

Stuart became a Director of the Society in January 2018. He is an Associate of the Chartered Institute of Bankers and holds the Customer Experience Professionals Association qualification for senior business leaders. Stuart has over 30 years' customer service expertise in financial services.

## 6. John Morris

Non-Executive Director

John is a Fellow of the Institute of Chartered Accountants and brings to the Society a significant amount of experience of both the banking and building society sectors including several years as Director of Finance for the Retail Banking Division of HBOS.



## 7. Ian Ward

Non-Executive Director

Ian has extensive experience in financial services that includes his role as Chief Executive of Leeds Building Society for 16 years until his retirement in 2011. He is an experienced Non Executive Director.

## 8. Karen Ingham

Non-Executive Director

Karen has an extensive customer services background within the consumer sector and is extremely people and customer focused. She is currently Senior Operations Director for Europe, Middle East and Africa at Expedia Inc.

## 9. David Buffham

Deputy Chairman and Senior Independent Director

David has spent most of his career at the Bank of England. He held a wide variety of banking and other roles, including the post of Bank of England Agent for the North East where he was responsible for reporting to the Bank's Monetary Policy Committee on the region's economy.



## 10. Anne Shiels

Non-Executive Director

Anne is an HR professional with extensive Executive and Board level experience, across a range of sectors including retail, financial services, telecommunications, manufacturing and Fast Moving Consumer Goods.

## 11. Bryce Glover

Non-Executive Director

Bryce is a highly experienced Director who has operated at Executive Committee and Board level in a number of leading UK financial services businesses. The majority of his career has focused on corporate and commercial banking.

## 12. Mick Thompson

Non-Executive Director

Mick spent 21 years as a Partner and nine years as Office Senior Partner at KPMG Newcastle, where he was responsible for driving growth and expansion. He has worked with companies and organisations across a broad range of industry sectors.



For full Directors' biographies, please see the 2018 Annual Report and Accounts, available online and in branch.

# Summary Directors' Remuneration Report

This report details the Society's approach to pay for the period 1 January to 31 December 2018. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Society. A full version of each section can be found in the 2018 Annual Report and Accounts.

## i) Statement by the Chairman of the Remuneration Committee

The Remuneration Committee's purpose is to consider, agree and recommend to the Board an overall remuneration policy and approach that promotes achievement of the Society's long term business strategy and business objectives and is aligned with the long term interests of the Society's Members, other stakeholders and risk appetite.

The Board believes remuneration should be sufficient to attract, retain and motivate senior managers to continue to run the Society successfully. The Remuneration Policy, therefore, focuses on rewarding our Executives in line with the achievement of our goals set out in the Strategic Plan and Corporate Key Performance Indicators whilst continuing to provide value for money for our Members.

The Committee comprises solely of Non-Executive Directors who have no personal financial interest in the recommendations. The Chairman of the Committee is John Morris, the other members are David Buffham, Karen Ingham and Anne Shiels. The Chairman, Chief Executive and HR Director (except for items relating to their remuneration) also attend meetings but are not members of the Committee. The Company Secretary acts as Secretary to the Committee.

## ii) Report on Remuneration

The total remuneration received by Executive Directors is shown opposite. The information has been audited and shows remuneration for the years ended 31 December 2017 and 31 December 2018 as required under the Building Society (Accounts and Related Provisions) Regulations 1998.

The Chief Executive is the Society's most highly paid employee and no employee earns more than any Executive Director. For details of other non-Society Board positions held by the Society's Executive Director team see the Annual Business Statement on page 100 of the 2018 Annual Report and Accounts. None of the current Executive Directors retained any remuneration as a result of their non-Society positions.

## Calculation of 2018 Annual Bonus

The Society's Remuneration Policy as applied throughout 2018 did not include significant performance related variable remuneration. Bonuses are paid as a percentage of basic salary. A corporate bonus of 4% of basic salary has been awarded to Executive Directors in relation to 2018.

## iii) Directors' Remuneration Policy

This section sets out the Director's Remuneration policy that will apply during 2019.

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

In implementing the Policy, the following key principles are to be observed:

- The Policy is clearly linked to the Society's purpose, strategic plan, objectives and values;
- Policy, process and practice are consistent with and promote effective risk management in line with the Group risk appetite statement and detailed policies;
- Basic pay and total remuneration are set at a competitive level to attract and retain the appropriate calibre of people;
- The approach to pay satisfies regulatory requirements and good Corporate Governance practice;
- Remuneration arrangements are transparent, consistent and fair, reflecting individual responsibilities and performance; and
- Remuneration arrangements are straightforward to understand, communicate and administer.

## Directors' Emoluments (Audited)

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

	Year	Salary or fees	Other benefits	Annual bonus (Note 1)	Pension contributions to defined contribution scheme (Notes 2,3,4 & 5)	Total contractual benefits
		£000	£000	£000	£000	£000
<b>Executive Directors</b>						
AS Haigh - Note 2	2018	306	41	9	-	356
	2017	293	40	9	-	342
P Ferguson	2018	150	10	5	14	179
	2017	139	10	4	13	166
S Miller - Note 4 - (Appointed 16 January 2018)	2018	147	18	5	5	175
	2017	-	-	-	-	-
D Samper - (Appointed 20 December 2018)	2018	6	-	-	-	6
	2017	-	-	-	-	-
AM Russell - Note 3 - (Retired 25 April 2018)	2018	64	14	-	-	78
	2017	191	26	6	2	225
D Thompson - (Resigned 24 April 2017)	2018	-	-	-	-	-
	2017	53	10	-	4	67
<b>Total for Executive Directors</b>	<b>2018</b>	<b>673</b>	<b>83</b>	<b>19</b>	<b>19</b>	<b>794</b>
	<b>2017</b>	<b>676</b>	<b>86</b>	<b>19</b>	<b>19</b>	<b>800</b>
<b>Non-Executive Directors</b>						
PJ Moorhouse	2018	69	-	-	-	69
	2017	68	-	-	-	68
DJ Buffham	2018	56	-	-	-	56
	2017	54	-	-	-	54
J Morris	2018	53	2	-	-	55
	2017	50	2	-	-	52
IW Ward	2018	52	1	-	-	53
	2017	47	1	-	-	48
BP Glover - (Appointed 11 August 2017)	2018	39	4	-	-	43
	2017	15	1	-	-	16
A Laverack - (Appointed 17 July 2017) (Business name: Anne Shiels)	2018	40	1	-	-	41
	2017	18	-	-	-	18
K Ingham	2018	40	-	-	-	40
	2017	39	-	-	-	39
RJ Bottomley OBE - (Retired 24 September 2018)	2018	32	2	-	-	34
	2017	41	2	-	-	43
RJ McCormick - (Retired 26 April 2017)	2018	-	-	-	-	-
	2017	17	1	-	-	18
<b>Total for Non-Executive Directors</b>	<b>2018</b>	<b>381</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>391</b>
	<b>2017</b>	<b>349</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>356</b>
<b>Total for all Directors</b>	<b>2018</b>	<b>1,054</b>	<b>93</b>	<b>19</b>	<b>19</b>	<b>1,185</b>
	<b>2017</b>	<b>1,025</b>	<b>93</b>	<b>19</b>	<b>19</b>	<b>1,156</b>

### Notes:

1. During 2017 and 2018 the Society's Executive Directors participated in the Group's annual Corporate Bonus Scheme.
2. Mr AS Haigh has elected to take his pension contribution amounting to £27,506 as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
3. Mrs AM Russell elected to take her pensions contribution amounting to £5,759 as a cash payment. She is liable for her own tax and national insurance contributions on this payment.
4. Mr S Miller has elected to take part of his pension contribution amounting to £8,072 as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
5. None of the Society's Directors participate in the Group's defined benefit pensions scheme.

# Summary Financial Statement

## Key changes to the Director's Remuneration Policy for 2019

In February 2019, the Board approved the introduction of an Executive Bonus Scheme in relation to 2019 performance. The key driver for the introduction of the Executive Bonus Scheme is to ensure that the Society meets the objectives of the Remuneration Policy as set out overleaf.

The development of the new Executive Bonus Scheme was underpinned by a robust benchmarking process with support from an external remuneration specialist.

The Corporate Bonus Scheme will remain in place for other colleagues, however it is our intention to review the Corporate Bonus Scheme during 2019 with the intention of replacing it in performance year 2020.

## Remuneration for Executive Directors

The elements of remuneration for Executive Directors and the way they operate are set out below.

**Basic salary** - Basic salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual. In setting appropriate salary levels, the Committee takes into account data for similar roles in comparable organisations as determined by the Group Job Evaluation Policy. The Society aims to position Executive Directors competitively within the reference group.

**Pension** - Generally the Society contributes to a defined contribution pension scheme for the Executive Directors. The contribution can instead be paid in cash (which is excluded from bonus calculations) if the Executive Director is likely to be affected by the limits for tax approved pension saving.

**Other benefits** - A number of benefits are provided to Executive Directors, including car or car allowance, private medical insurance, life insurance, relocation allowance and permanent health insurance.

The Committee reviews benefits and from time to time may make changes, for example to reflect market practice or the needs of the business.

**Executive Bonus Scheme** - The Executive Bonus Scheme supports the attraction and retention of Executive Directors, the development of a high performance culture and rewards performance within the context of achieving corporate goals and objectives as set out in the corporate strategy. The Executive Bonus Scheme considers a number of performance measures and targets linked to the delivery of corporate strategy with measures including financial, customer, people and personal objectives. Targets will be set annually and payments are to be made at the discretion of the Remuneration Committee.

Payments will be made in three equal parts, with the first payment in the year after the bonus is earned and the remainder over the following two years.

The maximum potential bonus opportunity is 50 % of base salary. On target bonus opportunity is 30 % of base salary. The measures will be assessed by the Remuneration Committee on an annual basis and will be subject to discretion. Performance measures are weighted as follows: 40 % financial, 30 % non-financial, 30 % personal objectives.

Executive Directors are employed on service agreements which can be terminated by either the Society or the Director giving 6 months' notice.

## Remuneration of Non-Executive Directors

The elements of Non-Executive Directors' remuneration and the policy on how each element is determined are set out below.

**Base fees** - Reviewed annually based on time commitment and responsibility required by Board and Board Committee meetings. Review takes into account fees paid by comparable financial services organisations.

**Additional fees** - Additional fees are payable for additional responsibilities such as Committee chairmanship or membership.

**Other items** - Non-Executive Directors are not eligible to participate in any form of performance pay and do not receive pensions or other benefits in kind.

## Consideration of Member Views

At the 2019 AGM there will be separate votes on the Remuneration Report (sections (i) and (ii) above) and Remuneration Policy (section (iii) above), which will both be on an advisory basis. We will take the views of our Members seriously, as expressed through the advisory votes, and will consider the results carefully to determine what action, if any, is appropriate.

## John Morris

Chairman of the Remuneration Committee  
26 February 2019

## For the year ended 31 December 2018

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 19 March 2019. This information is also available online at: [www.newcastle.co.uk/agm2019](http://www.newcastle.co.uk/agm2019)

## Summary Directors' Report

The requirements of the Summary Directors' Report for the year ended 31 December 2018 can be found within the Chief Executive's Review on pages 6 to 11. 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 26 February 2019

Phil Moorhouse, Chairman

John Morris, Chairman of the Audit Committee

Andrew Haigh, Chief Executive

## Group results for the year

	2018 £m	2017 £m
Net interest receivable	34.2	29.1
Other income and charges	30.2	28.7
Gains less losses from financial instruments and hedge ineffectiveness	0.1	0.1
Administrative expenses and depreciation	(49.8)	(45.8)
<b>Operating profit before impairments, provisions and exceptional items</b>	<b>14.7</b>	<b>12.1</b>
Impairment charges on loans and advances to customers	(1.5)	(0.2)
Provisions for liabilities and charges	0.1	(1.0)
Exceptional gain on purchase	-	2.2
<b>Profit for the year before taxation</b>	<b>13.3</b>	<b>13.1</b>
Taxation expense	(2.5)	(2.2)
<b>Profit after taxation for the financial year</b>	<b>10.8</b>	<b>10.9</b>

## Group financial position at the end of the year

	2018 £m	2017 £m
<b>Assets</b>		
Liquid assets	692.4	789.8
Mortgages	2,768.9	2,692.7
Fair value adjustments for hedged risk	175.9	206.2
Other loans	3.3	14.6
Derivative financial instruments	3.5	4.9
Fixed and other assets	53.8	53.9
<b>Total assets</b>	<b>3,697.8</b>	<b>3,762.1</b>
<b>Liabilities</b>		
Shares	2,713.7	2,788.5
Fair value adjustments for hedged risk	0.4	1.6
Borrowings	552.4	504.6
Derivative financial instruments	178.3	210.2
Other liabilities	12.9	15.4
Subordinated liabilities	25.0	25.0
Subscribed capital	20.0	30.0
Reserves	195.1	186.8
<b>Total liabilities</b>	<b>3,697.8</b>	<b>3,762.1</b>

## Summary of key financial ratios

	2018 %	2017 %
Gross capital as a percentage of shares and borrowings	7.37	7.36
Liquid assets as a percentage of shares and borrowings	21.20	23.94
Profit for the year as a percentage of mean total assets	0.29	0.29
Management expenses for the year as a percentage of mean total assets	1.33	1.24

## Notes

### Gross capital as a percentage of shares and borrowings

Gross capital represents reserves, plus subordinated liabilities 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 auditors' statement on the Summary Financial Statement to the members of Newcastle Building Society

We have examined the Summary Financial Statement of Newcastle Building Society (the 'Society'), set out on pages 25 to 26, which comprises the Group results for the year, the Group financial position as at 31 December 2018, the summary of key financial ratios and notes.

### Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Summary Annual Report 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, Summary Directors' Remuneration Report and Directors' Emoluments.

This statement, including the opinion, has been prepared for and only for the Society's members as a body in accordance with Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other

purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Basis of opinion

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

### Opinion

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Newcastle Building Society for the year ended 31 December 2018 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
26 February 2019