

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 - 2/4 English Street, CA3 8HX 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) 785 985

Agency

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

Call: 0345 734 4345 Monday to Friday 8am to 6pm

Calls may be monitored and recorded for training and security purposes.

Visit us online: www.newcastle.co.uk or call into one of our branches.

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 2017**

Highlights of 2017

Purchase of Cobalt Office

The purchase of our Cobalt Park office, home to our Newcastle Strategic Solutions subsidiary, highlighted our commitment to growing our business in our region.

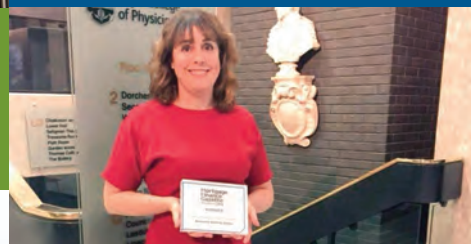


First Time Buyer Events

First time home buyers and their families were welcomed to our new format information events. Free, informal and first time buyer focused.

New Customer Director

We welcomed Stuart Miller to the role of Customer Director. With more than 30 years' experience in customer service across the financial services sector, he brings a renewed focus to our Member and customer service.



Award wins

We were delighted to win three awards in 2017, Best Community Services (Mortgage Finance Gazette), Community Friendly Business Award (VODA) and Best Regional Building Society 2017 by What Mortgage.

Darlington branch launch

We created a sparkling new location for our branch and financial advice centre on Horsemarket in Darlington. We marked this by celebrating local people's stories within our theme of 'Darlington Journeys'.



Dementia friends

Colleagues attended 20 successful dementia awareness sessions and we now offer Dementia Friends sessions to customers and the general public.

Charitable donations

Our support to the Sir Bobby Robson Foundation, combined with contributions to the Community Foundation to build up the endowment for the Community Fund saw our total charitable giving at £770k or 6% of our profit before tax.



Apprenticeships

We launched our first apprenticeship programme in 2017. Five apprentices aged between 17 and 24 joined us to undertake a 12 to 18 month training and development programme.

Investors in People - Gold

In 2017 we were delighted to become one of a handful of companies within the region to be awarded Investors in People – Gold status. Colleagues celebrate our Gold IIP Award outside our Head Office.



Durham branch launch

We officially opened our first refurbished branch of 2018 in Durham. Alex Oliver, a local boxing coach who has won the British Empire Medal in the New Year's Honours for his service to the community helped cut the ribbon.

Volunteering

Over 70 local groups and charities benefitted from the help of 335 colleague volunteers who gave over 2,600 hours of their time in 2017.



Member Events

We recorded a record turn-out for our Member information events at Alnwick Gardens and Preston Park ahead of our Annual General Meeting in April.



2017 has been a year of achievement. Our Society has delivered strong financial growth, supported by investment in the recruitment and development of our colleagues and the delivery of major projects.

PHIL MOORHOUSE
CHAIRMAN

As the North East's largest building society, last year we defined and shared our Purpose - Connecting Communities in the North East with a Better Financial Future by:

- Encouraging people to save and plan their finances;
- Helping people own their home;
- Being a great place to work, where people can realise their potential;
- Helping our communities make positive changes; and
- Helping our clients and partners succeed through our excellent products and services.

Our Purpose is an inspiring framework for us to begin to build, challenge, and measure our performance, and alongside our behaviours framework, it will continue to set our direction and agenda for the years ahead.

Our commercial performance continued to make good progress and saw an increase in our profit before tax to £13.1m. It was pleasing to see our capital and liquidity ratios remain robust at 18.9% and 17.0%, respectively.

ECONOMY

Whilst political and economic uncertainty have characterised 2017, the economy has continued to grow, albeit at a reduced rate.

Consumers have felt a squeeze on living standards as wages have been outpaced by inflation – due in large part to the weakness of the pound resulting in a rise in the cost of imports.

MEMBERS

In November the Bank of England introduced the first interest rate rise in 10 years. It's been a long road for savers who have been on the end of repeated rate cuts and continuing low rates dictated by the bank base rate. We were therefore very pleased to be one of the first financial organisations to commit to passing on the 0.25% base rate increase promptly, and in full to all of our individual variable rate savings accounts to enable savers to benefit. At the same time, Members with mortgages on our standard variable rate saw no change.

As part of our ongoing commitment to maintaining our branch network alongside our online and telephone servicing options for customers, 2017 saw us strengthen our regional heartland presence through a new branch review and investment programme, with new branches opening in Darlington and Durham.

We recorded a record turn-out at our Member information events at Alnwick Gardens in Northumberland and Preston Park in Stockton on Tees ahead of our Member Annual General Meeting in April. It's always very enjoyable to meet and hear feedback directly from our Members.

SUBSIDIARY COMPANIES

Newcastle Strategic Solutions, our award winning subsidiary which provides online savings management outsourcing for other financial institutions continued its progress, completing recruitment of a number of new roles to form its senior management team, including appointment of a Client Services Director. Newcastle Strategic Solutions remains a market leading provider of outsourced financial services, providing a substantial number of new jobs for the region.

Our Newcastle Systems Management Limited subsidiary provides technology solutions and support, both for the Group's various operations and other third party clients. It also manages the Group's property portfolio and in 2017 it completed the acquisition of our Cobalt offices in North Tyneside. The subsidiary has been awarded the Cyber Essentials Plus standard of assurance, a government backed cyber security certification scheme, endorsing the cyber security standards we employ across all areas of our business. We continue to maintain a sustained focus on this area.

COLLEAGUES

Our Society now employs over 1,000 people across its network of branches, support functions and subsidiaries. It is our people who set us apart in delivering the kind of organisation our Members want and we continue to invest in our colleagues as we seek to demonstrate a real difference through ongoing excellent service. We have many instances of feedback from our Members and across our wider customer base, outlining how outstanding personal service and customer care provided by our colleagues has positively impacted them.

We were thrilled to become one of just a handful of companies in the region to achieve the prized 'Gold' Investors in People standard, reflecting the commitment we've made to being a great place to work, where people can realise their potential. This is a continuing journey and we are ambitious to build on this level of achievement.

2017 also saw us launch our first apprenticeship programme and develop our leadership programme for senior colleagues, as an addition to the range of development programmes we already have in place.

HELPING OUR COMMUNITIES

More and more colleagues have been using their allocated volunteering time of two days to make a positive impact on our local communities. In 2017 25% of colleagues volunteered at a range of initiatives, from food banks, charity shops and schools, to outdoors environmental improvements and animal shelters.

We also continued the progress of growing the Newcastle Building Society Community Fund at the Community Foundation, providing the opportunity for our Members to nominate North East projects they would like to support with a grant from the Fund.

2017 also saw donations to the Sir Bobby Robson Foundation surpass £2.5m. The Foundation's work benefits cancer patients across the Society's heartland and also contributes significantly to the global fight against the disease. The Chief Executive's Review on pages 6 to 11 contains further detail on our significant achievements in 2017.

BOARD CHANGES

During 2017 we further strengthened our Board with the appointment of Bryce Glover and Anne Shiels, both of whom bring extensive experience. Stuart Miller also joined the Board in January 2018, taking up the role of Customer Director.

Ron McCormick departed the Board during the year, but remains as a non-executive director for Newcastle Strategic Solutions Limited.

This year we will also be saying goodbye to Angela Russell, our Deputy Chief Executive and Finance Director. Angela will step down from the Board in April 2018. Angela became Finance Director in 2010 and has played a key role in our Society's improving financial performance. I would like to extend all our thanks to Angela for her significant contribution during her seventeen years with the Society and to wish her all the best.

CONCLUSION

2017 has been notable for the progress our Society has made in delivering a number of key projects against a challenging backdrop of economic uncertainty and increasing competition. Our colleagues have responded with enthusiasm to the challenges we've faced and I would like to personally thank them - their commitment and drive has been a core factor in our successes.

I would also like to extend my thanks to our Members for their continued support and loyalty, for which we are extremely grateful.

PHIL MOORHOUSE
CHAIRMAN
27 FEBRUARY 2018

2017 highlights

- Achievement of Gold Investors in People status
- Customer satisfaction rating of **96%**
- **£133,823** awarded in grants to **76** charities across our heartland
- New branches in Darlington and Durham
- Increase in residential lending by **8%** to **£535m**
- "What Mortgage Awards 2017" Winner for Best Regional Building Society
- Purchase of our Cobalt Offices



In 2017 we have made great progress, with higher levels of lending, more new savers, increased levels of ongoing financial advice business, and delivery of major regulatory and investment programmes to improve service and support growth.

In terms of financial performance we are reporting increased profits, strong capital ratios, a robust liquidity position and record low levels of arrears, reflecting the excellent credit quality of our residential mortgage book.

ANDREW HAIGH
CHIEF EXECUTIVE

For over 150 years Newcastle Building Society has been bringing communities in the North East together and connecting them with a better financial future. Our Members can rely on us to help save and plan their finances, buy their own home, make positive changes to local communities and of course be a great place for our colleagues to work and develop.

A few of the highlights of 2017 include: Achievement of Gold Investors in People status; significantly expanding our programme of grant giving from the Newcastle Building Society Community Fund; relocation and refurbishment of branches in Darlington and Durham; purchase of our flagship offices on Cobalt Business Park; delivery of critical projects covering regulatory, accounting and information technology enhancements; major investment in colleagues through leadership programmes; a new apprenticeship programme; and last but not least – a record customer satisfaction score of 96%.

FINANCIAL PERFORMANCE

Profit before tax improved to £13.1m for the year ended 31 December 2017 compared to £8.1m for 2016, an increase of 62%. This significant improvement was due mainly to a reduction in charges for impairment provisions and a non-recurring credit related to the purchase of our Cobalt office of £2.2m. Operating profit before provisions and exceptional items increased by £0.2m to £12.1m with overall growth in income of £3.3m, being offset by an increase in costs of £3.1m associated with the significant ongoing investment into the business. Net interest margin improved from 0.77% to 0.79% reflecting increased levels of residential mortgage lending despite a very competitive mortgage market and pressure on margins. Funding costs were slightly lower as the Society utilised the Bank of England Term Funding Scheme to provide cost effective 4 year financing.

Income from Newcastle Strategic Solutions, our savings management outsourcing business, increased by 3.5% while underlying profitability was lower reflecting a significant investment into the infrastructure. This included a strengthened senior management team, an enhanced project support team and a higher depreciation charge reflecting increased capital expenditure to upgrade and enhance infrastructure. The Solutions business provides a diversified income stream, based on core competencies within the building society business. All of the profits from this business are ploughed back into the Society and support increased investment in services for Members as well as providing capital to support and grow the business.

In 2017 we continued our significant investment programme in IT systems and supporting processes, particularly around cyber security, enhancing resilience and information security, reflecting the latest regulatory and accounting developments and improving functionality.

Mortgage impairment charges have fallen, as we expected, reducing from £1.8m to £0.2m and for the first time in 10 years, the Society



£13.1m

Profit before tax



£390m

Customer balances in new community saver accounts.



Winner for Best Regional Building Society



£535m

Gross Residential Mortgage Lending



The opening of our new Darlington Branch welcomed customers old and new, as well as the Lord Mayor and Mayoress of Darlington who helped unveil our Darlington Journeys project.

Picture shows Andrew Haigh, CEO of Newcastle Building Society, Lord Mayor and Mayoress of Darlington cutting the ribbon for the official opening of the Darlington branch.

had no charge in the period in relation to legacy commercial lending exposures with the book now representing only 1.5 % of the total mortgage portfolio. Provisions for liabilities and charges increased by £0.4m from £0.6m to £1.0m. The charge for the Financial Services Compensation Scheme levy reduced from £0.6m to £0.1m reflecting a lower expected interest levy for the 2017/18 Scheme year. Offsetting this reduction was an increase in the provision for consumer redress of £0.9m reflecting increased costs of dealing with claims.

In February 2017 we purchased our office building at Cobalt Park in North Tyneside, a site that we have occupied for the last nine years, securing our future occupancy of the building. During the lease period the Society spread the effective cost of the lease over what was a 15 year term and built up a significant creditor for costs recognised but not billed during the rent free period. On purchase of the building this credit has been released, as it is no longer required, generating a £2.2m one-off profit in the year.

The Group's capital ratios continue to strengthen with Common Equity Tier 1 ratio improving from 14.3 % to 15.3 % and Tier 1 capital ratio increasing from 15.8 % to 16.6 %. The Group's overall capital ratio (Solvency ratio) was slightly higher at 18.9 % compared to 18.7 % at the end of 2016. The leverage ratio (on a transitional basis) remained at 5.2 %.

Despite the mortgage market being extremely competitive in 2017 we achieved an increase in lending reflecting the investment we have made in distribution, our mortgage product range and online systems capability for brokers. Gross residential mortgage lending increased by 8 % from £496m to £535m and net residential lending increased by 11 % from £195m to £220m.

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 0.42 % to 0.34 %; lower than the industry average with 2017 seeing a record low since we have been tracking 3 months arrears. Possession cases also continued at very low levels reflecting the excellent credit quality of the Society's residential lending.

Our liquidity at the end of the year was 17.0 %, excluding encumbered assets, down slightly compared to the level at the end of 2016 of 17.4 % but well above our minimum operating requirements. The Society's liquidity coverage ratio was 180 % against a minimum required level of 100 % (from 1 January 2018). 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.

SUPPORTING OUR CUSTOMERS

As a building society, helping people own their home is at the heart of our purpose. In 2017 we have seen record low mortgage rates. We continued to offer a wide range of good value products to help house buyers, from 2 to 10 year fixed periods, variable and discounted rates, and fee free products. We have a range of retention products available on maturity for loyal customers. We also provide mortgages for borrowers with more specialist needs including building their own home and buying a property to let.

We launched an exclusive range of mortgages to help local people buy their own home in the North East which have been very popular particularly for borrowers requiring a 95 % LTV mortgage. Whether it's first time buyers taking their first step on the property ladder, supporting existing house buyers move home, or simply helping people save money by re-mortgaging, we are focused on meeting the needs

of our borrowers. We were delighted that our efforts were recognized in the "What Mortgage Awards 2017" when we received the award for Best Regional Building Society.

We believe it's important, for individuals and for wider society, that people are encouraged to save for their future and to plan their finances. Against a backdrop of falling individual savings levels, we have launched a range of regular savings products which include Help to Buy ISA and children's savings accounts with this range set to be expanded further in 2018 so we can encourage everyone to get into the regular savings habit.

In November 2017 the Bank of England increased the base rate from 0.25 % to 0.5 % giving savers the first sign in 10 years that savings rates may start to increase. In advance of the Bank of England announcement we committed to pass on the base rate increase to all of our retail savers with variable rate savings accounts, which was very positively received by customers.

Our financial advice subsidiary, Newcastle Financial Advisers Limited (NFAL), gives customers financial advice regardless of how much they have to invest. NFAL has a significant and growing level of funds under management for people in the region, and continues to invest in growing local financial adviser talent to meet a customer preference for face-to-face service. The subsidiary increased income and profits in 2017 and scores highly for customer satisfaction (currently at 98 %). It has been particularly appreciated in areas of our region that have experienced loss of ongoing service from other providers of financial advice.

We are committed to our heartland area and continue to invest in a modern High Street branch network that is fit for the future and designed around the needs of our customers. Darlington branch was relocated to a facility that provides a greatly improved environment for our customers and colleagues, including more private meeting spaces to discuss financial matters with ease. Durham branch also has a new location, providing modern premises and facilities for our customers. Further plans are in place to invest in the relocation or refurbishment of our Carlisle and Berwick branches, which we expect to be completed in 2018.

Reflecting our strategic focus on our North East heartland, during the second half of the year we made the difficult decision to close our two geographically outlying branches - Dumfries closed in September and Gibraltar closed in October. We have plans to upgrade all of our remaining branches, which have not already been refurbished, over the next 2-3 years.

SUPPORTING OUR COLLEAGUES

In 2017 we were delighted to be awarded Investors in People – Gold status. This recognises our commitment to leadership development, our genuine involvement with local communities, our values and behaviours, and our investment in colleague engagement and communication, all of which are driving positive change across the organisation.



Achievement of Gold Investors in People Status



1057

First-Time Buyer mortgages up 50 % from 2017



98 %

Financial advice customer satisfaction



Amount of grants awarded

In 2017 we were delighted to become one of a handful of companies within the region to be awarded Investors in People – Gold status.

Colleagues celebrated our Gold IIP Award outside our Head Office.



We have made significant progress towards our goal to make the Society a great place to work, where people can realise their potential. In 2017 we completed a major review of our pay and grading structures so we can ensure we have fair remuneration, competitive packages and all staff have a clear understanding of their roles. This was aligned with an extensive job evaluation exercise which will ensure we have the right pay and grading structures in place to attract and retain talent. This process will continue in 2018.

Part of our purpose of “Connecting Communities in the North East with a Better Financial Future” is delivered through the manner in which we support our colleagues in planning their own future. We were therefore very pleased to announce improved pension contributions for over 500 colleagues going into 2018. A corporate bonus was awarded to colleagues in relation to 2017 performance, which ranged from 0% to 6% of salary, with the majority of colleagues being paid 3%.

In 2017 we were officially accredited by the National Living Wage Foundation as a Real Living Wage employer. This goes further than the Government’s national minimum wage. Real Living Wage Rates are independently calculated and are the only UK rates based on real living costs.

We have continued to invest in our Academy programme for financial advisers, which provides a professional training programme leading to qualified adviser status. Four new internal recruits joined the programme this year. Investing in our talent through this type of opportunity is core to our ongoing commitment to provide accessible, face to face, affordable financial advice for people across our region.

We also increased our investment in nurturing regional talent with the launch of our first ever apprenticeship programme. Five apprentices aged between 17 and 24 joined us to undertake a 12 to 18 month training and development programme resulting in a nationally recognised qualification. This supplements the student placement and undergraduate training programmes that we have already operated for many years. We plan to expand the apprenticeship programme in the years ahead.

SUPPORTING OUR COMMUNITIES

As a customer-owned business, supporting our communities and helping them make positive changes is part of our purpose. Since the launch of our Community Saver accounts, which generate a Society donation to the Newcastle Building Society Community Fund at the Community Foundation, we have provided grants to help local community groups continue, or enhance, their delivery of valuable local services.

In 2017 we awarded £133,823 in grants to 76 charities and community groups, positively impacting an estimated 74,000 people across the North East region. From lunch clubs for the socially isolated, to a talking newspaper for the blind, and the provision of new children’s toys for a local community play group, we have been privileged to play our part in creating a better outcome for a number of communities across the North East and Cumbria.

We have also continued to support the North East-based cancer research charity, the Sir Bobby Robson Foundation through our charity-linked savings accounts, and this year reached an impressive £2.5m in donations since the fund first started. Our support to the Sir Bobby Robson Foundation, combined with the contribution to the Community Foundation to

build up the endowment for the Community Fund saw total charitable giving of £770,000 or 6% of our profit before tax.

Our financial education programme continues to deliver memorable opportunities for primary school children, the basis of which is a six week classroom based course of lessons all about money - delivered by our branch staff. The culmination of the programme is the Boardroom Charity Challenge which asks young participants to develop business ideas that will benefit their local community while making a profit. Our 2017 winner was Throckley Primary school in Newcastle.

This programme is supplemented by an ongoing, region-wide series of ‘BIG Talks’ which provide a review of developments in pensions, investments and protection. This year we supplemented our ‘BIG Talks’ with First Time Buyer information events for those who are new to the process of buying a home.

Our colleague volunteering policy encourages all our colleagues to spend two days volunteering to support a range of charities and groups based in our local communities. Colleagues have supported more than 70 causes this year.

SUMMARY

I am very pleased with the Society’s progress in 2017 which balances the need for a strong financial performance with investing in the products and services we provide for customers both now and for the longer term.

I would like to thank our colleagues for their fantastic contribution in 2017 and our Members for their ongoing support. While there may be economic uncertainty from global factors outside of our control and it is likely the UK mortgage market will continue to be extremely competitive in 2018, we are well placed to continue our progress in the year ahead.

Regardless of the economic backdrop we will be true to our purpose of “Connecting Communities in the North East with a Better Financial Future”, encouraging people to save and plan their finances and helping people own their home. We will strive to be a great place to work where our staff can achieve their potential and help our communities make positive changes.

ANDREW HAIGH
CHIEF EXECUTIVE
27 FEBRUARY 2018



Overall customer satisfaction



£770k

Total charitable contributions, 6% of profit before tax



1,000+

employees

76

Number of charities awarded a grant



Working to help our communities make positive changes

As the largest building society based in the North East, we continued with our drive to support our regional communities. Our Community Fund continues to go from strength to strength, and our colleague volunteering programme more than doubled, benefiting more local people than ever before.

Growing Grants

Following on from our successful launch of the Newcastle Building Society Community Fund at the Community Foundation in 2016, we have grown our grant impact almost seven times over during 2017.

In 2017 we awarded £133,823 in grants to 76 charities and communities across our heartland region. Here are some of the local community projects which received a grant.

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 in the North East & Cumbria, please see our website: newcastle.co.uk/community or visit your local branch for more information.



Pelton Fell Community

Eric Brown, a customer at our Chester-Le-Street branch, nominated Pelton Fell Community Partnership for a £3,000 grant to help ensure the partnership can continue to run a wide range of activities for children on a weekly basis. Sessions are designed to give children the chance to experience various activities which might not otherwise be accessible to them. Activities offered range from cooking and art and crafts, through to life skills advice and support.

Tea Dancers Whitley Bay

Whitley Bay Tea Dance Club committee received a £1,760 grant, which secured the hire of the Masonic Hall for the weekly tea dance for the next 12 months, after being nominated by Newcastle Building Society customer Julia Ashley. The Whitley Bay Tea Dance Club attracts around 40 people from across the local area to its weekly dance sessions. Plans are also afoot to host a "Beginners Ballroom" and a "Celebration Dance" event for the public.



Tees Valley Wildlife Trust

Tees Valley Wildlife Trust is working with the Friends of Linthorpe Cemetery in Middlesbrough to use their grant of £1,330 to enhance a patch of land near the cemetery's baby memorial area. Rachel Murtagh, a customer at our Yarm Library partnership branch successfully nominated the Trust, who actioned their landscape renovation plans in August. The flowers will bloom this Spring.



Talkin Tarn

A grant of £2,410 helped Talkin Tarn Amateur Rowing Club to purchase a new boat to hold 'Learn to Row' courses, giving both adults and juniors the opportunity to give rowing a try. David Bailey, a customer at our Penrith branch successfully applied for the grant after first taking part in Talkin Tarn 50 years ago and re-joining the clubs senior section in 2013.



Men In Sheds

Customer, William Jeromson, Treasurer of the Men In Sheds South Tyneside Group, has helped secure a £2,571 grant to buy the group a range of new tools. The group provides a fantastic environment for members to use and develop their practical skills or simply chat to others over a cup of tea whilst working on a piece of furniture.



Annie Mawson's Sunbeams Music Trust

Annie Mawson's Sunbeams Music Trust has been working for the last 25 years to improve the health and well-being of people with special needs through music. After being nominated by customer, Michael Lawson-Johnson, the Trust was awarded a grant of £2,768 to plant dozens of apple trees on site in Cumbria in the Spring.

Sir Bobby Robson Foundation

In 2017, we were delighted to surpass the £2.5m mark in donations to the Sir Bobby Robson Foundation. Our funding commitment to the charity will continue but will now be made through the Newcastle Building Society Community Fund at the Community Foundation. The Sir Bobby Robson Foundation funds cancer research projects within the Newcastle Upon Tyne Hospitals NHS Foundation Trust.



The Boardroom Charity Challenge

Through our ongoing Financial Education programme and the Boardroom Charity Challenge, we've educated over 2,000 children in schools across our heartland about the importance of managing money and becoming more financially independent later in life. Throckley Primary School were this year's winners, securing the £1,000 prize to host a carnival this summer to raise money for the Batten Disease Family Association.



Community Award Win

We were thrilled to receive recognition for the ways we support our communities when we won the Mortgage Finance Gazette 2018 award for Community Service in the Medium to Large Lenders category. This commended our Society for the work undertaken through the Newcastle Building Society Community Fund at the Community Foundation, our volunteering programme, the Boardroom Challenge and our Big Talk Seminars.



Volunteering - West End Food Bank

During 2017 our colleagues supported Newcastle West End Foodbank with 51 days (357 hours) of volunteering, which they spent stacking and packing food boxes in the warehouse, and helping serve food in the collection centre.



Supporting First Time Buyers

In 2017 we helped over 1,000 people take that important first step onto the housing ladder.

Our support of national schemes such as the popular Help to Buy Equity Loan Scheme, and the fact that we offer borrowing to those with a smaller deposit (starting at 5%) have all played a part in helping more people to own their own home. For those aspiring to buy their first home, our Help to Buy: ISA helps them get into the savings habit and provides a valuable Government financial contribution when they go on to buy a home.



Saving benefits communities

Saving little and often is core to securing a better financial future.

Saving with our Newcastle Community Saver account provides a competitive rate on an easy access account with an added benefit – every £1 you save helps communities across the North East and Cumbria. The Society donates the equivalent of 0.1% to help our communities make positive changes. See pages 12 to 14 for how we are making a difference with the donations, made possible by all the customers that hold a Community Saver Account. Thank you!

Supporting our savers

In November 2017, the Bank of England's Monetary Policy Committee increased the base rate from 0.25% to 0.5%.

As part of our commitment to supporting our savers, we were one of the first to announce that we would be passing on the rate rise – in full – to all of our individual variable rate savings customers.



Remortgaging option for families

The number of home owners remortgaging is increasing.

Whether you want to to save money on your repayments, secure a fixed rate mortgage deal, release capital from your property or to help a younger family member save for a deposit for their first home, one of our mortgage advisers will be happy to discuss and advise all the remortgage options available to you.

To find out more call into your local branch, call us on: **0345 606 4488** or visit: www.newcastle.co.uk



STUART DODSON
MANAGING DIRECTOR
NEWCASTLE FINANCIAL
ADVISERS LIMITED



Financial Advice should always be personal

Professional financial advice, provided face to face is getting harder to come by.

Newcastle Financial Advisers was established for you by Newcastle Building Society, to provide face to face, convenient and affordable access to a network of advisers who are based in our branch network. We're delivering a future where people across our heartland can continue to access financial advice, face to face and on their doorstep.

The banks are deserting many of our high streets, branch closures and the withdrawal of services has accelerated. Unfortunately at a particularly critical time, the financial landscape is increasingly complex. Pension freedoms bring personal choices and the responsibility of decision making. Meanwhile, investments need ongoing assessment, evaluation, and adjustment in light of wider market changes. Technology can be great. But trusting faceless online advice to make long term, life changing financial decisions on your behalf, is a step too far for many.

We are committed to finding talent and providing structured industry training via our Academy programme, ensuring our next generation of financial advisers have the skills to provide expert advice.

If you're looking for face to face financial advice, contact our Support Team on **0345 600 4330** to make an appointment.

Grassroots investment

The UK is facing a shortage of financial advisers. Our response is to invest in a grass roots programme to select and develop our own talent.



Our Academy financial adviser training provides a professional training programme leading to qualified adviser status. Creating the financial advisers of the future is an investment we think well worth making.

What you say about us

Feedback is very important to us, particularly from customers who have taken up our Ongoing Service; a key part of our financial advice offer.

An essential element of good financial planning is being able to regularly review performance to ensure plans stay on track to meet financial goals and objectives. Customers value this service, and feedback from our Ongoing Customer Service survey placed overall satisfaction at 95%.

We're pleased to see that 81% of our Ongoing Service customers would recommend our service. We are always humbled when customers recommend us to their nearest and dearest, we feel it speaks volumes about the friendly and straight forward service we provide.



KEN HINES
COMMUNITY
DEVELOPMENT
SPECIALIST



BIG talks in your Community

Our regular financial seminars have now become our BIG Talks on Investments. Taking place across our heartland area throughout the year, BIG Talks are relaxed and informal events that help you to 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!

Every year we run around 50 BIG Talks across our heartland in a variety of locations.

We look forward to seeing you there.



Interested in coming along?

Here is a list of our upcoming BIG Talks:

Wednesday 2nd May 2018

Durham Marriott Hotel, Old Elvet, Durham

Wednesday 9th May 2018

St James' Park, Newcastle upon Tyne

Tuesday 15th May 2018

Linden Hall Hotel, Longhorsely

Wednesday 16th May 2018

Consett AFC, Delves Lane, Consett

Wednesday 23rd May 2018

Jury's Inn, Middlesbrough

Wednesday 6th June 2018

Newbiggin-by-the-Sea Maritime Museum Centre, Northumberland

Wednesday 13th June 2018

Marshall Meadows, Berwick Upon Tweed

Wednesday 20th June 2018

Little Haven Hotel, River Drive, South Shields

Wednesday 27th June 2018

Grand Hotel, Grand Parade, Tynemouth

To book your place, or see a full list of dates, please visit: 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.



Notice of AGM

Notice is given that the AGM of Members of Newcastle Building Society will be held on Wednesday 25 April 2018 in the Bamburgh Suite, St James' Park, Newcastle United Football Club, Newcastle upon Tyne NE1 4ST at 1.45pm prompt, for the following purposes:

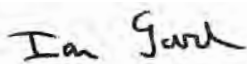
Ordinary Resolutions

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

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

By order of the Board



IAN GOOD
GROUP SECRETARY
27 FEBRUARY 2018

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/aggm
2. You must vote online by **5pm on Friday 20 April 2018**. 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 Friday 20 April 2018**.

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 25 April 2018**.
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 2017 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 2017. 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 2017 Annual Report and Accounts.

Voting on the Report and Policy

At the 2018 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.

It is intended that a vote on Policy will take place on an annual basis unless the approved Policy remains unchanged – in which case we will propose a similar resolution at least every three years, in line with the requirements for listed companies. We intend that voting on the Report will continue to take place on an annual basis.

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, with the exception of Mrs. A.M. Russell who is standing down as Deputy Chief Executive and Finance Director at the end of 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. All of the Directors have been subject to a formal annual appraisal and are considered to be effective.

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.

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 37 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. ANGELA RUSSELL DEPUTY CHIEF EXECUTIVE AND FINANCE DIRECTOR

Angela is a Fellow of the Institute of Chartered Accountants and a Certified Public Accountant with 29 years' experience in finance in the UK and abroad. She has worked in a variety of positions covering finance, risk, audit, project and corporate planning roles. After 17 years Angela will step down from the Board after April's AGM.

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 18 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. 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.

7. RICHARD BOTTOMLEY OBE NON-EXECUTIVE DIRECTOR

Richard is a Fellow of the Institute of Chartered Accountants and in 2010 was awarded an Order of the British Empire for services to the Accountancy Profession and Business in the North East. His professional career has spanned over 30 years and he has experience in corporate finance and strategic planning.

8. 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.

9. 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.

10. KAREN INGHAM NON-EXECUTIVE DIRECTOR

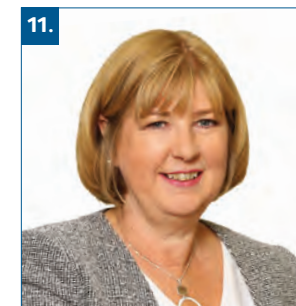
Karen has an extensive customer services background within the consumer sector and is extremely people and customer focused. She is currently Senior Operations Director for Europe, Middle East and Africa at Expedia Inc.

11. 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.

12. 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.



Summary Directors' Remuneration Report

This report summarises the Society's approach to pay for the period 1 January to 31 December 2017. It sets out the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Society. This summary is split into three main sections; the Statement by the Chairman of the Remuneration Committee, the Report on Remuneration and the Directors' Remuneration Policy. A full version of each section can be found in the 2017 Annual Report and Accounts.

i) STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Remuneration Committee operates within the Terms of Reference (TOR) agreed by the Board. The TOR are reviewed annually and were last reviewed on 28 November 2017. The effectiveness of the committee is also reviewed on an annual basis and was last reviewed, and found effective, on 28 November 2017.

The Board believes remuneration should be sufficient to attract, retain and motivate senior managers to continue to run the Society successfully, whilst avoiding paying more than is necessary for this purpose. The Remuneration Policy, therefore, focuses on rewarding our most senior 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. No major structural decisions or changes relating to directors' remuneration were made during 2017. A Group wide pay and grading exercise was undertaken during 2017 however, the Remuneration Committee has not yet implemented any changes to Executive Directors' remuneration as a result of this exercise.

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 and Karen Ingham. The Chairman and Chief Executive (except for items relating to their remuneration) also attend meetings but are not members of the Committee. The HR Director 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 2016 and 31 December 2017 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 86 and 87 of the 2017 Annual Report and Accounts. None of the current Executive Directors retained any remuneration as a result of their non-Society positions.

iii) DIRECTORS' REMUNERATION POLICY

The Society's Remuneration Policy is designed to provide competitive remuneration packages that attract, retain and reward our senior team, to deliver business objectives in support of the Society's strategy whilst providing value for Members. The Society's Remuneration Policy does not include significant performance-related variable remuneration.

In implementing the Policy, the following key principles are 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 are detailed below:

	Year	Salary or fees	Other benefits	Annual bonus (Note 1)	Pension contributions to defined contribution scheme (Notes 2 and 3)	Total contractual benefits
		£000	£000	£000	£000	£000
Executive Directors						
AS Haigh - Note 2	2017	293	40	9	-	342
	2016	269	37	8	-	314
AM Russell - Note 3	2017	191	26	6	2	225
	2016	186	15	6	12	219
P Ferguson	2017	139	10	4	13	166
	2016	135	10	4	12	161
D Thompson - (Resigned 24 April 2017)	2017	53	10	-	4	67
	2016	58	7	-	5	70
Total for Executive Directors	2017	676	86	19	19	800
	2016	648	69	18	29	764
Non-Executive Directors						
PJ Moorhouse	2017	68	-	-	-	68
	2016	66	-	-	-	66
RJ Bottomley OBE	2017	41	2	-	-	43
	2016	39	2	-	-	41
DJ Buffham	2017	54	-	-	-	54
	2016	50	-	-	-	50
K Ingham	2017	39	-	-	-	39
	2016	37	-	-	-	37
RJ McCormick - (Retired 26 April 2017)	2017	17	1	-	-	18
	2016	53	1	-	-	54
J Morris	2017	50	2	-	-	52
	2016	49	2	-	-	51
IW Ward	2017	47	1	-	-	48
	2016	43	1	-	-	44
BP Glover - (Appointed 11 August 2017)	2017	15	1	-	-	16
	2016	-	-	-	-	-
A Laverack - (Appointed 17 July 2017) (Business name: Anne Shiels)	2017	18	-	-	-	18
	2016	-	-	-	-	-
Total for Non-Executive Directors	2017	349	7	-	-	356
	2016	337	6	-	-	343
Total for all Directors	2017	1,025	93	19	19	1,156
	2016	985	75	18	29	1,107

Notes:

1. The Society's Executive Directors participate in the Group's annual Corporate Bonus Scheme. The annual corporate bonus is determined based on achievement of the current year's corporate KPIs. There is no consequent deferral of the bonus payment or vested element.
2. Mr AS Haigh has elected to take his pension contribution amounting to £26,690 as a cash payment. He is liable for his own tax and national insurance contributions on this payment.
3. Mrs A M Russell has elected to take a proportion of her pension contribution amounting to £15,504 as a cash payment.

REMUNERATION FOR EXECUTIVE DIRECTORS

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

Basic salary - Reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual. Increases to base salary are determined annually by the Committee taking into account individual performance, the scope of the role, pay levels of comparable organisations and pay increases elsewhere in the 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. The maximum potential Society contribution to pension is 9 % of basic salary.

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.

Short Term Incentive Scheme - Performance measures and targets are set on an annual basis and are measured over the financial year. Payment is made in cash, after performance has been assessed, at the discretion of the Committee. The Committee determines the maximum incentive. Bonuses are paid as a percentage of basic salary and are based on the annual assessment rating of each individual. A corporate bonus payment of 3 % of base salary has been awarded to Executive Directors in relation to 2017 performance.

The performance measures considered by the Remuneration Committee in respect of the Corporate scheme are delivery of the Corporate Key Performance Indicators (KPIs) which include financial, service level, and customer satisfaction targets. There was no deferred remuneration during 2017. As the Society's Remuneration Policy does not include significant performance-related variable remuneration, no formal ratio between fixed and variable remuneration is relevant.

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. The review takes into account fees paid by comparable financial services organisations.

Additional fees - 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. Reimbursement of travel and subsistence expenses are presented in other benefits.

Non-Executive Directors do not have service agreements. Non-Executive Directors are appointed for an initial three year term. They will generally be expected to serve more than one three year term. All of the Society's Directors volunteer for annual re-election.

CONSIDERATION OF MEMBER VIEWS

The Committee does not consult with the Society's Members on its Executive Remuneration Policy but takes into account feedback given by Members. The Committee has for a number of years, invited Members to vote on the annual remuneration report, and Members have always voted in favour.

In 2014, the Society voluntarily elected to adopt some of the changes to remuneration reporting that apply to UK listed companies and one of the factors that the Committee took into consideration was the opportunity to give Members a chance to vote on the Society's Remuneration Policy. Members voted and gave their support (89.35 % voted to approve the policy with 18,145 votes for, 2,163 against and 539 withheld) to the policy in April 2015 which took immediate effect.

In accordance with the Code, the policy will be put forward for vote again in 2018. Member approval was given to the 31 December 2016 Directors' Remuneration Report (90.99 % approval with 16,143 votes for, 1,599 against and 329 withheld) in April 2017.

JOHN MORRIS

CHAIRMAN OF THE REMUNERATION COMMITTEE
27 FEBRUARY 2018

For the year ended 31 December 2017

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 16 March 2018. This information is also available online at: www.newcastle.co.uk/agm2018

SUMMARY DIRECTORS' REPORT

The requirements of the Summary Directors' Report for the year ended 31 December 2017 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 27 February 2018

PHIL MOORHOUSE, CHAIRMAN

RICHARD BOTTOMLEY, CHAIRMAN OF THE AUDIT COMMITTEE

ANDREW HAIGH, CHIEF EXECUTIVE

GROUP RESULTS FOR THE YEAR

	2017 £m	2016 £m
Net interest receivable	29.1	27.1
Other income and charges	28.7	27.4
Gains less losses from financial instruments and hedge ineffectiveness	0.1	0.1
Administrative expenses and depreciation	(45.8)	(42.7)
Operating profit before impairments, provisions and exceptional items	12.1	11.9
Impairment charges on loans and advances to customers	(0.2)	(3.2)
Provisions for liabilities and charges	(1.0)	(0.6)
Exceptional gain on purchase of Cobalt Offices	2.2	-
Profit for the year before taxation	13.1	8.1
Taxation expense	(2.2)	(2.0)
Profit after taxation for the financial year	10.9	6.1

GROUP FINANCIAL POSITION AT THE END OF THE YEAR

	2017 £m	Restated 2016 £m
Assets		
Liquid assets	789.8	776.5
Mortgages	2,692.7	2,548.2
Fair value adjustments for hedged risk	206.2	233.8
Other loans	14.6	15.6
Derivative financial instruments	4.9	6.5
Fixed and other assets	53.9	38.7
Total assets	3,762.1	3,619.3
Liabilities		
Shares	2,788.5	2,709.2
Fair value adjustments for hedged risk	1.6	5.2
Borrowings	504.6	398.4
Derivative financial instruments	210.2	234.3
Other liabilities	15.4	16.1
Subordinated liabilities	25.0	50.0
Subscribed capital	30.0	30.0
Reserves	186.8	176.1
Total liabilities	3,762.1	3,619.3

SUMMARY OF KEY FINANCIAL RATIOS

	2017 %	Restated 2016 %
Gross capital as a percentage of shares and borrowings	7.36	8.24
Liquid assets as a percentage of shares and borrowings	23.94	24.99
Profit for the year as a percentage of mean total assets	0.29	0.17
Management expenses for the year as a percentage of mean total assets	1.24	1.21

Restated figures reflect retrospective application of the Group's accounting policy, as revised in 2017, to derecognise defined benefit pensions surpluses from the balance sheet. 2016's previous £2.6m and associated deferred tax liability of £0.4m have both been restated to nil.

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 2017, 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.

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 Report and Accounts.

OPINION

In our opinion the Summary Financial Statement is consistent with the full Annual Report and Accounts of Newcastle Building Society for the year ended 31 December 2017 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
27 February 2018